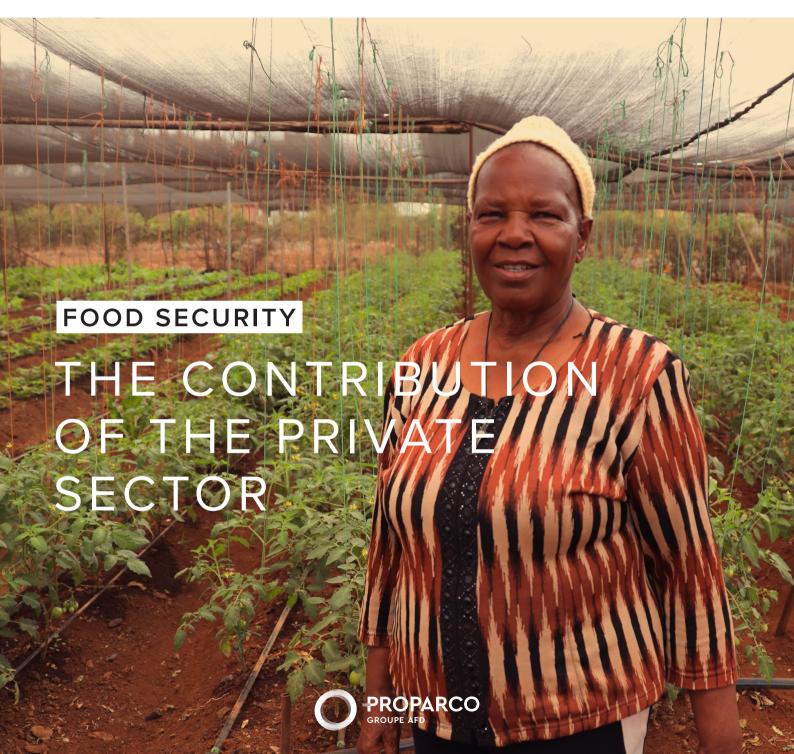


# Private Sector EDevelopment Proparco's Magazine Third Quarter 2023



# PS&D

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Françoise Lombard

Chief Executive Officer,
Proparco

s the United Nations aims for "zero hunger" by 2030 (no. 2 of the 17 Sustainable Development Goals), guaranteeing equitable access to healthy and nutritious food for every human being remains a major focus. Nearly 800 million people in the world suffer from hunger while, according to the Food and Agriculture Organisa-

tion of the United Nations, over 2 billion people have to contend with problems of malnutrition and chronic food insecurity.

Many factors are jeopardising food security<sup>1</sup>. The economic and inflationary impacts of the Covid-19 pandemic are still apparent (higher prices for agricultural raw materials and disruption to supply chains), geopolitical factors are weighing heavily (wars and conflicts in Ukraine, Yemen, Ethiopia, Sudan, etc.) and climate shocks are intensifying (droughts in Pakistan and the Mediterranean, for example).

Food security is a challenge that requires the active engagement of the international community and closer cooperation between private and public stakeholders - be they governments, international organisations, civil society, public and private companies, the agriculture sector, cooperatives or financial institutions. Each year, Proparco deploys 100 to 150 million euros - in financial intermediation and direct financing - to strengthen agricultural value chains in Africa and it was recently involved in launching the "FARM Private Sector" pilot project (see page 11).

Against this backdrop, the private sector needs to be more involved, both to respond to emergency situations and, going forward, to guarantee food security for as many people as possible. It must be able to play a key role in structuring supply chains, by connecting producers to markets, helping to create added value through local processing, and financing farmers, smallholders (who comprise the bulk of farmers, especially in Africa) and agri-businesses. The private sector can also play a decisive role as catalyst, by disseminating sustainable and fair environmental, social and human rights "best practices" throughout the value chain. Lastly, the research and development and technological innovation in which the private sector is increasingly investing, should make it possible to maximise output without putting even more strain on natural resources.

By improving the long-term resilience of agricultural and agri-food systems, the private sector plays a key role in strengthening supply chains. In the face of climate and economic shocks that have a direct impact on food security, it is more vital than ever to build sustainable, integrated food systems.

This new issue of *Private Sector & Development* provides a collective reflection on the subject and highlights the need to get the private sector more involved in safeguarding food security across the globe.

