Economic Growth in Sub-Saharan Africa
Investing in Agribusiness and Rural Development

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Introduction

During the G8 L’Aquila Summit in 2009, countries published a joint statement that prioritized the two-pronged issue of rural and agricultural development in sub-Saharan Africa. From that point on, the G7 has been a driving force of funding for this issue. Donors have now moved from the initial idea that more must be done to emphasizing the need for a global agenda to transform sub-Saharan African agriculture to meet the needs of a growing and changing population. As most bilateral G7 donors have their own set of development priorities in the region—Canada on nutrition, the United Kingdom on land titling and property rights, the United States on health, Italy on private sector, and France and Japan on infrastructure—forming this has been easier said than done. Holding the 2017 G7 presidency, the Italian government convened a group of representatives from G7 development agencies, UN agencies, African institutions, and African agribusiness entrepreneurs to discuss ways to improve coordination on this issue as it relates to economic migration from the continent. Given the presence of critical multilateral agencies in Rome such as the Food and Agriculture Organization (FAO) and the World Food Programme (WFP), as well as its position as a landing point for many economic migrants from Africa, Italy has a strategic role in assembling such a group. This convening highlighted the potential of existing programs to equip smallholders and rural entrepreneurs with the tools needed to sustain a living. By enabling African governments to utilize established initiatives and resources more efficiently, donors can promote agricultural productivity and support rural economic growth on the continent.

Many development donors see rural development and improved agribusiness in sub-Saharan Africa as important drivers of both the present and future economic growth and security in the region. Employment in agriculture has historically accounted for a high percentage of the workforce in Africa, exceeding half of all employment in 2017. A 2013 World Bank report, Growing Africa, estimates that the agriculture and agribusiness sectors across Africa as a whole will top USD 1 trillion by 2030. By comparison, the current size of the market is $313 billion. While some countries on the continent have attained self-sufficiency in food production, Africa as a whole continues to import $33 billion worth of food annually. There remains a shocking inequality in global food prices: the world’s poorest people, who are often smallholder farmers, do not earn enough money to afford the price of food in their country. Figures for 2016 compiled by the U.S. Department of Agriculture (USDA) put the percentage of household income spent on food in the United
States at 6.4 percent. Comparatively, Nigeria, Kenya, Cameroon, and Algeria spend over half of their household income on food.

There are 39 rice-producing countries in Africa, and 56 percent of them are in West Africa, which produce an average of 14.6 million tons of rice per year for the continent. The rice sector has the potential to meet the employment needs of the roughly 17 million young people entering the labor market each year. However, nearly 3.5 million tons of imported rice is still needed for consumption. There are several reasons for this. The share of irrigated cropland in sub-Saharan Africa is only 4 percent of total farmed land, compared to 39 percent in South Asia and 29 percent in East Asia. Crop irrigation is a vital component to successful farming and an efficient way to maintain care for crops. In a region with an increasing population to feed, systematic care of cropland is critical to farmers’ output. There is a massive loss of profit associated with non-irrigated crops—profit that farmers could later invest in inputs and technologies for their farms. Beyond irrigation, many smallholder farmers lack the quality inputs such as seeds and fertilizers needed to properly care for their crops. Their improper farming and crop tending methods lead to accelerated soil degradation, lessening their future productivity. While agriculture still makes up more than 30 percent of GDP on the continent, this is likely to decline if these inefficiencies in production are not addressed.
Drivers of Demand for Rural Development & Improved Agribusiness

Migration
Fixing these inefficiencies in the food economy can significantly reduce inequality, create jobs, and generate rural prosperity—lessening the need for migration. There are two types of migration that parallel the success of the agriculture sector in sub-Saharan Africa. First, poor services and lack of opportunities in rural communities drive young people away in search of better job opportunities in urban centers. This creates a large and growing population of undereducated, unskilled labor—many of whom move into similar living and working conditions in the city. Often young people in sub-Saharan Africa find no opportunity even in cities in their home country and thus become economic migrants seeking to reach a better future in Europe and beyond. Although most of the 65 million refugees and migrants globally are the result of armed conflicts, many are simply searching for economic opportunity.

