RE-ENVISIONING INVESTMENT FOR AFRICAN AGRICULTURE: TOP PRIORITIES FOR GROWING FOOD, JOBS AND ECONOMIES.

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AGRA
Growing Africa's Agriculture

Dean Prof. Frederic Francis,
Mr. Guy Stinglhamber, COLEACP Director,
Distinguished Professors,
Esteemed Students,
Ladies and Gentlemen,

INTRODUCTION

I am very delighted for the opportunity to speak to you this afternoon. It is a great honour to be at the historic University of Liège. This is, truly, an institution at the junction of international roads and European cultures.

I am here on a very humbling mission. To receive the Honorary Doctorate that the university is bestowing upon me. As I have told my colleagues, family and friends, this would not have been possible without the contribution of the many people that I have worked with and that have supported me.

More importantly, it would not have been possible were it not for the millions of smallholder farmers across Africa who work ever so hard to feed the continent and to grow its economy. I dedicate this honor to each one of them. They are the reason I get up every morning.

Speaking to a university group such as this gives me so much joy. First, because it feels like coming back home to academia. It reconnects me with my old days when I was the Deputy Vice Chancellor at the University of Rwanda. Very good memories indeed.

Second, working as I do with smallholder farmers – who are the majority of Africa's population, it is clear that we need a radical change. We need to change the way we do business. It is you, the up-and-coming scientists, policy makers, entrepreneurs and the many other diverse leaders that you will all become, that will lead the charge. You have fresh eyes, fresh ideas and the vigour to make a difference.
My generation is just laying the foundation.

I will keep my statement short as I look forward to your questions later in the session. I hope you will provide me with new perspectives that I can take back to my colleagues at AGRA and the many partners we work with in driving agricultural transformation in Africa. I also hope that I will give you some new insights into what I consider to be the top four pillars for restructuring investments in African agriculture.

How did I settle on this topic? One may ask. There are many topics I would have chosen from. However, right from my experience as a Minister of Agriculture in the Rwandan Government to now as the President of the Alliance for a Green Revolution in Africa (AGRA), I have come to realize that money is not always the problem. It is often how we access and use it that matters just as much, or even more.

IS AFRICA STILL RISING?

To start this discussion, I pose the often-asked question, ‘Is Africa still rising?’ About 2 years ago, the New York Times published an article (https://nyti.ms/2jPbBne) wondering whether Africa is rising or reeling. Let me state it for the record. Africa is still rising.

Although I am an Afro-optimist, I am not being sentimental when I say this. The numbers back me up. I will give you a few examples.

Since 2000, at least half of the world’s fastest-growing economies have been in Africa. Between 2000-2014, most sub-Saharan African countries have grown their per capita incomes by 35%. The good news is that it has doubled in some countries.

Poverty rates are also gradually falling. The percentage of people living on less than $2 a day declined from 54% in 1990 to 41% in 2013. In my own country Rwanda, poverty levels dropped by about 25% in the last 18 years.

At the macro-level, many countries have it as a target to become middle income countries in the next 10-20 years. My country of Rwanda is targeting to be a middle-income country by 2035 and a high-income country by 2050. Through my many interactions with determined and focused government officials and the hard-working business people including farmers, I can confidently say that these targets are achievable.

Similarly, impressive results have also been realized in the agricultural sector. As an example, Africa’s annual agricultural growth rates are the highest in the world. They stood at +4.62 % between 2000 and 2016 compared to the global average of +2.75 %.

If these numbers sound far removed from our everyday lives, allow me to share a personal story. Growing up in the village, running around half-naked like every other village kid in much of Africa, I would not have imagined myself standing here today or receiving a recognition like the one this prestigious University is conferring on me.

When I started school, my first classroom was under a tree. I used my lap as my first exercise book because we had no books or even the small boards you find in classrooms today. My being here this afternoon is very unlikely. It is a testimony of the rising Africa. It should be noted, though, that this is not by accident. I am a product of sustained investments. As a result, I have been fortunate and privileged enough to get to a point where I contribute to decisions and actions that will make the rise a reality for millions of Africa’s boys and girls, men and women.

THE CHALLENGES

I do not want you to leave this hall thinking that the work is done. Not at all. A lot remains to be done. Challenges still abound across the continent. For example, 43% of our population still lives in extreme poverty. Malnutrition and hunger affect close to 230 million people who go to bed hungry.