<sup>1.</sup> According to the World Bank, food security exists when all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.





**Dr. Ibrahim Assane Mayaki** Special Envoy for Food Systems, African Union

Ibrahim Assane Mayaki is a former Prime Minister of Niger and a former CEO of the African Union Development Agency, AUDA-NEPAD. He brings decades of political and institutional leadership at the highest level in leading the multifaceted development agenda of the Continent. In March 2020, Mayaki was appointed Co-chair of the High-Level Panel on International Financial Accountability Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel). Since 2022, Ibrahim Assane Mayaki is the African Union Special Envoy for Food Systems.



**Tim Crosby**Chair, Transformational Investing in Food Systems (TIFS)

Tim Crosby is the Co-Founder and Chair of TIFS. He is also Principal of the Thread Fund, a family office currently focused on food system transformation. Additionally, Tim is a Steering Committee Member of the Global Alliance for the Future of Food and a Member of the Agroecology Fund. Previously he was Co-Chair of Sustainable Agriculture and Food System Funders, Manager of the Cascadia Foodshed Financing Project, and Director of Slow Money Northwest. He has also spent 15 years as a professional photographer and designer. Tim holds an MBA in Sustainable Business and a BA in Anthropology.



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Since March 2018, Janvier K. Litse has been with the United Nations World Food Programme, as Senior Advisor in the Strategic Partnership Division. Prior to this, he served for seven years at the World Bank as Debt Management Specialist and Research Analyst. This followed 26 years at the African Development Bank (AfDB), where he held important positions, including Acting Vice-President of Operations and Director General for West Africa. He is an economist, trained at the University of Sussex (UK), San Diego State University (US), Institut Supérieur de Gestion de Paris (France), and the University of Lille I (France).



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Matthieu Le Grix

Head of Agriculture, Rural Development and Biodiversity Division,

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Matthieu Le Grix is an agricultural engineer and has been head of AFD's Agriculture, Rural Development and Biodiversity Division since 2021. Before this, he spent around ten years working as project manager in several AFD local offices in Burkina Faso, Cameroon and Tunisia. He joined the Agriculture, Rural Development and Biodiversity Division in 2018, where he has overseen AFD sector-based operations in the Sahel, Gulf of Guinea, the Maghreb, the Near and Middle East and in Latin America.



Strategic Partnerships Adviser, World Food Programme



**Varya Meruzhanyan** Strategic Partnerships Officer, World Food Programme

Varya leads engagement with Europe-based international financial institutions in the Strategic Partnerships Division at the World Food Programme. Prior to joining the WFP, Varya served as Advisor to the United Nations Resident Coordinator in Armenia. Before joining the UN, Varya worked for various international organizations and civil society, managing large-scale projects focused on civic education, youth engagement and civil society engagement. Varya has Master's degrees in Public Administration, from the Harvard Kennedy School, and in International Development, from the London School of Economics and Political Science.



**Ellie Turner**Deputy Agriculture Lead, 60 Decibels

Ellie Turner is the Deputy Agriculture Lead for 60 Decibels. She holds an MSc in Agricultural, Food, and Resource Economics, and has 15 years' experience implementing and evaluating programs with smallholder farmers in the Global South. At 60 Decibels, Ms Turner works with impact investors in the agriculture sector to understand and improve their impact on farmers. Prior to working at 60 Decibels, she was a founding member of the Food Security and Agriculture practice at RTI International, a global research institute, where she oversaw agribusiness development projects in East Africa.



**Anne Valto**Senior development impact advisor, Finnfund

Dr Anne Valto is a Senior Development Impact Advisor with Finnfund's Development Impact team. She has worked in development cooperation and financing for over 20 years. At Finnfund, Anne specialises in the forestry and agricultural sectors, climate change adaptation, biodiversity, and gender issues. She enjoys building bridges and feeding synergies between the public and private sectors, civil society and communities, and understanding the wider impacts of development financing.



**Fariza Chalal** *Investment Manager, Proparco* 

Fariza Chalal joined Agence française de développement Group in 2008 and is currently an Investment Manager in Proparco's Manufacturing, Agribusiness and Services division working on financing agro-food projects. She has over 18 years' experience of legal and financial structuring and private sector financing in developing countries.



