



Building Resilience in Food Systems and Agricultural Value Chains: Agricultural Policy Responses to COVID-19 in Africa

A Brainstorming E-Policy Seminar

Hosted by African Development Institute (ADI), African Development Bank Group under the auspices of the Global Community of Practice on COVID-19 Response Strategies in Africa (G-CoP).

Date: Monday, 18 May 2020 for Time: 14:00 -1700 hours (Abidjan time) for Delegates from Africa, Europe, the Middle East, and Americas and the Caribbean

Tuesday, 19 May 2020 for Time: 08:30 -11:30 hours (Abidjan time) for Delegates from time zones within the Indian Ocean Rim region, inclusive of Oceania and Asia.

I. CONTEXT

The unprecedented immediate impacts of the COVID-19 pandemic on global, regional and national health systems, economies, trade, cultures, and societies have attracted significant interest globally and across countries. Both the public and private sectors, individuals and communities are struggling to respond to the impact of the pandemic. Countries have adopted diverse unprecedented and unequal measures to contain the virus, each according to its capacity.

Like sister multilateral Development Banks (MDBs), the African Development Bank Group has identified up to USD 10 billion in resources that can be made available in 2020 to help Regional Member Countries (RMC) and their private sector enterprises respond to the COVID-19 crisis.

As member countries continue to rightly focus on flattening the disease curve and finding the vaccine and therapeutic cure, African countries also need support with regard to knowledge products and technical assistance to support them in making prompt decisions in addressing the rapidly evolving pandemic, and at the same time keep in view what the COVID-19 responses may bequeath to economies after the pandemic, in the short, medium and long term. There is an urgent need to provide RMCs with evidence-based policy guidance to address the short, medium, and long run impacts of COVID-19 on food systems and agricultural value chains.

The African Development Institute (ADI) has established a Global Community of Practice (G-CoP) to facilitate policy dialogue, training and technical assistance on COVID-19 Response Strategies in Africa. The G-CoP is hosted under the auspices of the Virtual Capacity Development Academy (VCDA) being implemented by ADI. The VCDA is a virtual interactive collaborative environment (VICE) that enables a consortium of certified global experts and anchor institutions to engage in facilitated policy dialogue and to provide evidence-based policy advice, technical

assistance and training to the Bank’s Regional Member Countries (RMCs) on specialized subject areas. Outputs from G-CoP will also be vital to inform the Bank’s capacity development response actions in supporting the RMCs to manage the pandemic; and inform its interventions in shaping the policy responses at the global, regional and national levels.

The ADI, in collaboration with anchor economic policy think tanks and Universities in Africa including the African Economic Research Consortium (AERC) hosted an inaugural e-seminar titled “*Enhancing Resilience in African Economies: Macro-Economic Policy Responses to COVID-19 Pandemic in Africa*,” on 29 April 2020. The seminar brought together 516 participants, including leading global experts, former Ministers of Finance, former Central Bank Governors, senior leadership of Government Ministries and Parastatals, and practitioners to synthesize knowledge and experiences around the world and provide context-specific guidance on the short, medium and long-term policy options available to African countries in a post COVID-19 era¹.

The African Development Institute (ADI) will be hosting the second seminar of the G-CoP on: “*Building Resilience in Food Systems and Agricultural Value Chains: Agricultural Policy Responses to COVID-19 in Africa*”. The seminar is scheduled on Monday, 18 May 2020, Time: 14:00 – 17:00 hours (Abidjan time) and on 19 May 2020, 08:30 – 11:30 hours (Abidjan time) to accommodate delegates from different time zones in the Western and Eastern hemispheres, respectively.

The seminar will be hosted in collaboration the African Association of Agricultural Economists (AAAE) with Speakers from sister MDBs including the World Bank Group and leading food and agricultural policy institutions/organizations including the International Food Policy Research Institute (IFPRI), and selected anchor institutions including Universities of Agriculture, Agricultural Policy Research Institutions and Networks in Africa and globally.

II. STATE OF AFRICAN AGRICULTURE

Agriculture still accounts for over 60% of jobs, most of them in small scale farming across the continent. Despite its large share of total employment, the agriculture sector represents only a quarter of African GDP due largely to low productivity and lack of value addition across several value chains. Despite the rapid growth in agricultural productivity across the world, Africa’s yields are only 56% of the international average and the capacity for value addition beyond primary production both in terms of upstream input distribution and downstream product distribution and agro-processing infrastructure remain highly under-developed. Africa is the only region where primary food production contributes more to GDP than agribusiness. Africa’s participation in the global agricultural commodity and value-added market hovers around 2% and regional trade has remained largely informal.

