Importance of Inclusive and Sustainable Agribusiness in Africa

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UNDP at a glance

• United Nations Development Programme = UN’s development agency and network around the world in 177 countries
• Established in 1966
• Works to **empower people’s lives while helping nations become more resilient**
• Plays a coordinating role for the UN system
• Four main areas of work
  1. Poverty reduction and MDGs
  2. Democratic governance
  3. Crisis prevention and recovery
  4. Environment and sustainable development
• In all our activities, we encourage the **protection of human rights** and the **empowerment of women**
UNDP’s Core Competencies

- Wide country presence and networks
- Wide network of partners (local and international)
- Long development expertise
- Trusted broker between private and public sector and civil society
- Evidence based policy dialogue with Governments
- Existing resources for capacity building and connecting to knowledge
- 4Cs – Convening, coordinating, capacitating and catalyzing action
What do we mean by development?

“Development is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests.”

UNDP Human Development Report 2010
Why Private Sector and Market Dev.?

• Most of the choices and opportunities that we enjoy are provided through markets (Development as Freedom by Amartya Sen)

• The poor participate in informal and formal markets every day as producers, employees and consumers

• Markets can contribute poverty reduction as they become more inclusive and benefit all

• In order to function well markets require:
  – supporting rules (fair and transparent)
  – supporting institutions and capacities

• Markets are central to the human development paradigm

Inclusive Markets:
Markets that offer beneficial choices and opportunities to the low-income and disadvantaged people, who are included on the demand side as clients and customers and on the supply side as employees, producers and business owners at various points along value chains.
UNDP Private Sector Strategy

**Strategic Priorities**

1. Establishing the policy and institutional framework
2. Facilitating pro-poor value chain integration
3. Brokering investments in pro-poor goods and services
4. Fostering inclusive entrepreneurship
5. Encouraging corporate social responsibility in support of inclusive market development and the MDGs
Engagement of the private sector in market development

1. Foundations and Philanthropy (Corporate) Philanthropy
   - Attracting funding for charity projects or social investments
   - UNDP partners: NGOs, foundations, etc.

2. UN Global Compact Corporate Social Responsibility
   - Engaging projects targeted at poor stakeholders
   - UNDP partners: businesses, corporate foundations

3. Growing Inclusive Markets Initiative & Business Call to Action
   - Inclusive Business Models
     - Fostering core business segments targeted at BOP along the value chain,
     - Promoting investments in Pro-Poor Goods & Services, and
     - Supporting local entrepreneurs
   - UNDP partners: businesses

4. Inclusive Market Development
   - Strengthening policies, rules and results at government level and supporting functions and business services
   - UNDP partners: businesses, other development partners, civil society

Economic benefit

Social benefit
Development trends with private sector relevance in Africa

• Declining aid and shift to private sector engagement and investments
• Food security, FDI & agribusiness opportunities help agriculture revival
• Governments’ inclusive and sustainable green growth policies
• Inclusive business models replacing philanthropy and CSR
• Youth Employment and women top development priorities
• Stepped up women political visibility and “Womenomics”
• More focus on public-private dialogues, partnerships, platforms and sector alliances
• Regionalism drive: regional economic integration and intra-African trade
• Openings for greater role of PS in service delivery, local content and supply chain development solutions
African Facility for Inclusive Markets (AFIM)

A UNDP led regional project

Objective:

*Regional pro-poor private sector growth and inclusive market development in Africa as a means to contribute to poverty reduction and the Millennium Development Goals (MDGs).*

Strategy:

*To provide low income people tools and resources to lift themselves out of poverty through private sector initiatives at the regional and national levels by including them into value chains as employees, producers, consumers, entrepreneurs and distributors.*
African Facility for Inclusive Markets (AFIM)

- A **platform** that aggregates, convenes and coordinates the various UN and other Private Sector related initiatives
- A **partnership** between various regional and global organizations as well as governments and inter-governmental organizations.

**AFIM goals are:**
1. Increase private sector related capacity of targeted regional institutions and governments
2. Strengthen regional and country level initiatives
3. Build a broad-based alliance of partners for development
4. Improve access to finance for small producers and MSMEs
AFIM Achievements in 2011/2012

• Assisted **28 UNDP country offices and governments** to improve their capacity to support value chain development

• Undertook a comprehensive **assessment of private sector related capacity of key regional institutions** (COMESA, EAC, ECOWAS, SADC, AUC/NEPAD)

• Developed a **capacity development programme for regional institutions** (garnered $1 from Japan)

• Produced a study on the **Roles and Opportunities of Private Sector in Africa’s Agro-Food Industry**
AFIM Achievements in 2011/2012 (cont’ed)

• Co-organized the AgriBusiness Forum 2011, Africa’s largest agribusiness conference, with more than 450 participants

• Organized a very successful continent wide public private dialogue (PPD) which led to adoption of the Johannesburg Declaration on “Engaging the Private Sector in Furthering Africa’s Agribusiness, Food Security and Nutrition Agenda”.

