



Feed Africa The Road to Agricultural Transformation in Africa

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DR. CHIJI OJUKWU
Director, Agriculture and Agro-Industries
Department
African Development Bank

Presentation Outline

- I. Why do we need Africa-wide Agricultural Transformation?**
- II. AFDB's Strategic Response**
- III. Implementation Costs and Financing**
- IV. Flagship Initiatives**
- V. Going Forward**



FEED Africa: Agricultural Transformation in Africa

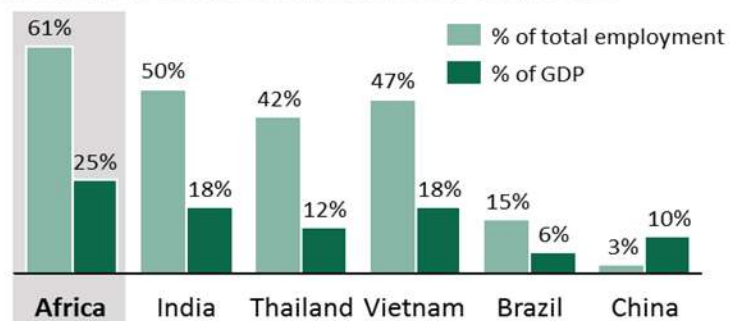
I. Why do we need Africa-wide Agricultural Transformation?



Agriculture remains a major source of income in Africa; however, untapped potential has resulted in persistent poverty and deteriorating food security

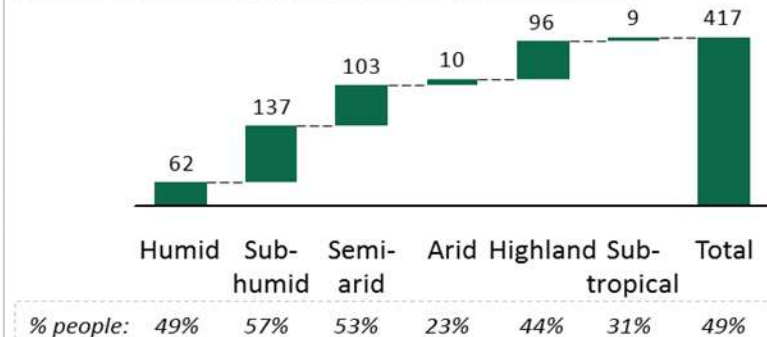
Gap between employment and income...

Agriculture as a share of employment and GDP; % 2014



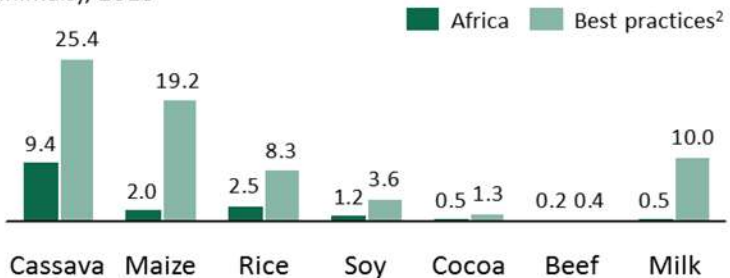
...resulting in widespread poverty.

Millions of Africans living on less than \$1.25/day; 2014



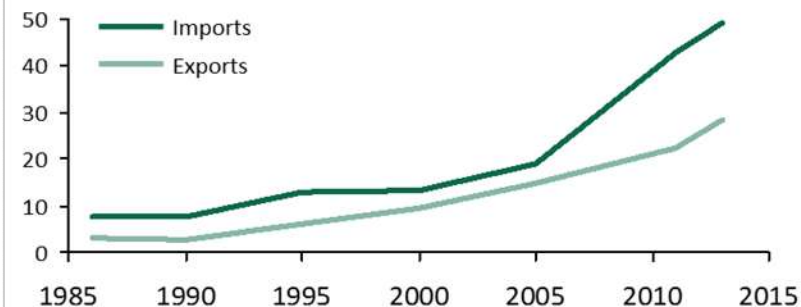
Relatively low productivity...

Average yields across Africa versus best practice²; mT/(hectares or animals), 2013



...and rapidly rising imports.

