

Development Policy Forum



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Creating Markets, Creating Opportunities

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# AFRICA SUMMIT

## BUILDING RESILIENT, INCLUSIVE AND SUSTAINABLE GROWTH

REPORT



This event is organised by the Development Policy Forum (DPF), in partnership with IFC. IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets and a long-standing investor in fragile states in Africa and globally. The DPF led by Friends of Europe brings together a number of key development actors including the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Agence Française de Développement (AFD), the Japan International Cooperation Agency (JICA), the United Nations and the World Bank.

## AFRICA NEEDS STABILITY, GOOD GOVERNANCE TO SPARK ECONOMY

Better governance is needed to help Africa grow more food, tap its huge economic potential, ease problems linked to the mass migration to cities, and deal with continued war and conflict.

Those themes dominated the Friends of Europe Africa Summit on the challenges for ensuring resilient, inclusive and sustainable growth on the continent.

Africa contains seven of the 10 fastest-growing economies in the world, and more than half of Africans are expected to live in cities by 2050. If harnessed by adequate policies, that urbanisation is the key to growth and development, bringing about considerable opportunities for structural transformation. Cities can help advance economic development through higher agricultural productivity, industrialisation, services stimulated by the growth of the middle class, and foreign direct investment in urban corridors. They can also promote social development through safer and inclusive urban housing and robust social safety nets.

At the same time, the pivotal role of young “agripreneurs” must be recognised. So far, their potential remains largely untapped, but rural development will be central to the quantum leap in the rate of progress required for the poorest countries to achieve the UN Sustainable Development Goals (SDGs). Rural development is essential, not only for poverty eradication, employment generation and economic development, but also for sustainable urbanisation.

“It is time for our leaders to stop just talking,” said **Kanayo F. Nwanze**, President of the International Fund for Agricultural Development (2009-2017). “What we need is action. We need dedicated political leaders who are there to serve the people, not to exploit them. They should be dedicated to the welfare of the people they are supposed to lead.”

Africa is also home to over two-thirds of the world’s least-developed countries (LDCs) and half of fragile and conflict-affected States (FCS). To ensure a more prosperous future for millions of Africans, it is essential to break the vicious circle of poverty and conflict.

“We want to create incentives for peace and stability, but we know that conflict drives investors away”, said **Neil Gregory**, Head of Thought Leadership at the International Finance Corporation (IFC). “We really want to understand better how we can help businesses grow in difficult environments. We have to reduce the level of risk for investors who have little understanding or knowledge of these markets.”

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## “Whatever we do in agriculture and nutrition is more dependent on rural societies than urban societies”

**Margaret Agama-Anyetei**

Head of Division for Health, Nutrition and Population at the African Union Commission

### RISING CONTINENT, RISING CHALLENGES

The challenges come as Africa gains an increasingly important role in the world. Economic growth is fast in some countries, while the population of the continent as a whole is rising. “We all agree on one thing,” said moderator **Shada Islam**, Director for Europe and Geopolitics at Friends of Europe. “We are witnessing the making of an African century. Africa matters to Europe and Europe matters to Africa: The prosperity of the two continents is interlinked. Building this African century will require hard work and determination.”

Sub-Saharan Africa has the fastest rate of urbanisation in the world now. But the growth of cities sometimes also reflects a lack of rural development. “When young people have opportunities to invest in their own small businesses in rural areas they do not migrate to urban areas,” Nwanze said. “The migration will continue as long as investment in rural space is neglected. Governments have a totally distorted view of what the problem is.”

This can lead to a neglect of the challenges faced both in cities and in the countryside. “There is a massive explosion of urban slums,” said Nwanze. “Unfortunately, the emphasis given to urban areas at the expense of rural areas is to Africa’s detriment. Investment in rural areas not only feeds people by creating food, it generates wealth and results in a more cohesive population.”

However, Africa currently does not produce all the food it needs. “In the 1960s, not one African country was a net importer of food,” he said. “China was going through famine. Brazil was dependent on food aid – and not one African country needed food aid. Today we receive aid from South Korea. What went wrong?”

