

TRANSFARM AFRICA A NEW INITIATIVE OF ASPEN GLOBAL HEALTH AND DEVELOPMENT

TransFarm Africa (TFA) is an initiative aimed at significantly advancing equitable and sustainable commercial agriculture along Africa's Development Corridors in ways that will measurably improve the income of smallholder farmers, particularly women, and integrate them into a dynamic, internationally competitive food economy—leading to increased food production and greater overall food security in Africa. Three components related to the TFA initiative, the TFA Secretariat, the TFA Policy Network, and the Business Platform for African Agriculture will be established at the Aspen Institute as part of Aspen Global Health and Development beginning in January 2011.

Responding to Africa's Looming Crisis

Africa's food crisis is more urgent now than ever before. Experts have been warning world leaders that the recent food crisis was neither a unique nor cyclical event, but rather a harbinger of things to come and an early warning of seismic shifts in the fundamentals of global agriculture, the direct impacts of which will be felt the most stringently in sub-Saharan Africa. To realize the same potential for the African agricultural sector that has benefited the rest of the world, Africa must develop a market-oriented, integrated, sustainable, and competitive agriculture and food economy. This requires that Africa dramatically increase agricultural productivity, agricultural production, and efficiency over the next decade. It will need new crops and varieties, more irrigation and geographical shifts in agricultural production. There is a need for more access by small farmers to functioning infrastructure and supply chains that can both bring in supplies at affordable prices and efficiently move production to market. Most importantly, for all this to happen at scale and in time to head off the looming crises, African agriculture—and especially Africa's smallholder farmers—must undergo a transformational process of commercialization driven by private sector investment.

It remains an open question whether this crisis can be averted. Much depends on the response of international capital markets, the donor community, African governments, and above all Africa's agricultural entrepreneurs. Most are moving in the right direction, but the scale, pace, and scope remains too small for Africa's needs. Even with the additional resources generated by the increased prioritization of global food security, there is not enough donor money available for donors to pay directly for major improvements in the livelihoods of Africa's subsistence farmers. Donor funding must be catalytic, triggering more private capital flows, and not operational, if large numbers of Africa's small farmers are to benefit and Africa's agriculture is to be transformed.

TRANSFORMATIVE AGRICULTURE AND THE DEVELOPMENT CORRIDORS

TFA will facilitate the emergence and growth of transformative forms of commercial agriculture and in parallel work to improve agriculture related policies and investment regimes and overcome trade and infrastructure related barriers to the regional spread of transformative agriculture. In the latter case, the focus will be on leveraging the rapid and public sector managed growth of Africa's transportation, trade and Development Corridors.

Transformative agriculture seeks to unlock Africa's agricultural potential by linking entrepreneurial, growth oriented, small to medium-sized commercial agri-business from all along the value chain to small farmers and agricultural SMEs in ways that increase the competitive advantage of all sides. Transformative agribusinesses feature win-win, transparent and equitable commercial relationships with small farmers and SMEs as suppliers, customers, employees, and partners. It manifests itself in the rapid

growth of more equitable forms of contract farming, the establishment of the suppliers of high quality planting material (seeds, roots, fruit-trees, etc.) and suppliers of good breeding stock (one-day poultry chicks, cattle, sheep, goats, etc.), planting and availability of good feedstock to small farmers, and the rapidly growing urban retailers catalyzing the emergence of small farmer supply chains.

The Development Corridors were originally proposed by Nelson Mandela when he was president of South Africa. During his own term of office, South African President Thabo Mbeki increased support for the Corridors, and the South African government set up several Corridors linking inland South Africa to outside ports. The Corridor linking Johannesburg to Maputo in Mozambique attracted \$5 billion in private investment during its first five years of operation, and has grown steadily ever since. Other African leaders, the African Union (AU) and its New Partnership for Africa's Development (NEPAD), and the regional economic communities (RECs) have all since adopted the concept of the Development Corridors and have identified 26 priority locations for new Corridors. Most recently, NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP) initiative adopted the Corridors as the key to their development of the regional planning necessary to complement the country-driven plan approach that is at the core of CAADP.

