



Building Africa's Food Sovereignty and Resilience through Sustainable Investments

Policy paper
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ABOUT THIS POLICY PAPER

The policy paper aims to identify pathways and key drivers that enable sustainable and quality investments to build efficient agri-food systems to shape Africa's food sovereignty and Resilience that hinges on the African Common Position on Food Systems. It is an outcome of the consultations and meetings organized by the United Nations Interdepartmental Task Force on African Affairs in 2023.

The paper opens with a background to set the context, followed by an exposé of megatrends shaping agri-food systems in Africa. It continues with analyzing African agri-food systems financing needs. It closes with key policy options and strategies to implement the African Common Position on Food Systems through game-changing solutions anchored on the 2030 Agenda for Sustainable Development and the African Union Agenda 2063.

THE CONTEXT

African Union has set an ambitious agenda of food sovereignty, which refers to the right of people to define and control their own food and agricultural systems. It involves creating a food system centered on local communities and small-scale producers, among others, to create a more just and sustainable agri-food system. To realize its aspiration to build food sovereignty and Resilience through sustainable investments, Africa must coalesce by leveraging the African Common Position on Food System's game-changing solutions and enabling policies and partnerships.

OBJECTIVES

This policy paper aims to examine how to: **Unlock capital and investments needed to finance Africa's agri-food systems transformation.**

It is guided by Africa's quest to identify pathways and key drivers that enable sustainable and quality investments to build efficient agri-food systems to shape Africa's food sovereignty and Resilience that hinges on the African Common Position on Food Systems as the Malabo Declaration desires.

The specific objectives are:

1. Foster agreement around key pillars of a policy advocacy strategy to support expanding investment finance in agriculture in Africa.
2. Promote stakeholder agreement around key elements of an African financing agenda for food system transformation and the priority actions required to realize this agenda.

OUTCOMES

The expected outcomes are as follows:

1. Sustainably improved investment in the agricultural sector to ensure food sovereignty for Africa.
2. Enhanced Agribusiness that Connects Smallholders to National, Regional, and Global Value Chains.
3. Improved support to smallholders, especially women, and youth, with financing tailored to their needs.
4. Articulated key elements of an African financing agenda for food systems transformation.
5. Identified priority actions to realize the agenda under domestic resource mobilization, public expenditures, support to and de-risking of sustainable private Finance, and financial inclusion.

THE ISSUES

1. **Improvement in the broader investment climate and competitiveness challenges:** to encourage the

development of local businesses and the inflow from the private sector and IFIs, which would benefit the agri-food systems in terms of knowledge transfers, structuring of domestic value chains, and the ability to target and meet domestic food needs, export market requirements, and create imports substitution opportunities for Member States.

2. **Africa's Agri-Food Systems transformation as part of an African structural transformation strategy through a regional approach:** to enable a financing ecosystem to function optimally and incentives for African commercial and development banks in prioritizing agri-food systems.
3. **Support and capacity development for African smallholder farmers at the forefront of Africa's agri-food systems transformation:** to be continuously empowered to use sustainable farming practices for soil replenishment while boosting yields and building Resilience.
4. **Closing the infrastructure deficit is vital to Africa's agri-food systems transformation:** Access to adequate infrastructure, technology, skills (irrigation, storage, roads, energy), early warning technology, fertilizers, high-yield seeds, and social protection measures for smallholder farmers is essential for agri-food systems transformation and building Resilience.
5. **Improve spending on food and agriculture and leverage trade and fiscal policies, per the CAADP and Malabo Framework:** A gradual transition to optimized public budgets (regarding commodities and types of spending) could create jobs, lower poverty, reduce hunger and malnutrition, and increase agricultural productivity. African countries should promote spending that fosters sustainable resource use, poverty reduction, and improved nutrition.
6. **De-risking investment in agriculture:** Emphasis should be put on de-risking investment in agriculture projects by leveraging cost-effective instruments to promote and scale up private sector investments: microfinance, capacity development to jumpstart agri-food systems, the public-private partnership supported by the implementation of the critical levers that African Member states should consider in their agri-food system financing plans.
7. **Decarbonizing should be part of the strategy of large-scale agriculture projects:** by adopting less carbon-intensive agriculture with improved practices to enhance soils as a carbon sink, technologies, and equipment to reduce crop-related emissions and to reduce and capture livestock emissions.
8. **Reducing information asymmetry for the private sector and IFIs is essential to mobilize Finance:** in National agriculture investment plans.
9. **Leverage the African Continental Free Trade Area:** facilitating access to more lucrative export markets for domestically produced food, increasing opportunities for smallholder farmers.
10. **Capacity development to leveraging Sustainable Finance for Africa's agri-food system:** An untapped opportunity exists to connect sustainable African agri-food systems with capital markets and investors and channel capital toward sustainable development using green bonds; capacity building and training to close knowledge gaps in financial institutions can help secure opportunities to utilize existing financial instruments and develop new financial products.
11. **Policy regulations are essential for creating an enabling environment for green Finance in Africa:** accelerating the growth of green Finance requires a long-term commitment from a range of stakeholders in addition to the pivotal push from policy commitments made that need to be made by African governments, along with stable enabling policies and regulations (these could include security of land tenure, grades, and standard, ease of doing business, etc.).
12. **Hence the informal sector needs should be carefully embedded in any new intervention in sub-**

Saharan Africa: the informal sector accounts for 40 percent of the sub-Saharan African economy and 80 percent of its employment.

KEY MESSAGES

Africa must coalesce to realize its aspiration to build its food sovereignty and Resilience through sustainable investments by leveraging the African Common Position on Food System's game-changing solutions and enabling policies and partnerships. Key recommendations to rapidly achieve Africa's agri-food systems transformation include the following:

1. Key policy options and Strategies to Implement the African Common Position on Food Systems
2. Domestication of the Food Finance Architecture
3. Leverage Sustainable and Quality Investments
4. Establish a Financing Facility for Food and Nutrition Security in Africa
5. Agriculture should be part of Africa's Structural Transformation

INTEGRATED VISION

The policy paper has been developed per the objectives of the United Nations Interdepartmental Task Force on African Affairs (IDTFAA) in 2023 to contribute to the Stock Taking Moment. IDTFAA brought together the U.N. System, the international community, African stakeholders, the private sector, IFIs, smallholder farmers, women, and youth for strategic consultations and coordination to secure sustainably, improved investment in the agricultural sector for Africa to build its food sovereignty and Resilience.

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- Ms. Josepha Sacko, Commissioner for Agriculture, Rural Development, Blue Economy, and Sustainable Environment of the African Union Commission
- Mr. Hailemariam Dessalegn, Chair of the Board of AGRA, Former Prime Minister of Ethiopia
- Mr. Maximo Torero, Chief Economist, FAO
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- Mr. Jose Luis Chicoma, Senior Adviser, Food and Agriculture Commodity System, UNDP

Africa defined the African Common Position on Food System for the United Nations Food System Summit 2021, with a focus on providing an aggregation of views on key issues that shape the continent's food systems to achieve the SDGs concomitantly with Agenda 2063, with the Comprehensive Africa Agriculture Development Programme (CAADP)-Malabo Declaration on "Accelerated Africa Agriculture Growth and Transformation for Shared Prosperity and Improved Livelihoods."

The African Heads of State and Government are committed to enhancing public and private investment finance in agriculture. This commitment is tracked through six specific indicators on expenditures on agriculture by the government, donors, and the private sector and on increasing access to financial services by smallholder farmers. It is fundamental for African governments to increase investment finance in agriculture, especially public expenditures, to achieve food security, reduce poverty, and increase Resilience and environmental health in Africa. Given the importance of increased public and private investments in transforming African agriculture, there is an urgency for Member States to address the problem of inadequate access to Finance for the agricultural sector.

Thus, Member States need to put more emphasis on this commitment by increasing public investments in agriculture and creating conducive environments to enhance private sector and donor investments in the sector as well as the food systems.¹

Building resilient food systems requires significant investments. About US\$76 billion annually is estimated to be needed until 2030 to transform African food systems. In 2019, Africa spent around US\$12 billion on agriculture which was three times the level of 20012. Africa is still well below the 10% level. From 2001-2019, Africa's share of agriculture expenditures declined slightly from 2.93% to 2.32% (figure 1).

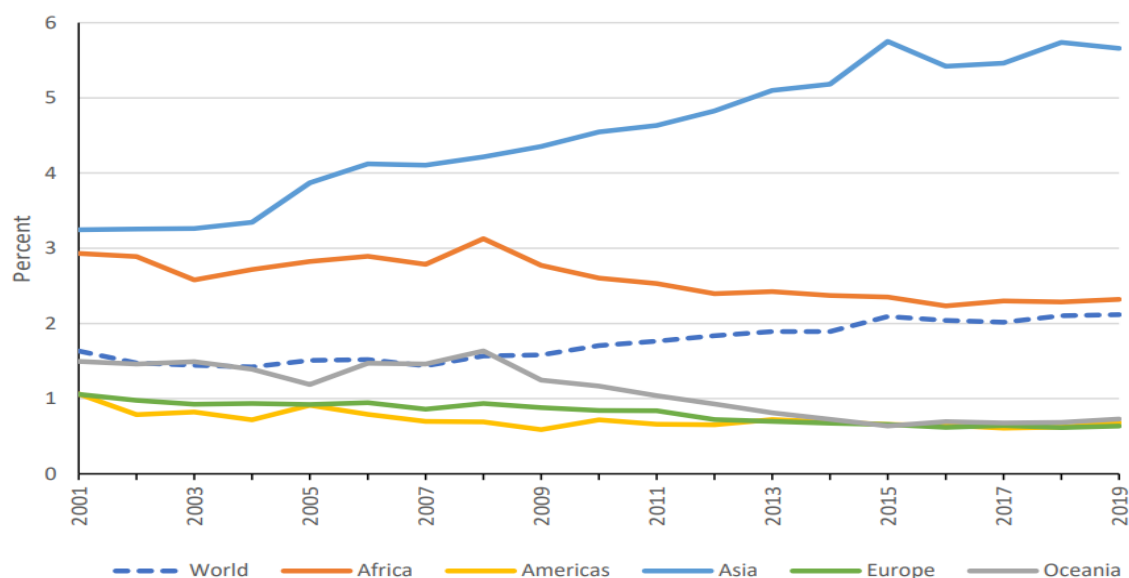


Figure 1: Share of agriculture in government expenditure by region | Source FAOSTAT 2021

How Africa finances its food systems from both public and private sources of capital is one of the game-changing solutions to shape its food sovereignty and Resilience.

¹ 3rd CAADP Biennial Review Report

² <https://www.fao.org/3/cb5128en/cb5128en.pdf>

Agri-food systems need to produce more with less

1. **Chronic undernourishment and acute food insecurity** increases:
 - up to 828 million people in chronic undernourishment in 2021 (updated numbers for 2022 to be circulated on 12 July 2023)
 - 258 million people faced acute food insecurity in 2022 in 58 countries/territories covered by the GRFC 2023
2. **Nutrition:** 3 billion people lack access to healthy diets
3. **Poverty and inequality:** Poverty reduction resumed slowly in 2021, but now may increase in 2022 80 percent of the poor live in rural areas
4. **Climate and biodiversity:** Agriculture generates around a quarter of greenhouse gas emissions and contributes to biodiversity loss
5. **Shocks and Resilience:** COVID-19, economic downturns, extreme weather events, and geopolitical instability affect agri-food systems
6. **Hidden costs:** Food systems generate at least USD 13 trillion in hidden social, environmental, and economic costs yearly.

Finance to agri-food systems is insufficient and inefficient

1. Finance needs are unmet:
 - 3 out of 4 agri-small and mid-size enterprises (SMEs) in sub-Saharan Africa lack sufficient access to Finance
 - Approximately 1.7 billion adults are "unbanked."
 - Inequalities in access persist: 56 percent of the unbanked are women
2. Agricultural support and subsidies are linked to unsustainable use of resources and trade distortions and favor short-term perspectives.

The role of Finance in enhancing agri-food systems resilience

Agri-food systems financing contributes to sustainable environmental, nutrition, and livelihood outcomes. Transforming the Agri-food systems will require more financial resources. The amount will vary depending on our ambition level and the transformation speed. With proper targeting and the right structural changes, the global amount will remain manageable at around USD 428b a year- for low and low-middle-income countries, the amounts are more limited, but external resources will be key.

Repurposing current subsidies can be reoriented in spending towards inclusivity and sustainability-including sustainable use of water. Capitalizing on sustainable Finance flows, green Finance, and SDGs bonds to increase the Resilience of smallholder farmers and support finding ways to produce more food with less water.

Linking: Multisector action for social protection, nutrition-sensitive, and climate-smart agendas is paramount.

The financing can happen at three levels

1. **International**
 - Increasing ODA for agri-food systems transformation to emerging economies
 - Foreign direct investment
 - International financial institutions
 - Adopting FAO-proposed Global Food Import Financing Facility
 - Global foundations
2. **National Governments**
 - Increasing domestic support to agri-food systems transformation (e.g., repurposing subsidies, fiscal policies, and progressive taxation)
 - Leveraging public and development Finance
 - Engaging with sustainable financing market
 - Addressing inequalities in access to Finance
3. **Private sector**
 - Mobilizing private Finance toward equity and sustainability

Box 1: Maximo Torero - Chief Economist FAO

IMPERATIVES, POLICY OPTIONS, AND STRATEGIES TO BUILDING AFRICA'S FOOD SOVEREIGNTY AND RESILIENCE

Implementing the African Common Position on Food Systems requires a comprehensive integration of the nexus' core elements that underpin the IDTFAA 2023 theme. By promoting integrated modeling, programming, and delivery, grounded on national realities and partnerships, we recommend entry points to support the African Common Position on Food System catalytic policy options and strategies to build Africa's food sovereignty and Resilience by enabling the African Common Position game-changing solutions as the entry points. The matrix attached in the annex details each solution defined by imperatives, policy options, and strategies for their implementation, cognizant of the need to domesticate the Food Finance Architecture to achieve Africa's Aspiration for food sovereignty. The policy options contributed to African Member States' desired outcome of sustainable improved investment in the agricultural sector to ensure food sovereignty for Africa through the following actions:

- 1. Unlock capital and investments are needed to finance Africa's transformation of agri-food systems**
- 2. Achieve agricultural industrialization and food system transformation through small-scale farming**
- 3. Enable agri-food systems transformation for SDG and Agenda 2063 acceleration**
- 4. Perfect the African strategic framework for agri-food systems transformation, anchored on the post-Malabo**

Improvement in the broader investment climate and competitiveness challenges of African Member States would encourage the development of local businesses and the inflow from the private sector and IFIs, which would benefit the agri-food systems in terms of knowledge transfers, structuring of domestic value chains, and the ability to target and meet domestic food needs, export market requirements, and create imports substitution opportunities for Member States.

