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”

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

Neo-liberalism, Democracy, Globalization, Free Markets

The Benefits of Global Trade is Unequal

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

Africa’s participation in the global agricultural commodity and value-added market hovers around 2% and regional trade has remained largely informal.
Reliance on Agricultural Commodity Exports with Little Value Addition leaves the Continent with limited Returns

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

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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.

2. Agriculture accounts for over 60% of jobs, 80% of them in small scale farming across the continent.
African households spend over 40% of disposable income on food.

On average more than 50% in Nigeria

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

Cereal Production by Region (Metric tones)

- East Asia & Pacific
- European Union
- Latin America & Caribbean
- Middle East & North Africa
- North America
- South Asia
- Sub-Saharan Africa

Source: World Bank May 2020
4b. Total factor productivity in agriculture is lowest in Africa, relative to regions of the world

Source: World Bank May 2020

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

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

Source: Economist Intelligence Unit May 2020 © African Development Bank
Early Warning Signs: The Pandemic before COVID-19

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.
Why Africa Benefited Less than other regions?

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/Ilicit 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.
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.
The World Post COVID-19 Pandemic

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 Pieces)

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
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

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
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).

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-allied 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.
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-aliend industrialization
• Targeted international collaboration and joint ventures
• Set targets for agricultural value added trade per year for Finance Ministers.

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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 merging market economies and one-quarter of the stimulus in developed countries.

"The pass on inflationary effects of the massive easing of monetary and fiscal policy around the World to fight COVID-19 is yet to be fully analyzed"

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

"Inequality is in the DNA of the current global order. Africa must, now more than ever, develop and implement policies to enhance the capacity to compete"
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”.

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”.
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).

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. Polices to build resilience in food systems and agricultural value chains require coordinated inter-ministerial action” Kevin Urama, Senior Director, ADI.
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 Cupper 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?
The New Normal

Thank You

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