TRANSFARM AFRICA

TFA's structure, objectives, business model, and market-entry and scale up strategies have been directly informed by four core principles that make up a strategic and holistic approach to the transformation of African agriculture:

First, the scale and the nature of the transformation that has to occur in African agriculture can only be brought about by successive waves of private sector investment. There are simply not enough foreign aid and charitable funds to accomplish this. Outside interventions must therefore be catalytic and not operational. They must be designed specifically to encourage the much greater inflow of private capital that is necessary.

Second, the size of the challenge and the opportunity is enormous—and yet time is running out in the face of impending crises. These outside interventions need to focus on projects, activities, and initiatives that are scalable—and therefore sustainable.

Third, interventions must be “demand-driven” and originate with the experience and efforts of commercial agribusiness—of all sizes—to set up, operate, and grow their businesses. Those best qualified to identify the problems that need to be solved are people who have to deal with the negative impact of these obstacles on a daily basis as part of operating their businesses growing food and moving their production around Africa.

Fourth, the business sector can offer much more than money to African agricultural planners and policy makers and the donors supporting them. African and international businesses with direct and indirect engagement in the sector are the best source of the kind of advice, skills, techniques, and networks that African policymakers, investment strategists, agriculture planners, and corridor managers need at the current time. Donors and NGOs have much to offer but they do not have the specific experience and “problem solving DNA” that needs to be made available to African agriculture.

Guided by these core principles, TransFarm Africa will address the challenge of promoting the regional spread of transformative commercial agriculture through multiple channels and via a number of different institutions but in ways that are designed to work together in synergy:

THE TRANSFARM AFRICA TRANSFORMATION FUND (TFA Fund) will be a private equity investment fund targeting growth-oriented, mid-scale commercial farms and agri-businesses whose business models incorporate small farmers and agricultural SMEs as suppliers, customers, partners or employees. The Fund will focus on opportunities in Eastern and Southern Africa and will give preference to investments located along Development Corridors. Once this \$30-\$50m pilot fund is committed, subsequent larger Funds will be launched and invested through sub-Saharan Africa.

THE TRANSFARM AFRICA “REMOVING THE BARRIERS” PROGRAM (TFA RtB) will develop strategies for the removal of policy-induced obstacles on the ground in Africa inhibiting the spread of “Transformative Agriculture” and will promote the advancement of Development Corridors and the equitable modernization of smallholder farmers. The NEPAD Business Foundation (NBF) will implement RtB in Africa.

THE TRANSFARM AFRICA POLICY NETWORK (TFA PN) will be housed at the Aspen Institute in Washington D.C., with experts in Brussels and Geneva, and will identify and address policy barriers facing specific investments (both by the TFA Fund and others) as part of the RtB program. It will also apply a demand-driven approach to addressing systemic regional and international policy impediments to the growth of strong regional agricultural markets and food systems along Africa’s Development Corridors. Aspen will also house a new Business Platform for African Agriculture, a joint venture with the Initiative for Global Development.

Investing Directly in Transformative Agriculture

The TFA Fund will make equity investments between \$500,000 to \$5 million in well-managed, entrepreneurial, growth-oriented small to medium agribusiness enterprises. The key criterion for being considered for a TFA Fund investment is the presence of business models and growth plans that depend on commercial relationships with small farmers and agricultural SMEs. As part of the contractual arrangements, the agribusiness will also need to provide inputs (e.g. seed, fertilizer etc.), training, and some level of infrastructure support to the small farmers. This will ensure that the small farmers are receiving support and inputs as well as ensuring a market into which they can sell their produce at an agreed price on a regular basis. Through this mechanism, the small farmers will be able to transform themselves from subsistence farming into SMEs. There will also be further opportunities for small farmers to collaborate and form co-operatives or structure themselves into organized consortia where, together, they will be able to leverage on bulk-purchasing of inputs and also benefit from negotiating better prices with the buyers. Once existing agribusiness outputs increase, there may be an opportunity to expand into processing and other value addition, which the Fund will be able to finance. At the end of the value chain, TFA is also engaging with large retailers such as Shoprite, Pick-‘n-Pay, etc. (through the NBF Fast-Moving Consumer Group network) to buy produce from TFA-supported businesses. There is therefore an integration of linkages along the entire value chain created through the TFA program.