Changing Population Demographics
Changing population demographics drive the need for agricultural transformation in sub-Saharan Africa. According to FAO’s report, *How to Feed the World 2050*, the global population is slated to reach 9.1 billion by 2050. To feed that number of people, current food production must accelerate by 70 percent. Africa—on track to having a population of nearly 2 billion by then—must grow its farming productivity at an even more accelerated pace than the global average to meet the needs of its population growth.

Population growth and urbanization are twin forces that will mean that greater food production is needed, and food preferences will change. Although roughly 60 percent of the population still lives in rural areas, sub-Saharan Africa is the world’s fastest urbanizing region. With a 4 percent annual urban population growth rate, the number of people living in urban centers is on track to exceed those living in rural areas. In Gabon, for example, urban residents represent 87 percent of the total population. These numbers reach 60 percent in Mauritania, 54 percent in Cameroon, and 77 percent in Djibouti. It is projected that 56 percent of sub-Saharan Africa will be urban by 2050. With an urban population of almost 500 million, the urban centers of the region cannot be omitted from the discourse on agricultural development.
Urbanization means that an increasing number of people living in the region are buying their groceries in stores as opposed to traditional markets; this creates a need for smallholder farmers to participate in national and global supply chains to better link farms to new and expanding markets. Meeting the quality and health standards of new suppliers is an ongoing challenge that will present real obstacles to integrating rural smallholders into value chains. Urbanization will change what people eat and what people can afford to eat. Processed or prepared foods and longer-lasting produce in supermarkets will change consumer preferences, impacting rural farmers who do not have access to chemicals and preservatives.

In addition to a growing and urbanizing population, sub-Saharan Africa is an incredibly young region. With 60 percent of Africa’s current population under the age of 35, the African Development Bank (AfDB) estimates that by 2050, one-third of the world’s youth population will live on the continent. Unfortunately, the under-35 population also holds the majority on the continent of those living in poverty—earning less than $1.25 per day. There are tremendous untapped opportunities in the African rural economy and tertiary towns for young people. These opportunities, if maximized, can help create for the opportunities that African youth need. Young people, however, need assistance to understand how to capitalize on the profit of the land in their home countries, increase their productivity, and create business opportunities and career acceleration in the agricultural and agro-allied sectors. Young people in the region want more opportunity and capacity to obtain a better economic status and quality of life.
Areas for Improved Donor Coordination

Technology and Innovation

Technology and innovation have already begun driving sub-Saharan Africa’s rural development. Aerial satellite or drone imaging, weather forecasting, and growth-deviation warning systems have all contributed to the improved success of crop production. Official donors often discuss technology and agricultural growth in terms of “scalability.” Measuring the cost of farming a crop, implementing the farming, and analyzing the market and selling price point are all enhanced with the use of technology. Since the average rural farmer in sub-Saharan Africa manages only 1.6 hectares of farmland, advanced technologies have historically been complicated and unappealing to smallholders. African entrepreneurs are becoming interested in capitalizing on this. African-based start-up technology companies such as Zenvus and UjuziKilimo are making digital tools for precision farming much more affordable and accessible. Based out of Nigeria, Zenvus helps farmers optimize irrigation by measuring and analyzing soil data to eliminate input waste. UjuziKilimo, a Kenyan start-up, uses big data to share knowledge with farmers that will boost productivity based on individualized farming plans.

In 2017, the Africa Climate-Smart Agriculture Project Alliance (CSA) was launched as the first regional initiative on smart climate in sub-Saharan Africa. This initiative is funded by a unique alliance between the African Union, five international nongovernmental organizations (NGOs), and four technical partners. It uses advanced technology to improve smallholders’ predictability of extreme weather patterns before ruining crop production, lessening the impact of flooding or drought on the national economy. CSA establishes a social platform for knowledge and information sharing, and capacity and vulnerability mapping. The investments made by this partnership have already leveraged $250 million for Kenya, as agriculture is a major contributor to its GDP. With nearly 3.4 million Kenyans already in need of food aid, a program such as this prevents those numbers from increasing due to ruined crops or inefficient farming.