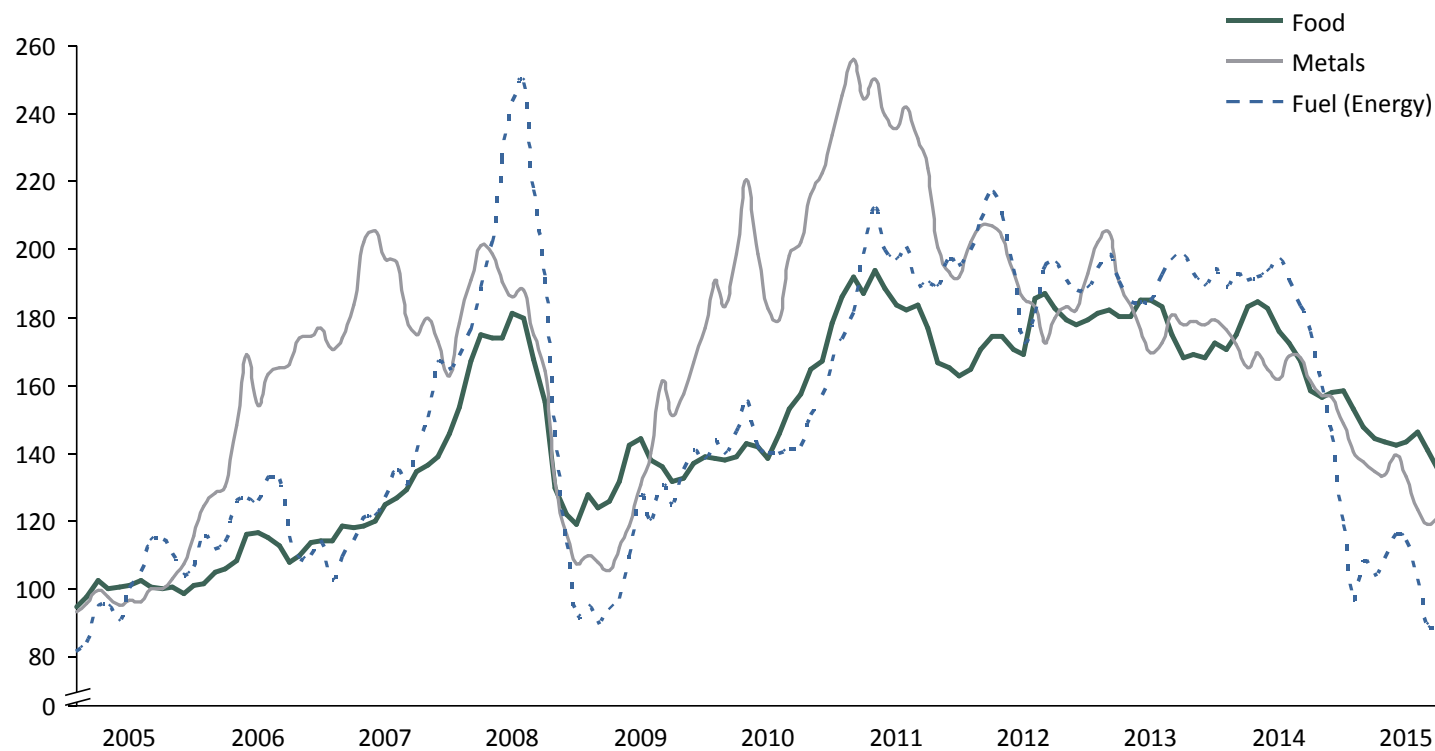
Imports vs exports³; billion USD



Instability in commodity prices is creating an imperative for African countries to diversify sources of foreign exchange earnings

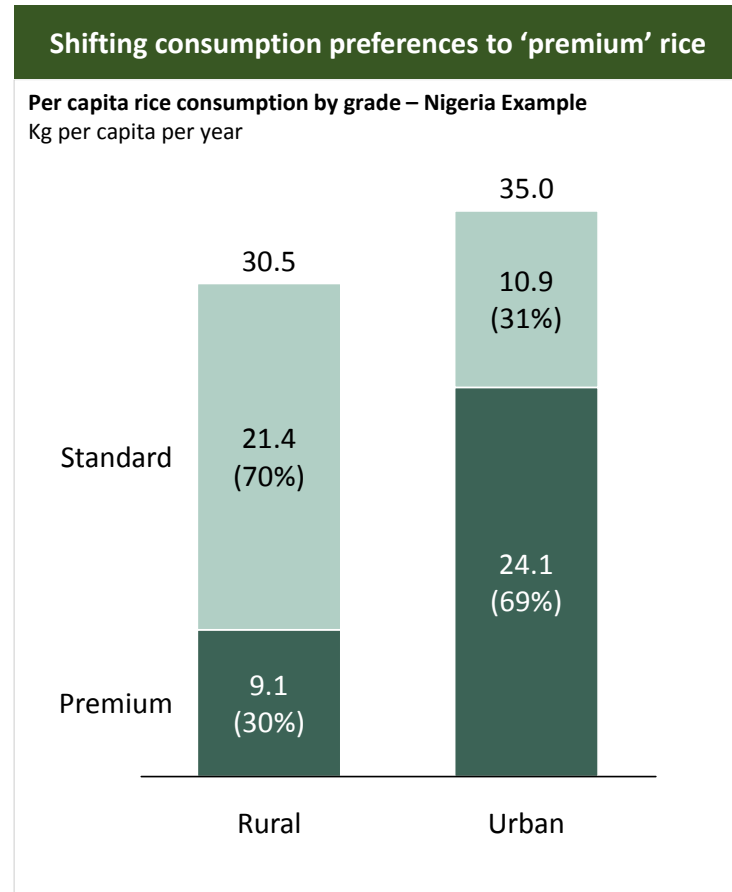
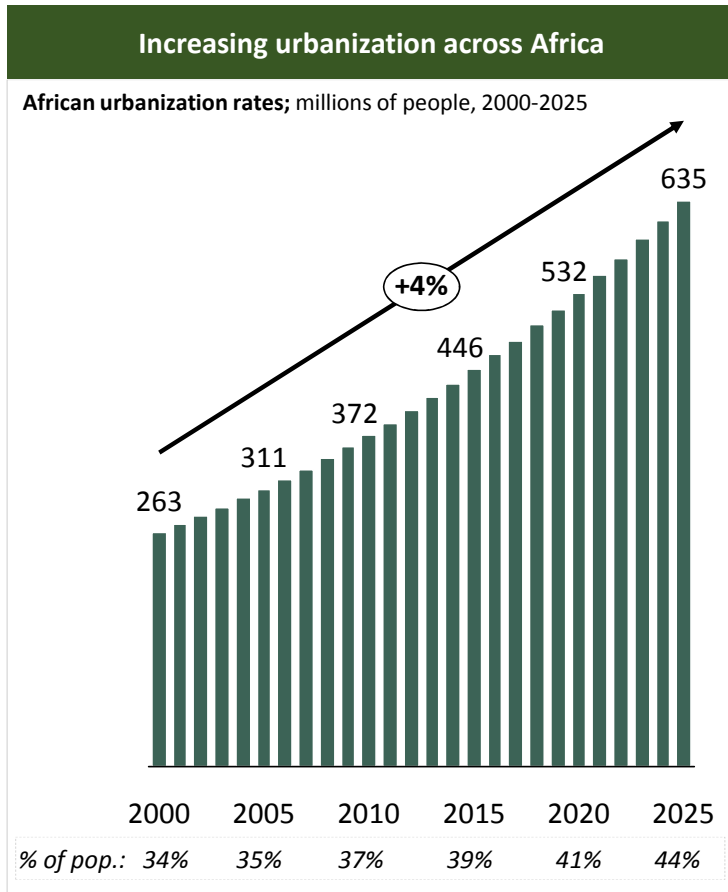
There is a need to diversify sources of economic growth; food commodities are one of the least volatile groups

