Speech delivered by Akinwumi Adesina, President of the African Development Bank, at the Ministerial Roundtable on “Transforming Africa’s Agriculture through Industrialization and Inclusive Finance,” at the Korean-Africa Forum on Economic Cooperation (KOAFEC), on October 25, 2016, in Seoul, Korea

Your Excellency the Deputy Prime Minister, the President of the Korea Export-Import Bank, Honorable Ministers, Executive Directors of the African Development Bank, distinguished ladies and gentlemen. I wish to thank the Government of Korea for hosting this 5th KOAFEC Ministerial Meeting and for choosing a great theme: “Transforming Africa’s Agriculture through Industrialization.”

Korea definitely has the credibility to share its economic development experience with Africa.

Anyone looking at Korea today would not believe that this very small country – just about the same size as Benin – was in serious poverty 40 years ago. I remember reading about the Korean War and the devastation that it brought here. Korea was so poor that it was receiving food aid. Korea and Sub-Saharan Africa had exactly the same level of per capita GDP in 1967, a pitiful $156 per person. From high food insecurity, extremely poor education, lack of water, health and sanitation, Korea looked like Sub-Saharan Africa at the time – simply transported into Asia. In less than 50 years, Korea has totally transformed itself, with per capita GDP that is now 17 times that of Sub-Saharan Africa.

Korea’s GDP now stands at $1.4 trillion, almost equal to $1.6 trillion for the whole of Sub-Saharan Africa. Korea is now the sixth largest economy in the world and ranks 15th in the list of donors for development finance. What an incredible transformation!

The Korean transformation was not just a miracle. It came from strong political determination, solid long-term planning and execution, economic policies that drove structural transformation and heavy investments in human capital development.

Korea focused on a series of economic reforms, which were sequential, but implemented with incredible resolve, consistency and nationalistic fervor.
It started with import substitution in the 1960s, promoted light manufacturing in 1960s and 1970s, heavy industries in 1970s, export promotion in 1980s through 1990s, and heavy industries and globalization in the 2000s until today.

Every ten years was devoted to a major drive on its structural transformation plan.

But all the above could not have been achieved without its focus on agricultural transformation. Korea radically transformed its agriculture sector through its now popular new village model – the *Saemaul Undong*.

The plan was very clear: drive import substitution by raising agricultural productivity to achieve food self-sufficiency through massive support for technologies for staple food crops, especially extensive dissemination of new hybrid rice varieties, investments in rural infrastructure, modernization of the rural areas and housing, universal rural electrification and rural telecommunications. This was coupled with heavy investments in the development of the agro-industrial sector.

It all paid off: by the end of 1970, Korea had become self-sufficient in food and eliminated the gap between rural and urban well-being. It was more than policies. The mindset of Koreans had to change. They believed in themselves.

The *Saemul spirit – diligence, self-help and cooperation* – propelled rapid transformation. Korea did not do any “leap-frogging” – sometimes a synonym for not wanting to do the hard work of going through the basic stages of development – it built itself on the solid foundation of agricultural transformation, agro-industrial development, which formed its stepping stone to industrialization.

Korea did it, so must Africa.

Africa should feed itself and develop with pride. There is no reason for Africa to be a net food-importing region. The continent is richly blessed with abundant land and water resources, cheap labour and great sunshine. Africa should be a breadbasket for the world and for good reason: the continent holds 65% of all the uncultivated arable land left to feed the
world by 2050. But the paradox is that the continent is unable to feed itself. This, in my view, is a major embarrassment for Africa.

Enough of Africa begging for food! It is time for Africa to feed itself. The $35 billion that Africa spends on food imports is a huge burden, worsening current account and fiscal deficits, and creating macroeconomic instability. If the current trend continues, Africa will spend $110 billion on food imports by 2025.

The collapse of the commodity prices facing African countries today is a challenge, yes; but it is also a real opportunity: an opportunity to rapidly diversify African economies.

As currencies devalue, the cost of importing food is rising, which will drive up demand for nominal wage increases and put even greater pressure on public finances. Africa spends $35 billion annually on food imports – importing what it can produce – and yet posts $27 billion worth of foreign currency bonds to finance its development.

By simply turning Africa into a food self-sufficient continent, this sort of money can be spent on domestic development without recourse to expensive international capital markets. A bold plan to transform agriculture will boost local food production, reduce food import bills, conserve foreign exchange, increase domestic savings and assure strong macroeconomic and fiscal stability.

The size of the food and agricultural market in Africa is projected to reach $1 trillion by 2030. To take advantage of this, Africa must rapidly invest in the development of its agro-industry. Africa should not be a consumption centre, it must be an agro-industrial centre. Africa must export processed cocoa, not cocoa beans. It must export specialized coffee with distinctively “aroma of Africa” instead of coffee beans, and export finished textile products not cotton lint.

The remarkable market progress of Kenya, Tanzania, Ghana, Ethiopia, Tunisia and Morocco in the global horticulture industry shows that with well-designed policies, financing and infrastructure support, Africa can get to the top of the global food value chains.
It is time that Ministers of Finance see agriculture differently. Only by rapidly transforming agriculture can Africa lift hundreds of millions of people out of poverty into wealth.

Africa must unlock its soil wealth – not just its mineral and oil wealth.

For this to happen, we must change the approach to agriculture on the continent. Agriculture is not a development or social sector, neither is it a way of life: agriculture is a business. And we must take a full value chain approach, from the farm to the table. It requires greater investments by the private sector all across the agricultural value chains, including modern seed and fertilizer industry, agricultural mechanization, irrigation and water management, warehousing, commodity exchanges, food manufacturing and processing, logistics, cold storage and transport.