The impacts of poor performance of the sector on African economies are evident in the high rates of food poverty in major agro-ecological zones where millions of Africans still live on below US2 dollars per day. Lack of improvement in on-farm factor productivity and off-farm value addition,

¹ For more details see: <https://www.afdb.org/en/news-and-events/press-releases/covid-19-crisis-provides-impetus-accelerate-african-regional-integration-panellists-adi-webinar-35463>

and general structural transformation in the sector continue to limit its contribution to Africa's economic transformation compared to other regions.

Rising food imports continue to drain public finances and exert pressures on the already constrained fiscal balance of member states. For example, the net food imports in Africa is expected to rise from over US\$35 billion in 2014, US\$47.5 billion in 2019 to over US\$110 billion by 2025. Without significant investments in agricultural transformation in Africa, importation of maize, sugar, sunflower oil, and potatoes could grow by over 6%, 13%, 12% and 18% by 2025, respectively. Africa could spend over US\$50 billion on importing wheat, sugar, beef, maize, and soybeans in 2020.

High variability in food production and supply further exacerbates the prevalence of food insecurity, undernourishment, malnutrition and stunting in Africa. It is projected that the number of undernourished people would rise from about 240 million in 2015 to about 320 million by 2025.

Overall, unlike other regions (East Asia, Brazil, Malaysia, Vietnam and others) where rapid agricultural transformation has lifted millions out of poverty in recent decades, little progress has been achieved in Africa's agricultural sector. While liberalization of input markets, expansion of innovative agricultural finance, and land policy reform have allowed significant advances in some African countries, whole sector transformation remain to be seen. Some examples of the progress achieved in the past decade include farmer registration and electronic-wallet system of input distribution in Nigeria, floriculture growth in Ethiopia, horticulture development in Kenya, improved rice yields in Senegal and Mali, rapid reduction in malnutrition in Rwanda, vertical integration and agro-processing in Morocco, and cotton production in Burkina Faso. Behind each of these examples are knowledge-based policies, strong political will, and leadership that drives policy implementation. Of the main sources of foreign exchange earnings in Africa, food prices have been the most stable. This makes agriculture a pet subject for policy discussions of economic diversification. However, lack of policy continuity often constrains sustained implementation and structural transformation in the sector. The impacts of COVID-19, if not properly managed, may wipe out some of these gains achieved in recent decades.

The COVID-19 pandemic and the associated response strategies including lock-down, border closures and disruption of global food supply chains, is a stark reminder of the acute need for countries to invest in agricultural value chains and food systems, to diversify their sources of foreign exchange earnings, and more importantly, be prepared to feed its citizens in normal times and in times of crisis and global pandemics such as the COVID-19. Feeding is an essential universal need for all human beings – a right which when denied, affects all sectors of the human experience and risks the security of nations, economies and communities. Lock-downs caused by disease pandemics (such as COVID-19), is like a war that kills many without guns, especially for the poor majority in Africa and the developing world.

III. RATIONALE

The unprecedented and sudden impacts of COVID-19 on global value chains and food supply systems exposes many African countries who are reliant on food importation to feed their citizens, to greater risks of mortality than COVID-19. COVID-19 comes at a time when many African countries are struggling to deal with existing diverse challenges such as the locust outbreak in the

Horn of Africa “*Locust-19*”, continued climate change challenges, income deficiency and food insecurity. Even before COVID-19, malnutrition, hunger and starvation were silent pandemics that kill hundreds of thousands of Africans year on year. Before COVID-19, 135 million people were experiencing hunger so severe that it threatened their lives and livelihood². The World Food Program estimates that with COVID-19, this number could be doubled by the end of 2020³. It is estimated that about 9 million people die of hunger annually worldwide (mainly children in poorer countries). One in every 5 sub-Saharan African is undernourished.