The African Union Commission is looking for ways to reduce stunting and malnutrition on the continent, which implies a focus on the countryside and, in particular, on the efficiency of farming. “Young people are leaving rural communities for a reason. It is attractive to leave a rural community and go to the so-called urban community,” said **Margaret Agama-Anyetei**, Head of Division for Health, Nutrition and Population at the African Union Commission. “Whatever we do in agriculture and nutrition is more dependent on rural societies than urban societies. Rural agriculture is female-dependent. It is not mechanised; it’s dependent on the hoe.”

Another problem is food storage. “Warehousing is a major issue for smaller producers and smaller farmers,” said **Diederick Zambon**, Head of Division for the Public Sector in Africa at the European Investment Bank (EIB). “Without warehousing, nothing can be managed. So we did some financing in Malawi so that farmers can put part of their produce aside. Then they can invest in new agricultural products. This is a way to break the vicious circle and get to a more developed way of farming.”



## FARMING AS A BUSINESS

One way to spark more food production would be to change the way farmers think about business. “There is potential in rural areas but it is not well tapped,” said **Hiroshi Hiraoka**, Senior Advisor for Food and Nutrition at the Japan International Cooperation Agency (JICA). “We are assisting farmers to change their paradigm from ‘grow and sell’ to ‘grow to sell’: first understand the market, and then provide what the market needs. Africa is paying \$4bn a year for rice, and we want this money to stay inside.”

The Kenyan and Japanese governments have developed the Smallholder Horticulture Empowerment and Promotion (SHEP) approach. This develops both the technical and managerial capacity of farmers to practice market-oriented horticultural farming, and has helped to raise smallholder farmer incomes from horticulture.

One goal is to double rice production. “The Japanese approach is to go into details that no one else does,” said Hiraoka. “In a pilot project in Kenya 10 years ago, the average income of four provinces of Kenya doubled. Now JICA is expanding on a regional level.”

Promoting farming as a business also makes a society better able to withstand shocks. “Agripreneurship can itself be a good resilience measure,” said Hiraoka. “You need an uninterrupted supply of goods, at an affordable price, without much fluctuation. The question then is: how can we do it in an African way?”

Agribusiness requires a new way of thinking, said **Vimal Shah**, Chairman of Bidco Africa. “If I am producing avocados, I can think about selling to the cosmetics industry, because there is demand there. But a lot of farmers leave it to an industrial company or a foreign company such as L’Oréal. They need to grab the opportunities. If they see fruit going to waste, then turn it into fruit juice.”

One example is the production of cotton, which might sell for \$100 a unit, which is then used to make shirts that sell for a total of \$1,600. “Farmers can get more for the cotton they plant if they are part of the value chain that makes the shirt,” said Shah. Other examples are cocoa, which is eventually sold as chocolate, coffee, tea and petroleum. “We would create jobs and manufacture important products, but our logistics have not been enough. Things like logistics are essential to enhance our competitiveness and productivity. It is important that people start looking at the opportunities in Africa – not just Europeans and Americans, but Africans themselves.”

Though much comes down to private initiative, authorities also have a role to play in promoting agribusiness. “Governments can never employ every citizen of a country,” said Nwanze. “But governments can make sure everyone has access to things like healthcare, electricity – and to land. Urban areas have a finite capacity, so governments need to make rural areas attractive. Agriculture is a business. It is a money-making activity, and there are huge opportunities for young people.”

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## “Education is very important to build resilient and inclusive growth for Africa”

### Celestine Ketcha Courtes

President of the Network for Locally Elected Women of Africa (REFELA) and Mayor of Bangangté, Cameroon

## FARMS, TOO, NEED INFRASTRUCTURE

Agricultural development needs to go beyond the countryside: plenty of food is consumed in cities, and it has to be taken there. “Agriculture is a business if it is well developed,” said Zambon. “You have to link it to urban development as well. First, the private sector has to invest and develop it. Second, the public sector – at the local level and also the national level – has a responsibility: in education, digitalisation, infrastructure, water, sanitation and transport. Any producer without a transport network can’t sell, can’t trade.”

Closer cooperation by farmers would have advantages. “We should leverage the group dynamic – for example, encourage farmers to come together and market their products,” said **Caroline Kawira**, Food Security Expert at the African, Caribbean & Pacific Young Professionals Network (ACP YPN). “Through this group, we are able to give them training more efficiently, as one training session reaches many people. Also, it is hard for one young person to buy a tractor, but in a group they can contribute small amounts of money to buy one together.”

