

Opening Speech delivered by Dr. Akinwumi Adesina, President of African Development Bank, at the African Economic Conference, Abuja, December 5, 2016 on “Feed Africa: Towards Agro-allied Industrialization for Inclusive Growth”

Good morning! I wish to warmly welcome you all to this African Economic Conference, being held in Abuja. Unlocking the potential of agro-industrial development across all of Africa is what this conference is about. The choice of Nigeria to host this is significant: it is the most populous African country, with enormous potential in agriculture. If well managed, Nigeria has the potential to become a global powerhouse through agro-industrialization.

I am delighted that Nobel Prize Economist, Professor Eric Maskin of Harvard University is here with us. He arrived yesterday just for this event and is immediately traveling after his talk to another assignment in Russia. I look forward to hearing your thoughts on agricultural industrialization.

Agriculture, which contributes over 28% of the GDP of Africa, holds the key for the accelerated growth and diversification and job creation for African economies. No region of the world has moved to industrialized economy status without passing through the transformation of the agricultural sector.

The reason is simple. Agriculture provides the basic raw materials needed for industrial development. Food accounts for the highest share of consumer price index and providing cheap food is critical for taming inflation. When inflation is low, interest rates decline and it brings greater private sector investments. A more productive, efficient and competitive agriculture sector is critical for boosting rural economies, where majority of the population live in Africa. A more prosperous rural economy will drive jobs and accelerate rural savings, critical for more inclusive growth. In short, the future of Africa depends on agriculture.

However, the performance of the sector in Africa has been low. Cereal yields and use of modern farm inputs including improved seeds, mechanization and irrigation, fall way below global average. The sector is still dominated by large number of subsistence farmers. It suffers from low levels of public investment, including access to finance for farmers and agribusinesses.

To be clear: agriculture has largely been seen as a development sector, for managing poverty, not for creating wealth. Yet, Africa sits on huge potential in agriculture. It is estimated that 65% of all the uncultivated arable land left in the world, to feed 9 billion people by 2050, lies in Africa. So, what Africa does with agriculture will also shape the future of food globally.

Africa spends \$35 billion annually importing food. As it does, it decimates its own agriculture, spends scarce foreign exchange importing what it can and should produce, exports jobs and makes itself subject to price effects from global commodity supply shocks. Estimates show that food and agribusiness sector is projected to grow from \$330 billion today to \$1 trillion by 2030. The key is to unlock this opportunity.

And it must start with treating agriculture as a business. It must start with taking a full value chain approach to modernize agriculture, from the farm to the table. And it must start with supporting agro-industrial development.

The time is therefore short. Africa must rapidly invest in the development of its agro-industry, and move away from being seen as just a billion mouths to feed. Africa must learn from experiences elsewhere, where agriculture has been the foundation for driving fast paced economic growth, by building a strong food and agro-industrial manufacturing base quickly.

Korea, for example, which I just visited recently, was in serious rural and urban poverty just fifty years ago.

Not now. Korea's per capita GDP is now 17 times that of Sub-Saharan Africa, while its total GDP is \$1.3 trillion, compared to \$1.6 trillion for sub-Saharan Africa. Korea is the 11th largest economy in the world and is a generous donor of development finance. It's an extraordinary success story.

But it wasn't a miracle. It came from many factors that came together: strong political determination, solid long-term planning and execution, structural transformation policies and robust investments in human capital. There was a clear plan: drive import substitution by raising agricultural productivity through industrialization to achieve food self-sufficiency.

More generally, the successful Asian experience offers us important lessons for agro-industrialization. Today, Asia's agricultural output is led by large private agri-business enterprises engaged in industrial agriculture.

Agricultural output per worker has risen on average by 2.2% per year during 1980–2010 in Asia, compared to 0.6% in Sub-Saharan Africa.

There is no denying that without the green revolution, Asia could not have become the industrial and economic giant that it is today.

This is the formula: agriculture allied with industry, manufacturing and processing capability, equals strong and sustainable economic development and wealth creation throughout the economy.

Africa must not miss opportunities for such linkages, whenever they knock at the doors.

Let's take the case of the current decline in commodity prices. This is not the first time such events would occur. But whenever they do, countries sing the same song: "We need to diversify." Well, diversification is not a goal. It is the outcome of well-planned policies for the structural transformation of economies.

When I was Minister in Nigeria, we moved aggressively on import substitution with use of cassava flour for use as composite flours in bread making and confectionary industries. People laughed us to scorn: Nigerians, they said, would never eat bread made from cassava flour. Well, unknown to Nigerians, flour millers, small, medium and large, have now all shifted to partial substitution of wheat flour with cassava composite flours. Don't look for "cassava bread", all your bread is now cassava composite flour based. The industry has shifted.

The story is not just in Nigeria. As we speak, several countries have taken the home-grown policy in Nigeria, to help reduce their wheat imports, including Liberia, Togo and Democratic Republic of Congo (DRC). In DRC, young graduate entrepreneurs from the International Institute of Tropical Agriculture (IITA) have taken up the business of cassava flour for bread and confectionaries. If you wish, you may laugh, but let me assure you, these young entrepreneurs are laughing their way in riches to the Bank.

On Friday last week, I received a large delegation of IITA youth 'agripreneurs' at the Bank. A young graduate, Noel, from Bukavu in Democratic Republic of Congo, together with his colleagues, have moved into agribusiness. In just a little over one year, they manufacture cassava flour, well packaged and standardized for bakers. Today, Noel and his team

generate income of \$4,000 per week, or \$16,000 a month, or \$196,000 per year. That means they are making over 78 million Naira, annually, if converted into Naira, at the official interbank market rate. They are already multi-millionaires. He that has ears let him hear: The key to Africa's prosperity is value addition in agriculture, in turning our products to money, in looking inwards. Africa must feed itself.

