

Building Resilience in Food Systems and Agricultural Value Chains in Post COVID-19 Africa

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*“Strengthening **individual, organizational, and institutional** capacity for inclusive growth in Africa – without which the global sustainable development goals and Africa’s Agenda 2063 will not be achieved”*

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Presentation Outline

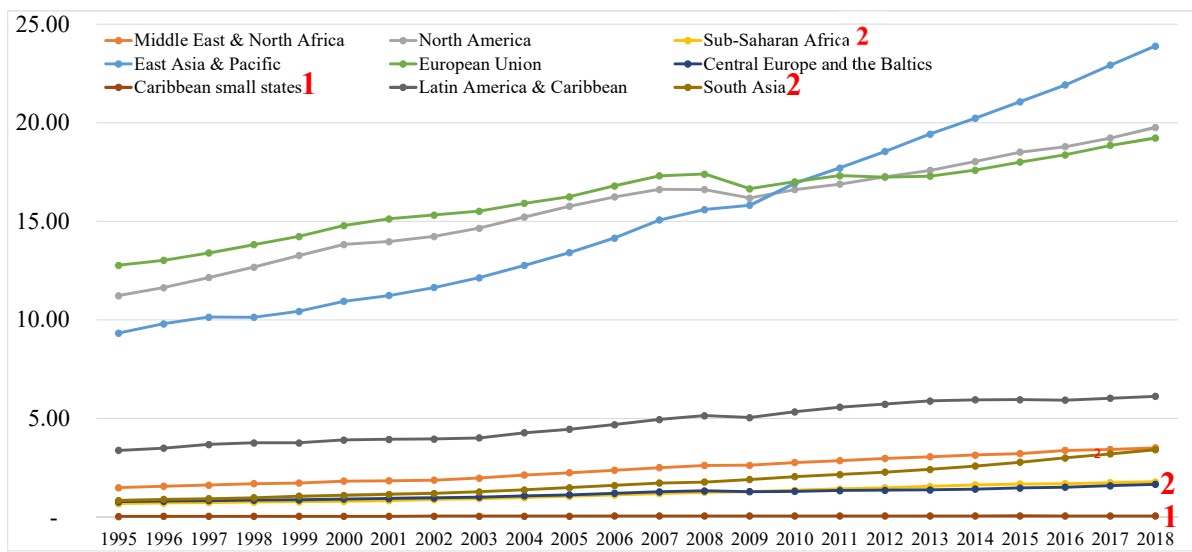
- African Agriculture Before COVID-19
- African Agriculture During COVID-19
- African Agriculture Post COVID-19

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The World Economy Before COVID-19

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Neo-liberalism, Democracy, Globalization, Free Markets

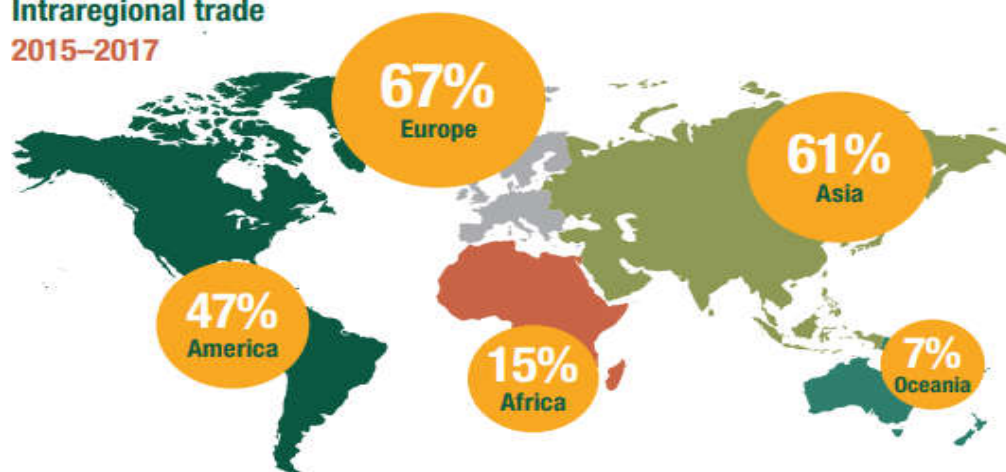


Gross Domestic Product by Regions, 1995 – 2018 (Constant US\$ 2010)

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The Benefits of Global Trade is Unequal

