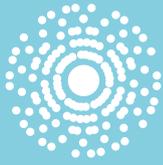




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Scaling-up Investment in African Agriculture and Food Systems



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Preface



By designating 2014 as the Year of Agriculture and Food Security, the African Union (AU) focused attention on our continent's biggest challenge and most important industry. Without transforming agriculture, Africa's ambitions can't be met. But the AU's decision was also a gamble. Agriculture's critical role in the continent's future meant there would be real disappointment if good intentions failed to deliver positive action.

The good news is that Africa's leaders, the private sector, civil society and international partners have all risen to the AU's challenge. Measures have been put in place to drive improvements along the entire food chain. The AU's Malabo summit saw bold commitments to end hunger by 2025 with a rigorous review process to ensure this target is met.

These important steps build on remarkable progress in recent years. Agricultural investment in Africa has more than doubled in the last decade as governments recognised the rewards in increased productivity, improved social stability and stronger economic growth.

Infrastructure investment is also on the rise, reducing the chances of increased harvests being wasted through poor storage or inadequate transport. Technology is improving seed varieties and advancing farming techniques and access to finance and information, including reliable weather forecasts.

But while this momentum and the Malabo commitments fuel optimism, there is no room for complacency. The continent's population is expected to double by 2050 yet hundreds of millions go hungry today. Africa spends USD \$35 billion importing food, but with 65 per cent of the world's arable land, could feed itself and grow surpluses to export.

The urgent challenge is to remove the remaining barriers preventing Africa from realising this potential. This is the focus of our report which identifies both successes to be scaled up and areas where rapid reform is needed.

They include promoting land tenure security, a greater emphasis on climate-smart agriculture and harnessing the latest science advances to improve the nutritional value of crops, including those neglected but important local staple crops. By strengthening farmers' organisations and harnessing the full potential of mobile communications and digital platforms, we can put more power and information into the hands of farmers and small-scale agri-businesses.

More effort must also be made to improve regional trade in agricultural products while urgent action is needed to support women farmers and create a new generation of young agro-entrepreneurs. Investment is needed in skills and to mechanise farming which is rightly seen, too often, as back-breaking work for little reward.

We need a uniquely African green revolution. It must shift agricultural production decisively from subsistence farming to profitable businesses. Smallholder farmers must be at its heart, but there must also be a place for larger enterprises. Private and public investment must be stimulated together with the engagement of civil society from within and outside Africa.

Just as the AU hoped, the momentum has been created to transform agriculture across our continent. It is now up to everyone, working together, to deliver the green revolution we need. I hope this report can play its part in delivering this ambition.



KOFI ANNAN
Former Secretary-General, United Nations
Chair, Kofi Annan Foundation

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About the Kofi Annan Foundation

The Foundation is led by Nobel Peace Prize laureate and former Secretary-General of the United Nations Kofi Annan. It is an independent foundation under Swiss law, based in Geneva, Switzerland. It receives financial contributions from a mix of private and public donors.

Societies are often blighted by short-sighted policies and poor governance which can hinder development and lead to violent conflict. These threats are wholly or largely man-made. Provided there is political will, we already possess the expertise and know-how to overcome these challenges. The Kofi Annan Foundation aims to mobilize the leadership needed to tackle these threats to peace and security, to sustainable development, to human rights and to the rule of law and to help create a fairer, more secure world.

The unique experience of Kofi Annan enables the Foundation to mobilise support from across the worlds of diplomacy, business, politics and development, and, by means of discreet interventions and public advocacy, to help find and deliver solutions to critical problems.

For more information, visit www.kofiannanfoundation.org

About the Meridian Institute

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We accomplish this by designing and applying collaborative approaches, including facilitation, mediation, and strategic consultation to scientific and technical discussion on a variety of topics.

Meridian works at the local, national, and international levels and our work spans a broad array of issues including: agriculture and food security; water quality and quantity; forestry; energy; climate change; natural resource and land use planning; oceans; health; and global stability.