Despite much talk about harnessing the youth dividend, 70% of the 12 million young people entering the job market annually cannot find decent jobs. It is no wonder then, that young Africans continue perishing in the Mediterranean Sea as they brave the perilous journey to Europe.

They are moving in the hope of finding a better life which they feel the continent cannot offer. This is an indictment of the entire continent and its leadership. This is a blot on our collective conscience.

Ironically, the migrations are happening as Africa continues importing food worth $40 billion annually. To me, every dollar spent on food imports is a job exported. If we reduced the amount of imports and started to produce the food we eat, we can tackle the challenge of unemployment head-on.

Engage me in some back-of-the envelop calculations. If the US$ 40 billion were to be invested to produce food made in Africa, we would create employment for over 11 million youth paying them wages equivalent to what they would get in Europe.

As we live in a globalized community, this food production should be done in partnership with the global businesses that are currently exporting to Africa. If such businesses were to invest in setting up food factories in Africa, I believe their cost of production would be significantly lower as raw materials and market are readily available. In the end, we create a win-win environment for all with lots of jobs created on the continent.

TOP PRIORITIES FOR GROWING FOOD, JOBS AND ECONOMIES.
Having given you an overview of the investment situation in African agriculture, I will now spend the next few minutes looking at what the solutions are.

To begin with, I would like to re-emphasize the point I have already made. Total financing for agriculture and development in general is, in most cases, not the foremost problem. Most countries in Africa can hardly absorb all the financial resources available to them. There also exist many investments funds including on agriculture. For example, the FAO has listed 63 agriculture investment funds, most of which have started in the past decade.

However, despite the seeming abundance of resources, our countries are still not delivering on the development promise. I believe this is mainly because the development programs are mostly too fickle, too projectized rather than transformative and often ignore some of the realities that inhibit countries' ability to deliver.

Through my work with governments, private sector, and development partners over the past many years, there are 4 actions that I am convinced can and should be taken to re-design investments in African agriculture to be more effective and utilized going forward.

Priority ONE: Ensure the right allocation and coordination

Typically, countries across the continent have competing priorities. Investments should, therefore, be designed in such a way that they go to top priority projects. These priorities should be identified in close coordination with the countries to ensure their ownership and drive against their medium- and long-term vision for the future.

Once the priorities are identified, they need to be clearly articulated in national sector plans that are aligned, inclusive and prioritized to serve as an investment blue print. The best examples of such plans that we have seen are the National Agricultural Invest Plans (NAIPs). These plans work not only to prioritize government action and funding but also the work of other key stakeholders.

This last part on other key stakeholders is critical. Traditionally, there are normally many players in the sector. Most times, these players operate with minimal coordination. As such, every effort should be made to ensure smooth coordination and accountability across government ministries, across development partners, across private sector entities and across the implementing partners.

Such efforts will not only ensure better delivery of results and accelerated development but will also minimize duplication of efforts and wastage of resources.

It is not surprising then, that countries that have adopted this approach have registered notable progress. This is the approach we are encouraging all the other countries to take. We are encouraging our partners to support it. It is one very sure way of achieving results and making impact from investments in agriculture.

Priority TWO: Ensure it reaches those who need it most

This is, to me, one of the areas that require urgent action. Despite the existence of the many investment funds that I have already mentioned, most of these funds are not accessible by the groups that need them most.

Typically, most investors channel their funds through Development Finance Institutions (DFIs) that have significant expertise and investment portfolios. Unfortunately, this makes it costly for them to do business in developing countries, and many are unwilling to pursue the risk or economic models needed to do business with small businesses.

Instead, most DFIs are looking for large businesses and deals to invest between 5 million and 10 million euros at a minimum. Unfortunately, these large businesses are very few in agriculture in Africa and most have minimal direct connection with farmers.

Let me paint what I think is a vivid picture of an African farmer. The farmer relies on local SMEs to access yield-enhancing seed and fertilizer technologies. The same farmer also depends on the SMEs to get the produce to the market.

Such small businesses do not need 5 million euros. They do not need even 1 million euros. They need 500,000 euros or event closer to 100,000 euros. Investment funds should, therefore, be re-designed to meet the needs of these businesses.

The harsh truth is, if an investor expects that their investment will only go to the 5 or 10 million euros type of businesses, then they are not really serious about investing in growing African agriculture markets. Such investments will have minimal impact at scale.