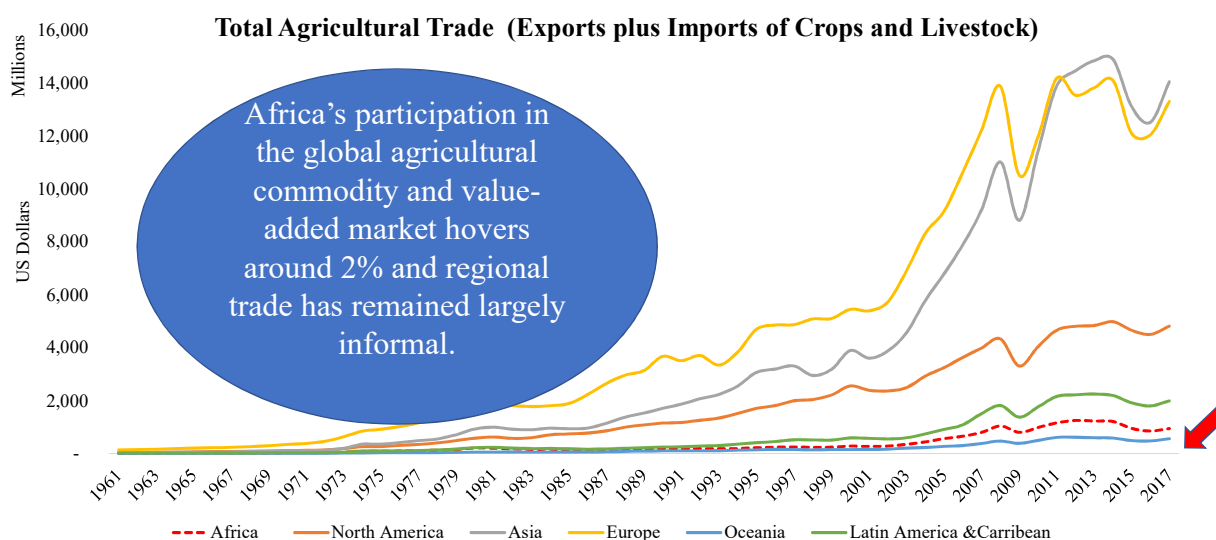
Intraregional trade
2015–2017



Source: UNCTAD 2019

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Specifically, the benefits in terms of total agricultural trade has also been unequal

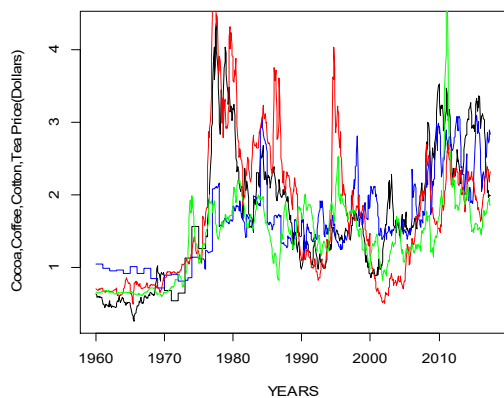


Source: FAOSTAT May 2020

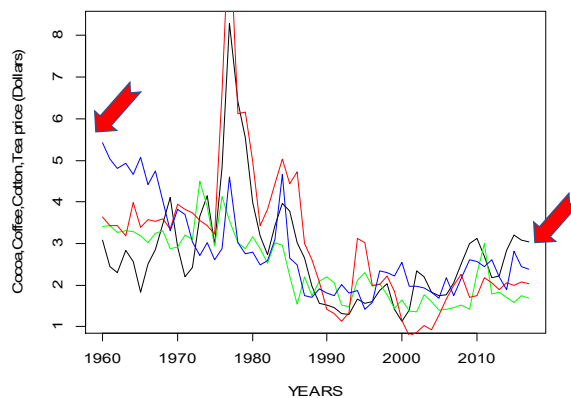
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Reliance on Agricultural Commodity Exports with Little Value Addition leaves the Continent with limited Returns

Normal, Cocoa,Coffee,Cotton, Tea Prices(1960-2017)



REAL COCOA,COFFEE,COTTON,TEA PRICES (1960-2017)



Key: Cocoa (Black), Coffee (Red), Cotton (Green), Tea (Blue).

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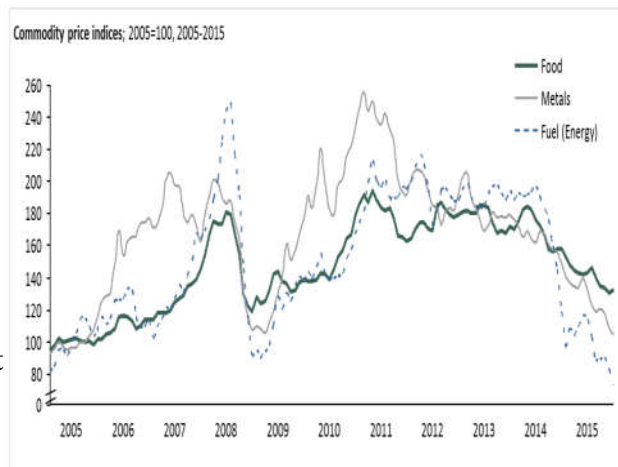
African Agriculture Before COVID-19

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1. Of the main sources of foreign exchange earnings in Africa, food prices appear to be the most stable, making the sector a priority sector for economic diversification.

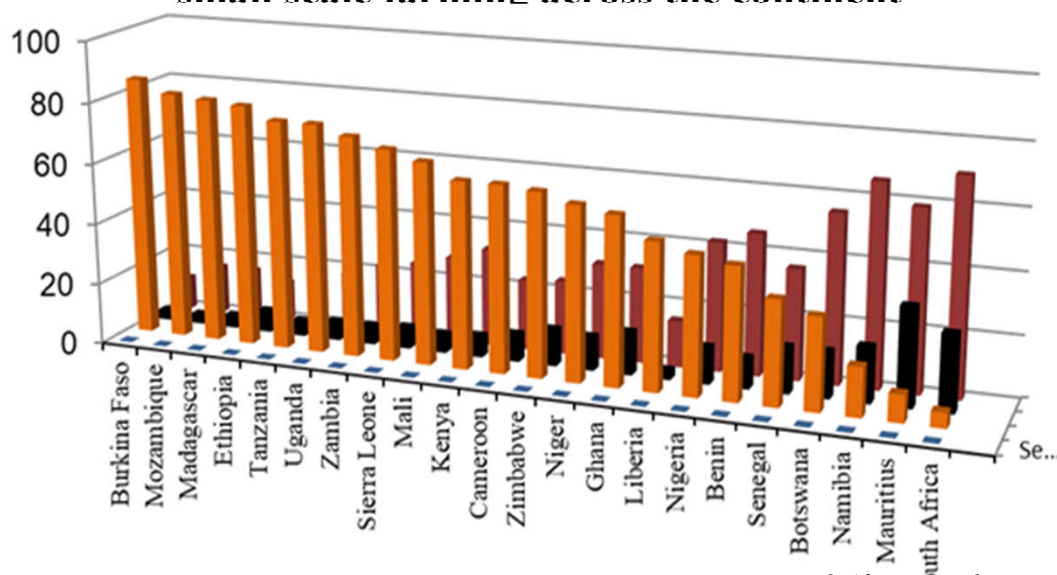
Agriculture and minerals sectors are the most significant source of net domestic output (GDP); employment or job creation; as well as fiscal and external support for most African countries

Food security ought to be a national defense strategy not a subsistence object left to the Ministry of Agriculture.