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Introduction

African agriculture and food systems are changing rapidly in positive and exciting ways. That sentiment has been echoed throughout the world as the African Union (AU) observes 2014 as the Year of Agriculture and Food Security and the 10th Anniversary of the Comprehensive Africa Agriculture Development Program (CAADP), the agricultural program of the New Partnership for Africa's Development (NEPAD). The transformations underway have implications for not just Africa but the whole world. Africa has the potential not only to feed itself but also to produce surpluses to help to provide global food and nutrition security, reduce poverty and hunger, and drive economic development.

In the spirit of sustaining momentum, amplifying commitments and accelerating positive transformations that have started to take place in many African countries, the Kofi Annan Foundation hosted a high-level breakaway session at the African Green Revolution Forum (AGRF 2014) in Addis Ababa, Ethiopia on Wednesday, 3 September 2014. This session built on the conclusions and recommendations that emerged from the High-Level Dialogue jointly hosted with the African Union Commission (AUC) in Addis Ababa in November 2013. The session was moderated by Dr. Akinwumi Adesina, Minister of Agriculture of Nigeria. After framing the discussion with a new vision for agriculture in Africa and a summary of driving trends, Minister Adesina focused the discussion on actionable steps that can be taken by all stakeholders in all sectors to help realize the promise of African agriculture and food systems.

The New Face of Opportunity for Africa

The Year of African Agriculture has offered a unique opportunity for African leaders, the private sector, and civil society to reflect on the positive change taking place and make forward-looking commitments to grow further. Multiple countries are demonstrating how to unlock the potential within agriculture and agri-food systems and this ceremonial year has provided a platform to promote visionary leadership and commitments of support amongst African policymakers and investors. The gathering of agricultural leaders at AGRF 2014 further provided a focusing moment, shortly after the AU Summit in Malabo, Equatorial Guinea to discuss translating commitments into action. By supporting a range of enabling mechanisms for business growth along the entire food system in Africa, smallholder farmers, particularly women farmers, rural communities and sustainable agribusinesses of all sizes can prosper.

As success stories propagate, a new vision is emerging in the global dialogue on African agriculture. This vision, above all, is characterized by opportunity. Africa has rich potential to provide food and nutrition security to its population and beyond, reduce poverty, and transform the agri-food system into an engine of economic development. African countries, private sector partners, international investors and other partners are needed to help realize the opportunity that exists.

The new vision reflects a changing narrative for the African agriculture sector. The vision centers on a new face for agriculture in Africa. It is the face of a woman farming. She has a mobile phone in her hand, connecting her with markets and providing access to real-time weather information and financial services. Her work is increasingly mechanized with access to processing facilities thanks to a growing network of roads and power. The new narrative focuses on farming as a business opportunity rather than a subsistence lifestyle, a charity or development program. It features agriculture as an economic engine for rural economies and a stabilizing force for social systems. The narrative includes governments as “innovators”, developing institutions and policies that will incentivize opportunities for market-based solutions. This vision reflects the private sector’s sharply increasing investment in agriculture and services along the entire value chain. It is a uniquely African form of agriculture and an African model of economic and social stability that may look different than its western counterparts.

Imperatives for change

Several trends were identified as indicative of the trajectory for Africa and suggest several imperatives are needed to ensure that present challenges become the opportunities for the future.



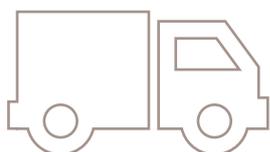
Productivity Imperative

Worldwide, the population is expected to exceed 9 billion by 2050 and ensuring food security and good nutrition will be one of our most pressing challenges. The population of Africa is expected to double to 2.5 billion by 2050. And with this rapidly rising population, the demand for food is increasing even faster. That is due in part to the continent's growing middle class, which is increasing consumption of protein-intensive foods. This means that production of farmed produce and animal feed will need to increase at a rate greater than that of population growth. With an estimated 65% of the world's arable land, Africa has the potential not only to feed itself but also help to provide global food and nutrition security and drive down its own poverty and hunger.