Analysis to date has projected several pathways by which COVID-19 and government efforts to reduce the spread of the disease will affect Africa agri-food systems. These include:

1. *Local agricultural value chain disruptions*: Most Africans buy their food in crowded retail markets such as open-air markets, supermarkets, and other busy commercial areas. Physical distancing restrictions and shut-downs of such areas will disrupt the operations of agricultural markets and reduce the demand for farm products, just as the main harvest in many African countries is now upon us or will soon be. These disruptions may make it more difficult for farmers to maintain their income streams and for consumers to source food. Farm-gate prices, especially for perishable crops, are likely to decline as a result of these supply disruptions, even as consumer prices increase.
2. *Loss of employment and incomes* for traders, small transporters, workers and farmers may significantly reduce their incomes and purchasing power, resulting in demand contraction across a wide range of commodities and services. These players will need to cope with business disruptions and lack of short-term working capital to retain jobs when revenue streams are low. Impact on small transporters and small traders may affect the distribution to and from the farm gates. Access to food, especially nutrient dense perishable foods, may deteriorate for everyone, particularly among low-income, unemployed, and otherwise vulnerable groups, even if retail food prices do not rise much.
3. *Global food supply chain disruptions* are starting to manifest for some commodities in food exporting countries, e.g., dairy and meat processing plants. In parts of Africa, supply chain disruptions from South African horticultural exports are already leading to scarcity of some perishable foods in some southern African countries. Meat processing plants in the USA that contribute to world meat exports are closing as the disease has spread inside them. If this continues for longer period, we may start to see rising commodity prices for selected items that will increase global food prices in the medium term. The 2007/08/09 world food price crisis demonstrated that African food prices are linked to global markets through price transmission effects. Hence, we may predict that global supply disruptions may influence African food prices for selected commodities.

² World Food Program, 2020. Risk of Hunger Pandemic as COVID-19 set to almost double acute hunger by end of 2020, viewed 1 May 2020. <https://insight.wfp.org/cCOVID-19-will-almost-double-people-in-acute-hunger-by-end-of-2020-59df0c4a8072>

³ World Food Program, 2020. Risk of Hunger Pandemic as COVID-19 set to almost double acute hunger by end of 2020, viewed 1 May 2020. <https://insight.wfp.org/cCOVID-19-will-almost-double-people-in-acute-hunger-by-end-of-2020-59df0c4a8072>

4. *Global demand for African exports may also decline in certain instances with a contraction of global demand.* Although data appear to be inconsistent depending on the source, several global price trackers indicate that the world price of cocoa in late April 2020 has declined by 25% over the past month. This apparently reflects a view that international demand for cocoa may decline as purchasing power in the developing world contracts. A reduction in the price of African export crops would shrink governments' export earnings and tax base, at a time when fiscal stimulus may be most needed.
5. *Many African countries are short of strategic food reserves to be able to respond adequately.* In general, budget allocations for national food reserves are dwindling. Many countries have existing macro-economic constraints, little capacity for food reserve management, and face difficulties of restocking due to lack of resources.⁴ However, there are select countries with an established track-record of managing strategic food reserves, with capacity, and plans to import to help manage prices. These countries are planning to replenish their stocks during the next harvest although local production prospects and harvest expectations are very low.

With the closure of national economies (to varying degrees) and the associated loss of jobs, the social distancing, lock-downs and border closures, designed to flatten the COVID-19 disease curve are likely to kill more than corona virus in Africa. Over 70 percent of Africans depend on artisanal jobs in the informal sector where the main source of income for the daily meals is physical labour, and for some fortunate ones, remittances from relatives living abroad. Lock-downs in the developing and developed countries literally shuts down these sources of incomes for the most vulnerable majority in African countries. In many African countries, border closures, panic buying and hoarding by individuals and countries as a risk mitigation measure against the uncertainties about COVID -19 has created artificial supply shock in food markets. This has resulted in increased staple food prices beyond the reach of millions of Africans who live on less than US\$2 per day. Up to 419 million additional people could fall into extreme poverty in 2020, particularly in sub-Saharan Africa and South Asia⁵. Prompt and appropriate policy response actions are required to mitigate a looming “hunger pandemic” that could result in social unrest in many African countries, if the current lock-downs across countries persist.

The unprecedented exogenous shock caused by the COVID-19 pandemic health, economic and social systems, is a stark reminder of the age-old value of nations being able to feed themselves. It has remained a paradox that Africa – the continent that holds over 60% of the remaining arable land on earth, spends billions of its scarce foreign exchange earning to import food to feed its citizens. 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 jobs⁶.

⁴ For example, (WFP update, 2020) indicates that many African countries rely of food imports and have no strategic food reserves. Other have limited capacity for public sector management of strategic food reserves due to recurrent natural disasters (droughts, floods, cyclones recently exacerbated by climate change) and varying degrees of monetary and fiscal policy constraints.

