The World Bank projects that agriculture and agribusiness in Africa will grow to be a US$1 trillion industry in Africa by 2030. To promote this outcome, the continent must review its incentive structures.

Agriculture averages 24% of GDP across the continent. With post-harvest activities taken into account, agriculture-related industry accounts for nearly half of all economic activity in sub-Saharan Africa.

The region holds about half of the world s fertile and as-yet-unused land - and yet it spends US$25 billion annually importing food. It also uses only a tiny percentage of its renewable water resources.

The role of the small players

The potential growth of Africa s food and beverage markets will only be possible with adequate investment in small and medium-sized agribusiness enterprises.

Small African firms engaged in agribusiness greatly outnumber the large players. Former Malawian president Bingu Wa Mutharika observed:

In West Africa, 75% of agriculture-related firms are micro or small enterprises, 20% are semi-industrial, and 5% are industrial.

Value chains in many African countries feature an informal chain that serves lower-income consumers and a formal chain that caters for high-income domestic consumers or exports. In many sectors the vast majority of the volume moves through the smaller, less formal businesses. More than 95% of the fruit and vegetables produced in Kenya move through smallholders and small and medium enterprises (SMEs).

Policymakers need to support agribusiness and technology incubators, export-processing zones and production networks. They must also sharpen the skills associated with these sectors.

Banks and financial institutions also play key roles in fostering technological innovation and supporting investment in homegrown businesses. Unfortunately, their record in promoting technological innovation in Africa has been poor.

Capital markets have played a critical role in creating SMEs in developed countries. They bring money to the table and also help groom small and medium-sized start-ups into successful enterprises. Venture capital in Africa, however, barely exists outside South Africa.

African countries also need to make a concerted effort to leverage expertise in the diaspora. This cohort provides links to existing know-how, establish links to global markets and train local workers to perform new tasks.

Much is already known about how to support business development. The available policy tools include:

These can be complemented by simple ways to promote rural innovation that involve low levels of funding, higher local commitments and consistent government policy. For example, China s mission-oriented Spark Program , created to popularise modern technology in rural areas, had spread to more than 90% of the country s counties by 2005.