**Jean René Cuzon** Project team leader, AFD

Jean René Cuzon joined AFD in 2009 and he has been a Project Team Leader in the Agriculture, Rural Development and Biodiversity division since 2013, where he oversees a number of regional projects with ECOWAS and CIRAD (the French agricultural research body). He is also "Agroecology and Food Security" Team Leader Coordinator in the same division. Jean-René is a graduate of AgroParisTech and Chief Engineer with the French Ministry of Agriculture and Food Sovereignty.



**Taos Lahbib Burchard** Agricultural engineer, Expertise France

Taos Lahbib Burchard has worked with a wide range of institutions, development programs (AFD-FIDA), research centres (CIRAD), NGOs, chambers of agriculture and the United Nations. She works on projects with a sustainable agriculture focus. She is currently working in Expertise France's Sustainable Development Department on a project to empower women in rural areas by mainstreaming gender issues into the agricultural sector in Tunisia.



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Alexandre Leyvastre is a project manager and biodiversity correspondent in Proparco's Impact Measurement Division (IMP). Alexandre is an agricultural and life sciences engineer and he joined Agence Française de Développement Group in 2014 as part of an International voluntary service in administration programme at the Cairo office. He went on to work as a project manager in AFD's Sustainable Development division before joining Proparco in 2019.



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Morgane Rocher is a graduate of IEP Paris (SciencesPo). She joined AFD Group in 2015 in Johannesburg after working first at KPMG and then at Investisseurs et Partenaires. She is a Senior Investment Officer in Proparco's Manufacturing, Agribusiness and Services (MAS) division. More specifically, she spent nearly 7 years heading up agricultural and agri-food projects before joining the Private Equity team in Africa and then in the Middle East in September 2023.

# Private Sector & Development, Proparco's magazine about the private sector's role in sustainable development.

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S ISSUES

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**COORDINATORS** 

# Tapping into the private sector for food system transformation

**I Solution Janvier K. Litse,** Africa Finance Development Advisor, World Food Programme Divva Mehra. Strategic Partnerships Adviser. World Food Programme Varya Meruzhanyan, Strategic Partnerships Officer, World Food Programme

To attain SDG 2 (Zero Hunger), sustainable food systems – including small-scale farming, agri-SMEs, and local food processing – will require structured development. This necessitates private engagement (bringing innovation and efficiency) and responsible private finance. To enable this, development partners and the UN need to support governments to establish a conducive environment.

> he slow progress towards Sustainable Development Goal (SDG) 2 (Zero Hunger), over recent years has been further impacted by the global food and energy crises arising from global supply chain disruptions, the repercussions of the COVID-19 pandemic and the war in Ukraine. The cost of food systems transformation is estimated at USD 300-350 billion per year, and the part of this directly related to SDG 2 is estimated at USD 170-190 billion.1

Official development assistance remains insufficient; thus, the need to diversify the sources of development finance is greater than ever. To date, private financing has not led to sustainable solutions in addressing food security and nutrition. For development institutions, leveraging private financing for SDG 2 does not mean receiving private funding flows to deliver on their mandates. Rather, it entails working with partners to identify potential private financing solutions that are sustainable, mutually beneficial, and that positively impact SDG 2.

**Enhancing food security and transforming food** systems requires a collaborative effort involving various stakeholders. The role of the private sector is critical for long-term sustainability. 33

# OPPORTUNITIES IN FOOD AND NUTRITION

There are components of the food system and agri-food value chains – compared with other development challenges not as tangible as food or that largely require public investment – that could be scaled up and sustainably implemented using innovative public-private sector models. Here, agencies such as the World Food Programme, supporting over 160 million people in 120 countries in 2022, can enable the scaling up of sustainable solutions, with:

1. Financial inclusion - resource management, insurance, and savings: In the context of climate shock mitigation, WFP assists at-risk farmers and their families with a comprehensive risk management approach, reducing financial vulnerabilities and promoting resilience. This includes assets, insurance, diversification, microcredit, and savings. Strategies include partnering with financial institutions and local public entities in sharing risks. Access to finance enables smallscale farmers and agri-processors to become viable businesses.