Commodity price indices; 2005=100, 2005-2015



Source: IMF Primary Commodity Price System

Urbanization is driving increased demand for food products that are not currently being supplied by African producers



Source: IFPRI, Policy options for accelerated growth and competitiveness of the domestic rice economy in Nigeria; World Bank; CGIAR, Technologies for African Agricultural Transformation; Africa Rice Center, The New Rice for Africa – a Compendium; World Bank Data; Dalberg analysis

Barriers Crippling Africa's Agriculture Sector

Under-performing value chains	Limited coordination of <u>research and development</u>	Insufficient utilization of <u>inputs and mechanization</u>	Limited reach of extension to boost <u>on-farm production</u>	Poorly organized post-harvest <u>aggregation and transport</u>	Inconsistent capacity for effective <u>value addition</u>	Poorly developed <u>market linkages</u> and trade corridors
Insufficient infrastructure	Insufficient transport, energy, water, waste and other <u>hard infrastructure</u> , leading to uncompetitive cost structures			Undeveloped <u>soft infrastructure</u> including aging smallholder farmers and a lack of skills for commercial agriculture and agro-allied industries		
Limited access to agricultural finance	Real and perceived <u>risk</u> limiting private sector investment		High <u>service cost</u> due to small deal sizes, lack of credit data, and low capacity in agricultural lending	Limited <u>market attractiveness</u> relative to perceived higher returns outside of the agricultural sector		
Adverse agri-business environment	Unfavorable <u>market access and incentives</u> limiting trade and capacity to produce high-quality products		Ineffective <u>sector regulation</u> creating long lead times for new technologies and inconsistent trade policies	Unsupportive <u>business enabling environment</u> restricting land tenure and general ease of doing business		
Limited inclusivity, sustainability and nutrition	Insufficient <u>inclusivity</u> of women and youth in agricultural development		Limited incentives to ensure <u>sustainability</u> and climate-resilient practices	Limited access and affordability of commodities with high <u>nutrition</u> levels		



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II. AfDB's Strategic Response



AfDB's "High 5" Priorities

The High 5
Le Top 5
for transforming Africa
pour transformer
l'Afrique



-  1. Power and Light Up Africa
-  2. Feed Africa
-  3. Industrialize Africa
-  4. Integrate Africa
-  5. Improve Quality of Life of Africans





FEED Africa: Co-Convening and Co-Developing for Transformation

The Dakar High level Conference on African Agricultural Transformation Agenda



- ✓ **HELD** in October 2015
- ✓ **ATTENDED** by over 600 Ministers of Agriculture and Finance, Central Bank Governors, Development Partners, RECS, Academia and Private Sector
- ✓ **RESULTED** in 4 Goals and 18 Dakar Action Points adopted to transform African Agriculture within the CAADP framework

The imperative for agricultural transformation: Where we are, Goals and Targets

Goals	<p>1 Contribute to the end of extreme poverty</p> 	<p>2 Eliminate hunger and malnutrition</p> 	<p>3 Become a net exporter of agricultural commodities</p> 	<p>4 Move to the top of key agricultural value chains</p> 
Status Today	<p>49% of Africans or 420 million live under the poverty line of \$1.25 per day (2014);</p> <p>Those living in poverty will rise to 550 million by 2025 <u>if we do nothing</u></p>	<p>33% of African children live in chronic hunger;</p> <p>40 million stunted children under the age of 5 years as at today</p>	<p>Staggering food net food import bill of USD 35.4 billion per annum (2015);</p> <p>Net Imports projected to increase to USD 111.0 billion by 2025 <u>if we do nothing</u></p>	<p>Low value addition to agricultural commodities and predominantly primary production;</p> <p>Africa's share in global production of cocoa beans is 73 % vs. 16% share in ground cocoa</p>
Target by 2025	<p>Contribute to alleviating poverty through job creation and providing sustainable livelihoods;</p> <p>~130m lifted out of extreme poverty</p>	<p>Food security for all Africans that are 'undernourished';</p> <p>Zero hunger and malnutrition</p>	<p>Eliminate large scale imports of commodities that can be produced in Africa, and selectively begin to export</p> <p>Africa's net trade balance – \$0 billion</p>	<p>Africa share of market value for processed commodities ~40% (Example for cocoa grinding)</p>



Feed Africa is anchored on the commitments made under the Comprehensive African Agricultural Development Program (CAADP)

Feed Africa

- End extreme poverty by 2025
- Eliminate hunger and malnutrition by 2025
- Make Africa a net exporter of agricultural commodities by 2025
- Move to the top of key agricultural value chains by 2025



CAADP- Malabo Commitments

- *Recommitment to the principles and values of the CAADP process*
- *Recommitment to enhance investment finance in agriculture*
- *Commitment to ending hunger by 2025*
- *Commitment to halving poverty, by 2025, through inclusive agricultural growth and transformation*
- *Commitment to boosting intra-African trade in agricultural commodities and services*
- *Commitment to enhancing resilience in livelihoods and production systems to climate variability and*
- *Commitment to mutual accountability to actions and results*

