AFRICA WEEK 2017

Concept Note

High-Level Event:

"Financing Africa's Infrastructure and Agricultural Development: Inclusive Growth for Economic Transformation"

ECOSOC Chamber
United Nations Headquarters, New York
Tuesday, 17 October 2017, 10:00 am – 1:00 pm

DPI | NEPAD TRANSFORMING AFRICA | OSAA Office of the Special Adviser on Africa | ECA | African Peer Review Mechanism APRM

I. Introduction and Background

Over the past two decades, Africa has strived to translate its strong and robust economic growth into enhanced social gains and poverty reduction. According to the United Nations Economic Commission for Africa (UNECA), poverty in Africa fell much more slowly during the period from 1990-2013 than in other regions of the world. To tackle this persistent challenge, it is critical to ensure that the prevailing economic growth contributes to structural economic transformation on the continent. Africa should look to reduce its vulnerability to external economic shocks and natural disasters through economic diversification, as well as job and wealth creation. In this context, infrastructure and agricultural development are essential pillars that can facilitate structural economic transformation in Africa.

Both the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063 envisage a structural transformation through the pursuit of inclusive growth and sustainable development. Both infrastructure and agricultural development have a catalytic and cross-cutting role to implement the 2030 Agenda and Agenda 2063 in light of the strong interlinkages among the SDGs. Similarly, Agenda 2063 calls on African countries to transform grow and industrialize their economies, including by modernizing agriculture and agro-business through value-addition and increased productivity.

With regard to infrastructure, Africa still lags behind the rest of the developing world. Research shows that Africa has a massive potential for future economic growth; however, for Africa to effectively capitalize on its opportunity as an emerging market, it needs to be well-equipped with proper well-functioning regional and national infrastructure. Currently, about 60 per cent of Africa's population does not have access to modern infrastructure, which isolates communities, prevents access to health care, education, jobs and markets, and impedes economic growth. Only 38 per cent have access to electricity, and the internet penetration rate is less than 10 per cent. In addition, only 25 per cent of Africa's road networks are paved, and poor port facilities add 30-40 per cent to intra-African trading costs and constrain the flow of foreign direct investment.

According to the World Economic Forum's Global Competitive Index, Africa is one of the least competitive regions and much of this has been attributed to poor infrastructure. For example, freight costs in Africa per tonne are $0.05 to $0.13 compared to $0.01 to $0.04 per tonne in developed countries and this makes African markets less competitive on the international level. In terms of regional infrastructure, Africa needs transportation networks such as roads, railways and ports, information and communication technology, energy facilities and health facilities as encapsulated in the integrated strategic blueprint for continental infrastructure transformation for 2012-2040, also known as the Programme for Infrastructure Development in Africa (PIDA).

With regard to agriculture, it cannot be over-emphasized the extent to which most Africans depend on this economic sector. Africa is home to about a billion people, most of whom are smallholder farmers deriving their livelihood from rainfed agriculture. Of these, over 200 million live in poverty and face malnutrition due to, among other factors, low dietary intake of nutrient-rich foods (WHES, 2016). According to IFPRI (2016) these include 58 million children under the age of 5 years. Agriculture employs 65 per cent of Africa's labour force and accounts for 32 per cent of gross domestic product (World Bank fact sheet). Africa has large arable land resources, yet the continent imports roughly $30 billion in agricultural products every year (World Bank, 2015). Africa, particularly the sub-Saharan region, is the most food and nutrition insecure continent with about a quarter of its population undernourished. Paradoxically, the majority of these are the smallholder farmers. Africa is spending $35 billion a year importing food – indeed, food imports grew by 50 per cent for crops and doubled for meat between 2000 and 2010.

Agriculture and related value chains can fuel growth and help in employing Africa's youth. Linking agricultural production to value addition and trade can contribute to poverty reduction as demonstrated by the experience of countries like Ghana and Uganda over the past decade.

While African countries have come a long way in the last decade, major challenges remain in transforming Africa's agriculture sector. These challenges include the following:

- Africa's agriculture is about 96 per cent rain fed. Rainfall is often unreliable and the effects of drought are aggravated by fragile soils with low water retention capacity. Water and soil conservation techniques, often based on indigenous knowledge, have been identified, but not implemented on a broad scale. Only 4 per cent of sub-Saharan Africa's farmland is irrigated (7 per cent on the entire continent) – (FAO, IFPRI).