2. Market access and value chains: Smallholder farmers face challenges in accessing markets due to limited infrastructure, lack of financial

resources, and inadequate market information. WFP helps improve smallholder farmers' livelihoods and the supply of nutritious foods, by connecting them to markets. It provides market intelligence and technology, improving smallholder farmers' integration into formal value chains. WFP sees opportunities in attracting private sector finance to support the structured development of small-scale farming, agri-SMEs, and local food processing by anchoring demand and providing diverse technical assistance across value chains.

3. Support for local production of complementary foods: WFP has extensive experience in the local production of quality, nutritious foods, due to its engagement in producing for local markets and its procurement for governments. However, meeting the demand for specialized nutritious foods (SNFs) is challenging, due to the limited supply chain agility and resilience (sourcing reliability) of current supplies. Establishing local production of SNFs is difficult due to the lack of market incentives - beyond institutional purchasing – for private investment and barriers such as high investment and regulations.

## **FOCUS** WORLD FOOD PROGRAMME

The World Food Programme (WFP) is the world's largest humanitarian organization, saving lives in emergencies and using food assistance to build a pathway to peace, stability and prosperity for people recovering from conflict, disasters and climate change. WFP has a presence in over 120 countries and territories. It brings food to people displaced by conflict and made destitute by disasters, and helps individuals and communities find solutions to the multiple challenges they face.



# How WFP enhances food security

1. Source: Food and Land Use Coalition (FOLU), 2019 / ZEF, FAO

## AN ARTICLE BY

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Since March 2018, Janvier K. Litse has been with the United Nations World Food Programme, as Senior Advisor in the Strategic Partnership Division Prior to this he served for seven years at the World Bank as Debt Management Specialist and Research Analyst This followed 26 years at the African Development Bank (AfDR), where he held important positions, including Acting Vice-President of Operations and Director General for West Africa. He is an economist, trained at the University of Sussex (UK). San Diego State University (US), Institut Supérieur de Gestion de Paris (France), and the University of Lille I (France).

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## JOINING FORCES TO TRANSFORM FOOD SYSTEMS

Enhancing food security and transforming food systems requires a collaborative effort involving various stakeholders. The role of the private sector is critical for long-term sustainability. Governments, the UN and development partners need to work together to establish an enabling environment for responsible private financing.

The private sector plays a crucial role in driving innovation, investment, and efficiency within the food system. Local businesses – including small-scale farmers, food processors, distributors, and large-scale manufacturers – have a direct impact on food security and good nutrition. A public-private model involving innovative, blended financing and shared technical expertise can leverage stakeholders' strengths, to address food security challenges effectively and sustainably.

Governments play an important role, by creating policies and regulations that provide a baseline conducive to transforming food security and food systems. These include promoting sustainable agricultural practices, ensuring access to land and resources, and establishing effective market systems. They can ensure a fair and straightforward regulatory environment, and provide incentives for private investment in development-related sectors, to ease doing business. The UN and development partners can contribute to formulating and designing policies, as well as to implementing them - through technical assistance, financing, building, and knowledge sharing - and monitoring scalable solutions.

# THE CHANGING GLOBAL CONTEXT

Beyond countries' humanitarian needs, urbanization and other trends will influence achieving SDG 2, foregrounding financing responsibility for cross-border issues such as climate change and migration. Addressing these issues will require global cooperation and private sector partnerships. The private sector will play a vital role in driving climate action, through sustainable practices, renewable energy investments, and eco-friendly technologies. Due to the rapid global urban population growth (68% by 2050), understanding food and dietary patterns will help the private sector meet the demand and promote healthy choices.

The private sector plays a crucial role in improving food security and supporting the transformation of food systems. By driving innovation, strengthening value chains, promoting sustainable practices, and mobilizing financial resources, we can create a resilient, inclusive food system. The World Food Programme remains committed to fostering responsible partnerships with the private sector and to harnessing collective power to ensure a world where no one goes to bed hungry.



# "FARM Private sector", an initiative to promote sustainable food systems

AFD Group and Bpifrance financing solutions are aimed at all players involved in the agricultural value chain in Africa - from start-ups and micro-businesses/SMEs to mature agribusinesses. Between 2011 and 2021, agriculture and agri-businesses have benefited from direct and indirect financing from Proparco totalling €1.6 billion (114 projects) and more than 55% of this investment has been in Africa. However, financing needs are insufficiently covered, especially seed funding for small innovative projects, which are traditionally considered to be very risky. Food system production capacity, particularly in vulnerable areas can only be strengthened if the most sustainable agricultural and agri-food solutions are scaled up.