Incorporating technology into rural development efforts is not only about advancing agricultural products and methods but also about engaging youth in the agriculture sector. Investing in a technology-savvy approach to developing rural agriculture can attract and
retain the attention of the young farmers who are otherwise harder to reach, building their skills in an approachable way and lessening the inclination to migrate in search of other work. Donors must continue enabling African entrepreneurs and institutions to enforce the use of technology in rural development.

**Country Ownership**

Governments across sub-Saharan Africa have prioritized rural development and increased productivity in the agricultural sector. Through avenues such as the African Union’s Comprehensive Africa Agriculture Development Programme (CAADP), governments have a framework to guide development progress and policy reforms. It is critical that governments remain accountable for development initiatives established in their countries and assistance funds allotted for development projects. Building transparency is a necessary component of building a sustainable agriculture sector in sub-Saharan Africa. With advancements in technology making global strides, this is an opportune moment to enforce this transparency. It is important that official donors continue to provide advice and resources to sub-Saharan African governments. Agriculture is the largest contributor to many economies in the region. Increasing domestic government spending and enabling the conditions for private investment in agriculture are critical governing initiatives that developing country governments must implement. Public spending on agriculture by sub-Saharan African governments continues to lag other developing regions. The 2003 African Union summit in Mozambique resulted in a commitment to reach 10 percent of total national budgetary spending on agriculture. So far, only 12 sub-Saharan African nations have met this.

**Sierra Leone**, despite recent health pandemics which make the news headlines, has made great strides in sustainable farming following the 2003 commitment. In 2009, FAO estimated that despite needing 550,000 tons of rice to meet domestic consumption, Sierra Leone grew 784,000 tons—far surpassing the previous five-year average. Many have attributed this success rate to the absence of conflict and a decent rainy season. However, that same year, agriculture rose from 1.6 percent of the national budget to 7.7 percent. In 2010, it increased again—this time reaching the 10 percent goal committed in 2003. Since 74 percent of Sierra Leone’s land is cultivatable, this extent of domestic revenue allocation toward agriculture could prove an economic turning point for the country.

Although not as dramatic as the government would presumably like, agriculture in Sierra Leone certainly has made progress from the war-torn 1990s. Government spending on food imports dropped from $32 million to $15 million between 2007 and 2013. Despite diverted government attention to the health crisis, agricultural development remains on the agenda. The Sierra Leone Agricultural Research Institute (SLARI), which has been recently established, observes the successes and failures of the industry and suggests innovative ways for federal investment moving forward. While rice maintains its position as the most important crop in Sierra Leone, cultivated by 85 percent of farmers, the economy is diversifying. Cassava and sweet potato have seen a 34 percent increase in production and are in high demand in urban areas. Agriculture and agribusiness in sub-Saharan Africa are not only about food crops; cash crops help secure the livelihood of many smallholder farmers. Tree crops such as palm oil and perennials such as cocoa and coffee have also seen an increase in production in Sierra Leone and elsewhere in the region.
Data collection presents a unique opportunity for both technology incorporation and increased country ownership with the agriculture field. The Taormina Communiqué from the G7 summit held in May 2017 stated the necessity for donors to work better together on investments in agriculture in sub-Saharan African. Under its direction, the Italian government has made it a point to stress the need for better collaboration among G7 donors on shared data. To invest more strategically and intelligently, donors must complement their respective data to paint the whole picture of the industry’s deficiencies and needs. Monitoring and evaluation (M&E) is a beneficial component to measuring what initiatives are working, why and where they are working, and how that success might translate in other sectoral or regional contexts. Governments in sub-Saharan Africa can mirror this emphasis on the significance of data to increase ownership over agricultural development.