- Access to markets continues to be one of the key bottlenecks. Nearly one half of the sub-Saharan Africa rural population has to travel five hours or more to reach the nearest market. In addition, lack of storage and postharvest processing infrastructure leads to high postharvest losses (estimated to be 21 per cent for grains (WB) and 50 per cent for other more rapidly perishable products (FAO)). These post-harvest losses cost Africa $4 billion per year (FAO).

- Furthermore, use of basic agricultural inputs and mechanization is low. African farmers use only about 15kg/ha of fertilizer (WB), with smallholder farmers using far less, compared to the global average of over 138 kg/ha. Africa has 13 tractors per 100 km of agricultural land compared to the world average of 200 – approximately 3.5 million more tractors are needed to put Africa on par with other regions.

II. Agriculture and Food Security

As a result of the constraints faced by the agriculture sector, food security – the availability, reliability and affordability of food – remains a major challenge for the continent. While food production in Africa has been gradually increasing, Africa is the only continent in the world where per capita food production has declined over the past 30 years. As a result, agriculture has contributed less than 10 per cent to Africa's economic growth over the past decade.

High food-price volatility remains a recurring problem, affecting an ever-wider range of products. Over the past ten years, the price of rice, for example, has risen by 204 per cent, wheat by 167 per cent and maize by 165 per cent (AFDB, 2012). Not only does this have implications for macroeconomic stability, contributing to spikes in inflation, but its most serious impact is on the poor, who spend most of their income on food and have no cushion against rising prices. The urban poor, who buy all their food, are particularly vulnerable. But even subsistence farmers tend to be net food buyers. Therefore, increased agricultural productivity and efficient, inclusive, sustainable and resilient agriculture and agro-industry are drivers for promoting development in agriculturally dominant economies, enhancing economic stability for rural households, increasing food security and supporting economic transformation.

In the same vein, developing more efficient trade links will help lower price volatility and reduce food insecurity, so that shortfalls in some countries can be offset by excess production in others. This can be accomplished by accelerated regional integration and the removal of trade barriers between countries and regions. It is imperative that agricultural development policies give due attention to promoting gender responsive development in light of the role of women as food producers, managers of natural resources, income earners and caretakers of household food security.

III. The Case for Financing Infrastructure and Agricultural Development

Against this backdrop, it is essential to look at ways to mobilize resources, investment, capacities, skills and technology in order to facilitate agricultural and infrastructure development in Africa. As envisaged in the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda and Agenda 2063, partnerships will be the essential means of implementation for these development frameworks. In this context, African leaders have prioritized domestic resource mobilization, through enhancing economic growth, improving the tax system and expanding the tax base, and curbing illicit financial flows while promoting public-private partnerships, and leveraging remittances, financial markets and pension and sovereign wealth funds. These efforts must be accompanied by scaled international support and global partnership for development that is underpinned by the fulfilment of official development assistance and other commitments as well as promoting capacity building and technology transfer and enhancing international cooperation to tackle illicit financial flows.

Financing infrastructure and agriculture projects requires an enabling environment that includes adequate skills in project preparation and management, the availability of adequate financial products and institutions, a business friendly environment, adequate hard and soft infrastructure including the legal framework, comprehensive risk management, and political leadership.

Regarding regional level infrastructure, it is important to note progress made in resource mobilization for PIDA, Presidential Infrastructure Champion Initiative (PICI) projects following the adoption of the Dakar Agenda for Action of June 2014 and the launch of the Continental Business Network as well as the MoveAfrica initiative. These initiatives are promoting public-private partnerships for infrastructure development in Africa. According to the World Bank, an annual investment of $93 billion is required for Africa to meet its infrastructure needs – $40.92 billion (44 per cent) for energy, $21.39 billion (23 per cent) for water and sanitation, $18.6 billion (20 per cent) for transport, $9.3 billion (10 per cent) for information and communications technology and $2.79 billion (3 per cent) for irrigation.

In agriculture, African leaders have adopted a series of decisions and initiatives including the Maputo Declaration, the Comprehensive Africa Agriculture Development Programme (CAADP) and the Malabo Declaration to garner and mobilize investment and resources towards agricultural development. The 2014 Malabo Declaration upholds the commitment to raise public investment finance and to improve the enabling environment to overcome the barriers for private investment in agriculture. External financial resources, including the

Green Climate Fund (GCF), can provide important windows of opportunity for countries to support their climate actions linked with agriculture sectors. However, these can only materialize when agricultural transformation is defined as a priority within the countries' development trajectories, including as part of the solutions to climate challenge.