• Produced a comprehensive study and a field guide on inclusive business finance (also as a Wikipedia article)

• ABC Explanatory meeting on advance Maize value chain in Southern Africa
The roles and opportunities for the private sector in Africa’s agro-food industry

Some issues identified by study:

• Land is available (20% of the total world surface area, 64% of world’s uncultivated land) but not accessible
• Africa has the lowest productivity per yields in the world
• Poor market infrastructure and rural road network
• 30-50% post harvest losses
• High cost of product aggregation
• Weak capacity in modern technologies (production and post-harvest)
• Cross-border challenges (e.g. differing regulation, opening hours, long queues and waiting time, multiple check points)
• Investors lack access to agro-economic data
Some key emerging trends in the agro-food sector:

- Value chain financing rather than financial of individual projects
- Backward integration of agro-processing firms and supermarkets to secure locally grown raw materials
- Trade corridor infrastructure dev. to spur agribusiness dev.
- Warehouse receipt systems and commodity exchanges
- Guarantee funds and Crop Insurance to de-risk agbiz investments
- Use of mobile phones to enhance market access and money transfer
- Establishment of agribusiness platforms and agricultural chambers
- The Hub and Cluster concepts for project development
Are there real investment opportunities in Africa’s agro-food sector?

- Strategic commodities by various economic blocs and key private sector firms include: maize, rice, sorghum, soy bean, sugar cane, palm oil, fruits and vegetables, cassava and livestock
- Africa will import over $200 bn of these commodities (between 2013-2015)
- E.g. Ghana imports over $500m rice and Nigeria spends $10billion per annum on food import; West Africa imports over $1billion of fish every year
- Production of milk concentrate to exploit over $2billion urban markets
- $2billion starch market in West Africa (e.g. potential for cassava)
- 500,000 tn supply gap of soybean and other oil seed plants in COMESA/ECOWAS
- Intensive production technologies for fresh vegetables
- Post-harvest infrastructure for grains ($4billion lost in maize in 2010 for lack of post-harvest equipment and storage facilities)
Johannesburg Declaration for Engaging the Private Sector in AgriBusiness & Food Security

- UNDP co-organized AgriBusiness Forum 2011 culminated to a high level Public Private Dialogue, in which the Johannesburg Declaration was endorsed
  - Urges closer collaboration of public and private sectors, e.g. through PPPs
  - Makes specific requests from public sector and private sector stakeholders
  - Requests other development partners and donors for increased support
  - Requests UNDP AFIM to follow-up the declaration

See full declaration at [www.undp.org/africa/privesector](http://www.undp.org/africa/privesector)
Work in Progress in 2012

- Implementing a private sector and value chain related capacity development programme of selected RECs, AU/NEPAD, governments and regional private sector organizations.
- **Supporting CAADP** to advance private sector engagement and increased investment.
- Organizing **sub-regional AFIM weeks** in East, West and Southern Africa consisting of project facilitation platform, specialized training and CEO breakfast.
- The **project facilitation platforms** will advance selected sub-regional or cross-border value chain projects.
Work in Progress in 2012

- Launching a catalytic funding programme to provide micro-capital grants and technical assistance for selected agrifood value chain projects.
- Building a pipeline of promising agri-food projects in selected regional agri-food value chains such as grains, horticulture and dairy/livestock.
- Co-organizing the AgriBusiness Forum 2012
- Commissioning a study on IMD opportunities and best practices in non-agricultural sectors such as energy, tourism, mining, retailing.
- Brokering a South-South project between Mexico and South Africa to establish an innovative supplier development programme
1. **Sorghum**: Accelerating the commercialization of sorghum  
   Project Promoter: Africa Harvest  
   Countries: Kenya and Tanzania  
   Target Beneficiaries: 10,000 farmers

2. **Dairy**: Expand successful pilot organizing smallholder dairy farmers  
   Project Promoter: Easter Africa Dairy Project, Heifer  
   Countries: Kenya, Uganda, Rwanda, (Ethiopia, Tanzania)  
   Target Beneficiaries: 400,000 farmers

3. **Soy**: Increase competitiveness of soy bean value chain in East Africa  
   Project Promoter: UNDP, UNIDO  
   Countries: Kenya, Tanzania, Uganda, Rwanda, Burundi  
   Target Beneficiaries: 100,000 farmers
Conclusion

- Increased need for **inclusive growth and sustainable development**
- **Collective action needed**: public private dialogue, collaboration and capacity building & linkages within value chains
- Call for **collaboration on AFIM work in progress**
- **Especially Project Promoters** of cross-border value chain projects with positive development impact in South Africa
- Call for complementary **resources to fund selected value chain projects** from identified pipeline
- Provide successful case studies for showcasing
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