

2017 African Caucus Theme

Economic Transformation and Job Creation: *Focus on Agriculture*

Concept Note

August 2017

Background

Acknowledging the need for the economic transformation of African economies, African Heads of State and Governments, at the 50th anniversary of the African Union (AU), endorsed a collective vision for the next half-century dubbed ‘*Agenda 2063*’. This vision embodies the promotion of inclusive growth and sustainable development in Africa through an optimal exploitation of the continent’s resources for the benefit of all Africans. In this context, agriculture emerges as the bedrock and natural starting point for the Continent’s economic transformation.

Despite some evidence that African agriculture has reached a turning point, and the continent may be headed towards its own “Green Revolution”, 19 out of the 20 countries in the world with the greatest food and nutrition security (FNS) needs, are found in Sub-Saharan Africa¹. Therefore, a vibrant, sustainable and resilient agriculture sector is vital for Africa’s economic future. Indeed, African agriculture stands at the cusp of transformational change and revitalizing agriculture must become a priority on the continent as the agriculture sector has been shown to be two to four times more effective than other sectors in raising incomes among the poorest people.

The numbers² are compelling: Farming is the primary source of food and income for Africans and provides up to 60 percent of all jobs on the continent. Food production needs to increase by 60 percent over the next 15 years to feed a growing population. Africa’s food and beverage markets are buoyant and expected to top \$1 trillion in value by 2030. Also, the continent is bursting with potential: At 200 million hectares, sub-Saharan Africa is home to nearly half of the world’s uncultivated land that can be brought into production. Africa uses only 2 percent of its renewable water resources compared to 5 percent globally. Together with abundant resources, including a resourceful, enterprising youth population, strategic investments in agriculture can unleash virtuous growth cycles.

How can Africa, then, capitalize on these opportunities?

Addressing the problem areas facing African agriculture has been challenged by a number of factors such as limited availability of domestic financing, absence of a critical mass of entrepreneurs and skilled personnel, lack of infrastructure and supporting services, and difficult investment climate. Similarly, while natural resource wealth presents vast opportunities to enlarge the fiscal space needed for development expenditures, countries that are reliant on natural

¹ Ending Rural Hunger report (2015)

² *Foresight Africa 2016: Banking on agriculture for Africa’s future*. The **Foresight Africa** project is a series of reports, commentaries and events that aim to help policymakers and Africa watchers stay ahead of the trends and developments impacting the continent. Since 2011, the Brookings Africa Growth Initiative has used the occasion of the new year to assess Africa’s top priorities for the year.

resources for generating export earnings and fiscal revenues remain highly vulnerable to various external shocks, having made limited progress towards economic and export diversification.

In light of the foregoing, the Bretton Woods Institutions are working in synergy to address the challenges faced by African countries to lift potential growth and competitiveness, particularly in agriculture. Specific issues to be taken into account, include:

- *First*, African farmers need new technology—higher yielding, more resilient food crops that deliver bountiful harvests. New techniques are beginning to boost yields in rice and cocoa, among other crops.
- *Second*, African farmers need more electricity, more irrigation, and better infrastructure that links them to lucrative regional food markets.
- *Third*, Africa needs sound policies that do not discriminate against the farm sector.
- *Four*, women produce the bulk of food in Africa, and yet they are largely locked out of land ownership, access to credit, and productive farm inputs such as fertilizers, pesticides, and farming tools. Further, they are often bypassed by extension services, limiting their productivity.
- *Five*, at the climate talks in Paris, the World Bank unveiled a bold new plan that calls for \$16 billion in funding to help Africa adapt to climate change and enhance the continent's resilience to climate shocks, including a focus on climate-smart agriculture and supporting the vision for accelerated agricultural transformation of the Malabo Declaration. On its side, the IMF committed to support countries adopt mitigation and adaptation measures, in line with its core mandate.

Macro financial policies to address agriculture challenges

Strengthening macroeconomic fundamentals while advancing macro-critical structural reforms will be critical to support broad-based growth and address the challenges in the agriculture sector. The IMF has played a catalytic role in supporting countries advance their reform agenda, through tailored program design, lending, and Technical Assistance, taking account of the evolving market conditions facing its membership. In this context, to support economic transformation and diversification of African economies, the IMF will focus on the following actions:

- Addressing the resource gap through improved domestic revenue mobilization (DRM), increased foreign direct investment (FDI), and adequate bilateral and multilateral financial support. Such support remains paramount, at a time where most countries continue to recalibrate their fiscal stances to better adjust to the current lower commodity price cycle.
- Fostering financial deepening and inclusion. This is critical to help unleash opportunities for private investments for the fortification of the value chain in the agro-processing sector.

- Continuous transformation to enhance capacities in the areas of public investment and debt management.

Expectations

Concrete, affordable and implementable recommendations from the deliberations on problem-areas suggested above will be fed into the 2017 Memorandum of the African Governors of the International Monetary Fund and the World Bank Group to be submitted to the Heads of these two Institutions during the 2017 Annual Meetings.