Import Substitution Imperative

Africa spends about \$35 billion on food imports annually. If the demand for food were met from within Africa, this money could be invested back into Africa for education, health, infrastructure and other needs. \$35 billion also reflects a clear market opportunity that exists in Africa for investment in agribusiness. Given Africa's fertile resources, the potential exists to meet this demand for food from within Africa and also produce surpluses. In doing so, this growth can drive economic development in Africa and reshape the global food system.



Investment and Entrepreneurship Imperative

To meet increasing demand, it is necessary to grow the agri-food sector and the entire food supply chain. Post-harvest business, such as storage, processing, delivery and retail markets are key to ensure that supplies reach the consumers and improvements in farm inputs and farming strategies are needed to increase productivity.



The Malabo Declaration: African Commitments to Meet the Challenge

The year of African Agriculture was not in name alone. It prompted an increase in commitments to act on the imperatives for change and realize the opportunity that exists for Africa. Leaders from around Africa came together in June 2014 at the AU Summit in Malabo, Equatorial Guinea, to expand their promises to end hunger



Commitments came from the highest levels of political leadership

The Malabo Declaration reflects commitments from heads-of-state across Africa. Commitments from the top add accountability and confidence that there will be follow-through to ensure that we can realize success on a broad-scale.



The commitments included specific targets, including ending hunger and halving poverty by 2025

The leaders also agreed not to wait until 2025 to see what has been accomplished. After every two years they will review progress against the targets they set.

and cut poverty by investing in agriculture-led development in Africa and reinforce strong national leadership in the CAADP program of NEPAD. These steps showed leadership and vision to drive greater, more sustainable agricultural investments and the partnerships that will help to make that happen. Multi-national investment is also important, but needs to align with African leadership and compliment African-based investments. According to Boaz Blackie Keizire, Head, Division of Agriculture and Food Security, AUC, Malabo was a turning point. In the past, it has been easy to agree on country-level commitments, but ensuring action has been more difficult. In Malabo, several promising elements of the agreements made them different from previous commitments.



The leaders endorsed a results framework to monitor and report progress

In the past, we have not had effective instruments to track progress against our commitments. The leaders asked the AUC to develop a framework and roadmap to track agreed upon indicators of progress toward the goals for 2025. This has the potential to create clear metrics to measure and report performance, and enable mutual accountability among governments, farmers, the private sector, civil society, and donors.

Among other priorities, The Malabo Declaration recognized several key factors as critical to success. Enhancing investment finance in agriculture, intra-African trade in agricultural commodities and the important role of women and youth were included as critical to realizing the bold goals for doubling agricultural productivity by 2025.

An agenda for action

Commitments to lead from within Africa offer real optimism for the future. Since 2003, dozens of African countries have developed agricultural plans to allocate at least 10% of their national budgets to agriculture in pursuit of the 6% annual agricultural growth advocated through CAADP. Country-led efforts have driven-up public agriculture expenditures across Africa, more than doubling in the last 10 years. These investments in agriculture and food systems are contributing to economic growth, employment and security in certain regions of Africa but they are not adequate. The Malabo commitments show that we are on the right track but challenges continue to stymie efforts to scale the successes and maintain momentum. It takes all stakeholders coming together to fulfilling Africa's agricultural potential and step-up efforts to execute on our commitments at the highest levels of the public and private sectors.

Engaging all sectors was a key theme in the break-away session in Addis Ababa at AGRF 2014. A panel of representatives from government, civil society, farming organizations and the private sector offered comments on the needs and opportunities to turn promise into action:

- **Khalid Bomba**
CEO, Ethiopian Agricultural Transformation Agency
- **Dyborn Chibonga**
CEO, NASFAM
- **Sipho Moyo**
Africa Director, ONE
- **Michael Mack**
CEO, Syngenta International AG
- **Strive Masiyiwa**
Chairperson, AGRA, and Executive Chairman and Founder of the Econet Wireless Group

The panel and meeting participants discussed mechanisms for expanding the agribusiness sector by engaging the strengths of all sectors. They emphasized the message that all stakeholders have a role to play in scaling individual successes across Africa, without leaving behind portions of society, especially the smallholder farmers. Solutions must be inclusive of diverse interests: rural and urban, small and large, private and public, raising the tide for all of Africa.