Africa's Agri-Food Systems transformation must be part of an African structural transformation strategy, and it can happen significantly only through a regional approach. Investments can only be efficient when the "financing ecosystem" functions optimally. Governments should guide African commercial and development banks in prioritizing agri-food systems.

With the proper support, including social protection measures, African smallholder farmers should be at the forefront of Africa's agri-food systems transformation. African smallholder farmers must be continuously empowered to use sustainable farming practices for soil replenishment while boosting yields and building Resilience. Experiences in the Asian region have strongly demonstrated the value of this approach.

Increasing production by 70% to meet the demand requires careful soil management. Therefore, we need to integrate smallholder farmers into the value chain for sustainable land use and protection of forests and biodiversity.

Closing the infrastructure deficit is vital to Africa's agri-food systems transformation. Access to adequate infrastructure, technology, skills (irrigation, storage, roads, energy), early warning technology, fertilizers, high-yield seeds, and social protection measures for smallholder farmers is essential for agri-food systems transformation and building Resilience.

The A.U. Common Position on Food System insisted that Africa must find sustainable and quality financing for its agri-food systems transformation. Member states need analytical support and tools to allocate public resources to agri-food systems transformation effectively.

The Food Systems Summit established Finance as one of the five levers for food systems transformation and a key means of implementation. **The "five food finance imperatives"**³ need to be domesticated and be grounded on African Member States' realities.

³ Reshape public support and incentives using subsidies and market mechanisms to redirect capital from unhealthy, destructive assets to support public goods. - Integrate health, environmental and social risks into financial decision-making, future-proofing portfolios by measuring and disclosing food system risks and redirecting investment into new business models to mitigate exposure. - Scale fit-for-purpose financial products and business models, mobilizing private capital by de-risking and mainstreaming innovative financial instruments & regenerative assets while improving access to Finance and services for primary producers through new supply chain partnerships. - Secure equitable food systems by rebalancing bargaining power, investing in rural infrastructure to drive sustainable production and development, and implementing fair prices and living wages to

Improved spending on food and agriculture and leveraging trade and fiscal policies, per the CAADP and Malabo Framework: A gradual transition to optimized public budgets (regarding commodities and types of spending) could create jobs, lower poverty, reduce hunger and malnutrition, and increase agricultural productivity. African countries should promote spending that fosters sustainable resource use, poverty reduction, and improved nutrition. Regarding functional composition, spending more on public goods, including agricultural extension, infrastructure (irrigation systems, transport, storage facilities), and research and development, is needed to align with poverty reduction and nutrition improvement outcomes. Input subsidies should be more effectively targeted at subsistence, smallholders, and family farmers who lack the resources to independently buy specific inputs that could lead to better productivity and adaptive capacity. Spending more on public goods could enhance the nutritional quality of foods, while increased spending on agriculture-related infrastructure could enhance the efficiency of markets.

De-risking investment in agriculture: Emphasis should be put on de-risking investment in agriculture projects by leveraging cost-effective instruments to promote and scale up private sector investments: microfinance, capacity development to jumpstart agri-food systems, the public-private partnership supported by the implementation of the critical levers that African Member states should consider in their agri-food system financing plans. Such agriculture projects include smallholder farmers and large-scale investments in intensive agriculture projects producing export commodities.

Decarbonizing should be part of the strategy of large-scale agriculture projects by adopting less carbon-intensive agriculture with improved practices to enhance soils as a carbon sink, technologies, and equipment to reduce crop-related emissions and to reduce and capture livestock emissions.

Reducing information asymmetry for the private sector and IFIs is essential to mobilize Finance in National agriculture investment plans. Initiatives such as the FAO Hand-in-Hand initiative offer great fundraising potential for governments during their dedicated World Food Forum⁴.

African Continental Free Trade Area: The AfCFTA will facilitate access to more lucrative export markets for domestically produced food, increasing opportunities for smallholder farmers. According to the African Continental Free Trade Area Secretariat, tariff reduction induced by implementing the AfCFTA will increase intra-African agricultural trade by 574% by 2030, boosting economic growth, job creation, and food security. The major restriction to the food movement in Africa is food standards linked to food safety. Investing in the harmonization of food safety standards in Africa is essential to harness the benefits of AfCFTA.

Financing Facility for Food and Nutrition Security in Africa: The setup of such a facility will support sustainable agri-food systems value chain, climate adaptation, and nutrition. It should aim at the following:

- Supporting the development of market-based financial services and funding long-term and green investments.
- Building inclusive and efficient markets for investments in agri-food systems
- Improving access to national and subregional markets for smallholder farmers
- Supporting microfinance and public-private partnerships to spur private Finance

Capacity development to leveraging Sustainable Finance for Africa's agri-food system: An untapped opportunity exists to connect sustainable African agri-food systems with capital markets and investors and channel capital toward sustainable development using green bonds. Capacity building and training to close knowledge gaps in financial institutions can help secure opportunities to utilize existing financial instruments and develop new financial products.

Policy regulations are essential for creating an enabling environment for green Finance in Africa: accelerating the growth of green Finance requires a long-term commitment from a range of stakeholders in addition to the pivotal push from policy commitments made that need to be made by African governments, along with stable enabling policies and regulations (these could include security of land tenure, grades, and standard, ease of doing

ensure access to healthy diets. - Strengthen food governance and stability as the foundation of the entire food system to build physical and financial resilience to shocks. | World Bank, IFAD, Food Finance Architecture: Financing a Healthy, Equitable and Sustainable Food System

⁴ [Core Concepts \(fao.org\)](https://www.fao.org/core-concepts/)

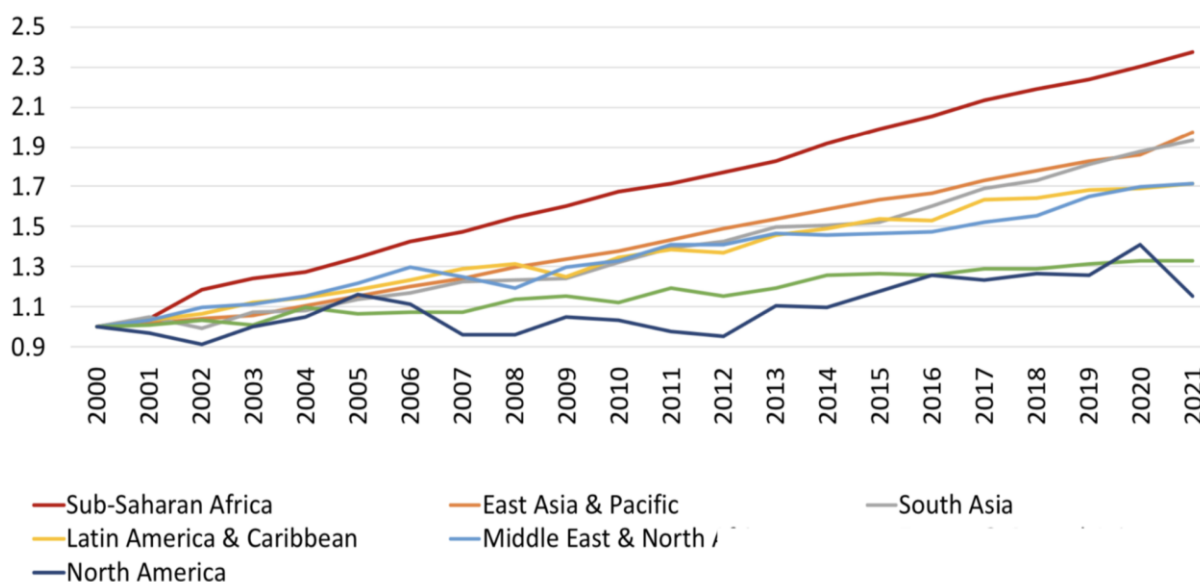
business, etc.). Addressing supply-side constraints using the development of green taxonomies will help scale up green Finance. As governments inject more money into green recovery plans and green industries are projected to grow, the development of green taxonomy will enable easier identification of green assets.

The informal sector accounts for 40 percent of the sub-Saharan African economy and 80 percent of its employment. **Hence the informal sector needs should be carefully embedded in any new intervention in sub-Saharan Africa.**

BACKGROUND

The accelerating pace of climate change, population growth and changing dietary preferences, global pandemic, and conflicts have caused deterioration of food security and nutrition in Africa and have put enormous pressure on the functioning of the agri-food sector in the continent. A key priority is designing and implementing policies and investments toward more sustainable and resilient agri-food systems in Africa. Our analysis of the food system compacts submitted by forty African Member States suggests that about US\$76 billion⁵ in annual investments throughout the value chains will be required in response. However, reaching that amount will only be possible with strong public investments, private capital, and domestic resource mobilization.

The Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods (Doc. Assembly/AU/2 (XXIII)) reaffirms the central commitment of the Maputo era, namely, to allocate 10% of public resources to agriculture (impact of increased public investment in agriculture growth – Africa had the fastest growing agriculture sector in the 2000s – fig. 2). While it upholds the Comprehensive Africa Agriculture Development Programme (CAADP)⁶ as the main vehicle for its implementation, it also specifies a range of agricultural commitments, such as infrastructure, increased irrigation, mechanization or curtailing post-harvest losses, natural resources, land tenure, trade, and nutrition. It introduces inter-sectoral cooperation and coordination dimensions that must be fostered through suitable and effective coordination mechanisms. Therefore, the Malabo Declaration already sets the stage for comprehensive African agri-food systems.



Source: Based on data from World Bank WDI. Last updated 5/10/2023

Figure 2: Increased public investment boosted agriculture growth – [agriculture value-index: 2000=1]

In addition to the 10% commitment, blending public and private Finance is central to promoting sustainable capital flows to finance African agri-food systems. Smaller investments are also needed for farmers and agriculture micro, small and medium enterprises to increase their productivity while reducing environmental impact and considering climate risks.

Africa must address the food insecurity paradox in the context of building Resilience in African food systems as one of our most urgent challenges. However, sub-Saharan Africa is among the lowest food-import-dependent regions in the world; Africa faced food shortages in 2022 because of challenges wrought, among others, by climate change. FAO forecasted Africa's \$4.8 billion more spending on food imports in 2022 despite import volume decreases. This remarkably high dependency makes poor consumers extremely vulnerable to shocks. The African

⁵ Corroborated by OMAMO and Mills, AfDB, WB ("Agriculture Finance & Agriculture Insurance - World Bank")

⁶ https://au.int/sites/default/files/documents/31251-doc-the_country_caadp_implementation_guide_-_version_d_05_apr.pdf

Common Position on Food System points to two contrasting realities: existing opportunities for African agriculture and farmers and growing unsustainable food supply dependence on foreign sources. Undernutrition and malnutrition persist in some countries, while they are food secure, with a wealth of institutions and targeted food policies, a strong research system, and developed social welfare programmes.⁷

Food security has been given rightful prominence in the debate but cannot replace the fundamental transformation that Africa needs to do. It is essential to renew the building blocks necessary for a deeper discussion of the connection with industrialization within the broader nexus of agriculture, climate, land, water, energy, infrastructure, and peace and security, with a rightful role devoted to smallholder farmers⁸.

African Union has set an ambitious agenda of food sovereignty, which refers to the right of people to define and control their own food and agricultural systems. It involves creating a food system centered on local communities and small-scale producers, among others, to create a more just and sustainable agri-food system.

To realize its aspiration to build food sovereignty and Resilience through sustainable investments, Africa must enable the African Common Position on Food System's game-changing solutions leveraging through partnerships.

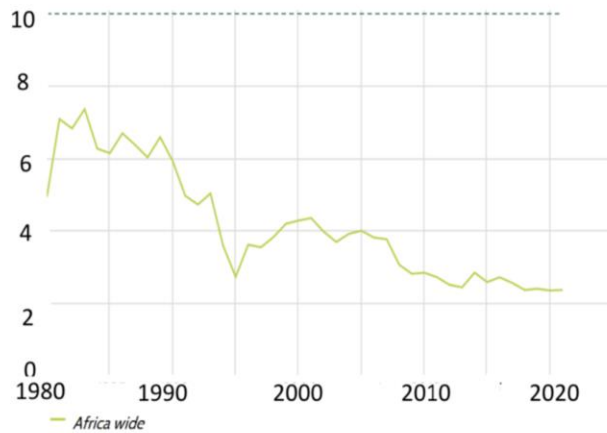
⁷ Adeniyi, D.A., Losch, B. & Adelle, C. (2021). "Investigating the South African Food Insecurity Paradox: A Systematic Review of Food System Governance in South Africa." Food Security SA Working Paper Series. Working Paper 009

⁸ <https://repository.uneca.org/ds2/stream/?#/documents/38d03c08-d802-5ff4-ba21-456b347a0231/page/1>

RATIONALE

At the food sovereignty and resilience summit held in Dakar in January 2023, forty African Food and Agriculture Delivery Compacts were released. These compacts bring together selected priority investment areas identified by governments in the CAADP. Despite the disparities in the amounts, value chains, and implementation period, they attest to the magnitude of the financing gap (fig. 3). Our analysis of the food system compacts submitted by forty African Member States suggests that about US\$76 billion⁹ in annual investments throughout the value chains will be required in response. That is far less than what is needed for African food system transformation. However, reaching that amount will only be possible with domestic resource mobilization, strong public investments, and private capital.

