

Africa Emerging Markets Forum

Transforming Rural Africa: Growing a Productive Agriculture Sector

Abidjan, March 27, 2017



AFRICAN AGRICULTURE IS IMPORTANT

- 25% of African GDP
- 20% of African GDP is agro-business
- 60% of African employment
- 70% of Africa's poor
- 19% of Africa's population undernourished

PERFORMANCE OF AFRICAN AGRICULTURE

- African crop yields of staples low (tons/ha) (2014) (FAO)

| | Maize | Millet | Rice | Sorghum | Wheat |
|---------------|-------|--------|------|---------|-------|
| Africa | 2.1 | 0.6 | 2.7 | 1.0 | 2.6 |
| World | 5.6 | 0.9 | 4.6 | 1.5 | 3.3 |
| Mexico | 3.3 | 1.0 | 5.7 | 4.2 | 5.2 |
| India | 2.8 | 1.3 | 3.6 | 0.9 | 3.0 |

PERFORMANCE OF AFRICAN AGRICULTURE

- Growth of total factor productivity in African agriculture is slow

(% p.a. growth in TFP) (IFPRI)

| | 1991-2000 | 2000-2011 |
|---------------|-----------|-----------|
| Africa | 1.1 | 1.4 |
| World | 2.0 | 1.9 |
| Mexico | 3.5 | 2.3 |
| India | 0.8 | 2.6 |

PERFORMANCE OF AFRICAN AGRICULTURE

- African agriculture GDP growing, but rate is slowing
(% p.a. growth in ag. GDP at constant prices) (World Bank)
- But African population growth now at about 2.5 % p.a.

| | 1980-2000 | 2001-2010 | 2011-2015 |
|---------------|-----------|-----------|-----------|
| Africa | 5.2 | 6.4 | 3.6 |
| World | 2.7 | 2.8 | 2.8 |

PERFORMANCE OF AFRICAN AGRICULTURE

- Most African agriculture growth has been due to:
 - Expansion of land area under crops
 - Expansion of labor
 - Improved terms of trade
- Land area constrained
(Land and labor use in African agriculture) (FAO)

| | 1995 | 2005 | 2015 |
|---|------|------|------|
| Labor (million) | 127 | 198 | 244 |
| Land (million ha) | 1103 | 1150 | 1172 |
| Agricultural land per laborer (ha/person) | 8.7 | 5.8 | 5.0 |

PROXIMATE CAUSES FOR POOR PERFORMANCE

- Fertilizer use low
- Irrigated area low
- Substantial soil degradation and forest loss
- High cost of transport
- Low introduction of improved technical practices (seed/mechanization/IT)

| | |
|--|------------------|
| Africa fertilizer use (2013) | 3.3 kg/ha |
| World fertilizer use 2013 | 23.6 kg/ha |
| African ag. land irrigated 2013 | 1.3% |
| South Asian ag. land irrigated | 42% |
| Cost per ha of irrigation investment in Africa 1995/99 | \$8347 |
| Cost per ha of irrigation investment outside Africa (1995/99) | \$3506 |

FUNDAMENTAL CAUSES OF POOR PERFORMANCE

- Poor enabling environment for private investment
- Government price and trade policy which taxes agriculture
- Inefficient government agricultural marketing, processing and input supply enterprises
- Low public investment in agriculture and rural development
- Low support for farmers organizations and local government

| (Selected countries with 6 best and 6 worst) | Ease of doing business rank (World Bank) |
|--|--|
| Mauritius | 32 |
| Rwanda | 62 |
| Botswana | 72 |
| South Africa | 73 |
| Morocco | 75 |
| <u>Zambia</u> | <u>97</u> |
| Eritrea | 189 |
| Libya | 188 |
| CAR | 185 |
| Congo, Dem. Rep. of | 184 |
| Chad | 183 |
| Angola | 181 |

EXTERNAL FACTORS HURTING PERFORMANCE

- Donor inefficiencies (conflicting advice, failed projects, competing donor objectives)
- OECD agricultural subsidies and trade restrictions

ACTION AGENDA FOR AFRICAN GOVERNMENTS

- Improve ease of doing business
- Improve agriculture price and trade policy (reduce effective taxation of agriculture)
- Reduce preponderance of public sector agriculture marketing, processing and input supply
- Expand public investment in agriculture and rural development (to the 10% Maputo declaration)
- Focus on public-private-farmer-donor partnerships in technological innovation, irrigation, rural finance, climate change adaptation
- Support growth of independent farmer organizations

ACTION AGENDA FOR DONORS AND NGOS

- Reduce number of donor agencies working in agriculture, and expand funding of those remaining
- Better donor coordination
- Reduce OECD trade barriers and agriculture subsidies, or compensate Africa for negative effects
- Expand funding for climate change adaptation
- More public-private-farmer-donor partnerships in projects

Thank you!