Addressing Barriers to the Growth of Transformative Agriculture

Beyond the need for capital, agribusiness also faces real practical challenges and barriers in growth due to a variety of factors that may be beyond control—e.g. policy and regulatory issues where an individual agribusiness is unable to access the right levels of government for intervention. This is where the other TFA programs—RtB and the Policy Network based at Aspen—come in, both by linking to Fund investments and working to facilitate the growth of the wider transformative agriculture sector. These components will address the risks and barriers that an agribusiness faces and will provide support services to overcome these barriers. They will also apply the lessons learned from addressing these agribusiness-specific barriers and will work with African regional institutions, donors, and international policymakers to ensure that such barriers are addressed more broadly. Importantly, in addition to supporting Fund

investments, TFA RtB and the Policy Network will also provide similar services to other transformative commercial agribusinesses whose growth and beneficial impact on the small farm sector is constrained by barriers beyond their control.

TFA will address barriers at two levels:

At an individual investment level: Once the Fund (or other potential “client” investor) has made an investment into an agribusiness, a process of evaluation will be undertaken which will identify areas of support that the business will require to be successful. For example, if the agribusiness wants to implement and structure an effective out-grower scheme, but neither has the resources nor experience to build capacity or train the smallholder farmers, then the RtB program will be engaged to provide this service. These services could range from capacity building, to policy and regulatory issues, stakeholder engagement, market access, and resource mobilization, etc. NBF and the Policy Network will provide direct expertise in addressing these barriers.

At a higher policy and regulatory level: Through the experiences and information gained from individual investments, TFA will be able to gain an understanding of the on-the-ground practical challenges that are constraining agribusiness growth in the region. These lessons will be shared with and funneled up into the relevant government structures through the CAADP Country Compact process, through the RECs and via international policy processes in order to inform transformative agriculture and trade policies at all levels.

This approach will provide a true private sector perspective into the CAADP process and will therefore provide a better understanding of agriculture and trade constraints that hinder the growth of the agriculture sector across Africa. A number of issues will come to the forefront and RtB and the Policy Network will be the mechanism to address these and attempt to find appropriate solutions for these barriers.

Governing TFA as an Integrated Initiative

Central to the concept of TFA, and critical to its success, is a strong partnership between the implementing organizations—Lion’s Head Global Partners (the Fund manager), NBF (implementing partner for RtB in Africa) and the Policy Network—so that TFA will function as a coherent unit. To ensure that all components of TFA continue to support and reinforce each other, there are several important linkages. NBF will be the implementing partner of the RtB program in Africa, and the Policy Network will provide support to RtB and conduct broader policy work related to the success of transformative agriculture and the Development Corridors. Both have played an important role as advisors during the design and development of the TFA Fund. Through regular interaction, the Fund will generate important and valuable insights for RtB and the Policy Network around the most important obstacles to the growth of the small-scale farming sector, and the management of these TFA programs will in turn be able to provide insights on the growth challenges facing this sector.

Relations among the TFA Fund, RtB program and Policy Network will be governed by a Secretariat based at the Aspen Institute and composed of TFA components and close partners who will regularly, explicitly, and transparently monitor the relationships among the three components of TFA to ensure close coordination and protect against any appearance of or actual conflicts of interest.

Aligning Business

Both within Africa and in the United States and Europe, business has been struggling to cut through the red tape involved in dealing with government processes and NGO and donor programs. Neither

international governments nor CAADP have established an easy process for consulting with business, and a regular, coordinated mechanism for channeling business input into these dialogues is badly needed in order to ensure increased and sustained business participation and help encourage economies of scale.