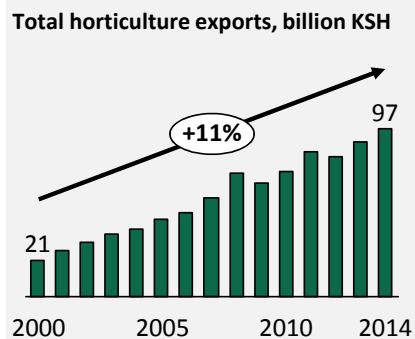
Country-level Transformation is already underway across Africa

Becoming a major exporting player within 10 years



Kenya

Exporting horticulture out of Africa



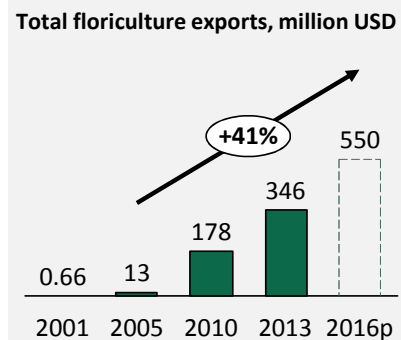
- Strong foreign investor and partner support developing and driving the industry
- Contract farming model used to assure consistent supply
- Political will to support smallholder farmer development

Becoming a major exporting player within 10 years



Ethiopia

Exporting floriculture out of Africa



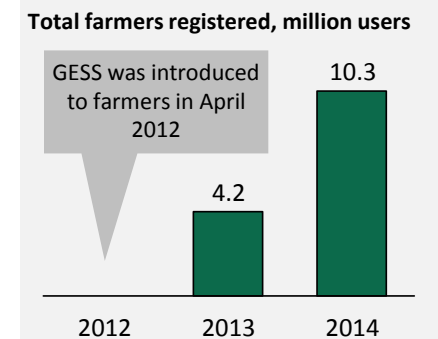
- Ethiopian Horticulture Producers and Exporters (EHPEA) actively managing the sector
- Strong Government support in (1) infrastructure and logistics, (2) access to land, (3) provision of long-term credit and (4) attracting domestic and foreign investors

Improving yields through modernized input distribution



Nigeria

Scale farmer registration and input distribution

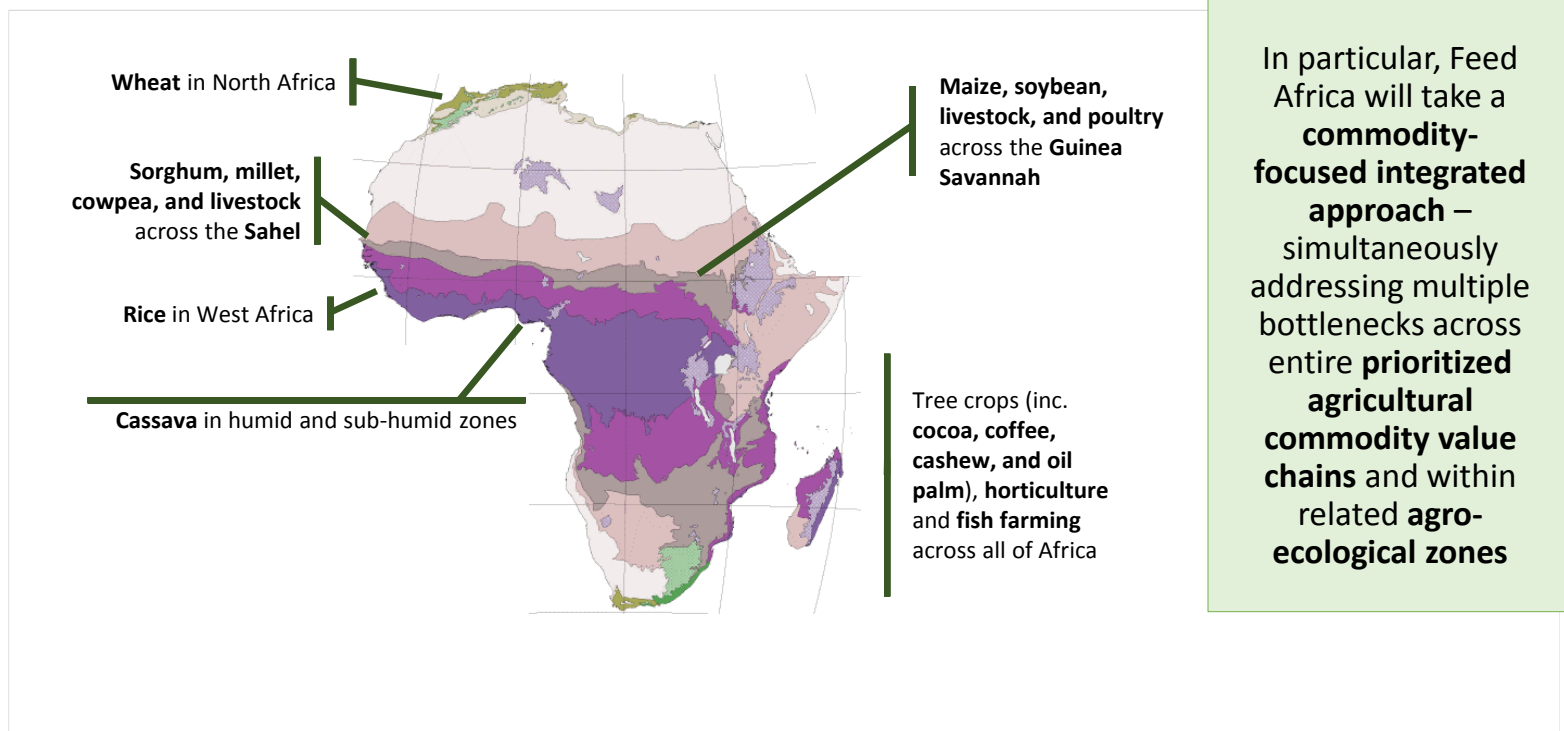


- Strong political will and government support to transform the input supply system
- Use of public funds to leverage private-sector investment (i.e. agro-dealers networks)
- Leverage mobile technology to achieve scale and provide nationwide access