Share of PAE much lower than the 10% target (less than 4% for most of 2000s)



PAE as a share of Ag value added remained flat

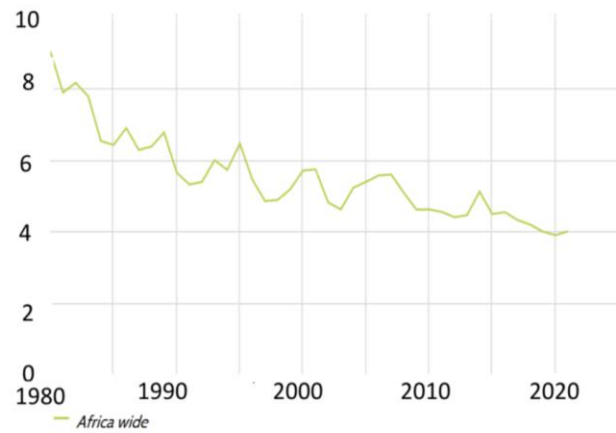


Figure 3: Decline in the share of public agricultural expenditure (PAE) | Source www.resakss.org

⁹ OSA Policy Paper: Building Africa's food sovereignty and resilience through sustainable investments | 2023

The African Food and Agriculture Compact reveals key issues highlighted by countries (Tab. 1) to enable sustainable and quality investments and build efficient food systems to shape Africa's food sovereignty and Resilience.

Key levers the African Member States consider in their food systems financing plans			
Reorient policies by targeting Resilience and sustainability	Early warning systems	Access to insurance	Prioritize investments in interventions
An ambitious plan to attract the private sector to agriculture must be formulated while building on public investment.	Leverage AfCFTA and integration to the global trade value chain and market access.	Prioritize value chain attractive to investments.	Nexus food systems, energy, technological innovation, infrastructure, water, climate, and land.
Agriculture input prices increase.	Water stress management	Financial inclusion and access to credit	Financial management and governance gap
Value chain integration.	Finance to integrate smallholder farmers.	High-yield seeds adapted to climate, soil, and smallholder farmers' needs to improve agricultural productivity.	Make public funding available for investments through guarantees and blend Finance.
Increasing trade	Digital agriculture	Evolution in prices for key commodities	National agriculture Investment plans.
Improvement in the broader investment climate and competitiveness challenges.	Africa's Food Systems transformation as part of an African structural transformation strategy through a regional approach.	Support and capacity development for African smallholder farmers at the forefront of Africa's agri-food systems transformation.	Closing the infrastructure deficit is vital to Africa's agri-food systems transformation.
Improve spending on food and agriculture and leverage trade and fiscal policies, per the CAADP and Malabo Framework and the AfCFTA.	De-risking investment in agriculture.	Decarbonizing should be part of the strategy of large-scale agriculture projects.	Reducing information asymmetry for the private sector and IFIs to mobilize Finance.
Capacity development to leverage Sustainable Finance for Africa's agri-food system	Policy regulations are essential for creating an enabling environment for green Finance in Africa.	Embed the informal sector in any new intervention in Africa.	Repurpose public expenditure.

Table 1: Key levers of food systems financing plans

These challenges to accessing Finance were equally mentioned in the National Agricultural Investment Plans (NAIPs) of the CAADP/Malabo process, as they also extend to the food systems value chain.

MEGATRENDS THAT ARE SHAPING FOOD SYSTEMS IN AFRICA

The ongoing triple crisis -food-energy-finance- following the COVID-19 pandemic and the conflict in Ukraine have severely impacted Africa's agri-food systems, with a bearing consequence on poverty reduction (fig. 4); many African countries are facing a debt crisis.

The hard lesson for Africa from these crises is that food sovereignty is no longer an option but a way to go. In this context, African leaders have committed to transforming Africa's food systems to achieve food security and nutrition and develop food sovereignty, i.e., feed itself by defining its own food and agriculture systems. In 2022, the African Union Assembly adopted the theme: "Strengthening Resilience in Nutrition and Food Security on the African Continent."

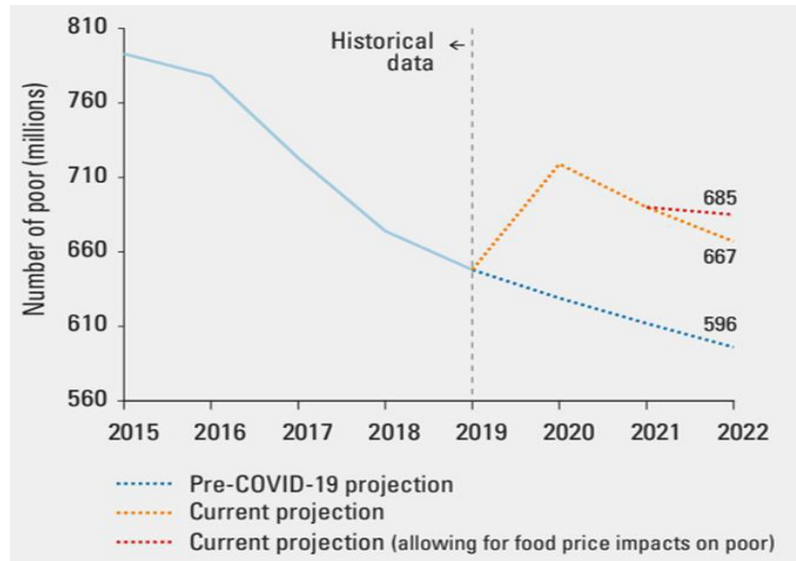
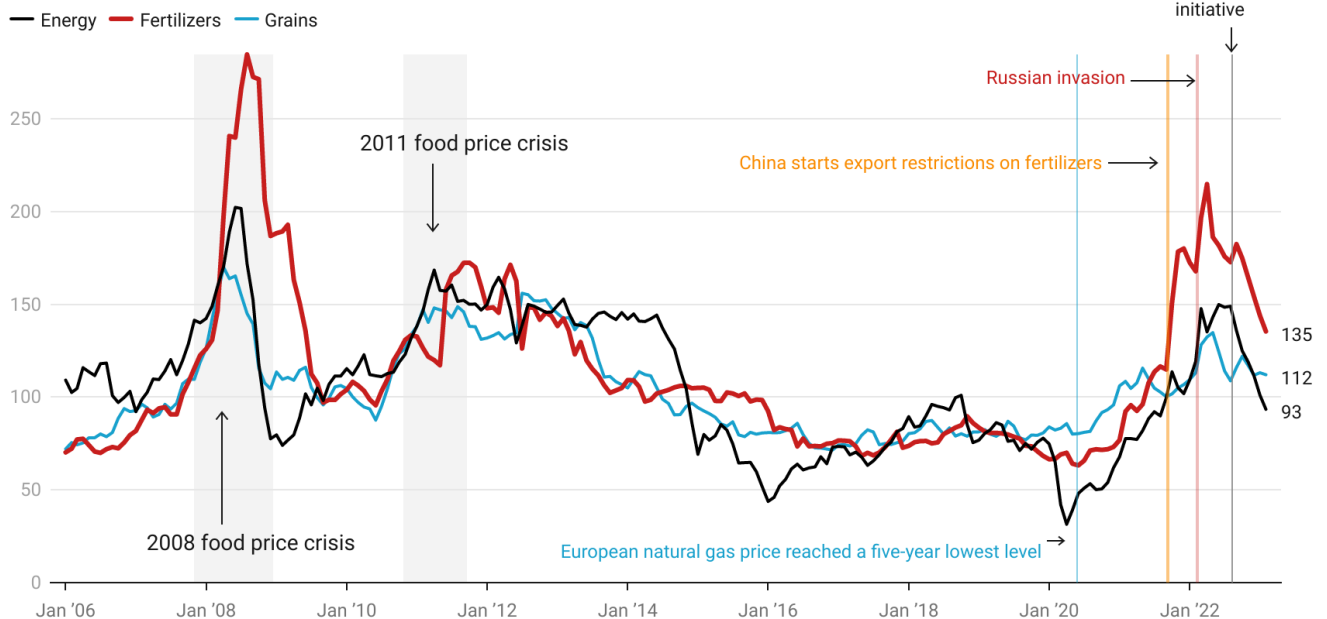


Figure 4: World Bank

Prices for grains, fertilizers, and energy have increased sharply following the COVID-19 pandemic and are exacerbated by the Russian-Ukraine conflict (fig.5).

Index based on constant USD prices. Base 100 = Average 2010-2020



Source: World Bank, U.S. Bureau of Labor Statistics

Figure 5: Prices for grains, fertilizer, and energy (updated March 2023)

The global food import bill is at a record high, reflecting soaring prices and affecting economically most African countries (fig.6).

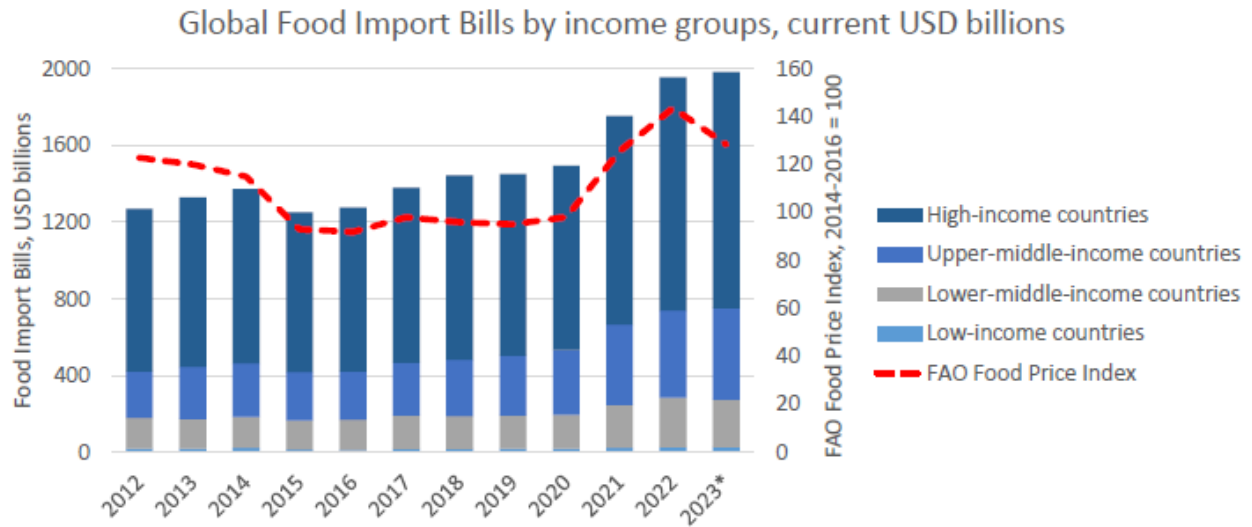


Figure 6: Global food import bill (FIB) by income group, current USD billion |Source: FAO, Trade Data Monitor (TDM), FAO calculations

The number of people in acute food insecurity countries in Africa is of high concern. For instance, the number of hungry people in the Sahel and West Africa has quadrupled over the last three years, reaching **41 million**. The figure rose to 43 million when the Central African Republic was included in the food insecurity estimate. Moreover, the problem is not limited to rural areas, as 16 million people living in urban spaces are also at risk of acute food insecurity, with WFP warning that some six million children are undernourished in the Sahel (WFP 2022).

Armed conflicts are key drivers of acute food insecurity in the Central African Republic, eastern Democratic Republic of the Congo, Ethiopia, northern Nigeria, Central Sahel, Somalia, South Sudan, and Sudan (fig. 7).