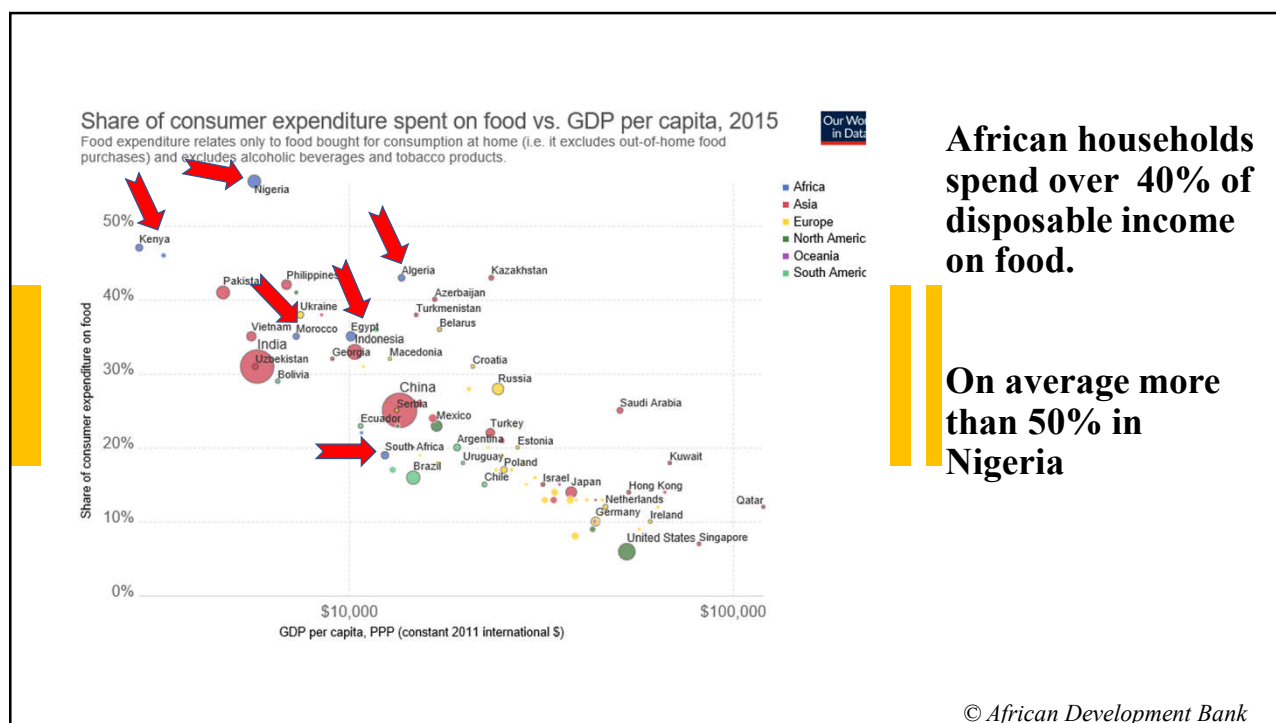


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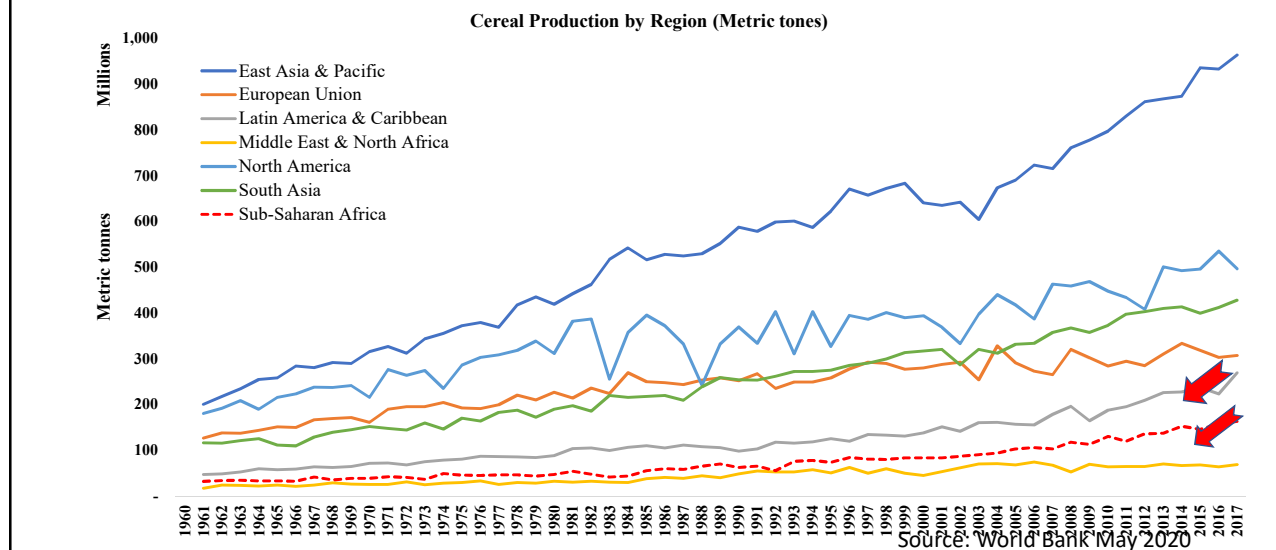
2. Agriculture accounts for over 60% of jobs, 80% of them in small scale farming across the continent