Specific actions were identified to help meet the bold goals and key challenges ahead.

1

Expand the Food and Agribusiness Sector

The size of the food and agribusiness sector is growing rapidly in Africa. It was roughly a \$10 billion market in 2005 and is expected to grow to roughly \$45 billion in 2030. Government, business and civil society leaders need to work together to jointly strategize how to meet the most pressing needs at a national and regional level and promote a sustainable direction for that growth. Governments and private sector investors can expand public-private partnerships, private-private joint ventures, farming cooperatives, farmers organizations and initiatives that focus on boosting yields, filling critical gaps along the food system value chain, and developing markets.

Participants emphasized the opportunities to catalyze emerging markets and expand applications for Africa's harvest. For example, in Nigeria, Uganda and Kenya, sorghum is being used to replace malt in the brewery industry, for animal feed, as well as for production of ethanol. Further development of processing capacity for value-added products such as edible oils can help to capture more value for African crops such as sunflower, sesame, groundnut and soybean.

Further developing market infrastructure is also a key step in expanding the food and agribusiness sector. The Ethiopian Commodity Exchange for example is promoting increased trade while also meeting the needs and protecting the interests of sellers, buyers and consumers through services such as storage facilities, quality controls, secure payment transfers and transparent pricing.

Farmers make up the largest portion of agriculture's private sector and smallholder farmer continue to have an important role in increasing productivity. With the help of farmers' organizations, cooperatives, estate farms, communications technology, financial services, and other business improvements, smallholders are increasingly building business and risk management skills which help them to expand to meet growing productivity goals and better manage resources. Opportunities to promote smallholders as successful businesses include:

- Civil society and governments can help to foster partnerships between smallholders, commercial farms and large firms in the supply chain to ensure benefits to everyone.
- Collective action can help to reach the millions of smallholders that need training, information and improved business solutions.
- Smallholders can be engaged to supply commercial processing and retail operations.
- Large companies can share access to markets, technology and knowledge to help smallholders increase productivity.

2

Invest in Critical Infrastructure

A shift is underway. Governments are investing in agriculture not because it is the right thing to do, but because it is the smart thing to do. The pay-off is not just increased productivity. Social stability and rural economic growth symbolize significant return on the public investment. The countries seeing the most growth in the food sector are those that have invested in infrastructure. Feeder roads, the electric power grid, telecommunications, and irrigation are examples of common investments that are being made by both public agencies and private investors that have a direct impact on the efficiency of food systems. The Africa Development Bank, World Bank and other international financial institutions have solid programs to help countries support infrastructure investments where there is clear evidence of government commitment.

Given a clear vision at the national level that prioritizes investments in the agricultural sector and puts into place enabling policy, the private sector may also help to invest in the expansion of critical infrastructure systems and services. Seed and fertilizer, markets, storage and processing facilities and appropriate financial instruments such as credit and insurance are also critical to support the development of agri-food businesses

3

Develop Enabling National Policies

To create the enabling environment for robust agricultural productivity growth, governments need to put into place institutions and policies that are far-sighted, can be sustained beyond the tenure of individual elected officials and promote long-term benefit over short-term gains. Specific policy interventions include:

- Implement policies to promote land tenure security, access and transparency. Viable business will not invest in land that they cannot secure. If we want to raise productivity and sustainability we need to ensure security of land tenure in Africa.
- Alignment of relevant regulatory policies to enable regional market development for seeds, fertilizers and other inputs.
- Strengthen civil society institutions so that they can actively participate in national policy dialogues, build bridges across sectors, amplify the voices of underserved populations, mobilize key constituents and hold governments and other actors accountable to their commitments.

- Encourage the creation of farmer's organizations and cooperatives that serve as mechanisms for building capacity long-term and creating transformation at scale. Incentivize market driven solutions to improve farming inputs and fill gaps along the value chain.