A Focused Approach on Integrated Commodity Value Chains

The Bank and its partners will pursue an agenda to transform a selection of key agricultural commodities and agro-ecological zones



Agricultural commodity value chains and agro-ecological zones targeted by the Feed Africa



The AfDB - in collaboration with partners - will contribute to Orchestrate, Architect, Scale and Replicate Transformation through 7 Enablers

Feed Africa Enablers	AfDB Role				
<p>1</p> <p>Increased Productivity</p>	<table border="1"> <tr> <td data-bbox="583 451 741 610">Orchestrate/ Design</td> <td data-bbox="741 451 1969 610"> <p>TAAT: increase investment into agriculture research and technology dissemination</p> <p>Inputs finance and agro-dealer network development: expand input finance and connect farmers to buyers</p> <p>Mechanization Program: establish facility for on-farm mechanization leasing</p> </td> </tr> <tr> <td data-bbox="583 610 741 748">Scale/ Replicate</td> <td data-bbox="741 610 1969 748"> <p>Develop agro-dealer supply systems</p> <p>Support wide-scale deployment of innovative farmer extension models</p> </td> </tr> </table>	Orchestrate/ Design	<p>TAAT: increase investment into agriculture research and technology dissemination</p> <p>Inputs finance and agro-dealer network development: expand input finance and connect farmers to buyers</p> <p>Mechanization Program: establish facility for on-farm mechanization leasing</p>	Scale/ Replicate	<p>Develop agro-dealer supply systems</p> <p>Support wide-scale deployment of innovative farmer extension models</p>
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<p>2</p> <p>Realized Value of Increased Production</p>	<table border="1"> <tr> <td data-bbox="583 773 741 954">Orchestrate/ Design</td> <td data-bbox="741 773 1969 954"> <p>Post-Harvest Loss Prevention Facility: invest in infrastructure and training to reduce on-farm and post-harvest loss</p> <p>Warehouse receipts systems (WRS): scale WRS as 1st step for commodity exchanges</p> <p>Agro-processing zones and corridors: increase and link production and processing capacity along key corridors</p> </td> </tr> <tr> <td data-bbox="583 954 741 1089">Scale/ Replicate</td> <td data-bbox="741 954 1969 1089"> <p>Scale-up and replicate innovative models to organize and aggregate farmers</p> <p>Establish agricultural commodity exchanges</p> </td> </tr> </table>	Orchestrate/ Design	<p>Post-Harvest Loss Prevention Facility: invest in infrastructure and training to reduce on-farm and post-harvest loss</p> <p>Warehouse receipts systems (WRS): scale WRS as 1st step for commodity exchanges</p> <p>Agro-processing zones and corridors: increase and link production and processing capacity along key corridors</p>	Scale/ Replicate	<p>Scale-up and replicate innovative models to organize and aggregate farmers</p> <p>Establish agricultural commodity exchanges</p>
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<p>3</p> <p>Increased Investment in Hard & Soft Infrastructure</p>	<table border="1"> <tr> <td data-bbox="583 1114 741 1308">Orchestrate/ Design</td> <td data-bbox="741 1114 1969 1308"> <p>Infrastructure Coordination: accelerate and coordinate development of enabling hard infrastructure (energy, water, logistics)</p> <p>Market infrastructure: build market centers and associated service infrastructure</p> <p>Farmer e-registration: launch large scale farmer e-registration systems</p> </td> </tr> </table>	Orchestrate/ Design	<p>Infrastructure Coordination: accelerate and coordinate development of enabling hard infrastructure (energy, water, logistics)</p> <p>Market infrastructure: build market centers and associated service infrastructure</p> <p>Farmer e-registration: launch large scale farmer e-registration systems</p>		
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The AFDB - in collaboration with partners - will contribute to Orchestrate, Architect, Scale and Replicate Transformation through 7 Enablers (Cont'd)

4	<p>Finance Expanded Agricultural</p>	<p>Orchestrate/ Design</p>	<p>Risk-sharing Facility: catalyze bank lending to the ag sector through risk-sharing facility</p> <p>Non-Bank SME Finance and Capacity-Building Fund: provide funding and capacity-building to SME funds as well as surrounding ecosystem (e.g. credit bureaus)</p> <p>Project Finance Facility: Increase long-term funding to ag SMEs</p> <p>Trade Finance Facility: scale up existing Soft Commodity Facility</p> <p>Sovereign Risk Support: Scale up Africa Risk Capacity (ARC) initiative (sovereign insurance solution to agro-ecological shocks)</p> <p>Diaspora Bonds: create lending products to attract diaspora and institutional capital</p>
		<p>Scale/ Replicate</p>	<p>Facilitate lower lending rates to agricultural players through Central Bank funds</p> <p>Deepen and broaden agricultural insurance markets</p>
5	<p>Improved Agribusiness Environment</p>	<p>Orchestrate/ Design</p>	<p>Policy reform matrix: coordinate establishment of an Africa-wide policy matrix detailing the five groups of key policy changes required to enable transformation; key policy areas would be: (i) Land tenure, (ii) Input subsidies, (iii) incentives for local production and processing, (iv) financial sector deepening, (v) Regional integration and trade</p> <p>Global Program for Improving Agricultural Statistics and Rural Development: improve statistical systems across African countries by building capacity in ministries and offering technical assistance</p>
		<p>Scale/ Replicate</p>	<p>Facilitate land tenure reform through the Africa Land Policy Center</p> <p>Provide technical advisory to governments to support agriculture development bank set-up / reform</p> <p>Strengthen capacity of private-sector actors' (e.g. Chambers of Commerce) to advocate for favorable policies</p> <p>Support development of Agribusiness Environment indices</p>