The technologies to feed Africa exist already. High yielding drought tolerant maize can allow farmers to get a good crop in drought situations. This is the period of climate change. Cassava varieties can now get farmers some 80 tons per ha. High yielding rice varieties that meet or beat international standards of imported rice now exist. Orange flesh sweet potatoes that can allow us to address the problem of vitamin A deficiency, now exist. Tropical and drought tolerant wheat varieties are unleashing a wheat revolution in Nigeria, Kenya, and Sudan.

What is needed now is taking these technologies to scale for widespread adoption by farmers. That will not happen by itself. It will require specific policies to provide incentives for farmers. Africa cannot abandon its farmers. What's needed is what I call "***Growth Enhancement Support***" for farmers: a system where small-scale farmers are provided with targeted input support to be able to use new technologies. We pursued this in Nigeria and it worked, very well. Using the power of mobile phones, Nigeria developed and used electronic wallet systems to deliver farm input support to farmers, through electronic vouchers on mobile phones. Nigeria became the first country globally to do so.

And the impact was massive. Over four years, about 14.5 million farmers were reached. Impact on food production was massive, with food production expanding by over 21 million tons over the period. I was particularly excited that the system reached 2.5 million women farmers.

To be clear, the system was a bottom up fiscal stimulus that touched multiple parts of the economy: seed companies, fertilizer companies, agro-dealers, banks, transport and logistic companies and mobile phone companies. We need these kinds of bottom-up fiscal policy support for farmers everywhere. Today, several African countries are adopting the approach, and even as far flung as Afghanistan. I am very pleased that Nigeria will be continuing this program. It is the key to ensuring more rapid and inclusive bottom up growth, while promoting private sector and bank

financing into the agricultural sector.

To take new agricultural technologies to scale, the Bank will soon be launching a new \$800 million initiative – Technologies for African Agricultural Transformation (TAAT) – with the goal of reaching 40 million farmers over ten years.

We must equally reduce food system losses all along the food chain, from the farm, storage, transport, processing and marketing.

Food and agribusiness companies have little incentives to set up in rural areas. Poor infrastructure, especially the lack of access to electricity, roads, rail transport and water, drive up their costs of doing business.

What's needed is the development of large “Staple Crop Processing Zones” and “Agro-industrial zones”, enabled with infrastructure such as roads, power, water etc. This will drive down the cost of doing business, as well as significantly reduce the post-harvest losses in Africa. The African Development Bank will invest in the development of these Staple Crop Processing and Agro-industrial zones. The experiences from Asia, especially China, on such special economic zones, have a lot to offer to African countries.

Africa must turn agriculture into wealth and move out of exporting basic raw materials. Times are changing, so are the opportunities. For example, where global firms source for apparels is rapidly changing, due in part to rising industrial wages in China, security and political uncertainties in leading suppliers such as Turkey and Bangladesh. This presents a unique opportunity for Africa to take its place in the global textile and apparel value chains.

Because of cotton production in Africa, it is possible to go from “cotton-textile-garments” in one place, a significant advantage over the Asian countries. These present excellent opportunities for “vertical integration”.

Ethiopia has achieved remarkable success with industrial parks for cotton, textiles and garments. Today, some 20 global companies are engaged on developing its “cotton-textile-garment” sector. Ethiopia expects to export \$1 billion worth of textile and garments annually from just one industrial park (Hawassa Park)!

Africa should be exporting processed cocoa, not cocoa beans. It should be exporting specialized ground African coffee instead of generic coffee beans, and it should be exporting finished textile products, such as clothes, suits, dresses, shirts; not cotton lint.

The remarkable progress of Kenya, Tanzania, Ghana, Ethiopia, Tunisia and Morocco in the global horticulture industry shows that with well-designed policies, financing and infrastructure support, Africa can climb to the top of the global food value chains.

We must also solve the challenge of access to finance, to expand access to finance to farmers and agribusinesses, with commercial financing. Risk sharing instruments will play a crucial role in this regard by sharing the risk of lending by commercial banks to the agriculture sector, thereby expanding lending to agriculture.

Finance and farming have not always been easy partners in Africa. Agriculture sector receives less than 3% of the overall financing provided by the banking sector.

It's a problem, and one where government can make a difference. I know something about this, because I led the team that made that difference in Nigeria.

With the Central Bank of Nigeria, we developed the *Nigeria Incentive-Based Risk Sharing for Agricultural Lending* (NIRSAL), a risk sharing facility designed to share with commercial banks the risks of lending to Nigerian agriculture value chains.

And it worked, with impressive results. Lending by banks to the agriculture sector increased six fold, rising from 0.7% of total bank lending to 5% within four years.

The lessons are clear: development finance institutions and multi-lateral development banks should be setting up national risk sharing facilities in every country to leverage agricultural finance.

To drive agro-industrialization, we must be able to finance the sector. Doing so will help unlock the potential of agriculture as a business on the continent.

That's why under its Feed Africa strategy, the African Development Bank will invest \$24 billion in agriculture and agribusiness over the next ten years.

Our goal is simple: support massive agro-industrial development all across Africa. To make this happen, there is need for well-directed public policies to incentivize the agricultural sector, especially agribusiness and food manufacturing companies.

And when that happens, Africa would have turned the corner, and taken its rightful place as a global powerhouse in food and agriculture.

Now, let's make that happen!

Thank you very much.