Responding to this need, TFA and the Initiative for Global Development (IGD) will jointly establish the Business Platform for African Agriculture that will serve as the go-to for business dialogue on investment and policy issues in sub-Saharan Africa. The Business Platform will establish a one-stop shop for business to provide input into the U.S. government's Feed the Future Initiative and other policy processes in the United States and Europe, multilateral donors and African institutions including CAADP and the RECs. It will also utilize the resources of the Policy Network and other partners to coordinate problem solving and troubleshooting of specific policy issues encountered on the ground and provide a mechanism for identifying and facilitating investment opportunities.

TFA Activities

- **IDENTIFICATION OF VIABLE PROJECTS, INVESTMENT AND MARKET OPPORTUNITIES FOR ADVANCING TRANSFORMATIONAL AGRICULTURE**, including the development of transparent and accountable business models requiring a new set of relationships among small farmers, commercial actors, and intermediaries such as NGOs and small farmer associations that will ensure equity and the inclusion of women.
- **PROMOTING REGIONAL ECONOMIC INTEGRATION THROUGH SUPPORT FOR AFRICA'S DEVELOPMENT CORRIDORS** including a targeted operation aimed at identifying concrete policy barriers and mobilizing the African business community, African leadership organizations, NGOs, and donors to press for their removal.
- **APPLYING A DEMAND-DRIVEN APPROACH TO POLICY INTERVENTIONS** that targets specific investments and the barriers standing in the way of agribusiness growth and also works with national, regional and international governments and institutions to ensure policy structures that will better support development of an integrated African food economy.
- **DEVELOPING PARTNERSHIPS AMONG THE PUBLIC AND PRIVATE INSTITUTIONS WITH A ROLE TO PLAY IN AGRICULTURE AND FOOD SECURITY**, including efforts to promote a more efficient alignment between private and public investment along the Corridors and a system of learning, information-sharing, shared metrics, and assistance to agricultural and agriculture-related businesses operating on the ground in Africa.
- **SUPPORTING THE PROCESSES, INFRASTRUCTURE, AND INVESTMENT THAT PROMOTE REGIONAL ECONOMIC INTEGRATION IN SUB-SAHARAN AFRICA'S FOOD ECONOMY**, including through public investments in infrastructure along Africa's development corridors that are aligned with local public and private sector activities, support for local development finance authorities that can coordinate investment around the corridors, and the provision of finance and the transfer of skills and knowledge to local agribusinesses.
- **IMPROVING LINKS TO MARKETS AND ENHANCING OPPORTUNITIES TO TRADE**, including through increased market access for agricultural commodities from Africa, streamlined customs and health/safety approval procedures, technical assistance to help African countries meet health and safety standards, greater coordination of trade, aid, and investment programs, and trade policies that encourage regional trade as well as exports from the Continent.

Though TFA has been in planning for some time, operational funding has only become available within the last three months. Nevertheless, a great deal of preparatory work has already been done in the last three months in implementing TFA's start-up plan and market entry strategy. These feature two distinct but related streams of work each of which have activities addressing the core themes of TFA—promoting the growth of private sector investment in transformative commercial agriculture; removing the policy and other barriers that constrain this growth; leveraging Africa's Development Corridors as way of

spreading best practices in agricultural development policy, investment in transformative agriculture, and the modernization of small farmers; and the development of demand-driven regional and international trade policies, trade facilitation institutions, and G-20 programs targeting global food security and African agricultural development.

TRANSFARM AFRICA’S PARTNERS

TransFarm Africa has been designed specifically to complement and leverage existing efforts to promote food security and agricultural development in Africa. In Africa, TFA will be working with a wide range of partner organizations and processes, including the Alliance for a Green Revolution in Africa (AGRA), CAADP, AgDevCo, and Yara Fertilizer. Internationally, TFA will be supported by a broad array of Hewlett Foundation grantees and others working on global food security, including core partners such as the Initiative for Global Development, Technoserve, the Global Harvest Initiative and the World Wildlife Fund, other key civil society organizations working with Africa, including Oxfam, ONE, and the Partnership to Cut Hunger and Poverty in Africa, and a network of businesses within Africa and in the United States and Europe.