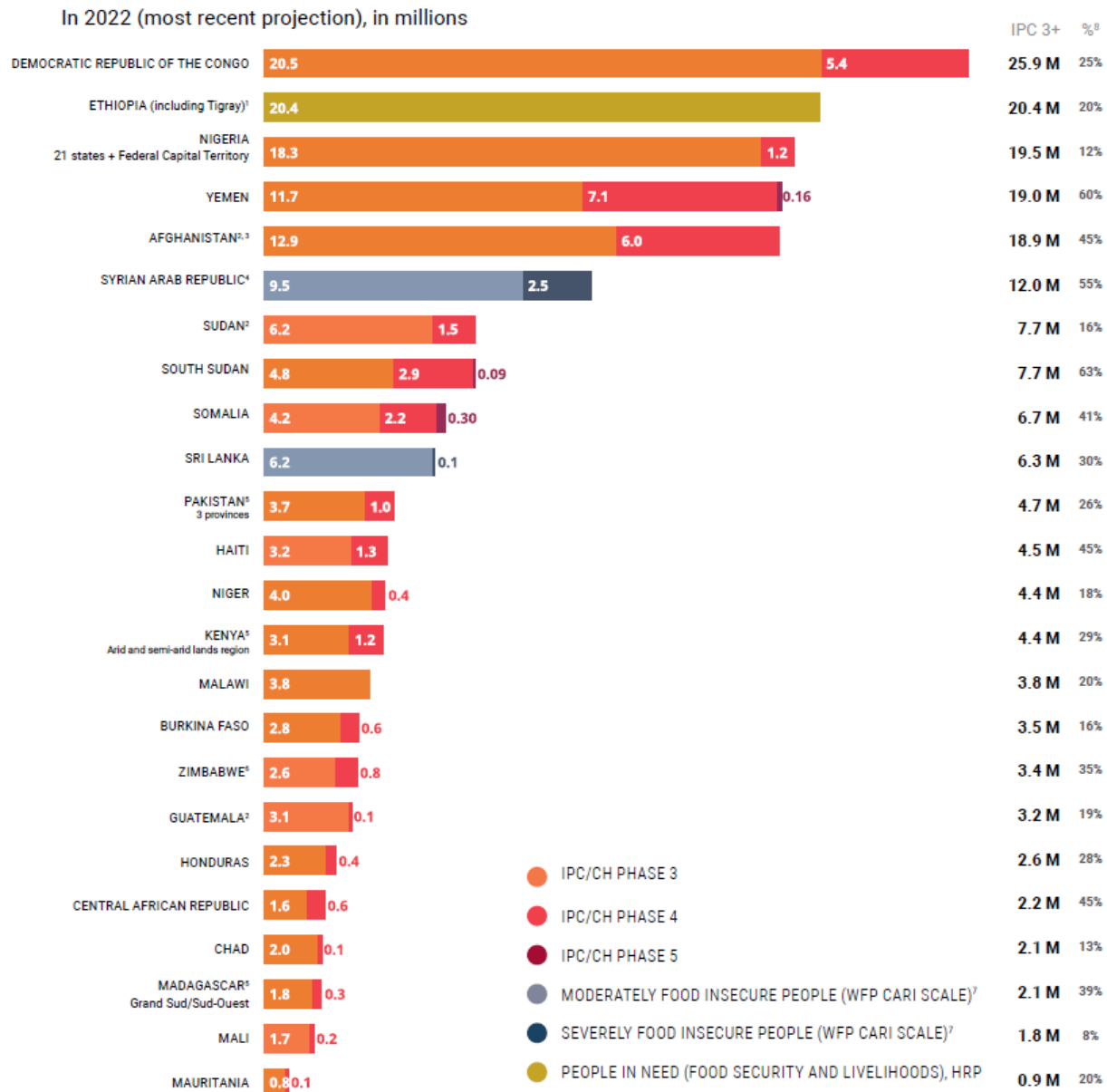


Figure 7: Number of people in acute food insecurity in hotspot countries | Source: WFP and FAO. 2022. Hunger Hotspots. FAO WFP early warnings on acute food insecurity: October 2022 to January 2023 Outlook. Rome

The challenges arising from continually fluctuating commodities prices and Africa's limited value addition to its natural resources render Africa vulnerable to the external shocks derived from export dependency and therefore necessitate a holistic rethinking and an innovative approach to the question of how Africa's commodities wealth can drive the continent's development. The recognition of the challenges and opportunities from Africa's commodity wealth has been reflected in different decisions of the African Union (A.U.), including the Arusha Declaration on African Commodities as well as other frameworks such as the Comprehensive Africa Agriculture Development Program (CAADP), and the Strategy for the Accelerated Industrial Development of Africa (AIDA) [African Union: Africa's Commodities Strategy; Value Addition for Global Competitiveness]. (fig. 8)

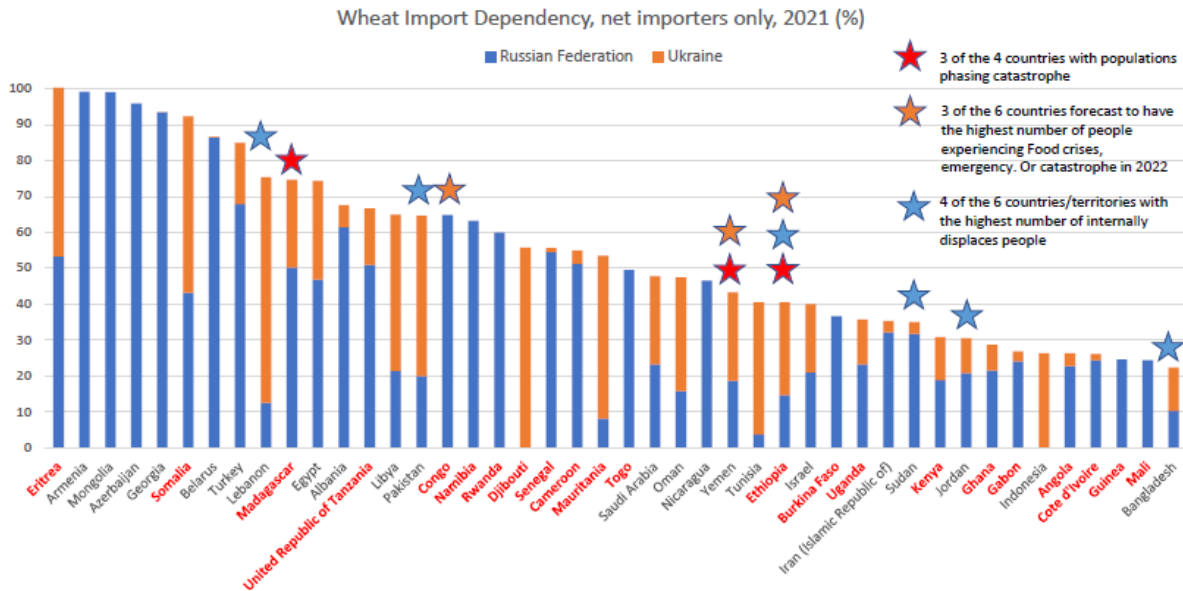


Figure 8: Wheat import dependencies | FAO - Max Torero, Chief Economist 2023

The infrastructure gap impedes Africa's agri-food systems transformation. The Programme for Infrastructure Development in Africa (PIDA) estimates the continent's large infrastructure deficit is holding it back. The road access rate in Africa is only 34%, compared with 50% in other parts of the developing world, while transport costs are 100% higher. Only 30% of Africa's population has access to electricity, compared to 70-90% in other parts of the developing world. Water resources are underused, with only 5% of agriculture under irrigation. PIDA priority actions plan (PAP) estimates the biggest demand for investment is for energy, accounting for US\$40.3 bill or 60% of the PIDA PAP programme, followed by transport at US\$25.4 bill or 37% and water at \$1.7 bill or 2.5% and ICT, accounting for only \$0.5bill or less than 1% because the basic ICT infrastructure network in Africa is now largely in place. [African Union – PIDA Priority Action Plan] (fig.9)

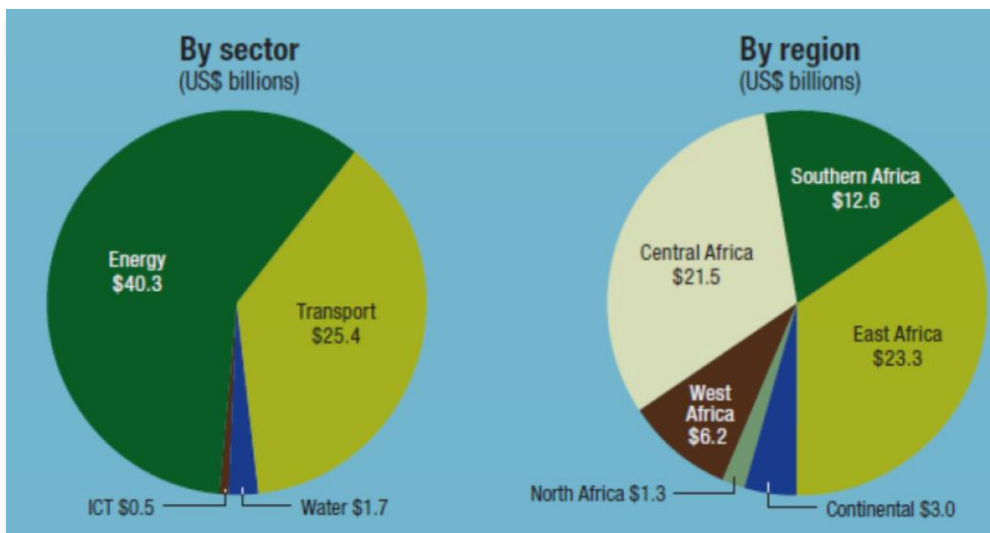
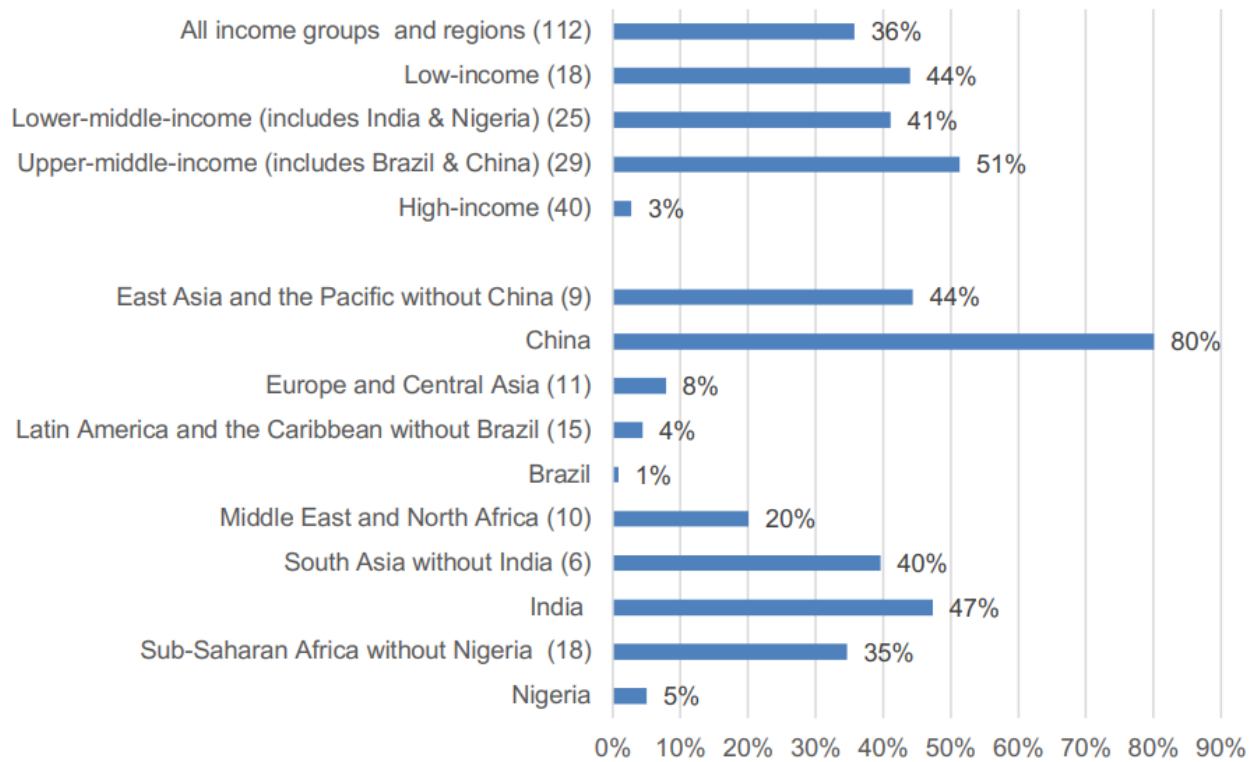


Figure 9: Total capital cost of PIDA PAP by sector and region through 2020 | African Union - AUDA-NEPAD

Africa, more than any region in the world, must act with urgency on its agri-food systems:

- It has the highest prevalence of hungry people. In 2021, more than one-third of African people faced hunger. A fifth of the African population (278 million) is malnourished.
- There is an increasing cost of malnutrition, including diet changes, obesity, and diet-change-related diseases such as diabetes and heart disease. These weigh heavily on the food systems' health and economic productivity cost.
- Agriculture, the basis of food systems, accounts for over half of Africa's employment. Most of them are smallholder farmers, with most women. African small farms' share of food production is insufficient to feed Africa. The share of smallholder production (based on census data) is 35% (fig. 10).



Sources: Authors' compilation using FAO, 2001; FAO, 2013 and agricultural census reports from the 2010 round (see "Agricultural census reports and information consulted" in the References section). Value of food production is from FAO, 2019a.

Figure 10: Share of the value of food production from smallholders by region and income grouping

- Africa had over 1 billion hectares of agricultural land in 2019 (fig.11), representing about 40% of the continent's total land area¹⁰. Africa has 65 percent of the world's remaining uncultivated arable land and has the potential to produce enough food to feed itself and contribute to feeding the rest of the world. With the rapid growth of the rural population and increasing income of urban areas, the demand for agricultural land has been continuously concomitant with land value. Furthermore, the growing global interest in Africa's farmland is increasing the pressure on land availability across the continent, thereby threatening the current state of agri-food systems.