Priority THREE: Ensure it crowds in the private sector

As I just illustrated in my earlier point, the relationship between farmers and the private sector is critical to the development of the African continent. That said, I think Africa suffers from what I would like to call the perfect SME syndrome. We are always looking for perfect SMEs. This results in investments in the agricultural sector going to less than 1% of the SMEs. This is despite the fact that close to 70% of the population is involved in the agriculture sector.

It should also be noted that the private sector does not just emerge. Public investments play a critical catalytic role. The right enabling environment should, therefore, be created for the private sector to thrive.

This reminds me of an assessment one of our partners recently did of 400 businesses that we and they thought were great and could be invested in. The results were shocking, to say the least. Only 40 of them met the investor's financing threshold. Even more shocking, only 4 of them were investable. And even then, none of the 4 focuses on the typical smallholder agriculture that impacts people's lives.

Additionally, agriculture SMEs face some of the greatest risk which they have no capacity to absorb. This includes the foreign exchange risk. As they deal in food crops that are traded in local currency, they cannot borrow in foreign currency.

They are also exposed to political risks. In most African countries, governments, for example, impose export bans for political reasons. This is done without regard for private agri-businesses which suffer as they can no longer access regional markets.

The threat and risks of climate change have also become commonplace and SMEs have limited capacity to deal with its consequences.

What this calls for, therefore, is deliberate efforts to de-risk local agri-businesses to enable them to thrive. If we invest only after emergency have hit a country, the public and philanthropic investments for relief can often weaken the small private market that does exist rather than strengthen it for the future.

Priority FOUR: Ensure there is capacity to come through

Finally, having worked in the Rwandan government for close to a decade, I know all too well the major capacity issues that countries face. Countries severely lack the capacity to absorb all the financial resources made available to them.

I will share my personal experience here to illustrate. When I started working for the Rwandan Government, my first job was to manage a US $150 million Word Bank project. Over a number of years, the project had only utilized US$ 2 million due to challenges in identifying the right private agribusinesses, challenges in meeting World Bank procurement standards, and challenges with accountability and reporting.
The World Bank was on the verge of asking for its money back. The remaining US $147 million. This is money that Rwanda needed so much.

Our immediate priority was to build the capacity of the project team. We sought support from many partners including the Bank. Within a few years, we had utilized the funds, brought major changes to farmers' lives and were even able to follow up and raise more.

Generally, the Government of Rwanda systematically identifies major implementation capacity gaps and works deliberately to fix them. As a result, the absorption rate of development funds there is about 90%. It is not by accident that poverty levels in Rwanda have dropped by close to 30% in the 2 decades.

This is not unique to Rwanda. Ethiopia also has greatly boosted its capacity to absorb development resources. It is no wonder then, that the two countries are leading the rest of the continent in development terms, most of which is driven by agricultural development.

In contrast, working at AGRA has given me a very good view of the situation in other countries. The situation is dire. Countries are only absorbing between 20% and 40% of the development budget. Ironically, in almost every country, 100% of the recurrent budget for staff and overhead expenses is consumed. It begs the question, then, 'why are people drawing salaries and not showing results for it?' The truth is, most of them are well-meaning civil servants who, unfortunately, lack the capacity and systems to get the job done.

The onus is, therefore, on us to ensure that they have the right skills to run and manage projects.

THE AGRA STRATEGY
These four recommendations are relevant for many sectors critical to Africa's development and ongoing economic rise. They could apply to healthcare, to renewable energy, to water and sanitation, and beyond.

But speaking from my own experience and expertise, these recommendations are extremely relevant in African smallholder agriculture and the improvement of lives of our people.

Smallholder agriculture is critical to the future of our economies as it continues to employ over 70% of our population. These are the men and women who grow key staples to produce about 80% of the food we consume. They work hard on their small pieces of land that are mostly 2 hectares or less. That is about the same size as 4 football fields or smaller.

My organization AGRA, is an African-led and Africa-based institution working with hundreds of partners to support these smallholder farmers to transition from farming as a solitary struggle to survive into farming as a business that thrives.

In our first decade, we worked with governments, researchers, development partners, the private sector and civil society in 18 countries. We built the systems and tools needed to advance an inclusive agricultural transformation.

For example, over the last 10 years, we have invested more than US$4m to train about 700 plant breeding specialists, soil scientists and agronomists. All these experts are now contributing to agricultural transformation at the national and even regional levels.

We also invested in growing more than 100 local seed companies and 25,000 agro-dealers to help ensure improved seeds, fertilizers, and knowledge on best farming practices reach those farmers who need them most.