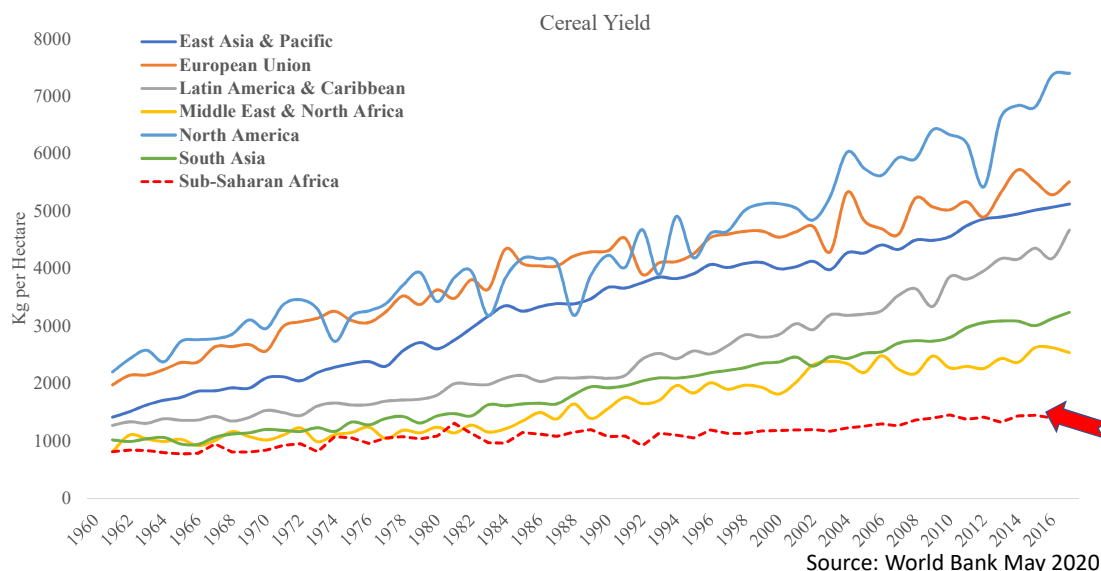
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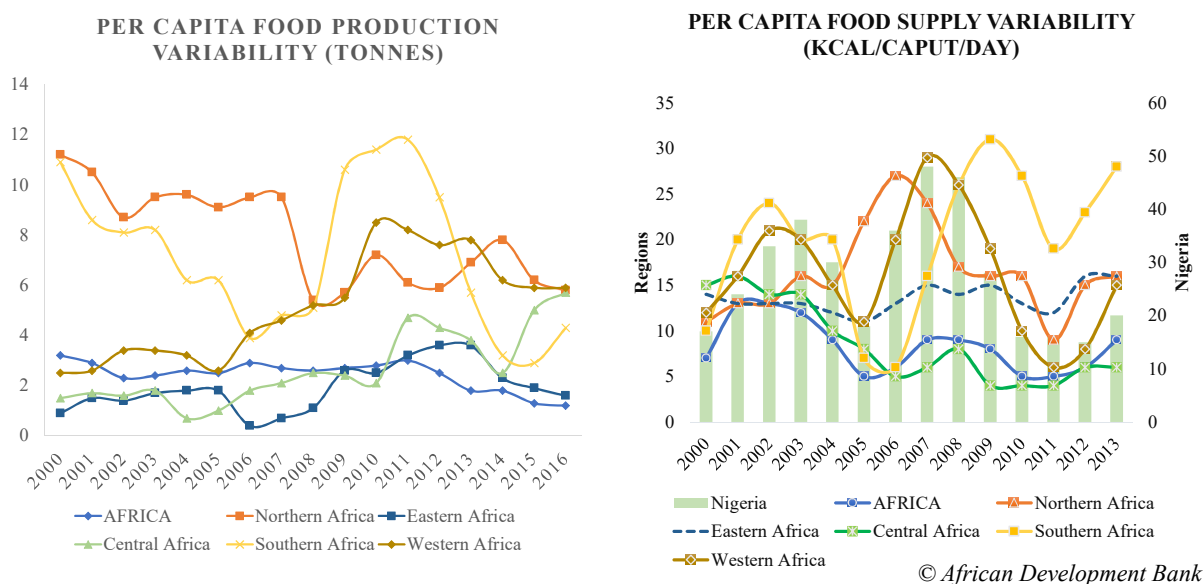
4. Agricultural Productivity in Africa is the lowest of other regions of the World.



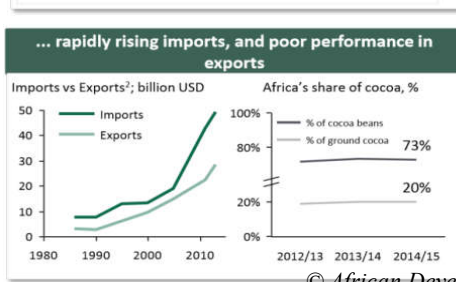
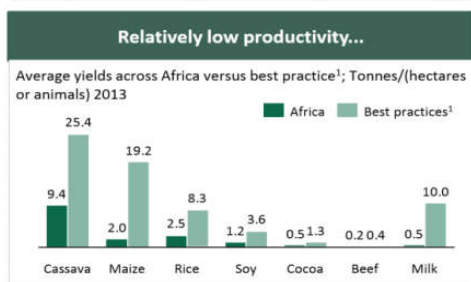
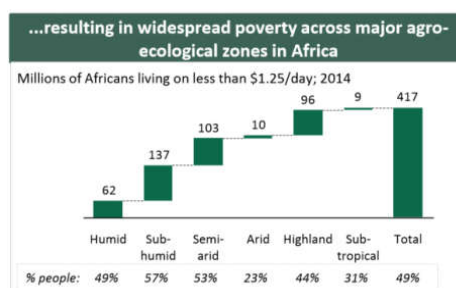
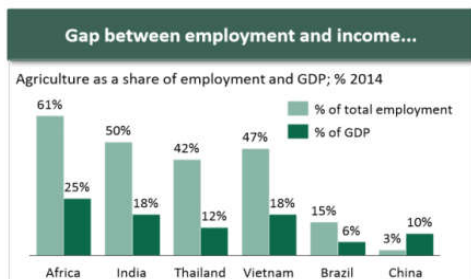
4b. Total factor productivity in agriculture is lowest in Africa, relative to regions of the world