The AFDB - in collaboration with partners - will contribute to **Orchestrate, Architect, Scale and Replicate Transformation through 7 Enablers (Cont'd)**

<p>6</p> <p>Increased Inclusivity, Sustainability, Nutrition</p>	Orchestrate/ Design	AFAWA Facility: establish a facility to promote women-owned MSMEs
	Scale/ Replicate	Increase representation of women in agricultural research, and enhance gender-responsive research, monitoring, and evaluation
	Orchestrate/ Design	Youth Jobs for Africa Agricultural Flagship Programs: establish facilities to increase youth employment and enhance skills in agribusiness (e.g. ENABLE Youth)
	Orchestrate/ Design	Climate Resilience Funding: provide funds to support climate adaptation and climate smart agriculture practices
	Scale/ Replicate	Encourage scale-up and replication of nutrition programs (through the Nutrition Trust Fund and other mechanisms)
<p>7</p> <p>Coordination</p>	Orchestrate/ Design	Partnership among key actors from the public sector, private sector and development institutions
	Scale/ Replicate	Support pan-African agriculture leadership initiatives (e.g. Leadership 4 Agriculture)



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III. Implementation Costs and Financing



Achieving Feed Africa Goals requires Substantial Investment and results in Substantial Revenues

Investment required to transform Africa agriculture; USD billion, 2016-2025

Indicative Estimate

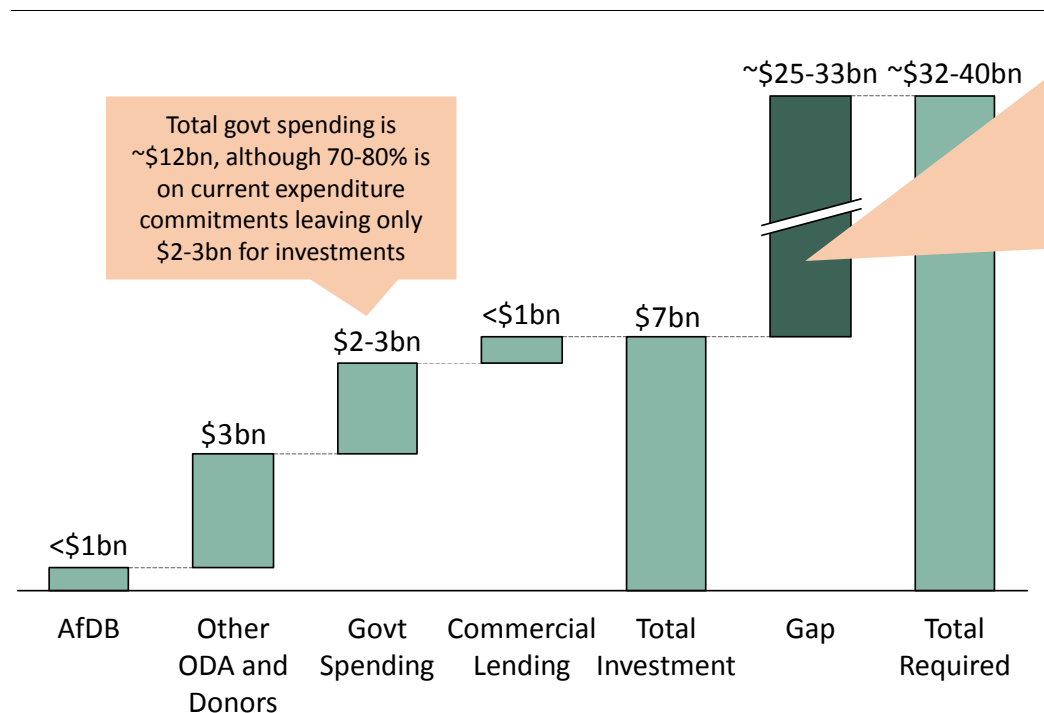
Commodities / Agro-Ecological Zones	Value Chain Development			Hard & Soft Infrastructure ⁶	Ag. Finance ⁷	Enabling Environment ⁸	Inclusivity, Sustainability, Nutrition	ATA Partnership for Africa	Total	Annual revenue opportunity by 2025
	Production ⁴	Value Addition ⁵	Total							
	Rice	~18-22	~3-4							
Cassava	~2-2	~2-3	~4-5							~1
Wheat	~22-27	~16-20	~38-47							~13
Cotton	~0.4-0.5	~1-1.2	~1-2							~0.3
Horticulture	~5-6	~4-5	~9-11	~65-80	~265-330	~20-30	~30-40	<5	~315-400	~16
Aquaculture	~1-1	~19-23	~20-24							~8
Tree crops ¹	~14-17	~9-11	~23-28							~11
Sahel Region ²	~6-7	~9-11	~15-18							~6
G. Savannah ³	~42-52	~26-32	~68-84							~23
Total	~110-135	~90-110	~200-250	~65-80	~265-330	~20-30	~30-40	<5	~315-400	~85

USD 315-400 billion over the next decade, or an average of \$32-40bn annually could unlock USD 85 billion of revenue annually from 2025



Mobilizing Funding to Address the Financing Gap

Current Funding for Agriculture Development in Africa vs. Requirements for Transformation, \$bn / year



AfDB and public sector partners will **crowd in private and institutional funding** by:

