

ACHIEVING SUSTAINABLE DEVELOPMENT: BUILDING PARTNERSHIPS

Address to the Africa Investment Forum

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**Johannesburg, South Africa,
14 September 2004**

Dear Colleagues,

Madame Chairperson, Honourable Ministers, Distinguished Business Executives, Ladies and Gentlemen,

Two years ago, the World met here - at the Conference Centre next door -- to agree on the priorities and a Plan of implementation for achieving sustainable development. It is indeed a pleasure to be here today and to address the African Business Community and its partners on the topical subject of Building Partnerships for Sustainable Development. I wish to convey to you the appreciation of my organization, the UN Economic Commission for Africa (ECA), for the opportunity to be associated with this very important Forum.

The aim of this Forum, I understand, is to promote partnerships among Governments and Business with a view to boosting investment and sharing and maximizing the resulting benefits across more integrated countries and regions of the continent. It is heartening to note that this thrust of the Forum dovetails neatly with the Africa-wide consensus conveyed at the Johannesburg Summit, of making poverty reduction the overarching objective of sustainable development on the continent.

Distinguished Participants, Ladies and Gentlemen,

Sustainable Development is above all about development that is sustainable. As we like to put it at the Economic Commission for Africa, sustainable development is the merger of human well-being and natural resource stewardship. It focuses on the quality of life for present and future generations, and encompasses the economic, social and environmental contexts of development. It entails complex processes with many interacting factors, which affect the lives of everyone and make it everybody's business. Achieving sustainable development therefore requires participatory and multi-stakeholder approaches, involving a wide range of actors: Governments, private sector, Non Governmental Organizations (NGOs), academia, grassroots organizations and other interest groups.

The mention of partnerships over 40 times in the WSSD Declaration and the Johannesburg Plan of Implementation (JPOI) attests to the importance placed on partnerships as a strategic approach to narrowing the gap between policy and practice in the quest for sustainable development. And, during the Summit process, 209 partnership initiatives were launched to address five priority areas of sustainable development, namely, Water and sanitation, Energy, Health and Environment, Agriculture, and Biodiversity and Ecosystem management - i.e. the WEHAB Initiative of the UN Secretary General). Since then, the number of partnerships for sustainable development increased to 231 by the Eleventh Session of the UN Commission on Sustainable Development (CSD- 11) and

Rather than taking too much of your time with details of these partnerships - which can be easily accessed at the UN database (www.un.org/esa/sustdev/partnerships) -- I wish to focus on partnerships in a strategic area that would help us kill several birds with one stone. I wish to submit that strategic partnerships articulated around the W (Water) and A (agriculture) of the WEHAB Initiative would go a long way in promoting broad-based economic growth, poverty reduction and food security in Africa.

Importance of Agricultural Development for Economic Transformation and Poverty Reduction

Ladies and Gentlemen,

African economies grew annually by about 2 percent during the 1980s and 1990s, and between 3 and 3.6 percent over the last three years (2000-2003). Failing to keep pace with a rapid population growth rate of 2.8 percent per annum during the 1990s, overall economic growth amounted to no more than half of the 7-percent rate needed to meet the international development goal of halving absolute poverty by 2015. The poor economic performance has broadened the scope of poverty, as the proportion of people living below the poverty line increased from 47.6 percent in 1985 to 59 percent in 2000. Consequently, an increasing number of Africans have insufficient capacity to access food and other basic amenities such as potable water, minimum health care and education.

The poor performance of African countries in achieving sustained economic growth and poverty reduction is deeply rooted in their failure to operate a structural transformation of their agriculture and overall economy. The dependence of poverty reduction upon the region's agricultural development is readily apparent, as some 70 percent of Africa's poor, and at least two-thirds of its population live in rural areas. Failure on the front of agricultural transformation is manifest in that, although most African economies remain essentially agrarian with about 60 percent of the total labour force being employed in agriculture, the sector fails to feed the growing population of the continent. Despite commercial food imports of the tune of US\$ 15-20 billion and some US\$ 2 billion in food aid annually, 26 percent of the African population (more than 200 million people) are undernourished.