Aid organisations need to think carefully about the kind of help they provide to rural Africa, said **Leymah Gbowee**, Liberian peace activist and 2011 Nobel Peace Prize Winner. “People think, especially when it comes to women, that they can help by giving them peanuts,” she said. “I get upset when people say, ‘\$50 can lift a woman out of poverty’. If a woman gets \$50 she will be in more trouble, because other assistance will be stopped. People come with ideas that are not relevant – like teaching women how to sew or bake. If they are investing in farms, then why not invest in machinery that will help them do the work faster?”

## GIVE WOMEN MORE SAY

To make the right decisions, development policy should involve women more. “It is important in Africa to put women round the table,” said **Celestine Ketcha Courtes**, President of the Network for Locally Elected Women of Africa (REFELA) and Mayor of Bangangté, Cameroon. “Women are 52 percent of the population. We are calling for all partners to talk to women at the local level to make sure there will be results.”

However, women can already be put at a disadvantage during childhood. “Education is very, very important to build resilient and inclusive growth for Africa,” said Courtes. “But sending children to school is a matter of finance. When a family has three children but only enough money to educate one, they will pay first for a boy to go to school. They think that a girl should go and get married. But marriage is not a profession. Or, they might send a girl to train to be a secretary rather than studying sciences. University also should be open to girls. This is an essential part of inclusive and sustainable development for Africa.”

All of these goals need better governance. “No matter how much you invest in African development, with poor governance we will not succeed,” said Nwanze.

## ATTRACTING THE PRIVATE SECTOR

Private enterprises have an important role to play in Africa by creating jobs and growth, thereby enhancing incentives for peace and development. “The time is right for Africa to be developed and for the private sector to explore the opportunities to be developed,” said Courtes. Till now, said Shah, young Africans have often aimed to get a government job, which is secure and serves as a status symbol. “For entrepreneurs, we don’t have the do-how or know-how.”

However, the private sector first needs a stable environment to invest in. “Some public goods need to be addressed by the public sector – for example, basic health and education. The private sector cannot substitute,” said **Antonella Santilli**, Head of Sustainability at Enel Green Power. “Before going to invest we conduct a socio-economic analysis of the communities.” One boost governments could give the private sector would be to work together better on a regional basis. “Regional integration would encourage the private sector to invest,” she said – “for obvious reasons: the regulatory framework would be consistent.”

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**Neil Gregory**

Head of Thought Leadership at the International Finance Corporation (IFC)

## CONFLICTS DESTROY GROWTH

The biggest contribution to business would be an end to conflicts, which are also intertwined with poverty in ways that reinforce each other: conflict impoverishes communities, and poor communities are more vulnerable to conflict. This vicious cycle condemns millions of Africans to a less-prosperous future. While government policies and cooperation with international development partners are essential, ending fragility and building peaceful and resilient societies requires the engagement of local authorities, civil society actors, religious and cultural leaders, as well as women and young people.

When conflicts end, the devastation can bring opportunities to reconstruct countries. They will often need support to reconnect to international markets, by rebuilding their trade finance, exports and telecommunications links. “When we look at countries coming out of conflict, there is a boom in construction,” said Gregory. “There is an opportunity for risk-taking investors to move into markets that haven’t been tapped by other investors. However, we won’t capture these opportunities with business as usual. We have to reduce the level of risk for investors. People have little understanding or knowledge of these markets.”

But such investment needs to be carried out sensitively. “We need to be careful that the way the private sector wants to operate does not increase divisions in society,” said Gregory. “We have to support investment in a way that is politically aware.” Conflict can have a strange impact on an economy, he said. “The informal sector expands because the formal sector is so small. The rural sector appears big because the urban sector is so small. And extractive industries seem big because there are not enough other industries.”

Fragility manifests itself in a number of ways. “Not all conflict countries are completely covered by armed conflict or civil strife,” said **Hans-Joachim Preuß**, Managing Director of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). “But when you are talking about fragility, the first question is legitimacy: the lack of rule of law, so the government is not able to guarantee civil rights to the population. Then there is the question of authority: does the government have authority over the whole of a country? These components make up the state of fragility of a country.”

