

An opportunity for sustainable growth in Africa

African Governments are planning to leapfrog development and move to a middle income economy in a short time. This requires sustainable and strong economic growth, based on African resources and initially also with huge resources from outside, partly provided by donors but mainly from the private sector investors.

■ The world at a tipping point

The world reached a critical tipping point in the middle of the first decade of 2000 when the strong economic growth sharply increased demand for agricultural products. For the first time in modern history, this led to a price increase in real terms for agricultural products, and the growing demand – for food and bioenergy – put a focus on the last remaining underdeveloped area in the world – Africa.

This came at an opportune time for several countries in Africa as their internal planning process had identified agriculture as a prioritised area in need of huge investments for positive rural growth. Two separate trends converged – the need for more agricultural production and the need for more development in Africa.

■ Rapid transformation

Several countries in Africa are looking for a rapid to middle income economy within the next 20 years. Investments play an important role in this process as the vehicle for transferring capital and knowhow. Many African governments are aware that they have to explore their comparative advantages such as the availability of labour and fertile land for agriculture. The large areas of non-utilised agricultural land and huge numbers of low-productive farmers must change in order to develop the economies towards better performance and social well-being. The need for health and school services as well as rural infrastructure such as electrification requires a strong economic growth.

Traditional consumptive use of the natural resources for charcoal production, slash-and-burn agriculture



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and similar practices must be replaced with sustainable and economically viable practices. Sustainability must be in focus in order to assist in the global and local fight against poverty and climate change.

The governments are aware that this poses enormous challenges – but the voters are demanding a better life, with better economic and social opportunities. The urban areas are growing rapidly, and the population is calling for more income opportunities – or else the governments will face a huge risk of public unrest.

■ Investment challenges

There are several investment challenges related to underdeveloped legal systems and poor enforcement. Contrary to what many believe, formal ownership of land can be clarified in most countries – as investors need to secure access to land as a financial condition for investment. However, even if hiring land from locals is very interesting, it will rarely stand up to the scrutiny of legal and financial due diligence.

Donors and other institutions have supported the development of the public sector in many African countries – its ability for social planning and enforcement of legal systems – but in many cases the sector still remains underdeveloped. This is a serious challenge – as it is a prerequisite for attracting long-term serious investors.

Africa offers huge opportunities and risks for a serious and long-term investor. The long-term nature of agricultural investments, coupled with the need for local involvement, poses a unique opportunity for win-win concepts in rural development as the investor and local community will be bound to and mutually depend on each other.

Experiences from extractive industry together with the scrutiny of governments, banks (Equator Principles) and local ownership and participation should assure that lessons learnt are put into practice.

Each African country has to be viewed individually, but from an agricultural point of view, there are big opportunities for productivity and production increases in agriculture in most African countries. Standing still and waiting is not an option for the rural poor in Africa. By combining the efforts of rural farmers, governments, investors and donors/NGOs we can very well achieve sustainable growth when transferring knowledge and capital to Africa.