¹⁰ [Africa: agricultural land | Statista](#)

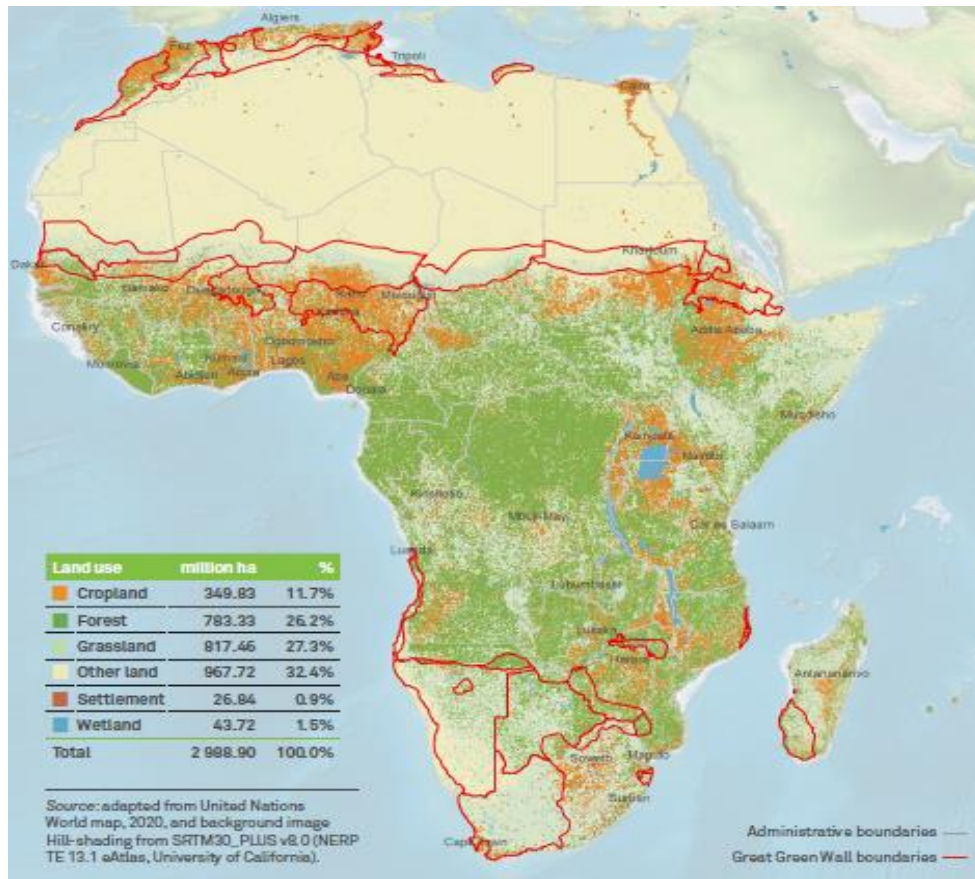


Figure 11: Land use in Africa (AUC-FAO)

- Soil health and management are important to Africa's agri-food systems transformation. Soils form the foundation of our global food system and water supply and function as the most significant land-based carbon sink, potentially storing over nine gigatons of carbon dioxide annually. Agriculture is both a source and a sink of GHGs¹¹ (Fig. 12).

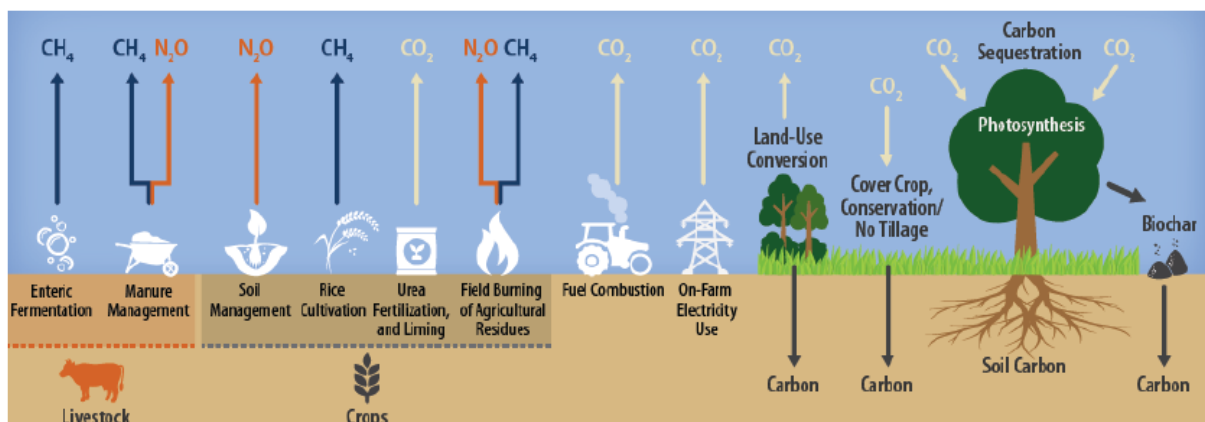


Figure 12: Examples of Ghg Emission Sources and Sinks from Agricultural Activities | <https://crsreports.congress.gov>

¹¹ Sources generate GHG emissions released into the atmosphere and contribute to global climate change. Sinks remove carbon dioxide (CO₂) from the atmosphere and store carbon through physical or biological processes. Agricultural emissions include many GHGs of interest to policymakers: CO₂, methane (CH₄), and nitrous oxide (N₂O). Agricultural sinks remove CO₂ through photosynthesis and store carbon in plants and soil. Despite these sinks, U.S. agriculture is a net GHG source. This In Focus discusses emissions from the agriculture sector, as defined by the Environmental Protection Agency (EPA) and the most recent data available (from 2020).

- Not all African arable lands have healthy soils. (fig. 13). They should be addressed as they hamper food production and water distribution and impact farmer livelihoods worldwide.

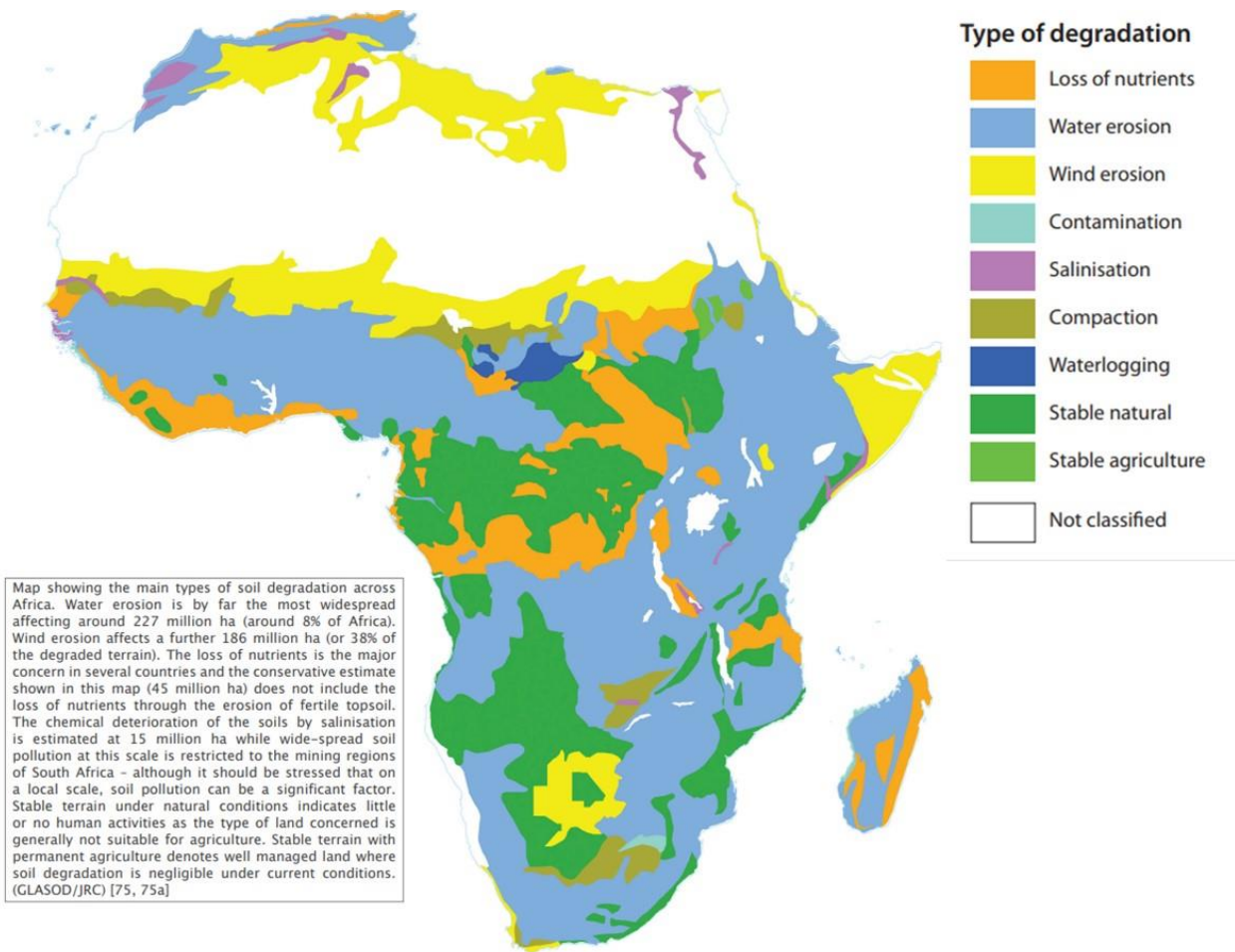


Figure 13: Map of main causes of soil degradation in Africa Source | Soil Atlas of Africa

Maintaining soil conditions is essential for ensuring the sustainability of society. However, the soil is under increasing threat from various human activities. The threats are complex and unevenly spread across Africa, but their dimension is continental. For simplicity, they are presented separately below. However, they are frequently interlinked. When many threats occur simultaneously, their combined effects increase the problem. Ultimately if not countered, these soils will lose their capacity to perform their functions. This process is known as soil degradation. According to the only pan-Africa assessment of human-induced soil degradation [75], nearly 500 million hectares, representing more than 16% of the total land area, are affected by some degradation process. If non-productive land is discounted (i.e., deserts, salt pans, lakes, and mountains), then some form of soil degradation affects over 22% of the African continent. Overgrazing is the most compelling cause of human-induced soil degradation in Africa, followed by agricultural mismanagement and deforestation) [Africa Soil Atlas]

- Although national and continental initiatives such as the African Union Post-harvest loss (PHL), defined as a decrease in quantity and quality of food mass on the supply side of the food chain (involving the agriculture sector; agro-processing industry; health and nutrition sector; distribution and manufacturing sectors, among others), continues to be significant on the African continent.

Total quantitative food loss in sub-Saharan Africa has been estimated at 100 million metric tons per year. For grains alone, the value of post-harvest losses is estimated to equate to USD 4 billion/year (at 2007 prices), which could meet the annual food requirements of about 48 million people and exceeds the annual value of grain imports into Africa and the value of total food aid received in sub-Saharan Africa over the past decade. In this regard, amongst the seven commitments made by the Heads of State and Governments in Malabo, the third commitment to ending hunger in Africa by 2025 is directly relevant to the efforts to

reduce PHL. The target is to halve (decrease by 50%) the current levels of post-harvest losses by the year 2025. [African Union - Post-harvest loss management strategy¹²]

The African Union Results Chain of African Union Post-Harvest Loss Management Strategy in Food and Horticultural Crops, Livestock and Fisheries Products proposes relevant strategic interventions to alleviate (PHL), whose operationalization must be fully integrated as a driver that enables sustainable and quality investments to build efficient agri-food systems in Africa. The cure for restoring resilient food systems in areas that face multiple shocks and food insecurity but also to prevent the rest of the areas do not fall into the same situation in years/decades due to climate change's effects.

- Most of the contexts that are food insecure in Africa are either "dry" (arid and semi-arid) or massively under anthropic pressure and topographically complex (highlands, steep slopes, wetlands, etc.). Policy actions to fix such contexts are not necessarily a major focus of many governments that keep looking at better endowed 'high potential areas' to compensate for the rest that continues to deteriorate instead of taking bold decisions in restoration. Creating sustainable African agri-food systems will require including pan-African-led initiatives, such as African Forest Landscape Restoration (AFR100¹³), to restore degraded land by 2030 (fig.14), with a cross-boundaries perspective where the role of African Regional Economic Communities will be crucial.