In addition to targeted policies, national governments are key to creating an overall healthy democratic society, a fundamental underpinning needed for successful economic development. Investors will not invest in an unstable society without rule of law and consistency of policy. Peace and stability, inclusive development, rule of law and respect for human rights are key to success.

4

Increase Access to Financial Services

Expanding access to financial services such as credit, insurance and financial saving mechanisms can help farmers of all sizes but particularly those like smallholder farmers that are more susceptible to risk and do not have independent sources of private capital. If a farmer does not have access to financing, then there are no other drivers - higher yields, better nutrition, higher returns, etc. - that can drive good decision making. Financial services can help increase on-farm productivity and development of businesses along the entire food systems value chain by providing a mechanism for managing risks, investing in improved technologies, mechanizing farm systems or expanding a business.

Insurance services help farmers and businesses to manage risks, particularly associated with weather conditions, crop diseases and other unpredictable factors in farming. There are synergies between insurance and credit. With insurance, farmers may be more willing to take on bank loans and banks more willing to give them. Pilot projects could be implemented to test insurance services and access mechanisms that are customized to the needs of African farmers and rural businesses. Additionally, governments and the private sector can help promote these services and remove the constraints that limit availability and access to them. Mobile telecommunications technologies were identified as a particularly effective mechanism for increasing access to lenders and insurance agencies, especially from rural villages.

5

Prioritize Climate-Smart Solutions

Climate change is already impacting weather patterns and growing seasons in Africa and around the world. Its manifestations have significant implications for agriculture and disproportionately impact the poor and most vulnerable. As a result, it is particularly important to design for increasing agricultural productivity in Africa in a way that is resilient and adaptive to climate variability. Climate-smart agricultural solutions can improve food security and farming lifestyles by increasing productivity relative to conventional approaches. Ecologically sound solutions exist but it takes a targeted approach, customized for Africa. To limit further exacerbation of climate change, attempts should be made to reduce greenhouse gas emissions associated with agriculture and explore options like soil carbon sequestration to mitigate rising atmospheric greenhouse gas levels.

There are also tools and services that help farmers to manage risks and build resiliency to climate and environmental variability. For example, weather index-based insurance can help farmers invest in climate-smart technologies to manage agricultural risk and get back on their feet faster after severe drought and weather events. Efforts to develop these products are underway but need to be strengthened, expanded and prioritized. Support from more countries is needed to create broad ownership and uptake.

Examples of climate adaptation measures and mechanisms for “de-risking” climate for farmers include:

- Expand research efforts to help develop climate resilient crop varieties like locally adapted, drought resistant maize seed varieties (such as those being developed in Kenya) and flood resistant rice varieties (such as those in Bangladesh).
- Double the efficiency of “green water” (water in the soil) through ground cover management and agricultural intensification.
- Increase effectiveness of “blue water” (irrigation technology and development of water sources).
- Invest in seeds that are resistant to heat, drought and flood. (Hybrids are available).
- Expand the availability of weather indexed insurance policies and the mobile platforms that enable access.

The challenges of climate change are not just felt on farms. Flooding threatens roads and power supplies, temperature increases threaten storage systems and many other risks exist.



6

Reduce Regional Trade Barriers

Leaders should work to expand regional markets and encourage intra-African food trade by reducing trade barriers within the Regional Economic Communities and among African countries. Progress is being made in UEMOA (the West African Economic and Monetary Union) where a common currency and custom union measures have facilitated intra-African trade efforts. Leaders throughout Africa can take measures to cut tariffs and non-tariff barriers, eliminate transportation cartels, and remove unfair subsidies. Customs requirements can be streamlined to expedite clearance transactions. Regional harmonization of product standards, such as the East African edible oils standards, would help to establish basic quality requirements for goods and create a level playing field for traders and consumers and contribute to a more consistent market environment to incentivize producers, processors and suppliers. Leaders from government and the private sector need to work together to promote regional and sub-regional cooperation to effectively manage times of surplus, foster entrepreneurship and build supply capacity, and establish credible mechanisms for ongoing dialogue between the State and business.