Because of severe under-capitalization, the rural landscape in Africa is still marked by smallholder subsistence farms, low technology and weak knowledge-based agricultural production systems, owing to the lack of development and widespread use of appropriate technologies and to extreme paucity in basic support infrastructure. Input and product markets are incomplete, endowed with insufficient quality infrastructure and support services such as information and communication, and poorly integrated at the national, sub-regional and regional levels. Private investment in farming systems as well as market chains is inhibited by the lack of sustainable financial structures that are apt to respond effectively to the needs of economic agents. The emergence and development of a vibrant private agro-industrial sector that is capable of adding maximum value to, and raising the competitiveness of agricultural commodities is lagging because of delays in establishing enabling policy and institutional environments. The combined effects of these features include stagnating or declining agricultural productivity, weak backward and forward linkages between agriculture and other sectors, loss of competitiveness in world markets, increased food insecurity and natural resource and environmental degradation.

Delays in the structural transformation of the agricultural systems from subsistence ones to market-oriented ones contribute significantly to inhibiting that of the overall economies. Indeed, available research shows that an initial increase in rural incomes can serve as a strong engine for growth and structural transformation of the overall economy. For instance, it has been shown that increases in agricultural and rural incomes in many African countries are amplified through growth multipliers of the order of 1.5 to 2.7, similar to estimates of 1.5-2.4 for Asian countries. Hence, each additional

dollar of rural income would yield another increment of 0.5 to 1.7 dollar (or 50 to 170 percent) in total income, mainly through expenditure and consumption linkages among agriculture and other sectors of the national economy.

Widespread increase in income and, therefore, broad-based agricultural growth, are crucial for achieving the full potential of these multiplier effects. Alternatively, urban poverty and rural poverty are connected through the strong backward and forward linkages between agriculture and the other productive and service sectors of African economies and through rural-urban migration. For the majority of African households today, increasing the productivity and competitiveness of domestic food and agricultural chains - production, processing, marketing and trade - hold the key to increased food security and overall income.

Failure to transform the food and agricultural system constrains growth and employment in the overall economy, as the system is not only a major employer of the poor, but also a key supplier of low-price food (wage good), capital, inputs and demand for the expansion of non-agricultural sectors. But, for the food and agricultural system to play its fullest potential role in structural economic transformation, the productivity of the system must increase in a significant and sustained manner, and its linkages with the other sectors -- especially industry and services -- must be systematically developed. Hence, industrial and services (especially agro-industrial and agribusiness) development and agricultural (green) revolution must go hand in hand. This becomes increasingly evident as it may be argued that, with an annual food import bill of US\$ 15-20 billion, one of the biggest challenges that Africa faces in the area of market access is granting full access for the domestic food and agricultural systems to the regional (intra-African) market.

Getting the food and agriculture system moving is therefore crucial for structural economic transformation and poverty reduction in Africa. Triggering and sustaining agricultural development in turn will require opening up the intra-African (regional) market space, developing and improving the management of the natural resource base of production, investing in basic productive and market infrastructure and expanding appropriate research, knowledge, and technology for increased productivity at all stages of the agricultural commodity chains. Building partnerships along these pillars - i.e. the market, the resource base of production (especially water and land), and the science and technology foundations of commodity chains/sub-sectors -- within an increasingly integrated regional context would help convert the US\$ 20 billion food import bill into investment for sustainable agricultural development and contribute significantly to achieving sustainable development in Africa. It would facilitate the mobilization of domestic private resources to finance the implementation of the NEPAD US\$ 251 billion Comprehensive African Agricultural Development Programme (CAADP), which calls for extending the area under sustainable land management and reliable water control systems, raising agricultural productivity through improved technology, services and policies, and improving rural infrastructure and market access.