These programs and investments were critical to building African agricultural systems and a significant asset base of technologies, unique technical capabilities, knowledge and lessons learned, and local partnerships to move us forward. But we were not seeing the full agricultural transformation and improvement in lives we wanted.

Our new focus is, therefore, to build on the lessons we have learned and partnerships we have built to have even more transformative impact at scale. Our work for the next 5 years in eleven countries will seek to improve the incomes of 30 million smallholder farm households, or approximately 150 million individuals.

Knowing what we know now, we have come up with three approaches to doing business that are helping us invest resources differently.

1. Country support

We are focusing AGRA's strategy and work in 11 countries on supporting governments to come through on their own plans and priorities. Our support will also help with the coordination of the different actors in the sector.

Together with our partners, we will invest a total of USD $500 million through our strategy over the next five years. However, we recognize that this investment represents only 1-2% of the total funds we estimate would be needed to bring about an inclusive agricultural transformation in our priority countries.

So, we seek to get maximum leverage out of our investments for countries and our impact. As a result, we work with countries to strengthen their national sector plans. We achieve this by supporting them to develop transformative flagship programs that will leverage investment from the governments, the private sector, and their development partners.

We also provide technical assistance to ministries to help them come through on implementation and monitoring and evaluation to get maximum results. As a result, our funding, although small, becomes highly catalytic and impactful.

For example, in one country, we invested around $60,000 to help the government design its agricultural productivity programme. The government used the programme to leverage millions of dollars in investment. This programme has been a resounding success creating over 750,000 jobs in its first year. These unlocked investments were all along available waiting for the government to document and lead on such a vision. This is the case across the continent.

2. Building Delivery Systems.

To ensure that any progress made is sustainable, we are supporting countries to build their delivery systems. This ranges from systems for the delivery of farm inputs mainly fertilizer and improved seeds. Delivery of extension services. Improved access to markets. And delivery of financial services.

For example, we use our limited resources to connect farmers to private food companies that purchase their produce.

We are have also built mechanisms to de-risk investments into smallholder farmers and agriculture SMEs. Once de-risked, these farmers and SMEs become attractive to both private and public sector funding. This way, we get around the perfect SME syndrome I mentioned earlier.

The best example that comes to mind is the US $1 million investment in Kenyan financial sector. Working with our partners, we are providing technical assistance to help banks design products for agribusinesses and farmer organizations. The US $1 million funding has leveraged more than US $20 million in financing from the Kenyan Government and the International fund for Agricultural Development (IFAD).

The project will ensure financial access for over 120,000 famers and 300 businesses in the next two years. The knock-on effects will be phenomenal.

3. Building Partnerships

Finally, we acknowledge that there is no single institution that has the ability to deliver an inclusive agricultural transformation on its own.

Therefore, true to our name – the Alliance – we are constantly building new partnerships and strengthening existing ones. These partnerships are used as vehicles for mobilizing new resources and as platforms for sharing lessons and best practices.

They are also avenues for leveraging each other's strengths to ensure delivery at its best to increase food security, grow economies and create jobs.

As has become my habit throughout this speech, I will use an example from the field to illustrate how this is working. Together with our partners at IDH and the Rockefeller Foundation, we are investing US$ 10 million in the cassava value chain.

This investment is providing technical assistance to SMEs that are seeking finance to process cassava for industrial uses. This minimal but critical investment is key in enabling these SMEs access the US $50 million funding facility from the African Development Bank which is otherwise struggling to find bankable deals.

CONCLUSION

In conclusion, I am pleased to let you know that our efforts of the past 15 years have seen important results. These results are, however, not enough for our aspirations and vision for the future. Our choices are therefore clear. We either continue doing business the same old way and achieve progress as usual that will leave countries struggling to catch up and millions still seeking for jobs and basic needs.

Alternatively, we can shake up the system a bit and ensure that investments act different to get better results even faster.

For this to happen, these investments must be prioritized.

These investments must be targeted at and reach farmers and the SMEs that need them most.

These investments must crowd in the private sector that will scale and sustain agriculture into the future.

And, finally, these investments must be coupled with deliberate efforts to build countries' capacity to deliver.

This is the business we are in. The business of building the Africa we want. A food secure and prosperous Africa.

Our work is underpinned by research. Research that has shown that, when they work, investments in agriculture can be up to 11 times more effective than investments in any other market sector in terms of their power to reduce poverty and produce inclusive economic growth. These are investments that are critical to the future we want.

I thank you very much for your attention and look forward to hearing your questions, thoughts and suggestions in the next session.