Mobilizing adequate investment finance for agricultural development has been difficult in Africa. Reports indicate that since the 2003 Maputo Declaration few countries have lived up to the CAADP commitments of allocating at least 10 per cent of national budgets to agriculture. The agricultural sectors have also not been able to attract a great deal of private investment over the years. Another Africa-led initiative is the Africa Solidarity Trust Fund (ASTF), which supports food security across the continent by assisting countries and their regional organizations to eradicate hunger and malnutrition, eliminate rural poverty and manage natural resources in a sustainable manner.

Going forward, investment in African agriculture needs to recognize more explicitly the complementarity of the roles of the public and private sectors – this must truly be a partnership – with a clearer understanding of types of investment along the value chain that each actor can make to increase overall productivity. Agricultural growth corridors, such as the Beira Agricultural Growth Corridor or the Southern Agricultural Growth Corridor of Tanzania, offer interesting approaches that coordinate public and private investment in promising areas, thereby building value chains and creating critical mass.

Strategic investments and actions by the public sector will be critical to crowd in and leverage private sector investment. In particular, the public sector should invest in critical areas such as agriculture-enabling infrastructure; agro-climatic mapping; research and development; training and skills development; and promoting access to finance, particularly for small-holder farmers.

Government investment in these public goods will lower risks and allow private sector farmers to be more productive. Private investors can then be expected to address a number of other productivity constraints by investing in field irrigation infrastructure, improved seeds and soil fertility, either through fertilizer applications, conservation farming techniques or both.

Smallholder farmers provide 90 per cent of Africa's agricultural production and investment must be targeted to help them transition from being subsistence farmers to commercial ones. This does not necessarily imply moving to large-scale production models. To illustrate, while Brazil has been successful with this model, India and Thailand have successfully developed smaller-scale production models.

Evidence suggests that for many value chains, small-scale commercial production in Africa is competitive compared to larger-scale farms. Large- and small-scale farms can also co-exist, for example through outgrower schemes and contract farming. In such cases, larger-scale commercial investors can take on heavier investments in processing and other infrastructure, attract large buyers and suppliers and facilitate market access for smaller farmers. Large, commercial farms can also boost small farmer productivity through training and skills transfer, provision of inputs and credit.

Overall, it should be emphasized that both sectors require significant financing accompanied by skills, capacities, technology and, very critically, political support and leadership. In terms of resources, African leaders have placed a priority on domestic resource mobilization.

IV. Overall Objective

The high-level event will raise awareness and advocate for mobilizing financial resources in these key strategic sectors for Africa's sustainable development and inclusive growth. Following the adoption of the 2030 Agenda for Sustainable Development and Agenda 2063, the high-level event aims at exploring the ways and means to mobilize financial resources for agricultural and infrastructure development in Africa. To facilitate the process, the discussion will focus on the financing of enabling infrastructure for agriculture and agribusiness development.

V. Specific Objectives

The specific objectives of this session are to:

I. Highlight the missing links and identify solutions for mobilizing financing for infrastructure and agriculture development;

II. Identify the key challenges impeding financing of agriculture and infrastructure development in Africa;

III. Identify areas and options to boost financing in Africa and highlight the capacities and roles of key stakeholders, including Governments, regional organizations, financial institutions, farmers, entrepreneurs, development partners including multilateral development institutions, philanthropic organizations and academia; and

IV. Explore ways to further direct political support and coordination towards infrastructure development, including through institutions, an enabling environment for the private sector, development of project preparation and management skills, promotion of science, technology, innovation and research in agricultural development.

VI. Guiding Questions

I. What are the main challenges to the mobilization of sufficient resources to finance agricultural and infrastructure development in Africa?

II. What could be effective strategies to further leverage investments in the agriculture and infrastructure sectors?

III. How can the United Nations development system support the efforts of the African countries, Regional Economic Communities and the African Union to promote infrastructure and agricultural development?

VII. Format and Participants

The event will bring together key stakeholders including representatives from African Governments, development partners, African regional organizations, multilateral development institutions, financial institutions, foundations, project preparation specialists, civil society, academia, and the media. The meeting will take place in a panel discussion format and will be co-moderated by the Under-Secretary-General for Global Communications and the African Group Chair for the month of September.