A Three-Pillar Integrated Regional Partnership Strategy to Exploit the Productive Capacity of High-Potential Areas

Distinguished Participants, Ladies and Gentlemen,

Developing agriculture for structural economic transformation, broad-based economic growth, food security and poverty reduction requires broadening the analytical and programmatic perspective beyond the narrow confines of farming. We need to take the broader view of the food and agriculture system, which encompasses an integrated approach to investing in improving productivity and efficiency at all the stages of the commodity chains from research and development to input markets, farm-level production, processing, storage, handling, transport and distribution (marketing and trade) to the final consumer.

The linkages among these stages are key to achieving optimal contribution of the agriculture and

food system to broad-based economic growth and transformation through greater value-added and income-generating employment. Hence, the food and agriculture system should be conceived as encompassing the farming sector and the agribusiness industrial and services sectors. One way to achieve that would be to work at the sub-regional/regional level around a limited number of strategic food commodity chains. Of strategic importance would be such commodities:

- Which carry an important weight in the African food basket;
- Which hold an important weight in the trade balance of the region through heavy imports to make up for the gap between global regional production and demand; and
- For which the region has considerable unexploited production potential, owing mainly to internal supply-side constraints as well as external impediments such as agricultural subsidies and support measures of the trading partner countries exporting to Africa.

Food commodities such as rice, maize, wheat, sugar, meat and dairy products (especially milk) would meet these criteria of unexploited production potential to respond to increasing regional demand.

Developing vertically-coordinated chains for such commodities would require building public private partnerships to create an environment that is conducive to ensuring both profitability and security of private investment. More explicitly, the creation of such an environment could proceed around the following three strategic pillars.

Creation of a Common African Market for Strategic Food Commodities

The African food market is characterized by extreme fragmentation along sub-regional, national and even sub-national borders, resulting in segmented markets of sub-optimal size to ensure profitability of sizeable private investment in the different stages of modern commodity chains as described earlier. Paradoxically, while being largely closed to each other, these fragmented national and sub-regional markets are increasingly open to imports from outside of the Region. As a result, the gap between national/sub-regional domestic production and increasing regional demand tends to be filled by imports from non-African sources, which are often further encouraged by agricultural subsidies and support measures of the source-countries of these imports.

One way to address this problem is to broaden and strengthen the degree of integration of African food markets. For selected strategic food commodities, a common African market that transcends national and sub-regional borders would offer an appropriate economic space to allow for private investments at the level of regional economies of scale that would ensure profitability. This implies that, for those strategic food commodity chains, Governments should commit to move market integration beyond the national and sub-regional levels to encompass the global regional market.

Creation of Free Sub-Regional/Regional Investment Zones

Provided an adequate regional market space, private investment could be encouraged and mobilized through the opening of "free regional investment zones" in those areas where the greatest unexploited production potential for selected strategic food commodities lies. It is common knowledge that vulnerability to poverty and food insecurity in Africa is increasingly associated with variability in the reliability of water availability for food and agricultural production. Although abundant on a regional scale, only 2-3% of the surface and ground water resources available in Africa are used to meet the different needs. Although agriculture is the largest user of water (with 88% of the total water use), barely 6% of total cultivated land is under irrigation in Africa, against 33% in Asia. This happens in the face of recurrent droughts that frequently wipe out African food harvests, which continue to depend essentially on the vagaries of rainfalls. And along with the food

harvests go also livestock and cash crops, which are equally tributary to the hardships imposed by uncontrolled water regimes. Hence, not much progress towards sustainable development can be achieved until Africa reaches a minimum level of developing and managing water resources for secure food and agricultural production.