7

Target Opportunities for Youth and Women

The involvement of young people and women in farming and food systems is crucial for the prosperity of all of Africa's nations and people. Women are predominately the face of smallholder farmers and a direct link to the nutrition and health of African families and sustainable lifestyles. Additionally, Africa has the youngest population in the world with increasingly educated youth and a need for growth in job opportunities. The young workforce is eager to engage in innovative and gainful entrepreneurship and the growth of the food system value chain creates promising opportunities. The public sector investment in improved infrastructure and technologies was identified as a catalyst to attract youth. At a time when the labor force is needed in the agriculture sector and unemployment rates are rising, it is a win-win opportunity. Agriculture and food systems must be treated as profitable and viable business to become more appealing to Africa's growing youth and women. Specific steps that can be taken were identified, including:

- Invest in research, vocational and apprenticeship training programs to promote the development of relevant skills in the workforce. Universities and research institutes are key partners with government and the private sector in developing the needs and skills of the agriculture sector.
- Increase investment in mechanization for farming and along the value chain.

- Promote enabling policies that break down barriers to securing land tenure.
- Incentivize entrepreneurial investment in the middle of the food chain to help promote the storage, processing and delivery of agriculture and food products.

8

Improve Access to Information for Better Decision Making and Risk Management

Quality data and information gathering, analysis and dissemination can inform better decision making along the entire value chain, including on the farm. This includes weather projections, market values, soil mapping, insurance and financing rates, demographic data and much more information critical to agriculture and food systems. All sectors of society can help to promote and invest in improving information available and access to it. Partnerships between the public and private sector can play a particularly important role in developing systems that make data more accessible to farmers and other decision makers. Success stories show that mobile communications technologies are proving to be particularly transformative by providing ready access to extension information and banking. Success stories include the M-Pesa, a mobile-phone based money transfer and micro financing service, launched in 2007 in Kenya and the e-Wallet platform in Nigeria, which has revolutionized the way smallholder farmers access much-needed seeds and fertilizer vouchers and reduced corruption. Mobile technology is helping farmers to overcome the limitations of long-distance banking and supports local agribusinesses. Partnerships across sectors are needed to replicate and scale these systems and tools for the benefit of all kinds of businesses.

9

Invest in Applied Research to Double Yields Without Harming the Environment

There is significant research underway to improve agricultural yields but these efforts need to be expanded further in applied ways to help meet productivity goals in a climate-strained environment. High-quality work is underway in areas such as disease resistant crops such as hybrid maize. Developing locally adapted varieties that are also drought tolerant will be increasing important priorities as the impacts of climate change become more extreme. Research is also needed to improve and better manage soil in regions that are already poor and continuing to degrade. Nitrogen fixation techniques, cover crop management and digital soil mapping are examples of the science and research needed to address urgent local challenges. Irrigation technology such as micro-irrigation, and water management, including water recycling, are also critical areas in need of further research and development for African-specific needs and resources.

Conclusions

The time is ripe for concrete action to extend and sustain the positive momentum we see in Africa. Our goal is to create a uniquely African green revolution. Rather than indiscriminately replicating the models of other regions of the world, we learn from the experiences of others - positive and negative - and apply locally adapted solutions for Africa.

In doing so, we need to keep smallholder farmers, many of whom are women, at the center of our system. We do so not to the exclusion of mid and large-size businesses, but by developing mutually beneficial partnerships among parties of all sizes, from all sectors.

In this time of opportunity, it is crucial that we don't get trapped in false choices. It is not about small versus large. We do not need to choose between a path for smallholder farmers versus a path for big businesses, between public investments versus private investments. Rather, we are strengthened by diverse and integrated solutions that can meet the varying needs of communities. We can work in partnership. Governments, civil society and businesses of all sizes have a role to play in achieving the goals of the Malabo Declaration, and feeding the world. Together, we can promote investments that reflect shared risks and shared benefits.

Today, we are creating the policies and programs that are driving transformations in African agriculture. These initial successes become lasting trends and lasting trends will redefine the face of African Agriculture in the future.