- Establishing **enabling environments** for private investment
- Employing **innovative de-risking tools and blended financing**
- **Proving the potential for risk-adjusted returns** in agriculture projects and agribusinesses

Sources for filling the gap include:

- **AfDB:** Increase annual lending to USD 2.4bn/year
- **Governments:** co-investment in increased AfDB lending (@10%) and raising budget allocation from average 3% to 5%
- **Commercial banks:** currently lending \$660m annually (4.8% of ~\$14bn); room to catalyze more
- **Sovereign wealth funds:** AUM of ~\$160bn
- **Pension funds:** AUM of \$380bn
- **Africa-weighted PE funds:** AUM of \$25-35bn

Currently, total investment finance is ~\$7bn annually

Leaving a funding gap of ~\$25-33bn



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IV. Flagship Initiatives

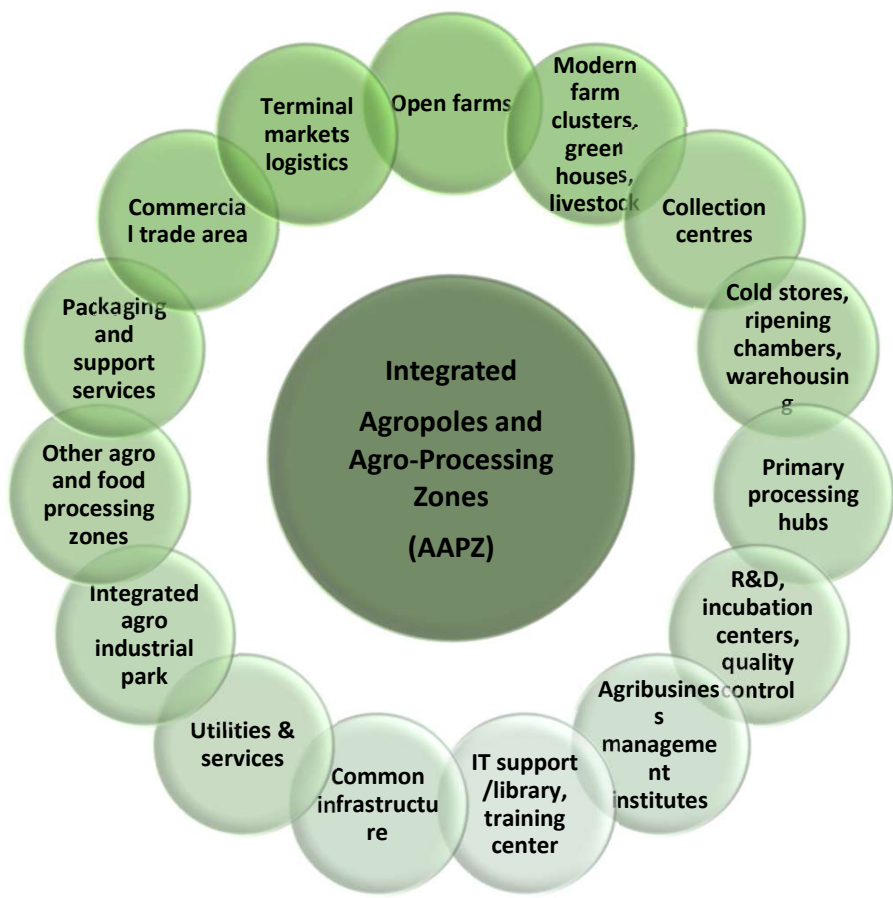


Agropoles, Agro-Industrial Processing Zones and Corridors

Components

- 1 Support zones in developing **business case analysis and marketing plans to attract investors**
- 2 Provide public sector financing and crowd in private sector **investment for infrastructure development within zones**
- 3 Provide funding to **support local agripreneurs and agribusiness companies** engaged in expanding and strengthening supply networks

Concept



Cases

Burkina Faso



Democratic Republic of Congo



Tunisia



Ethiopia



ENABLE YOUTH: Agribusiness as a Solution to Empower and Employ Africa's Youth

Target

USD12.5 billion to support enterprise and job creation for youths and women

Investing in 25 African countries*

1.25 million agribusiness jobs in the next 5 years

250 000 agribusiness enterprises to be created in Africa

10,000 unemployed graduates (50% women) trained and financially empowered in each country

Intervention

CAPACITY AND SKILL BUILDING

18-month training incubation of young graduates as business men and women in agribusiness

ENTERPRISE AND BUSINESS DEVELOPMENT

Transformation into creditworthy agripreneurs

FINANCING

Crowd in private investment and commercial lending
Deploy risk sharing mechanisms

Need to leverage USD 0.5 billion per country

* Benin, Burkina Faso, Burundi, Cameroon, Cote d'Ivoire, DRC, Ghana, Guinea Bissau, Kenya, Liberia, Madagascar, Malawi, Mali, Mauritania, Morocco, Mozambique, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Tanzania, Tunisia, Uganda and Zambia



Technologies for African Agricultural Transformation (TAAT)

FeedAfrica Vision of Success and Priority Initiatives

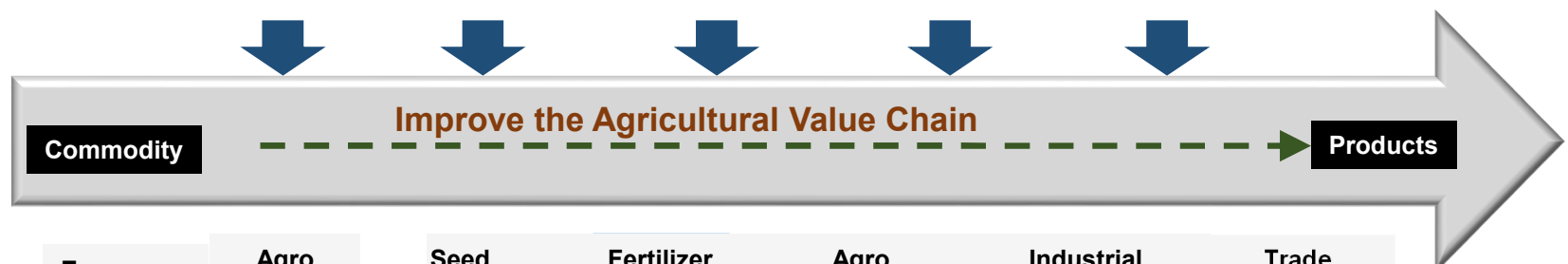


Developmental outcomes: Eliminate hunger, malnutrition and extreme poverty, Africa becomes net food exporter, full engagement with global value chains