4c. Sector challenges exacerbated by high variabilities in food production and supply

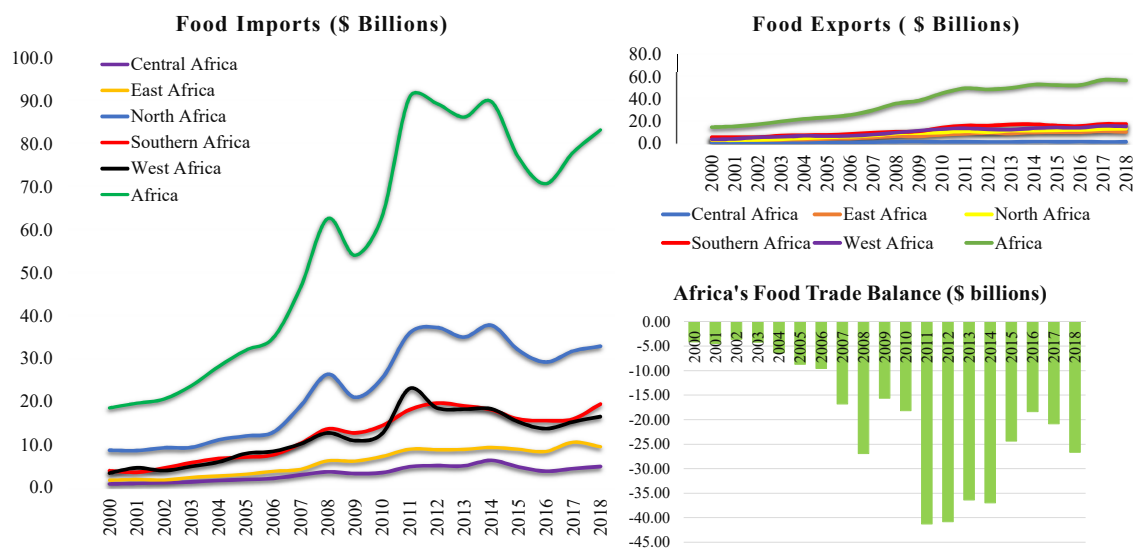


5. Low productivity and variability in food production limit Agriculture contribution to Africa's economic transformation compared to other regions



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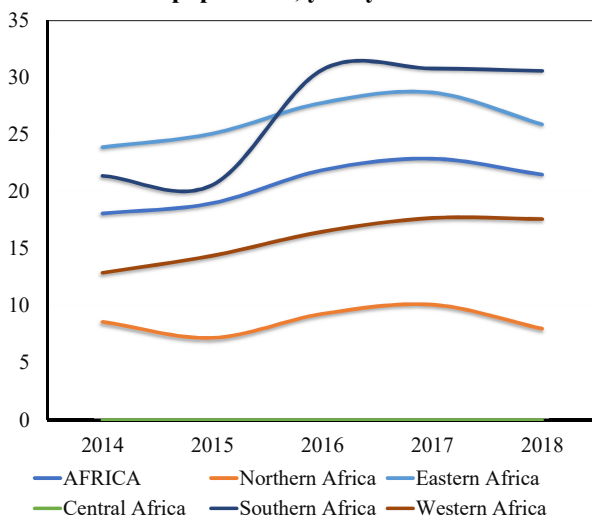
5b. Importation of food continue to drain public finances in Africa



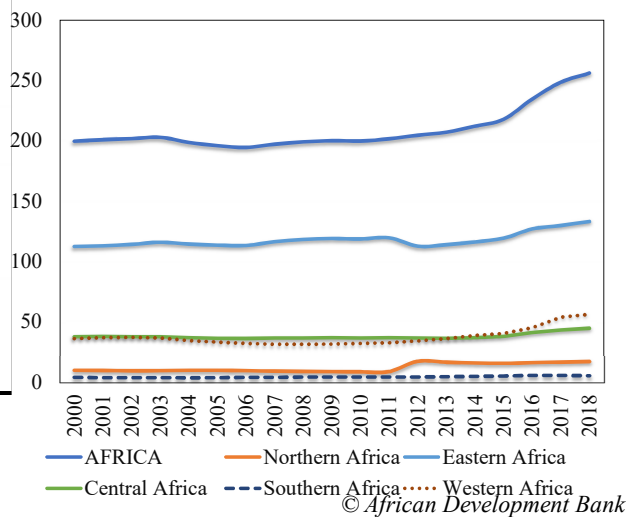
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6. And engender high rates of food insecurity across the continent