⁵ World Bank, 2020. The impact of COVID-19 on global poverty: Why sub-Saharan Africa might be the region hardest hit, viewed 01 May 2020. <https://blogs.worldbank.org/opendata/impact-covid--19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>

⁶ Abrams, L., Smedley, D., (2020), Virtual Jobs: African Smallholder Farmers and Food Imports Report. SIWI, Stockholm.

With reduced incomes for poorer households, protectionist measures, panic buying and hoarding driving food prices, exchange rate volatility arising from the easing of fiscal and monetary policy and other exogenous shocks, disruptions in agricultural production and supply chains, and lack of capacity in many African countries, the short and medium effects of COVID-19 response measures on food systems and agricultural market value chains will likely be severe in Africa. The long-term impacts could include permanent cognitive damage for children who may survive the hunger pandemic and expanded negative food export balance in many countries.

African countries require evidence-based guidance to cope with these potential impacts and to create more resilient food systems that can better withstand the effects of COVID-19 and future pandemics and shocks.

IV. OBJECTIVES

The seminar will bring together former Ministers of Agriculture, former Ministers of Finance, Agricultural Policy experts and practitioners from Africa and globally to critically examine the impacts of COVID-19 on agri-food systems in Africa, with a view to identifying evidence-based policy options that can help African countries to build more resilient and efficient food systems and agricultural value chains at national, regional and continental levels, and identify potential areas of comparative advantages to harness the benefits of global value chains in times of crisis. The seminar will also explore the implications of other perennial pandemics such as climate change, water scarcity, post-harvest losses, poorly developed agricultural markets, etc., and opportunities for building more efficient and sustainable agricultural and food systems in a post-COVID-19 world.

It will address questions around how Africa can better harness its wealth of arable land, youthful population and emerging technologies to produce food locally, build sustainable and resilient food supply chains and efficient agricultural markets at national and regional scales, and implement proactive import substitution policies, in a post-COVID-19 world.

Specific questions to be addressed include:

1. What policy measures should African countries take to feed the vulnerable populations under the social distancing and other non-pharmaceutical measures recommended by the World Health Organization to flatten the COVID-19 disease curve?
2. What agricultural policy responses are African countries currently implementing or proposing to implement and how relevant and potent are they in dealing with the immediate, short, medium and long-term impact of the pandemic on food systems and agricultural value chains?
3. What are the lessons that can be learned from similar previous exogenous shocks in the sector to accelerate the SDGs, Agenda 2063 and the Continental Free Trade Area in Africa?
4. What are the specific lessons to be learned to inform agricultural sector policies to build more resilient, pro-poor and sustainable food systems, agricultural value chains, and strategic food reserves at national and regional scales, to enhance the resilience capacity of African countries to respond to future pandemics and exogenous shocks in the post-COVID-19 world?
5. What policy incentives can accelerate private sector (especially youth and women entrepreneurs) in different segments of the agriculture value chain to help African countries achieve a positive food export balance?

6. What types of agricultural and food systems should African countries adopt to enhance sector specific resilience capacity in the post-COVID-19 world order?
7. How can Africa-led Agricultural policy institutes, universities and national research institutions be strengthened to inform evidence-based research and policy guidance that are embedded in African realities in the post-COVID-19 world?
8. How can the African Development Bank intervene through its Hi-5s to strengthen agricultural sector-specific resilience capabilities in African countries to: feed Africa in a post-COVID-19 World?

V. IMPLEMENTATION

The seminar will be hosted under the Global Community of Practice (G-CoP) on policy responses to COVID-19 in Africa. The outcome of each seminar is a policy brief that is critical to shaping policy responses by the Bank's Regional Member Countries in key thematic policy areas. In addition, ADI will work with the Partner Institutions to produce policy relevant knowledge products, including research papers from the outcomes of the seminars. All individual contributions to the seminar shall be treated under Chatham House Rules.

VI. PARTICIPATION

Participation in the e-seminar is strictly by invitation. A select group of anchor institutions, global experts and practitioners will receive special invitations as discussion leaders /conversation starters and participants in the seminar. The discussion leaders will provide a short think piece addressing each question in advance of the seminar and provide a 5-minute opening remarks to start the conversation.

VII. CALL FOR PARTICIPANTS

To participate in the G-CoP e-seminar on *Building Resilience in Food Systems and Agricultural Value Chains: Agricultural Policy Responses to COVID-19 in Africa*, please send a completed registration form to africandevlopmentinstitute@afdb.org

Prof. Kevin Chika Urama, FAAS,
Senior Director, African Development Institute;
African Development Bank Group,
Email: k.urama@afdb.org;
Website : www.afdb.org