Risk Sharing Mechanism for Increased Agriculture Finance

Public Goods support:
Roads, Irrigation, R&D, Storage, Price Stabilization etc.



Farmers Agro Dealers Seed companies Fertilizer companies Agro processors Industrial manufacturers Trade and exports

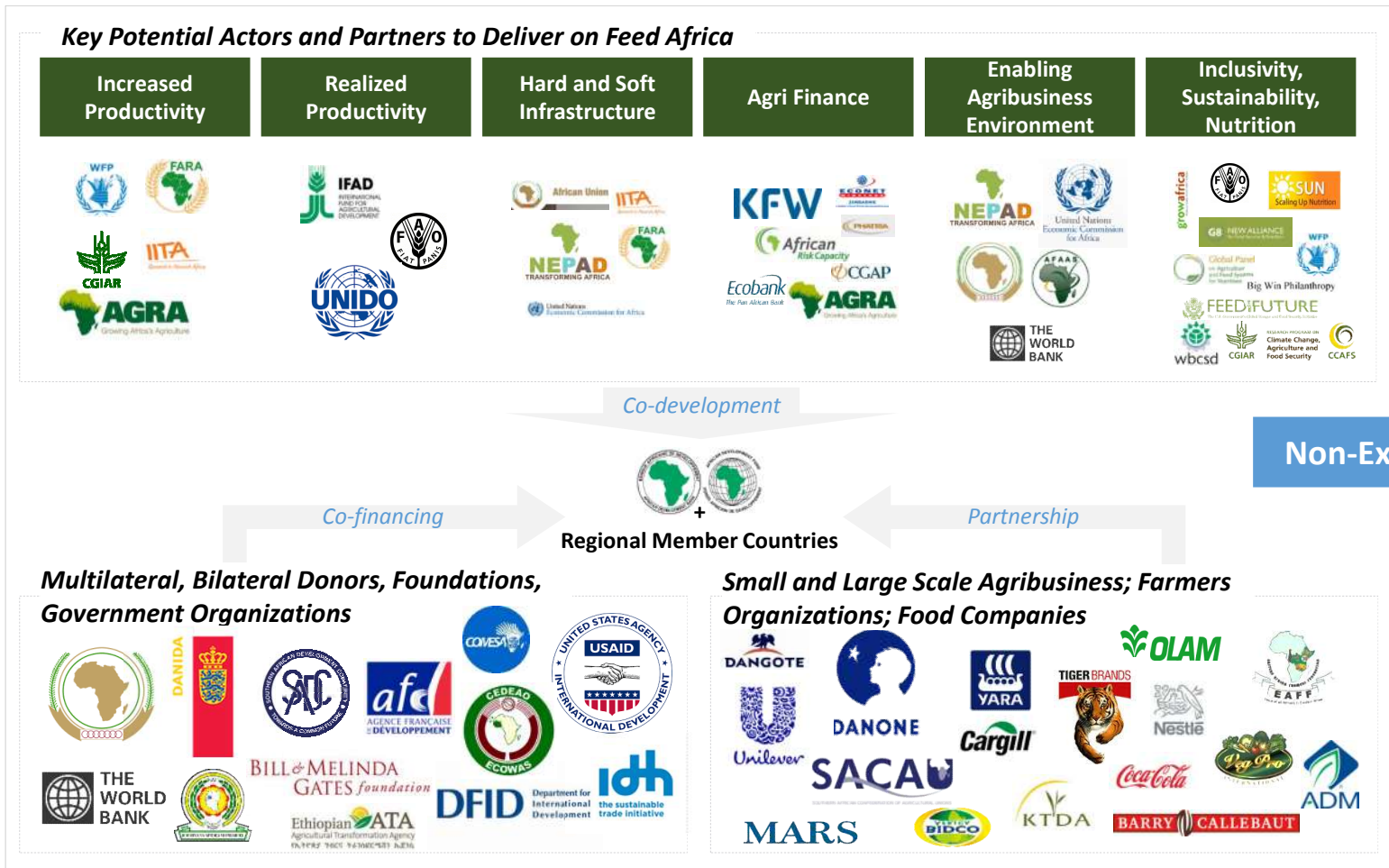
Appropriate Risk Sharing Instruments along the Agricultural Value Chain



- AFDB to mobilize ~USD 1 billion for risk sharing
- RSF to leverage up to 10x
- Systemic change in bank financing for agriculture
- Finance for growth of Agribusiness
- Financing agriculture as a business/ENABLE Youth



Achieving agricultural transformation in Africa will require strong partnership and collaboration



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V. Going Forward



Next Steps

- **Approval of the Strategy**
- **Pipeline development**
- **Knowledge and Advocacy**
- **Partnerships and Collaboration**
- **Events : Risk-sharing Financing Mechanism**
- **Programme Implementation**

AFRICAN DEVELOPMENT BANK GROUP



CONTACT:

Dr. Chiji Ojukwu

Email: c.ojukwu@afdb.org

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