That is why the African Development Bank has launched its Feed Africa Strategy. We plan to invest $24 billion over the next ten years, in support of African countries and the private sector, to unlock the potential of African agriculture.

This calls for a new role for the State – the developmental state. The recent rapid growth of the Ethiopian commodity exchange was not because of an ‘invisible hand of the market’ but rather through a well-structured engagement of the State. The success of Kenya in the horticulture industry did not happen by chance. The public sector played a critical role in directing financing for technologies through research and extension services for farmers. The private sector support was bolstered because there were strong institutions, such as the Fresh Produce Exporters Association of Kenya that helped in marketing coordination.

We must address farmers’ perennial lack of access to finance. Despite accounting for some 32% of the GDP, the agriculture sector receives less than 3% of the banking sector’s financing. The critical role of the government is to help address the coordination failures and reduce the risks facing the financial sector in lending to the agriculture sector.

I know about this very well, as I led the team that designed and launched such an effort in Nigeria. We worked to develop and roll out risk-sharing instruments to reduce the risk of commercial bank lending to the agriculture sector.
And it worked, with impressive results. Nigeria witnessed a 600% in lending by banks to the agriculture sector – rising from 0.7% of total bank lending to 5% within four years – from 2011 to 2014. Non-performing loans was zero. Similar systems have been set up in Kenya, Uganda, Mozambique and Ghana, all of which led to significant expansion of lending by banks due to the important role of government in reducing lending risks.

The lesson is clear: development finance institutions and multilateral development banks should now set up national risk-sharing facilities in every African country to substantially leverage financing to agriculture. This should include establishment of specialized Agribusiness Development Banks, to provide affordable finance to the agriculture sector and the value chains.

Rural infrastructure development is critical for the transformation of the agriculture sector, including electricity, water, roads and rail to transport finished agricultural and processed foods. The lack of such infrastructure drives up the cost of doing business and has discouraged food manufacturing companies from being established in rural areas. Governments should provide fiscal and infrastructure incentives for food manufacturing companies to move into rural areas, close to zones of production.

This can be achieved by developing agro-industrial zones and staple crop processing zones in rural areas. These zones, supported with consolidated infrastructure, including roads, water, electricity, will drive down the cost of doing business for private food and agribusiness firms. They will create markets for farmers, boosting economic opportunities in rural areas, stimulating jobs and attracting higher domestic and foreign investments into the rural areas. They will turn the rural areas into zones of economic prosperity.

Developing these agro-allied industrial zones and staple crop processing zones is a core priority for the African Development Bank in partnership with the World Bank. I discussed this yesterday with Dr. Lee, President of the Korea Export-Import Bank (KEXIM), and we agreed that the African Development Bank and KEXIM will work together to develop these zones in selected African countries.
The emergence of commodity exchanges in many parts of Africa will speed up this transition. The rapid rise in the use of mobile phones in Africa provides opportunities to further empower farmers to access market price information, extension services and agricultural inputs. It can also support financial inclusion through mobile money transfers.

I know the power of mobile phones very well. As Minister of Agriculture in Nigeria, I supported the launch of the electronic wallet system that allowed farmers to access subsidized farm inputs via their mobile phones. It was built on a public-private partnership. Farmers paid for inputs themselves, bought them directly from the private sector, and government simply provided targeted subsidies. The system linked farmers, mobile phone companies, banks and input suppliers.

Within four years, close to 15 million farmers in Nigeria accessed farm input through their mobile phones, allowing the country to boost its food production by an additional 21 million metric tons. The e-wallet system also helped to substantially curtail corruption in the fertilizer and seed distribution system, empowering farmers.

Women farmers benefited significantly, and some 2.5 million women farmers received farm inputs through the system. Several countries have approached the African Development Bank to support the roll out of the e-wallet farm input distribution system.

Public-private partnerships are needed to get younger entrepreneurs into the agricultural sector. To support this, the African Development Bank has launched a major initiative on Jobs for Africa’s youth, with the goal of supporting the creation of 25 million jobs for the youth, in ten years. The ENABLE program of the Bank, seeks to help create agribusiness entrepreneurs. They will create a more vibrant private sector for agriculture. They, in turn, are expected to help create 8 million jobs in ten years.

Finally, we must address the specific challenges facing women farmers. They form the majority of the labour force in agriculture, but lack access to land rights, finance, extension, appropriate technologies and markets. That is why the African Development Bank has launched a major initiative for women – the Affirmative Finance Action for Women (AFAWA) – to
help leverage $3 billion for women, including women farmers and entrepreneurs.

When we get the issues of women right in agriculture, then we will finally get agriculture in Africa right.

Let’s remember, again the three principles of Saemul Undong in Korea: diligence, self-help and cooperation.

That is the spirit behind the African Development Bank’s Feed Africa Initiative. To work with others, to ensure that we end extreme poverty in Africa, eliminate malnutrition, make Africa food self-sufficient and move Africa to the top of the value chains, globally, for what it produces.

And we must do this within ten years. After all, Korea did it in ten years. The number 10 is very important: it shows completion. Time is not on our side.

African farmers have waited too long!

Let’s Feed Africa.
Let’s invest in agriculture.
Let’s invest in rural infrastructure.
Let’s support Africa to add value to all its agriculture products.
Let’s support agro-industrial zones, staple crop processing zones.
Let’s invest in food and agricultural markets.
Let’s unlock finance for the agricultural sector.
Let’s make agriculture exciting for the youth.
Let’s turn Africa’s rural areas into zones of economic prosperity.
Korea did it – and it is amazing where it is today!
Africa can do it – so let’s partner with Korea through KOAFEC.
Together, let us unleash Africa’s agro-industrialization – and make Africa a global powerhouse in food and agribusiness!

Thank you very much.