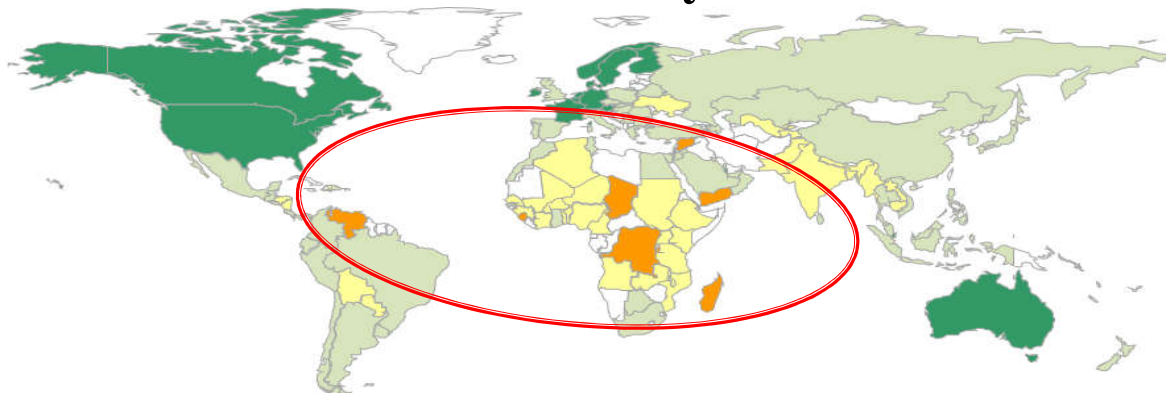
Prevalence of severe food insecurity in total population, yearly estimates



Number of people undernourished, yearly estimates (millions)



Global Food Security Index 2019



Score = Score in 2019, 0-100 where 100=best
 Δ = Change in 2019 score compared with 2018
 Green = score improved this year
 Red = score deteriorated this year



Source: Economist Intelligence Unit May 2020

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Early Warning Signs: The Pandemic before COVID-19

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A Bird's Eye View: Africa Before COVID 19

Africa food systems heavily vulnerable to external shocks due to dependence on global value chains

The value of agricultural trade in Africa have been lower than most other major regions of the world.

Over 9 million people die of hunger annually worldwide (mainly children in poorer countries)

More than 218 million people in Sub-Saharan Africa are undernourished. The number grew by 44 million in the past 25 years.

Close to 40 per cent of children under 5 years of age in Africa are undernourished.

Rising food insecurity in rural villages is driving increasing rural-urban migration as the hunger pandemic deepens.

Public expenditure on agriculture in Sub-Saharan Africa is less than 3%, the only region where expenditure per capita declined between 1989 and 2012.

Now COVID-19 is exacerbating the hunger pandemic

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Why Africa Benefited Less than other regions?

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Why African Food Systems is Vulnerable to External Shocks

- **Perception & Mis-prioritization:** Agriculture seen as a social sector
- **Low Investments:** Public expenditure on agriculture in Sub-Saharan Africa is less than 3%, the only region expenditure per capita declined between 1989 and 2012.
- **Trade Barriers:** Excessive customs controls and Arbitrary/Illicit Taxation. From Lagos – Abidjan involved 91 checks, costing about \$5201.00 and 18h 49m.
- **Global Market Distortions:** The combined value of OECD agricultural subsidies exceeds the combined economies of the 28 poorest SSA countries – leading to low food prices that make local food production unviable.
- **Climate Change & Weather Events:** droughts and floods, extreme weather events deteriorating the quality and quantity of the crop production.
- **Political Will** – Agriculture is a pet subject for political campaigns and intellectual discussions on economic diversification, but investments in the sector remain paltry.

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The World During COVID-19 Pandemic

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Impact Transmission Channels

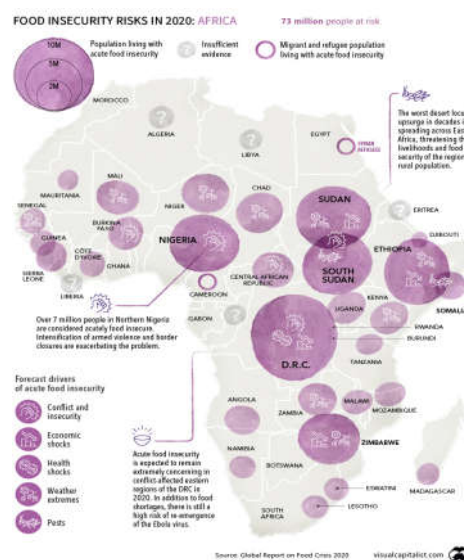
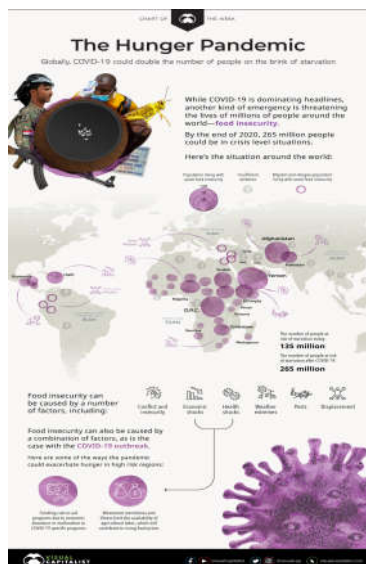
- **Double demand shock** – lock-downs and loss on incomes reduces household incomes and affects demand. Contraction in global & domestic market demand.
- **Double supply shock**: contraction in local production, export ban limits food supply
- **Induced Price shock** – Artificial buying, hoarding and protectionist policies increases food prices during pandemic, and contraction in production, stranded assets and incurred debt may lead to sustained price hikes in the medium term.
- **Fiscal balance constraints**: Constrained budget balances - limited and plummeting internal revenue and foreign exchange earnings and instability in the value of domestic currencies caused by easing of monetary and fiscal policies elsewhere will further limited capacity of countries to expand agricultural sector budgets;
- **Lack of coordination among relevant Ministries and Governments Agencies** – risk of further budget constraints as resources are relocated to the health sector.
- **Prevailing conditions**: conflicts, economic shocks, extreme weather events, pests and diseases, and health conditions will exacerbate the impacts of COVID-19 in Africa.

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The World Post COVID-19 Pandemic

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The Result = Deepened Hunger Pandemic & Social Insecurity



- Already, **135 million** people are experiencing critical food insecurity.
- By the end of 2020, upwards of **265 million** people could be on the brink of starvation globally, almost double the current rate of crisis-level food insecurity.
- Children **under 5 years** who survive the hunger pandemic may suffer stunting and reduced brain development – a condition that could limit their capacity for life.