## “We are trying to create a conducive environment for investment, and for that you need institutional capacity”

**Hans-Joachim Preuß**

Managing Director of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

### DIFFERENT INDUSTRIES NEED DIFFERENT CONDITIONS

Infrastructure is a crucial topic in fragile states, said Preuß. “Without transportation and trade, the added value remains in the country,” he said. “Can quality infrastructure attract investment? Yes. There is also the question of human capacity. We need skilled workers: masons, plumbers and mechanics. This needs vocational training, which will enhance the employment prospects of young people.”

One contribution of the GIZ is to try to assess countries’ capacity to attract investment and development. “We are implementing a so-called peace and conflict assessment,” Preuß said. “We are trying to create a conducive environment for investment, and for that you need institutional capacity.”

Stability is especially important for large-scale enterprises such as energy. “Energy is a basic service, a commodity,” said Santilli. “It brings jobs but also provides economic prospects and fosters economic development. But energy is among the sectors that is most damaged by conflict. Investing in energy needs regulatory policy and certainty of rules on a very high level.”

Banks are exceptional in that they need relatively little financial investment from outside. “One characteristic of the banking sector in sub-Saharan Africa is that it is over-liquid,” said **Olivier de Boysson**, Chief Economist for Emerging Markets at Société Générale. “There are more deposits than credit, and banks are looking for opportunities to use the funds. So they don’t need so much external finance. We have done several public-private partnerships, and we are financing optical fibre. But there is a lack of long-term savings, which is a problem not only of sub-Saharan Africa.”

Another challenge is the lack of registered property to serve as collateral. “There is a huge issue linked with cadastres,” said de Boysson. “This is a big challenge for any African country we are in. There are only the beginnings of urban planning.”

There are sometimes calls for a cap on the interest rates banks can charge to borrowers. “But if you look at the history of banking, this has happened in many countries, based on the idea that the lender can take advantage of the borrower,” said de Boysson. “However, if you hinder the profitability of the banking sector, it will fail.”

So far, relatively few European banks have set up operations in Africa. That’s partly because, unlike local banks, they will only deal with the formal economy. “Not so many banks have rushed to take up positions on the ground,” he said. “The risk-reward situation is not easy. We cannot compete with some banks that do not follow the rules and are involved in the informal economy. Few people have a formal job, and we can only work with the formal economy.”



## CIVIL SOCIETY: ESSENTIAL BUT VULNERABLE

Unfortunately, there are often setbacks in Africa's progress, but there are also people who push forward nonetheless. "Liberia was a failed state, and it was civil society – churches and women's groups – that kept the economy functioning at a basic level," said Gbowee. "We have been recognised over the last few years as a place with a very vibrant civil society. Now, 14 years after the peace agreements, we hear that the space for civil society to operate is shrinking. If you have to deal with the politics of speaking the truth, you can get into trouble. Is that something to deter someone like me? No. I didn't win the Nobel Peace Prize by being a wimp."

In conclusion, Africa's growing cities are full of potential, as economies expand and entrepreneurs find new ways to serve urban populations. But Africa also needs rural development if it is to feed itself – and a new generation of agripreneurs is essential to spark crop-related businesses. The continent's prospects depend heavily on the private sector, which in turn depends on the establishment of stable environments to operate in. Where necessary, the first step is to end conflict.

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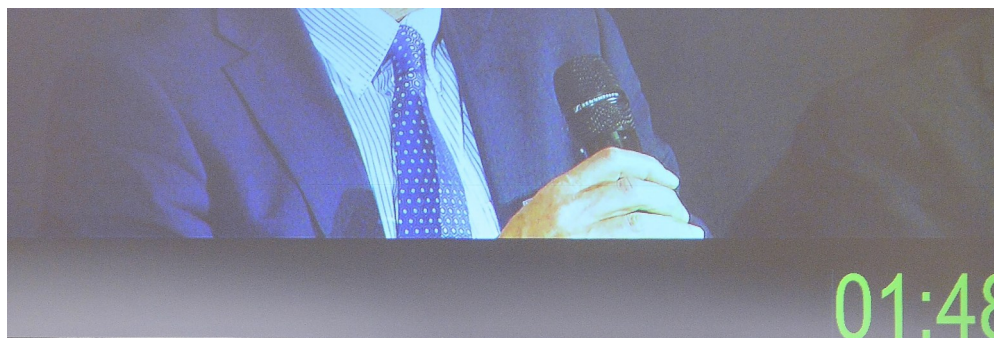
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**“We are witnessing the making of an African century”**  
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 Director for Europe and Geopolitics  
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