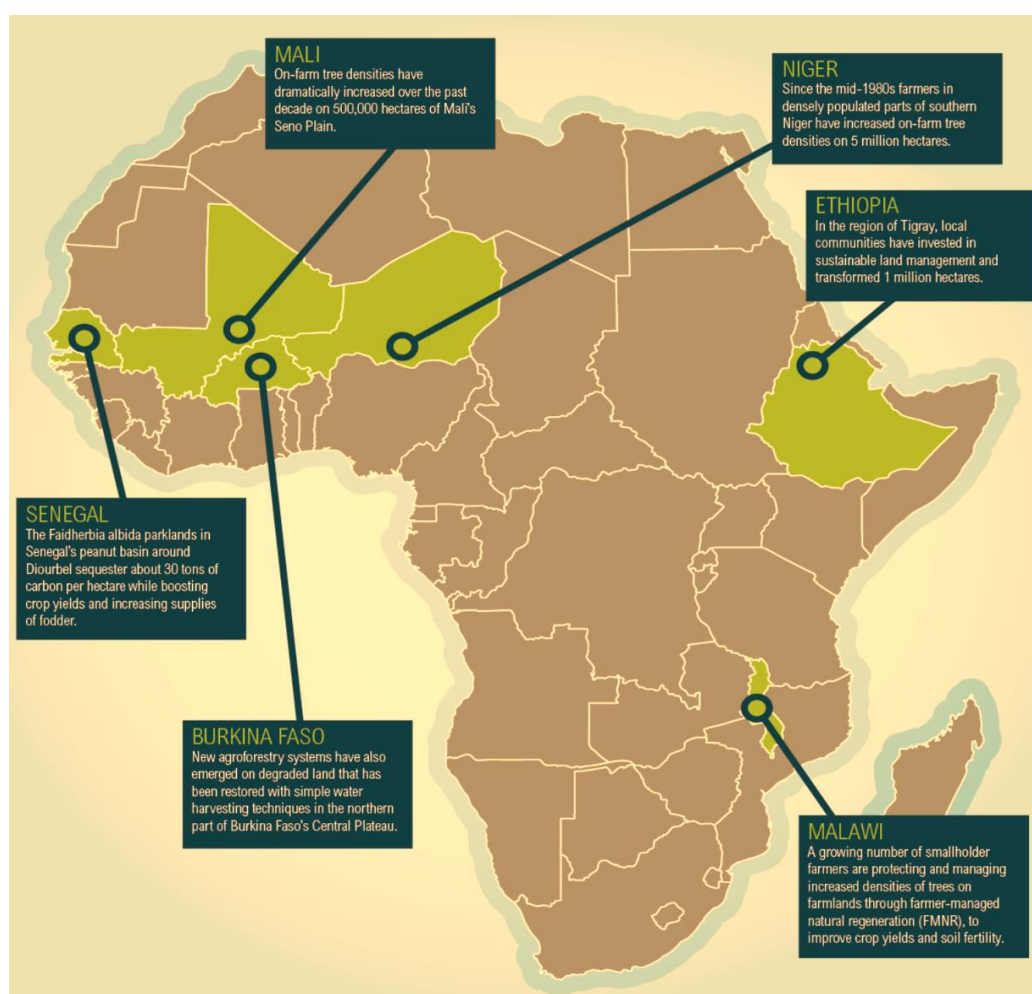
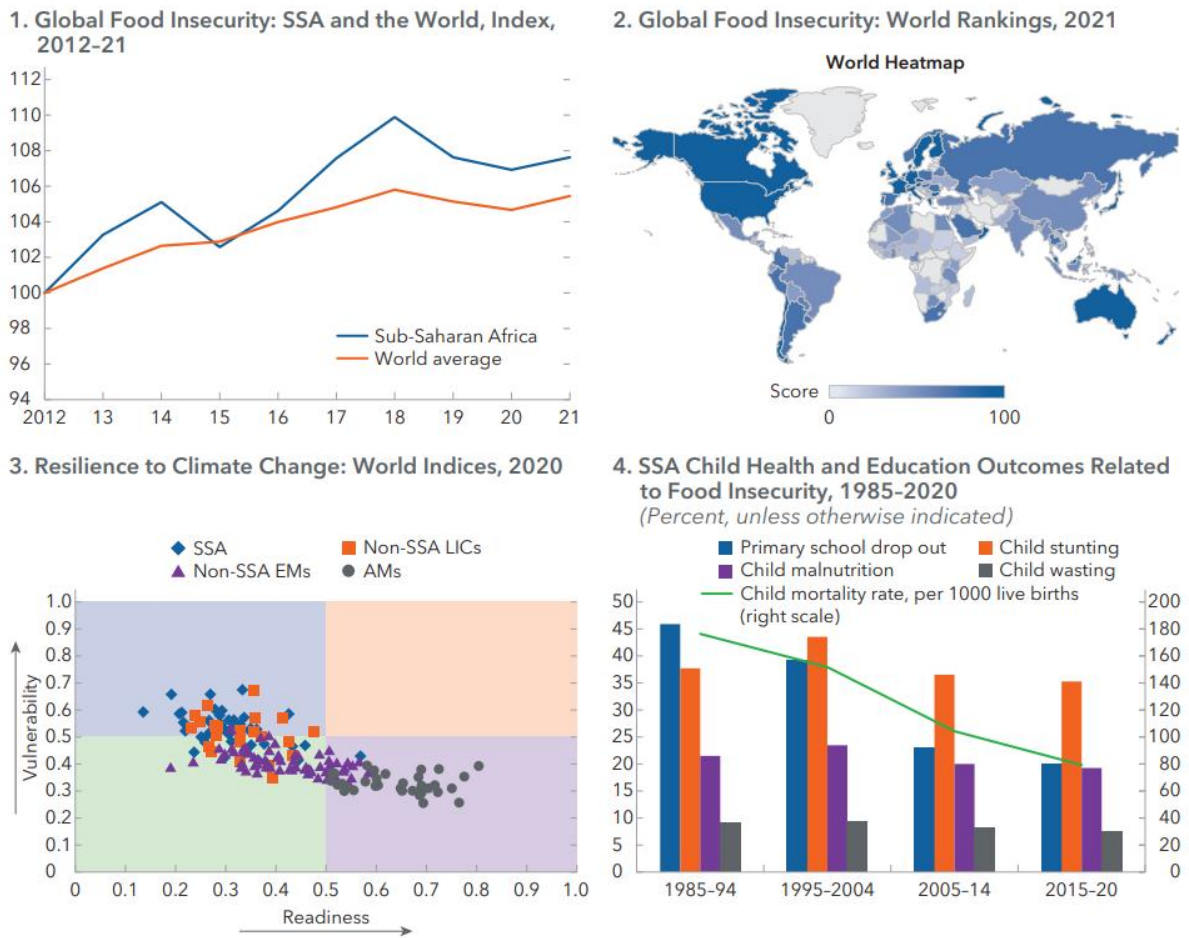


Figure 14: Scaling up greening to restore degraded land - / Word Resources Institute

¹² African Union Post-harvest loss [34934-doc-au_post-harvest_loss_management_strategy.pdf](#)

¹³ AUD-NEPAD <https://www.nepad.org/programme/african-forest-landscape-restoration-initiative-afr100>

- On climate, a 3-degree Celsius scenario will be catastrophic for Africa. Income for the poorest 40% of Africans will be reduced by 8%, and 350 million Africans will be undernourished by 2050. At the same time, producing sufficient food to support Africa's growing population within the existing policy and action frameworks places enormous strain on critical ecosystems (fig. 15).



14

Figure 15: Global Food Security Index 2021; Notre Dame Global Adaptation Initiative, 2020; World Development Indicators; World Health Organization; and IMF staff calculations

- As an entry point to building forward better, one of the critical recommendations formulated by the IDTFAA is that access to energy is essential to developing Africa's agri-food systems and building the Resilience of people and business lines. Africa's agriculture needs to expand, and so does the imperative to scale up investments in energy to cope with the demand induced, among others, by the increase of its population. In sub-Saharan Africa, energy demand in agri-food systems will grow by almost 40% by 2030 (IEA – Africa Energy Outlook 2022). Most of the projected increase in energy demand in agri-food systems is in sub-Saharan Africa. It is driven by increasing access to electricity for mechanizing agricultural processing equipment and irrigation pumps (less than 10% of the total cultivated area is currently irrigated) (A.U., 2020). The Energy sector in Africa still faces huge challenges, including low generation capacity and efficiency, prohibitive costs, unstable and unreliable energy supplies, and low access rates. While the continent continues to play a significant role in the global energy markets from resource exports, It has therefore become imperative for Africa to use all available measures and resources to accelerate energy access at the local, national, regional, and continental levels (fig.16 & 17).

¹⁴ These events are compounding mounting pressures from rapid population growth and a lack of resilience to climate change that has already contributed to food insecurity in SSA rising faster than in the rest of the world (Figure 15, panels 1 to 3). Climate change will intensify food insecurity further and potentially jeopardize hard-earned development gains. Increased food insecurity could weigh on child nutrition and educational attainment, unraveling decades of improvements in SSA health and education outcomes (Figure 15, panel 4)

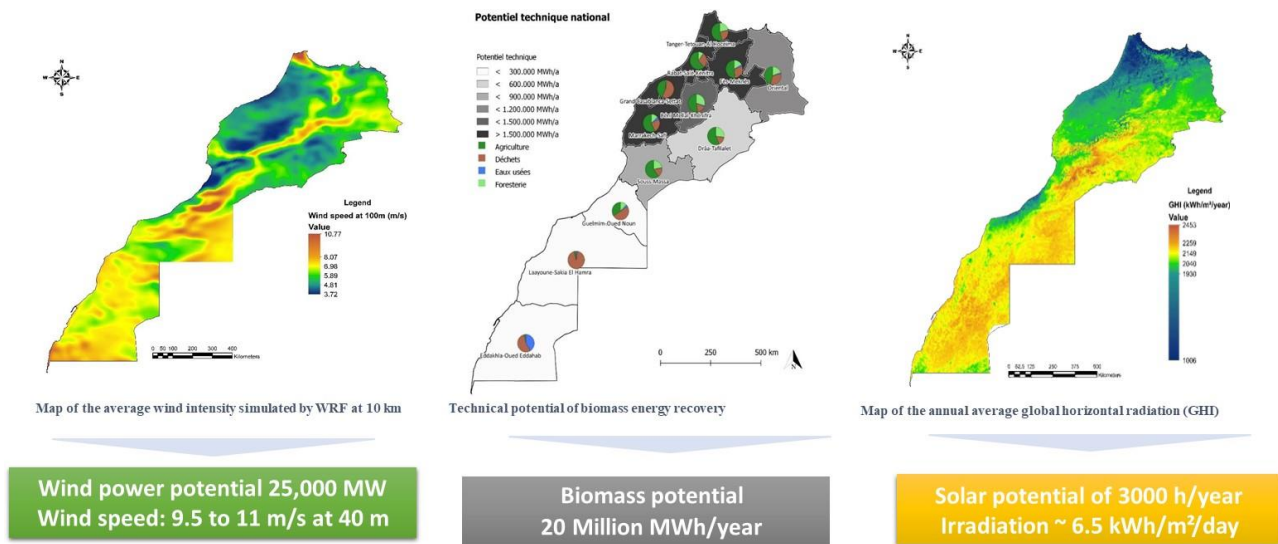


Figure 16: Renewable energy development potential in Morocco | Source Ministry of Energy Transition and Sustainable Development | Presented at IDTFAA Meeting June 2022

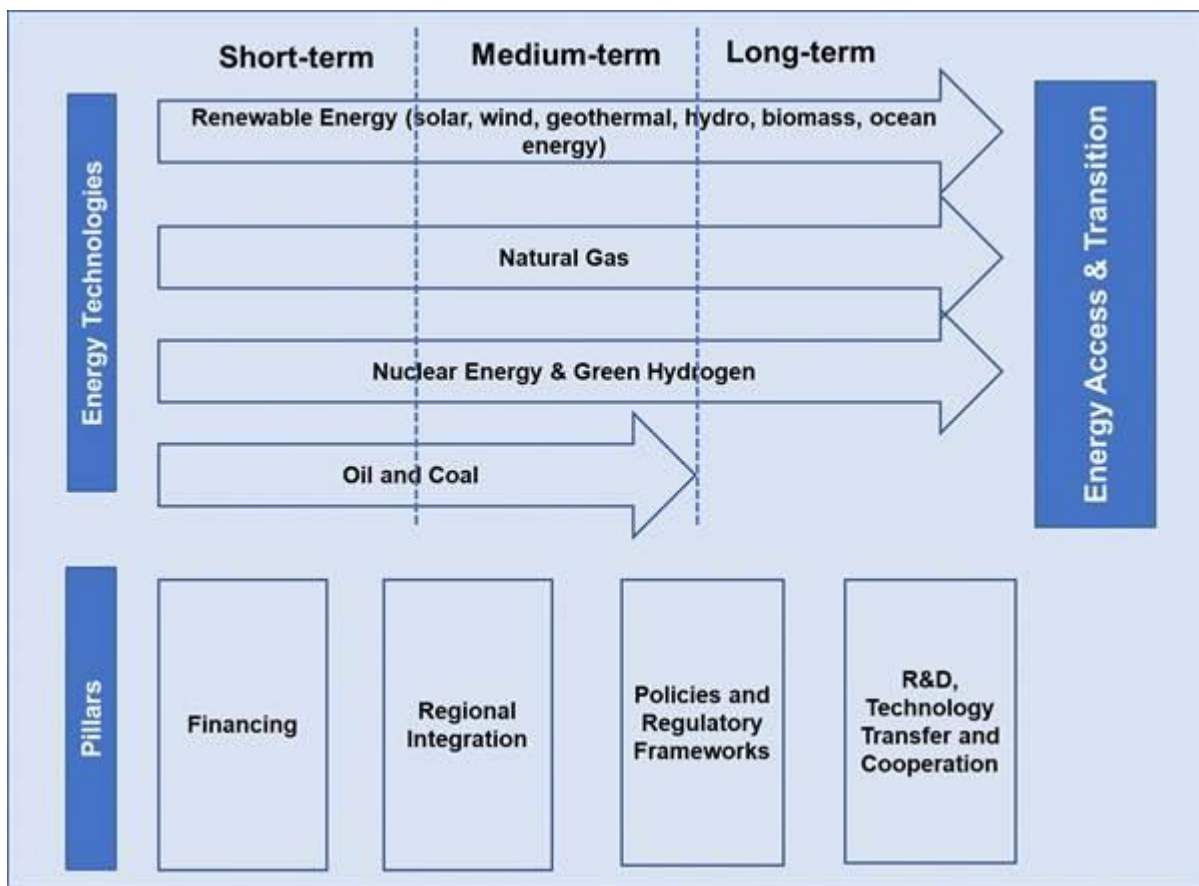
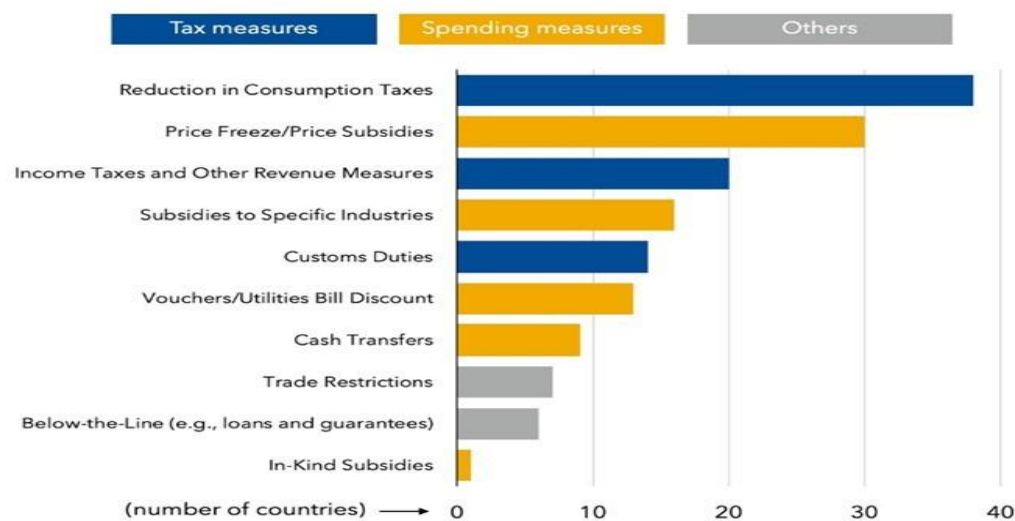


Figure 17: African Common Position on Energy Access and Transition

- The higher financing costs in African countries reflect several perceived or actual informational, technical, regulatory, financial, and administrative barriers and their associated investment risks. They reduce government spending on food systems transformation and make the sector unattractive to investors. Investors would look for high returns to draw private investments in agri-food systems. The critical challenge of funding the agriculture sector depends on addressing existing investor risks that affect the financing costs and competitiveness of the agri-food systems value chain (infrastructure, renewable

energy, transport, irrigation systems, etc.) in African countries. More public instruments must be developed to mitigate these investor risks.