The World Post COVID-19 Pandemic (Proposed Policy Options: Think Piecies)

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Short Term Policy Options

- National-level **coordination mechanism**
- **Food reserves** to boost stockpiles at the global, regional, national and local levels.
- Establish **green channels** for agricultural products and food imports in key ports and diversify imports.
- **Invest in new technologies** - E-commerce, drone delivery service to match demand and supply
- **Retooling of annual budgets**: increase allocation to agricultural production, processing and marketing

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Short Term Policy Options (cnt.)

- **Commodity exchanges**
- **Trade Policies** – focus on regional trade
- **Sign long term contracts** with local Producers, Urban farming and Suppliers to safeguard supply variability in the short to medium term
- **National Agricultural Productivity Accelerator (NAPA)** fund to support small farmers and SMEs to ramp up production

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Medium Term Policy Options

- **Ramp up local production** – targeted support to small scale farmers
- **Shorten supply chains** - less vulnerable to global shocks & are more sustainable
- Implement policies focused on **self-sufficient farming** rather than profit maximisation: Re-organise government Ministry structure to prioritise agriculture and agribusiness in national security agenda
- **Agricultural diversification:** Beyond the rhetoric.
- **Improved customs governance** - modernization and simplification of customs procedures.
- **Digitization of value chains**
- **Good Agricultural Practices and food safety standards**

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Medium Term Policy Options (cnt.)

- Establish and strengthen **Centre of Excellence for Smallholder Farm Management**
- Invest in **agricultural R&D and smart technology** development and deployment
- **Integrated land and water resources management**
- Scaling investments in **technologies for agricultural transformation**
- **Import substitution and diversification** to limit vulnerabilities
- **Basic rural infrastructure development** to improve domestic and intra-regional food supply chains.
- **Human capital development** – rebuild land grant universities and colleges of agriculture in Africa. Reform Agri-business curriculum in Universities and re-train Faculty Members
- **Fiscal buffers and stabilizers**
- **Reform agriculture advisory services** through digital platforms – such as LandPKS, digital farming and chatbots
- Invest in **Special Food Processing Zones (SFPZs)** and **National Agricultural Innovation Parks (NAIPs)**.

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Long Term Policy Options

- Prioritise **food security and agricultural development as a national security policy: Reform Agriculture Ministries to become Ministry for Food and Agro-alied industrialisation**
- **Diversification inter-state and intra-regional food-supply chain** to minimize dependencies and supply shocks
- **Global cooperation** particularly in agricultural research and development
- **Agricultural sector reforms:** structural, institutional, regulatory and legislative nature.

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Long Term Policy Options(cnt.)

- Development of intensive and **targeted educational programs**
- Introduction of **data based and blockchain linked financing** schemes.
- **Human Capacity Development** - Crop Production, Animal Production, Aquaculture, agricultural innovation, agribusiness, etc.
- **Public Private Partnerships** – Government enabled agro-alied industrialization
- **Targeted international collaboration and joint ventures**
- Set **targets for agricultural value added trade** per year for Finance Ministers.

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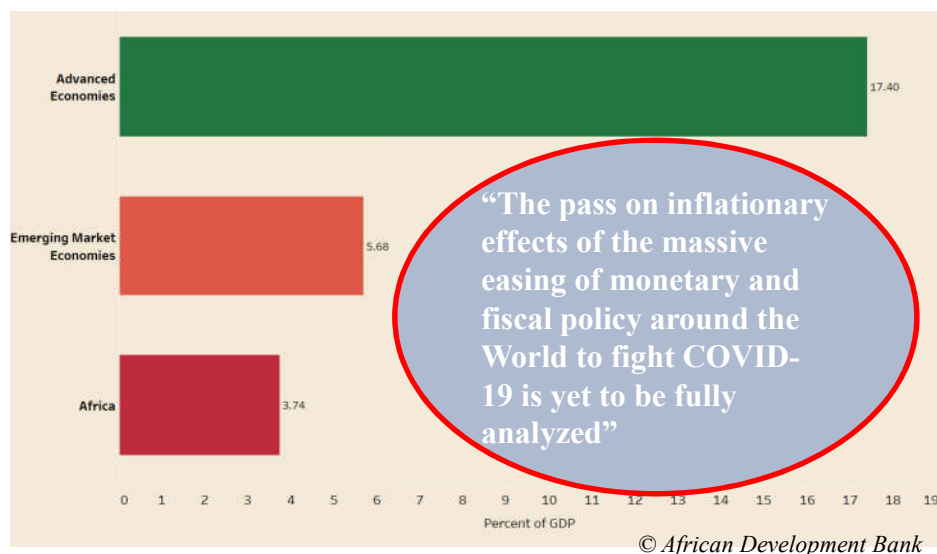