Major river basin-wide initiatives such as those of the Niger and Nile rivers could lend themselves to a strategy of free regional investment zones for the development of vertically-coordinated chains of production, processing and marketing of strategic food and agricultural commodities/products. The recent offer by the Government of Mali to CENSAD member countries of 100,000 hectares out of the 1,000,000 hectares potential for irrigated agriculture of the Niger River basin is an encouraging political move in this direction. In such zones, the creation of the right policy, institutional and legal frameworks for the development and management of land and water resources and the provision of the necessary supportive public infrastructure and services, and the establishment of multinational agribusiness would grant further incentives and security for private investment.

This would be conducive to the mobilization of pooled investment through regional (African) multinational food companies (joint ventures) with a view to developing, in a vertically coordinated manner, the different stages -- primary production, processing, transport and regional marketing -- of the strategic food commodity chains. This strategy could be further strengthened by the development of capital markets so as to contribute to optimal development of the production potential as well as the sectoral growth and employment linkages within the regional food and agriculture systems.

Building/Strengthening Sub-Regional Centres of Excellence for Technology Research

One important requirement for increasing the productivity and competitiveness of African agriculture is to significantly reduce unit costs of production, processing and distribution by increasing productivity at all stages. Technological developments in the biological sciences, energy, information and communications offer new opportunities that could help address this challenge. Africa is offered great opportunities to harness both conventional green revolution as well as emerging gene revolution technologies to make significant headways to sustainable agricultural development and food security. The public and private sectors in African countries must be encouraged to seek out and exploit these opportunities.

Public investments in research and technology generation and diffusion is needed to encourage broad-based adoption of available technologies and to strengthen indigenous capacities to develop and/or adapt and diffuse the kinds of technologies needed to compete effectively in domestic, regional and global markets. This will require strengthening African research capabilities. In the face of small national budgets, the establishment and/or strengthening of regional centres of excellence of agricultural research would help build critical research personnel and financial resource mass and achieve economies of scale. Sub-regional Centres of Excellence for higher agricultural education and research for technology generation/adaptation could be created along the lines of agro-ecological zones and strategic food commodities. Such Centres of Excellence would give special attention not only to farm-level technologies, but also to adaptive research on post-harvest stage (storage, processing, transport) technologies and appropriate biotechnologies for food as well as cash crops.

Although the private sector in most African countries has yet to play a significant role in agricultural research, there are excellent prospects for public sector/private sector partnerships. For instance, the private sector could focus on crop and livestock breeding and the assimilation and adaptation of new technological advances in molecular biology. The public sector would continue to focus on ways to improve farming systems, farming practices, and environmental sustainability, which represent areas where information is more of a public-good nature. The area of post-harvest operations (i.e., storage, transport and processing) could also offer good economic opportunities for

public-private sector research partnerships.

Conclusion

Madame Chairperson, Ladies and Gentlemen,

Building and nurturing partnerships is a key tenet in the implementation of the global development agenda. This tenet is not only embodied in sustainable development related summits and outcomes, but in all other United Nations conferences and summits and their reviews. Worthy of mention in this regard is the Global Compact Initiative launched by the Secretary-General at the 1999 World Economic Forum in Davos. More than 100 partnership projects have been undertaken in support of the Compact's principles and the Millennium Development Goals (MDGs).

The WSSD provided the necessary impetus for building effective and result-oriented partnerships, which are emerging as a useful model in the implementation of the sustainable development agenda. Opportunities abound for public-private sector partnerships in the implementation of sustainable development goals and objectives in Africa and these can provide investment opportunities that assure win-win outcomes for all parties. Members of this Forum are urged to seize these opportunities and make the most out of them.

In keeping with the poverty reduction objective of the Forum, the livelihoods and well being of poor communities should occupy a central position in all partnership initiatives in Africa. This is why I opted to focus this statement on partnerships to foster and sustain structural economic transformation through agricultural development for broad-based economic growth and poverty reduction.

To conclude, I wish to assure this Forum of the full support of the Economic Commission for Africa to your partnership endeavours for the realization of Africa's sustainable development goals and objectives.

Thank you for your kind attention.