Much of the current data operations in sub-Saharan Africa are funded and led by international donors—failing to understand the context of the story behind the data. Because of this, donors often superimpose their priorities and strategies on their sub-Saharan African counterparts after analyzing the data from their biased perspective. Governments must complement these analyses and define plans for their countries from the onset. The U.S. Agency for International Development (USAID) is working with partners to institute a strengthening of national data systems in the developing world—applying the open-data movement to rural development to provide stakeholders with a broad range of information. This can act as the first step for countries to develop their own M&E collection capacity. Affording the skills needed to research and analyze independent solutions to national problems is an important effort toward improving overall country ownership. Investing in technological advancements in sub-Saharan African countries can ultimately help governments establish and maintain independent data operations.

To accelerate economic growth in African countries, agriculture must move from a subsistence activity into a commercially viable business. Developing and enabling sub-Saharan African institutions and farmers as entrepreneurs are important steps in addressing some of the inefficiencies of the region’s agriculture industry. The access that smallholder farmers have to entrepreneurial opportunities is one component of a country’s ability to become an agricultural exporter. Cooperative extensive services, for instance, are one way of providing farmers with the support needed. Extension services include a wide range of resources such as greater access to mechanization and modern inputs, field training, market linkages, and technology transfers. These services have been largely underfunded and inefficient in sub-Saharan Africa. However, this is changing. Due to advancements in technology, African institutions are now able to reach a broader set of farmers. Farmers need reliable institutions that are willing to fund extension services and the accompanying technology required to widely disseminate the service programs. Donors must support their host-country governments in obtaining these capabilities and then enforce that they use them to improve critical sectors such as rural development and agribusiness.

**Public-Private Partnerships**

No one sector can bring about a renaissance in sub-Saharan African agriculture. Governments, donors, private sector, and philanthropy are all needed. Partnerships can play a pivotal role in the sustainable development of the agriculture sector across the
region. Not only can established partnerships help farmers and agribusinesses prosper, but they can instill industry knowledge and know-how that will last beyond the duration of the partnership. African governments must work in collaboration with the private sector to diversify agricultural production and exports and improve technological capabilities of farmers. To increase acres of irrigated land, for example, rural farmers need technical training and access to technology that can improve capacity in this area. This often comes in the form of infield irrigation, water distribution, and managing the dams and schemes on a concession basis. This necessitates financing from a private bank or investor who is on board with making a sizable initial investment with a lengthy period of no-cash flow while farmers are in growing season. To attract this type of investment interest, public-sector involvement must be heavy on the front end, financing the development of the required infrastructure to kick-start the progress. Governments must also be able to ensure good governance and the rule of law to ensure the trust of the private investor. This is the type of partnership that can produce results beyond the length of its duration.

As sub-Saharan African countries incorporate technology into their agendas, the private sector will become increasingly involved. Technology can contribute to the advancement of research and development initiatives aimed at agricultural productivity and general alleviation of poverty. To allow governments access to this kind of information, technology firms will need more access. One of the main inhibitors of private-sector collaboration on agriculture projects is a strict regulatory environment imposed on them. World Bank initiatives such as the Enabling the Business of Agriculture have made efforts toward creating a quality regulatory space that attracts private-sector investment and allows agribusiness to prosper in the region. The World Bank is also developing tools to mitigate risk for private investors and help rethink the use of national subsidies in agriculture. In many cases, subsidies can create market distortions and poor investments. However, so-called “smart subsidies” can minimize market distortions and generate growth in a more sustainable way.