The Inconvenient Facts

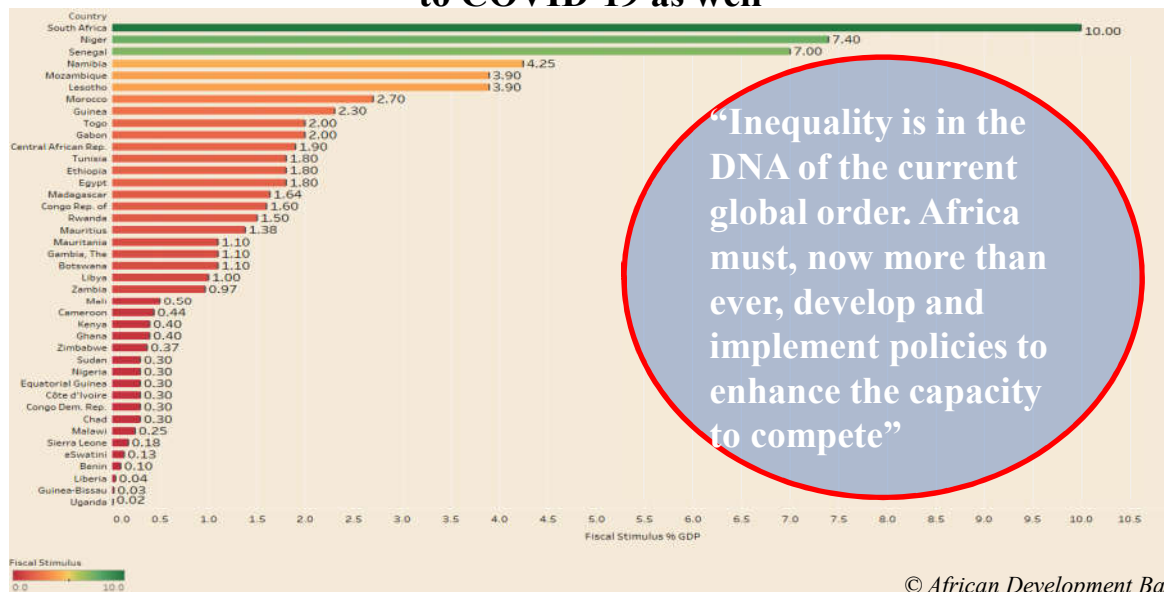
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Known Knowns: Unequal Fiscal Capacity to Response to COVID-19: Africa vs. Others

- Fiscal stimulus has been disproportionately lower in Africa than elsewhere
- Less than 4% of GDP: about half of the size in emerging market economies and one-quarter of the stimulus in developed countries.



Known Knowns: Unequal Fiscal Capacity in Africa in Response to COVID-19 as well



The Inconvenient Facts

- Continued Lockdowns can endanger law and order, social stability and peace
- In Africa COVID-19 is a pandemic within pandemics: Poverty, hunger and malnutrition, malaria, conflict and climate change, ..., kill more than COVID-19 in Africa.
- The hunger pandemic is a worse killer than COVID-19
- Ongoing geo-political shifts: nationalism, glocalization, or globalization is irrelevant to the hungry poor.
- Protectionism, economic nationalism may further strain food supply chains in the near term.
- It is unclear how long the double demand and double supply shocks may last.
- Implications for the policy responses: “The war cabinet approach is required”.

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The Recovery Path

“We can expect a “V”, “U”, extended “U”, a “W” or multiple “W” shaped recovery in African countries until the vaccine for COVID-19 virus or a therapeutic cure become universally available”.

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The Known knowns

“Food security is key in maintaining socio-economic and political stability. We can ignore this only at our own risk,” President Rodrigo Duterte of the Philippines.

“Agriculture and minerals sectors are the most significant source of net domestic output (GDP); employment or job creation; as well as fiscal and external support for most African countries” Seth Terkpe, Former Minister of Finance, Ghana.

*“There is an opportunity cost of importing food into Africa in terms of jobs and livelihoods. Each USD 1 billion dollars spent on food imports is equivalent to the annual income of **334,000 farming households** representing **670,000 on-farm jobs** and **200,000 off-farm jobs**. The addition of the dependents of these households means that food imports directly impact the livelihoods of **2.17 million people**.”* Abrams, L., Smedley, D., (2020).

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The Known knowns (cnt.)

“No one drinks crude oil or smokes natural gas. Everyone eats food. Even the Medical Doctors will tell you to take one or two tablets a day, after food” Dr. Akinwumi Adesina, President, African Development Bank Group.

“Investing in small holder agriculture is investing in livelihood for everyone and building resilient and inclusive economies. Policies to build resilience in food systems and agricultural value chains require coordinated inter-ministerial action” Kevin Urama, Senior Director, ADI.

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The conundrum

- Africa has 20 percent of the world's natural gold reserves, 56 percent of natural diamond reserves, 21 percent of natural phosphate rocks, 69.4 percent of natural platinum reserves, 60 percent of cobalt, and 9 percent Copper reserves, ..., 60 percent of arable land, 13 percent of the global population, abundant energy potentials, ..., and many smart & innovative people, ..., and many friends globally. But has remained at the tailboard of development since the ancient civilizations Egypt, Ethiopia, Timbuktu, ...
- What should we do differently in the post COVID-19 world to achieve different result?

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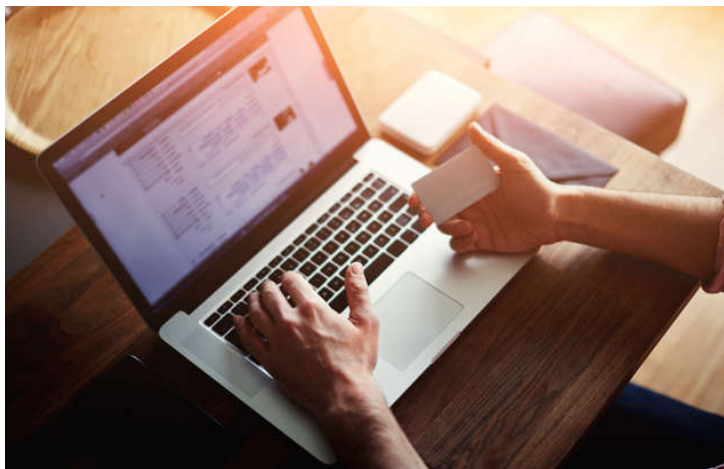
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ADI's Response: Room to Think and Build Capacity



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The New Normal



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Thank You

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*“Strengthening capacity for inclusive growth in Africa –
without which the global sustainable development goals and
Africa’s Agenda 2063 will not be achieved”*

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