The core institutional partners are:

- § **THE WILLIAM AND FLORA HEWLETT FOUNDATION** has supported the exploration, research, development and implementation phases of TFA through its Global Development Program. The Foundation is committed to a further partnership with NBF and USAID to support NBF’s role in the implementation of TFA;
- § **THE NEPAD BUSINESS FOUNDATION** has the pan-African reach, understanding of and access to the African business (including the agri-business) community, and the recognition and credibility as a reasoned “voice” of and source of African business insight to make it the ideal African implementing partner for TFA’s RtB program.
- § **ASPEN GLOBAL HEALTH AND DEVELOPMENT** will house the TransFarm Africa Policy Network, the TransFarm Africa Secretariat, and the Business Platform for African Agriculture, ensuring governance and coordination among TFA’s component parts.
- § **SOROS ECONOMIC DEVELOPMENT FUND**, has a global mission to alleviate poverty and community deterioration by making investments—in the form of equity, loans, guarantees and deposits—in banks, microfinance institutions, cooperatives, and social enterprise projects worldwide. EDF will be the anchor investor in the Transformation Fund.
- § **LION’S HEAD GLOBAL PARTNERS**, an investment bank based in London with core expertise in financial advising, capital-raising, and investment management, will be the General Manager of the TFA Transformation Fund.
- § **TOTAL IMPACT ADVISORS AND THE CALVERT FOUNDATION**, pioneers in social impact investing, will administer the Hewlett Foundation’s investment in the Transformation Fund and develop metrics for TFA to measure social return and performance and ensure learning.
- § **ENTERPRISE ANSWERS, LTD.**, a consulting firm with deep expertise in market-based economic development, will provide on-the-ground strategic support to TFA in the design, development and implementation of current and future work plans for removing barriers in Africa.
- § **SIDLEY AUSTIN, LLP**, legal advisor on trade and policy issues and an integral part of the TFA Policy Network, is a premier law firm with extensive experience in trade facilitation responsible for identifying and resolving trade- and customs-related market access barriers to trade problems as they impact individual products moving between different countries within the corridors.
- § **CAADP PILLAR II** has concluded a Memorandum of Understanding with TFA to cover business input in the CAADP process, policy reform and private sector mapping. Pillar II is responsible for Market Access issues within CAADP (the Comprehensive Africa Agriculture Development

Programme), the main African institution working to boost agricultural productivity in Africa. CAADP Pillar II plays a particularly important role in the overall CAADP process and is ultimately responsible for facilitating the development of African agricultural markets and increasing market access through improved rural infrastructure and other trade-related interventions.

- § **INITIATIVE FOR GLOBAL DEVELOPMENT**, an alliance of business leaders working to end poverty, is one of TFA’s core partners and will jointly manage the AgInvest Agricultural Business Platform with TFA. IGD has a 50-person Leadership Council in the U.S. co-chaired by former Secretaries of State Colin Powell and Madeleine Albright as well as a broader network of 350 business leaders across the United States. Its Frontier 100 program consists of 40 African CEOs with average business revenues of \$100 million.
- § **TECHNOSERVE** is a leading non-profit active throughout sub-Saharan Africa that focuses on developing entrepreneurs, building businesses and industries, and improving the business environment. Their work revolves around helping people identify and capitalize on good business opportunities that help to transform the lives of the rural poor, by generating jobs and markets for their products and services

CONCLUSION

TransFarm Africa is now fully developed, not just as a project but an integrated, multi-year, multi-track program with concrete, measurable targets. TFA was deliberately conceived as both a demonstration project and an initiative to complement existing food security projects in Africa, with the added benefit that it is unlikely to fade away after donor financing is exhausted or priorities change. TFA will help deliver—both through its direct results and its “demonstration effect” on capital markets and donor policies—sustainable and scalable pan-African solutions to the challenges of achieving food security and measurably improving the livelihoods and resilience of Africa’s small farmers (many of whom are women) and their households. We believe that TransFarm Africa’s targeted constituency—i.e. middle market businesses with a proven management team, basic corporate governance capabilities, and a growth-oriented business plan—will become one of the primary engines driving the emergence of agriculture as Africa’s new source of economic dynamism over the next decade.