The land-grant college model in higher education is a unique approach to national agricultural development that also aligns public and private interests. This type of cooperative extension program intends to create a partnership between federal and state governments, universities, and local agricultural communities. Extension services link national priorities in the agricultural space with the needs of farmers and land-grant institutions. Universities provide new industry technologies to farmers, and in exchange, farmers provide firsthand, reliable information on their needs and the health of their crop production to governments and academic researchers. This process meets the needs of the partners while enhancing data-collection methods for government use. Unfortunately, extension services are not the end-all, be-all of solutions to the agriculture production deficit in sub-Saharan Africa. The technology provided is often not on the cutting-edge of research with many associated fees. Also, increasing private investment will decrease the desirability of extensions. However, in areas lacking incentives for private investment, extensions can fill in to establish programs for farmers and the broader public.

The public sector can also enable private-sector partnerships by “reframing” agriculture as a major business opportunity. For example, in 2014, Indonesia found that they had three times as many coffee smallholders than its competitor Vietnam but produced a third of the
exports. The government framed this as an "export issue," which attracted the attention of private investors to create a sustainability program in smallholder skills training. Private investors found that boosting farmer productivity had the potential to generate an additional 6 million bags of coffee per year, estimated at $630 million. The total training cost of a half million farmers was roughly $95 million. Of raw cocoa production, 70 percent takes place in sub-Saharan Africa. Due to poor agricultural practices, crop yields are insufficient for cocoa farmers to make a living, let alone turn into a sustainable business. Sub-Saharan African countries could mirror the Indonesia exercise to attract similar investments, increase know-how, and further encourage smallholders in sectors such as cocoa or other cash crops.

The Japan International Cooperation Agency (JICA) and the New Partnership for Africa's Development (NEPAD) instituted the Initiative for Food and Nutrition Security in Africa (IFNA) in 2016 as a framework for global collaboration on this topic. Germany, having the G20 presidency in 2017, launched the Initiative for Rural Youth Employment to increase job opportunities, raise rural incomes, and reduce poverty across Africa. In the public launch document of this initiative, G20 donors acknowledged the strength of their partnership in addressing the consequences of limited rural employment and entrepreneurial opportunities in Africa, namely “…rural underdevelopment, inequalities, poverty, rapid urbanization, and migration.” Partnerships can act as important instruments for better coordination and can become vehicles for reform in agriculture research. Public donor partnerships such as the G7 and G20 bring together the world's largest economies and much of the world's official development assistance (ODA). They are powerful groups with extensive potential for impact, but official aid must be modest about its ability to deliver the sustainable development results without a strong relationship with the private sector and host countries.
Conclusion

There is a growing consensus around getting a rural development agenda that is about more than just farming productivity but is also about agricultural transformation that modernizes and commercializes agriculture and bolsters private enterprise and investment. To do this, there must be more efficient coordination among official donor agencies and with other actors. Stakeholders must commit not only to funding investments but also to making efforts toward cohesive investing. Private-sector investment in the agricultural sector continues to increase, specifically through rural entrepreneurship and business operations. Multilateral organizations and regional banks, too, will continue to play a defining role in the growth of African agriculture and agribusiness, particularly in the sub-Saharan region. Agriculture is related to health, resilience, political stability, conflict, and ultimately, sustainable economic growth. Given the scope and scale of creating a comprehensive road map that covers these intertwined topics, enabling the conditions that allow for private- and civil-sector intervention is essential to complement government efforts.

Governments must reform policies to see agriculture and agro-industry as a business opportunity, and smallholder farmers as entrepreneurs. Urbanization and changing population demographics will require sustained attention and flexibility. Governments must remain accountable and ensure their farmers have access to the tools that will make them competitive in the global agriculture market. Sub-Saharan Africa has the potential to become an agricultural export region that can also feed itself. It also has the capacity to create enough employment opportunities to counter the growing youth bulge and attract African youth to careers and entrepreneurial opportunities in the agricultural value chain. Transformation is already happening: technology is advancing, partnerships are establishing, and private capital is becoming available. Donors must remain involved and support further transformation on a country-led basis. If the donor community remains focused on supporting host governments in this area over the next decade, major progress can be seen. Ultimately, sub-Saharan African governments must own their destiny.
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