- Food systems transformation provides great opportunities for achieving the Sustainable Development Goals and Agenda 2063. It is needed for macroeconomic stability since it can drive economic recovery and prosperity by creating over 120 million decent rural jobs, boosting the income for the bottom 20% to tackle primary drivers of poverty and hunger.
- Food systems transformation will increase productivity and production while eliminating food loss and waste, costing the world US\$1 trillion annually. By building food self-sufficiency, Africa can reduce its dependence on food imports through import substitution. Then the continent will be able to become a net food exporter. Thereby, Africa will improve its food trade balance and, at the same time, build its Resilience to external shocks.
- According to ILO, the informal food sector in sub-Saharan Africa makes up at least 40 percent of the food market (production and trade). The FAO report found that women constitute the largest share of such informal traders, comprising more than half in Western and Central Africa and about 70 percent in Southern Africa. Informal agricultural production and trading of food staples.
- High energy and food prices burden households: The different shocks have brought new risks to public Finance, and the pressure on African governments to deal with such challenges has dramatically increased. African governments are under pressure to limit the rise of food prices, and such action, induces high fiscal costs¹⁵ (fig. 18).



Source: IMF desk survey based on inputs for 134 countries (responses received as of March 31, 2022).
 Note: This graphic includes measures announced after January 1, 2022.

Figure 18: Coping with higher energy and food prices

- Africa has yet to fully leverage the benefits of the AfCFTA; Intra-African agricultural trade is expected to increase by 574% by 2030 if tariffs are eliminated under the AfCFTA.¹⁶
- Access to Finance by smallholder farmers and communities vulnerable to food insecurity and poverty is a problem that governments must address. Despite significant evolution in the agri-food systems supply chain, African smallholder farmers face an ever-daunting challenge to accessing financing. Attracting

¹⁵ Jean-Marc Fournier, Vitor Gaspar, Paulo Medas, Roberto Accioly Perrelli; Governments Need Agile Fiscal Policies as Food and Fuel Prices Spike; Spending imperatives from pandemic and war meet high debt and tight budget constraints. April 20, 2022; <https://www.imf.org/wp-content/uploads/2022/04/FM-Ch1-Chart-2.jpeg>

¹⁶ AfCFTA Secretariat, "AfCFTA Private Sector Engagement Strategy, 2022–2032", November 2021.

targeted investments for sustainable agricultural development is challenging for African countries, as agricultural value chain finance has yet to be developed to offer an opportunity to reduce costs and risks in the financing and reach out to smallholder farmers.¹⁷

AFRICAN AGRI-FOOD SYSTEMS FINANCING NEEDS

At the Food Sovereignty and Resilience Summit held in Dakar in January 2023, forty African Food and Agriculture Delivery Compacts were released. Despite the disparities in the amounts, value chains, and implementation period, they attest to the magnitude of the financing gap. Our analysis of the African Food and Agriculture Compact reveals that among the challenges highlighted by countries, the following are the most pressing ones that could help domesticate the Food Finance Architecture and, beyond Finance, increase the Resilience of the African agri-food systems. (Tab. 2).

These challenges were equally mentioned in the National Agricultural Investment Plans (NAIPs) of the CAADP/Malabo process. The challenges to accessing Finance also extend to agri-food systems value chain actors.

Costing of 39 African Member States Delivery Compacts							
Angola \$5.7 billion	Cameroon \$2.523 billion	DR Congo \$6.6 billion	Ethiopia \$2.84 billion	Kenya \$3.7 billion	Mauritania \$213.8 million	Senegal \$2.65 billion	Togo \$1.905 billion
Benin \$491 million	Chad \$1.44 billion	Cote d'Ivoire \$581 million	Gabon \$711 million	Lesotho \$150 million	Mozambique \$4.5 billion	Sierra Leone's \$410 million	Tunisia \$460 million
Botswana \$803.8 million	Central African Republic \$210 million	Djibouti \$206.6 million	Gambia \$374.22 million	Liberia \$331 million	Niger \$1.95 billion	Somalia \$563 million	Uganda \$2.43 billion
Burundi \$163.5 Million	Comoros \$40.305 million	Egypt \$2.21 billion	Ghana \$1.36 billion	Madagascar \$2.125 billion	Nigeria \$10.6 billion	South Sudan \$1.15 billion	Zambia \$5 billion
	Congo \$1.050 billion	Equatorial Guinea \$230 million	Guinea Bissau \$565.2 million	Malawi \$95 million	Rwanda \$1.3 billion	Tanzania \$4.511 billion	Zimbabwe \$1.00 billion

Table 2: Costing of 39 African Member States delivery compacts

The amounts announced by the 39 African countries in their compacts corroborate the recent New Growth International analysis that provides country-level investment targets across Africa.

Box 2: Omamo, S. W. and Mills (2002a)

Recent New Growth International (NGI) analysis provides country-level investment targets across Africa. Leveraging NGI's food system performance benchmarks, these values are derived from extrapolating the implicit per capita income gains that would accrue to countries from achieving the low hunger benchmarks by 2030. The report concludes that agri-food system transformation in Africa would require US\$76.8 billion/year to 2030 (US\$614 billion in total), comprising US\$15.4 billion per year and US\$61.4 billion per year from the public-private sectors, respectively (Omamo & Mills, 2022a).¹⁸

¹⁷ Miller, Calvin and Jones, Linda; Agricultural Value Chain Finance - Tools and Lessons, FAO, 2010 [Agricultural value chain finance \(fao.org\)](https://www.fao.org/agricultural-value-chain-finance)

¹⁸ Omamo, S. W. and A. Mills (2022a) Investment Targets for Food System Transformation in Africa. NGI Technical Note. June 2022. Nairobi and Chicago: New Growth International

Implementing the African Common Position on Food Systems requires a comprehensive integration of the nexus' core elements that underpin the IDTFAA 2023 theme. By promoting integrated modeling, programming, and delivery, grounded on national realities and partnerships, we recommend entry points to support the African Common Position on Food System catalytic policy options and strategies to build Africa's food sovereignty and Resilience by enabling the African Common Position game-changing solutions as the entry points. The matrix attached in the annex details each solution defined by imperatives, policy options, and strategies for their implementation, cognizant of the need to domesticate the Food Finance Architecture to achieve Africa's Aspiration for food sovereignty. The policy options contributed to African Member States' desired outcome of sustainable improved investment in the agricultural sector to ensure food sovereignty for Africa through the following actions:

5. **Unlock capital and investments are needed to finance Africa's transformation of agri-food systems**
6. **Achieve agricultural industrialization and food system transformation through small-scale farming**
7. **Enable agri-food systems transformation for SDG and Agenda 2063 acceleration**
8. **Perfect the African strategic framework for agri-food systems transformation, anchored on the post-Malabo**

Improvement in the broader investment climate and competitiveness challenges of African Member States would encourage the development of local businesses and the inflow from the private sector and IFIs, which would benefit the agri-food systems in terms of knowledge transfers, structuring of domestic value chains, and the ability to target and meet domestic food needs, export market requirements, and create imports substitution opportunities for Member States.

Africa's Agri-Food Systems transformation must be part of an African structural transformation strategy, and it can happen significantly only through a regional approach. Investments can only be efficient when the "financing ecosystem" functions optimally. Governments should guide African commercial and development banks in prioritizing agri-food systems.

With the proper support, including social protection measures, African smallholder farmers should be at the forefront of Africa's agri-food systems transformation. African smallholder farmers must be continuously empowered to use sustainable farming practices for soil replenishment while boosting yields and building Resilience. Experiences in the Asian region have strongly demonstrated the value of this approach.

Increasing production by 70% to meet the demand requires careful soil management. Therefore, we need to integrate smallholder farmers into the value chain for sustainable land use and protection of forests and biodiversity.

Closing the infrastructure deficit is vital to Africa's agri-food systems transformation. Access to adequate infrastructure, technology, skills (irrigation, storage, roads, energy), early warning technology, fertilizers, high-yield seeds, and social protection measures for smallholder farmers is essential for agri-food systems transformation and building Resilience.

The A.U. Common Position on Food System insisted that Africa must find sustainable and quality financing for its agri-food systems transformation. Member states need analytical support and tools to allocate public resources to agri-food systems transformation effectively.

The Food Systems Summit established Finance as one of the five levers for food systems transformation and a key means of implementation. **The "five food finance imperatives"** ¹⁹ need to be domesticated and be grounded on African Member States' realities.

Improved spending on food and agriculture and leveraging trade and fiscal policies, per the CAADP and Malabo Framework: A gradual transition to optimized public budgets (regarding commodities and types of spending) could create jobs, lower poverty, reduce hunger and malnutrition, and increase agricultural productivity. African countries should promote spending that fosters sustainable resource use, poverty reduction, and improved nutrition. Regarding functional composition, spending more on public goods, including agricultural extension, infrastructure (irrigation systems, transport, storage facilities), and research and development, is needed to align with poverty reduction and nutrition improvement outcomes. Input subsidies should be more effectively targeted at subsistence, smallholders, and family farmers who lack the resources to independently buy specific inputs that could lead to better productivity and adaptive capacity. Spending more on public goods could enhance the nutritional quality of foods, while increased spending on agriculture-related infrastructure could enhance the efficiency of markets.

De-risking investment in agriculture: Emphasis should be put on de-risking investment in agriculture projects by leveraging cost-effective instruments to promote and scale up private sector investments: microfinance, capacity development to jumpstart agri-food systems, the public-private partnership supported by the implementation of the critical levers that African Member states should consider in their agri-food system financing plans. Such agriculture projects include smallholder farmers and large-scale investments in intensive agriculture projects producing export commodities.

Decarbonizing should be part of the strategy of large-scale agriculture projects by adopting less carbon-intensive agriculture with improved practices to enhance soils as a carbon sink, technologies, and equipment to reduce crop-related emissions and to reduce and capture livestock emissions.

Reducing information asymmetry for the private sector and IFIs is essential to mobilize Finance in National agriculture investment plans. Initiatives such as the FAO Hand-in-Hand initiative offer great fundraising potential for governments during their dedicated World Food Forum²⁰.

African Continental Free Trade Area: The AfCFTA will facilitate access to more lucrative export markets for domestically produced food, increasing opportunities for smallholder farmers. According to the African Continental Free Trade Area Secretariat, tariff reduction induced by implementing the AfCFTA will increase intra-African agricultural trade by 574% by 2030, boosting economic growth, job creation, and food security. The major restriction to the food movement in Africa is food standards linked to food safety. Investing in the harmonization of food safety standards in Africa is essential to harness the benefits of AfCFTA.

Financing Facility for Food and Nutrition Security in Africa: The setup of such a facility will support sustainable agri-food systems value chain, climate adaptation, and nutrition. It should aim at the following:

- Supporting the development of market-based financial services and funding long-term and green investments.
- Building inclusive and efficient markets for investments in agri-food systems
- Improving access to national and subregional markets for smallholder farmers

¹⁹ Reshape public support and incentives using subsidies and market mechanisms to redirect capital from unhealthy, destructive assets to support public goods. - Integrate health, environmental and social risks into financial decision-making, future-proofing portfolios by measuring and disclosing food system risks and redirecting investment into new business models to mitigate exposure. - Scale fit-for-purpose financial products and business models, mobilizing private capital by de-risking and mainstreaming innovative financial instruments & regenerative assets while improving access to Finance and services for primary producers through new supply chain partnerships. - Secure equitable food systems by rebalancing bargaining power, investing in rural infrastructure to drive sustainable production and development, and implementing fair prices and living wages to ensure access to healthy diets. - Strengthen food governance and stability as the foundation of the entire food system to build physical and financial resilience to shocks. | World Bank, IFAD, Food Finance Architecture: Financing a Healthy, Equitable and Sustainable Food System

²⁰ [Core Concepts \(fao.org\)](https://www.fao.org/core-concepts)

- Supporting microfinance and public-private partnerships to spur private Finance

Capacity development to leveraging Sustainable Finance for Africa's agri-food system: An untapped opportunity exists to connect sustainable African agri-food systems with capital markets and investors and channel capital toward sustainable development using green bonds. Capacity building and training to close knowledge gaps in financial institutions can help secure opportunities to utilize existing financial instruments and develop new financial products.

Policy regulations are essential for creating an enabling environment for green Finance in Africa: accelerating the growth of green Finance requires a long-term commitment from a range of stakeholders in addition to the pivotal push from policy commitments made that need to be made by African governments, along with stable enabling policies and regulations (these could include security of land tenure, grades, and standard, ease of doing business, etc.). Addressing supply-side constraints using the development of green taxonomies will help scale up green Finance. As governments inject more money into green recovery plans and green industries are projected to grow, the development of green taxonomy will enable easier identification of green assets.

