FUNDING AGRICULTURE IN AFRICA

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Abstract

Agriculture is one of the single most important economic activities among African countries. Thus, this article aims to discuss funding agriculture in Africa. This article provides a brief review of funding Agriculture in Africa. The article provides an overview of Agriculture in Africa while highlighting the government's key contribution to agriculture through the input subsidy program. Further, the article examines funding Agriculture in Africa with a focus on the key reasons for funding agriculture in the continent. The review unpacks the economic importance of agriculture while stressing the need to focus on funding not only by development partners but also governments!

An Overview of Agriculture in Africa

The agricultural sector is vital towards achieving sustainable development and economic growth in Africa. It is one of the most vital sectors in the continent as it provides jobs to a majority of the population and accounts for 14% of the Gross Domestic Product (GDP) in Sub-Saharan Africa (Oxford Business Group, 2021). In 2020, Sierra Leone had the highest share of GDP that was as a result of agriculture, at 61.3%. Chad's agricultural sector accounted for 47.7% of the country's GDP followed by Liberia at 42.6%. Kenya's agricultural sector accounted for 35.2% of the country's GDP (World Bank, 2021).

Food Security has become a major concern for many developing countries. Agriculture plays a major role in ensuring and improving the availability of food in the continent. According to Food and Agricultural Organization [FAO] report of 2017-2018, there are about 256 million hungry people in Africa. The report indicated that countries have put subsidy policies in place. However, the adoption of these policies depends upon the available fiscal space of the countries to achieve the desired action (FAO, 2019).

Jayne, Mason, Burke and Ariga (2018) postulated that African government programmes that subsidize the price of fertilizers for farmers have benefits to farmers. Input Subsidy Programs (ISP) benefit farmers by increasing their incomes through increased food production during the period in which they are distributed. Despite the high-cost implications of enacting these subsidy programs, they have far reaching benefits to farmers (Food Tank, 2018).

There are different forms of subsidy that governments adopt. For instance, the supportive investment in post-harvest handling, irrigation, mechanization, and extension services is a key feature of the subsidy system of Rwanda. In Nigeria, there is a fertilizer subsidy. About 40% of fertilizers and seed requirements are locally produced in the country. The government involves the private and public sectors in the importation and distribution of fertilizer as part of Growth Enhancement Support Scheme (Alliance for a Green Revolution in Africa [AGRA], 2018).

Funding Agriculture in Africa

Owing to the economic place of Agriculture in Africa, there is a need to look at its funding. While we recognize that governments play a critical role in "funding" agriculture through subsidy programs among other interventions, there is much more that is needed to ensure food security and sustainable agriculture. Development partners, on the other hand, have continued to play their critical role in financing Agriculture.

Among partners, there is a growing need for funding and investing in the agricultural sector due to the rising demand of the rapidly growing population and increased climate risks. Climate risks prompt the need for investment in order to make agriculture more resilient to such risks (World Bank, 2020). Thus, the development of sustainable agriculture requires financial services that are able to cater for agricultural-related infrastructure and investment in agriculture.

In the same vein, financing the agricultural sector is of great importance due to its vital contribution to the economies of all African countries. Funding agriculture enables the attainment of the continent's major priorities that include: the eradication of poverty and hunger, economic diversification, creation of jobs, sustainable resource management and boosting intra-Africa trade investments (NEPAD, 2013). For instance, agriculture formed 53% of the total employment in Sub-Saharan Africa in 2019 (World Bank, 2021).

Njobe and Kaaria (2015) postulated that women and youth play a central role in the agricultural sector. Women for instance account for 50% of the agricultural labour and provide for 60 to 80% of the continent's food. Through funding agriculture, the source of livelihood of a majority of the African women is sustained. On the other hand, the involvement of youth in agriculture is crucial since they are more energetic, productive and receptive to new ideas. Financing agriculture acts as an incentive for the youth to gain interest and ultimately invest in agriculture since all the productive resources are made available.

According to International Finance Corporation [IFC] (2021), agriculture is a source of livelihood for many people in developing economies. Despite its importance, agricultural finance is often a hurdle. Such a challenge hinders people from adopting new technology and improving production efficiency. However, with increased funding in agriculture increased agricultural production is realised as well as other important benefits that are as a result of financing agriculture.

Conclusion

Investment in Agriculture is fundamental for the social-economic development of nations. Agriculture remains a major source of employment in developing economies. Thus, owing to its place, there is a need for African governments and development partners to focus on Funding Agriculture.

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