The informal sector accounts for 40 percent of the sub-Saharan African economy and 80 percent of its employment. **Hence the informal sector needs should be carefully embedded in any new intervention in sub-Saharan Africa.**

MATRIX: GAME-CHANGING SOLUTIONS - IMPERATIVES, POLICY OPTIONS, AND STRATEGIES TO BUILD AFRICA'S FOOD SOVEREIGNTY AND RESILIENCE

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
<p>Catalyze rapid expansion in agricultural and food productivity and production</p>	<p>1. Reshape public support and incentives. 2. **21 Enhanced Access to Agricultural Infrastructure and Inputs services.</p>	<p>Access to primary means of production by the frontline players in the food value chains</p>	<p>Policy and investment choices to enable production and productivity.</p>	<p>RECS, Member States, AUC, AUDA-NEPAD</p>
		<p>Digitalization in agriculture.</p>	<p>FAO, ITU</p>	
		<p>Land and water security of tenure and access.</p>	<p>Member States, AUC, FAO, UNCCD</p>	
		<p>Access to information and associated management training and knowledge management.</p>	<p>Member States, AUC, UNOSAA, ECA</p>	
		<p>Regulatory Environment</p>	<p>Increasing investments in market infrastructure and other incentives mechanisms to support African farmers to adopt climate-smart policies, technologies, and practices, including afforestation and rehabilitation of degraded lands, wetlands, and protected areas to enhance carbon sequestration and reduce carbon losses.</p>	<p>AUC, FAO, AGRA, AfDB, IFAD</p>
		<p>Investment in production-enhancing technologies that foster climate-smart and biodiversity-ecosystems resilience practices across agro and food systems.</p>	<p>UNIDO, FAO, AUC</p>	
		<p>Boost nature-positive production and processing-value addition at scale</p>	<p>Rural infrastructure development framework. Digital agriculture strategy Irrigation. Post-harvest food loss strategy Africa Seed and Biotechnology program.</p>	<p>AfDB, UNIDO, WFP, FAO, World Bank</p>

²¹ African Union Commission DARBE Priorities 2023-2025

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
			<p>Agricultural mechanization Water use efficiency in agriculture.</p>	
			<p>Leverage AFR100 to collaborate with smallholder farmers on soil health through land restoration to increase agricultural productivity and improve livelihoods. This will contribute to Africa's goal to achieve food sovereignty and meet increasing food demands of growing populations by 2050 for food security, nutrition, and healthy diets".</p>	<p>AUC, AUDA-NEPAD, WFP, GIZ</p>
			<p>Investment in irrigation infrastructure is critical. Rainfed food production sits at the center of 70 percent of Africa's livelihoods. This heavy reliance on rainfed systems exposes farmers to recurrent drought and other extreme events; hence water-centered adaptation must be a priority for Africa.</p>	<p>AUC, AGRA, FAO, UNIDO, AfDB</p>
			<p>Facilitate global and regional solutions for expended and sustainable harvesting production, use, and management of Africa's aquatic resources.</p>	<p>RECs, FAO</p>
			<p>Promote Africa's sustainable blue economy development.</p>	<p>AUDA-NEPAD, AU-IBAR, RECs, AfDB, FAO, EU, IFAD</p>
			<p>Align national strategies to AFCFTA and develop agro-industrial clusters and regional agricultural value chains that focus on value addition in integrated markets that are healthy and sustainable diets driven.</p>	<p>AfcFTA, AfDB</p>

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
Boosting investment financing for Africa food systems transformation Agenda	1. Scale fit-for-purpose financial products 2. ** Support to CAADP / NAIPs and RAIPs	Increase domestic public-private investment financing for Africa's economic growth agenda.	Incentivize public-private investment financing on specific agricultural and agri-food systems.	AfDB, IFAD
			Unlock access to Finance & services. De-risk and mobilize private capital.	IFAD, World Bank, Investment banks, DRM,
			In collaboration with AUC and AUDA-NEPAD, request the African Development Bank to rally and manage an Africa Agri-Food Systems Investment Financing mechanism.	AfDB
			Facilitate analytical support and tools to member states to realize targeted allocation of public financing to agri-food systems development within the CAADP-Malabo target of 10% of public agricultural expenditures.	Member States, knowledge institutions (Akademiya2063, FARA, ILRI, CGIAR, etc.)
			The mechanism at a continental level will leverage and broker dedicated financing facility for agri-food systems development, including the Global Agriculture and Food Security Program (GAFSP).	GAFSP, World Bank, GEF, AfDB, BADEA, ISDB, Development partners, G7, G20, etc.
Financing Facility for Food and nutrition security in Africa	1. Support sustainable agri-food systems value chain, climate adaptation, and nutrition.	Establish the Financing facility	Financing for the African Sustainable agri-food system and adaptation aims to manage smallholder farmers' climate-induced vulnerability.	AfDB, IFIs, Private sector
			Support the development of market-based financial services and funding long-term and green investments.	AfDB, IFIs, Private sector
			Building inclusive and efficient markets for investments in agri-food systems.	AfDB, IFIs, Private sector

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			Improve access to markets for agricultural products.	AfDB, IFIs, Private sector
			Providing an enabling policy environment for the financial sector to supply more business and financial tools to Agri-SMEs.	Member States, FAO, AfDB, IFIs, Private sector
			Support microfinance and public-private partnerships to spur private Finance.	AfDB, IFIs, Private sector
Ensuring Access to safe and Nutritious Food for All	<ol style="list-style-type: none"> Secure equitable agri-food systems and integrate environmental health and social risks. ** Improve sanitary and Phytosanitary Standards (SPS) Systems / Plant Health Management System Strengthened / Agriculture and nutrition-sensitive practices. 	Develop Food Safety Strategy	Promote biofortification of staple food and industrial fortification of complementary food to deliver better diets for all.	AUC, FAO, WFP
			Expansion of cash transfer programs and expanding cash transfer platforms focusing on producing nutritious food.	Member States
			Promote food safety and standards in formal and non-formal markets to protect consumers and enhance cross-border food trade.	African Regional Standard Office (ARSO), RECs, MS, Private sector
			Ecological organic agriculture Biofortification and food fortification. Geographical indications.	UNEP
			Expand domesticated school feeding programs.	WFP, MS, SUN Movement, EAT, RECs ...
			Design and Implement Innovative Social and Behavioral Change Communication.	AUC-DARBE, AUDA-NEPAD, RECs, MS
			Control of aflatoxin (PACA), Continental SPS framework	CDC, WHO
			Nutritious Food Policy.	AUC-DARBE, AUDA-NEPAD, RECs, MS
			Food Information Systems.	AUC-DARBE, AUDA-NEPAD, RECs, MS, and

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
				Rome-based UN Agencies (FAO, IFAD, and WFP), G7, G20
			Emergency Food reserves.	AUC-DARBE, AUDA-NEPAD, RECs, MS, Rome-based UN Agencies (WFP, IFAD, and FAO)
			Incentivize national and transnational trade corridors for food commodities and services.	AfCFTA, RECs, MS
Strengthen and Harness Africa's growing local food markets	<ol style="list-style-type: none"> Strengthen agri-food systems governance and stability. ** Support Sustainability Land Governance Administration. / 	Shifting to sustainable consumption patterns	Dedicated national and regional R&D capacities for enhanced sustainable production.	Knowledge institutions and CGIAR
			Technological and skills capabilities development among SMEs in the Food Systems Value Chains.	AfDB, Regional banks, Member States
			Policy and investment choices to enable local production systems and capabilities.	AfDB,
		Advance Equitable Livelihood and value distribution	Strengthen and align policy and investment over productive resources, including land and water.	Member States
			Works with farmers to adopt regenerative land management practices that increase soil health and agricultural yields while offsetting greenhouse gas emissions.	AUC, FAO, UNCCD, WFP, African Academia
			While soil degradation is a major concern across Africa, especially regarding human health, food security, rural poverty, and biodiversity loss, careful management and sustainable use of soil will help combat these issues.	AUC, FAO, UNCCD
			Strengthen national and regional capacities for increased management training and mentoring	RECs, AfDB, AUC

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
			for SMEs in the agri-food systems value chains.	
			Incentivize the establishment of viable groups and cooperatives at all segments of food value chains.	Member States, Private sector
		Build Resilience to shocks and stress	Facilitating and supporting locally appropriate and targeted social and food safety net programmes.	UN-Systems and Rome-Based UN Agencies
			Promote the production of traditional and Indigenous foods.	Private sector and smallholder farmers (Farmers' organizations)
			Policy Choice and Investments in climate data, adaptation, transformation, and knowledge systems to support early warning systems and climate change-related disasters.	AUDA-NEPAD, FAO, EU, IFAD, WFP
			Early warning systems and associated climate advisories that are demand-driven and context-specific, combined with climate change literacy and awareness, can help make the difference between coping and informed adaptation responses.	AUDA-NEPAD, FAO, EU, IFAD
			African food systems should be diversified, moving from the major global commodities: Rice, wheat, and maize, and more investment must be made towards indigenous and resilient crops, including sorghum, millets, teff, and cassava.	AUC, FAO, AfDB
			Supporting the establishment of Strategic Grain Reserves (SGRs) as a buffer against unexpected exogenous shocks. Social Protection Programs are also priorities and	AUC, AGRA, FAO, AfDB, IFIs

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
			should be implemented with clear graduation targets for the beneficiaries.	
			Partnership and Investments to overcome water scarcity.	AfDB, IFIs, Private sector
			Investment and policy choices for enhanced risk insurance capacities and measures, such as weather crop and livestock insurance schemes.	ARC, AfDB
			Expanding social protection programs and linking them to nutrition and food access.	ILO, AUC
Facilitating and building local implementation capacities at all levels with a focus on frontline players and decentralized structures	<ol style="list-style-type: none"> ** Strengthen Climate adaptation, Resilience of Production Systems, and Livelihood ** Strengthen Support for Women and Youth Empowerment in Agribusiness 	Implementation and Capacity Building	Pastoralism. The Resilience of smallholder farmers. Land degradation, desertification, and climate change. Non-State actor engagement Commodity value chain development.	AUC, FAO, UNCCD
			Land use planning policies	Member States, Academia, IGOs, University/academic networks, AUC, AUDA-NEPAD
			Apply systems thinking in various areas, including policies, regulations, business models, etc.	Member States, Academia, IGOs, University/academic networks
			Apply a people-centered, place-based, cross-sectoral, multi-level, multi-stakeholder, and flexible territorial approach to development and promote integration and synergies between policies and actions; develop a territorial strategy, adopt a foresight approach, and support collective actions.	Member States, Academia, IGOs, University/academic networks
			Institutional capacity: Africa's level of exposure and vulnerability is	AUC, FAO, AUDA-NEPAD, UNDP

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
			connected to its low institutional capacity and governance systems. We must ensure that national systems can convert climate policies and commitments into action.	
			Enhance continental accountability for food systems transformation through the CAADP Biennial Review.	AUC, AUDA-NEPAD
			Promote citizen engagement	Member States
			Rural Youth employment and women empowerment, Platform and policy for women in agriculture.	AUC, Member States, U.N. Women, FAO
			Engage the youth meaningfully in agri-food systems transformation.	AUC, AUDA-NEPAD
Rollout Plan of the Common Position	<ol style="list-style-type: none"> ** Strengthen the CAADP implementation process and Mutual Accountability ** Implementation of the process of Disaster Risk Reduction at the continental level strengthened 	Commitment and Accountability	Domestication and alignment into national interests, priorities, and realities.	AUC, ADUA-NEPAD
			Access to decision-making and implementation support information, tools, and guidelines.	Member States, AUC
			Facilitating and brokering technical and investment partnerships.	AUC, Member States, private sector, IFIs
			Monitoring, progress, performance assessment, learning, and adaptation.	AUC, AUDA-NEPAD, APRM
			Accelerated the implementation of the Global Climate Change Alliance Plus program.	AUC, AUDA-NEPAD
			Secure investments in low-carbon development and increase the number of A.U. Member States accessing climate/green finance.	Member States, AUC, GCF

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
			Domesticate and implement the A.U. Climate Change and Resilient Development Strategy and Action Plan.	AUC, Member States
AU-Food System Implementation Mechanism	<ol style="list-style-type: none"> Strengthen agri-food systems governance and stability ** Accelerate Industrialization 	Deploy the Common African Agro-Parks Programme	Empowering systemic local ownership and Responsibility	Member States
			Governments and multilateral & development finance institutions invest in infrastructure to reduce the likelihood of agricultural failures becoming crises, e.g., famine or multiple breadbasket failures.	Member States, IFIs, AUC, RECs, AUDA-NEPAD
			Governments & multilateral organizations establish mechanisms to strengthen the coordination of agri-food systems transformation, risk management, knowledge exchange, and crisis response.	Member States, AUC, UNOSAA
			Increased supply of locally produced agricultural goods. Reversed projections of African food imports. Enhanced value-added processing of agricultural products to boost intra-African trade and investments.	Member States, AUC, AfCFTA, FAO, UNIDO
			Mobilizing and enabling community participation.	Member States, CSOs
			Coordination and partnership alignment with Africa's political frameworks.	Member States, AUC, UNOSAA
			System multi-dimensional approaches.	AUC
Harnessing public and private blended capabilities.	Member States, IFIs, Private Sector			
	<ol style="list-style-type: none"> Increased Agricultural Productivity 	Sustain Structural Transformation	Re-emphasize strategies and policies aimed at structural agricultural transformation and make agri-business a major goal.	Member States, AUC, AfCFTA, UNIDO, FAO

African Common Position on Food System Solutions	Imperatives	Strategies	Policy Options	Partnership
<p>Agriculture as Part of Africa's Structural Transformation²²</p>	<p>2. Enhanced Agribusiness that Connects Smallholders to National, Regional and Global Value Chains</p>		<p>Reduce the vulnerability of millions of small-scale African farmers and consumers to high, volatile prices while increasing the Resilience to shocks.</p>	
			<p>Mainstream climate change mitigation and adaptation.</p>	
			<p>Redefinition of industrial policy driven by Africa's assets, commodities, and growing market, maximizing links with the agricultural sector.</p>	
			<p>Retaining the opportunities presented to Africa and leapfrogging to green and clean energy.</p>	
			<p>Increased availability of clean and renewable energy for rural Africa, the absence of which is currently contributing hugely to deforestation and climate change exposure.</p>	
			<p>Leverage AfCFTA and protect Africa against unfair trade policies and protocols that distort international commodity markets.</p>	

²² Journal of African Transformation, Volume 1, No. 1, 2015, pp. 43–61 © CODESRIA & ECA 2015 (ISSN 2411–5002) Agriculture as Part of Africa’s Structural Transformation Carlos Lopes*

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