To meet this challenge, France has launched the first phase of the "FARM Private sector" initiative, rolled out by Proparco and Bpifrance, and developed in partnership with French businesses. Initial funding of €40 million is aimed at providing direct financing for agri-food businesses that have difficulty accessing credit as well as agricultural SMEs and microbusinesses. This will be done by financing banking partners and microfinance institutions so they can meet the needs of small borrowers. While Proparco already invests between €100 million and €150 million a year in strengthening African agricultural value chains, this pilot programme makes it possible to finance projects in fragile and complex rural environments

Consequently, Proparco is now even better equipped to support less financially sound agri-food businesses with very little collateral, and to support businesses affected by raw material price increases and logistics and transportation problems. Proparco also has a number of solutions for mitigating the risks associated with financing agricultural SMEs and micro-businesses. It can partner microfinance institutions that provide support for smallhold farms or producer organisations.

Thanks to "FARM Private sector", Proparco is extending its support for these innovative agricultural SMEs and agri-businesses into high-risk geographies.

Beyond countries' humanitarian needs, urbanization and other trends will influence achieving SDG 2, foregrounding financing responsibility for cross-border issues such as climate change and migration. Addressing these issues will require global cooperation and private sector partnerships.



# Proparco's Trade Finance Programme: a concrete solution to supply challenges

100 Emmanuel Have. Head of the Financial Institutions division for Africa and the Middle East, Proparco Valentine Le Clainche, Investment Manager, Trade Finance Programme, Proparco Margaux Chevrier, Investment Manager, Trade Finance Programme, Proparco

Financing international trade through the banking system is essential to facilitating trade between countries. While this type of financing is readily available in developed economies, certain Southern countries are experiencing chronic shortages. On the African continent, for example, the supply of essential goods, especially cereals, represents a specific challenge and is particularly dependent on trade flows (intercontinental as well as internal to Africa) which need to be facilitated to safeguard the Continent's food security. This is exactly what Proparco's Trade Finance guarantee programme aims to do.

## **FOCUS PROPARCO**

Proparco is a subsidiary of the AFD Group focused on private sector development. It has been promoting sustainable economic, social and environmental development for over 45 years. Proparco provides funding and support to both businesses and financial institutions in Africa. Asia, Latin America and the Middle-East. Its action focuses on the key development sectors: infrastructure mainly for renewable energies agribusiness, financial institutions health and education. Its operations aim to strengthen the contribution of private players to the achievement of the Sustainable Development Goals (SDGs) adopted by the international community in 2015.

rade is a key driver of growth and sustainability for African economies, which benefit both from exports (through the income they generate) and from imports of basic products and materials. This makes integrating the African continent into international trade a big priority.

Africa accounts for 50% of the Continent's GDP. Although its share of world trade has increased in recent years, Africa still suffers greatly from not being integrated into international commercial exchanges, and its share remains very marginal (between 2% and 5%). Most of this trade is international (more than 60% is with the European Union, and more recently with China and other parts of Asia), and the share of intra-African trade within total African trade is relatively low (15% in 2017). However, African intra-continental trade could

easily increase. The African Continental Free Trade Area (AfCFTA) Agreement, signed by 44 African countries in March 2018, could boost both intra-African trade flows and Africa's integration into international commerce.

Despite this encouraging trend, cooperation between importer banks working with Proparco<sup>1</sup> in Africa ("issuing banks"), and exporter banks According to the World Bank, trade in ("confirming banks") can sometimes be tricky. Indeed, 21% of trade finance applications are rejected in ECOWAS countries<sup>3</sup>, in other words, 25% of the total value of requests, resulting in USD 14 billion worth of lost earnings every year<sup>4</sup>. These problems can be due to the absence of commercial relations and payment history, country risk, the limited capacity of confirming banks in these geographical regions, or the excessively high cost of trade finance (the average cost of a letter of credit is four to eight times higher in ECOWAS countries than in the most developed countries).

Africa remains dependent on imports to meet the basic needs of its people and businesses. In this context, it is particularly important to have instruments that can support and facilitate international trade, especially intra-continental trade. This is the aim of Proparco's Trade Finance guarantee programme.

Proparco aims to facilitate these relationships through its Trade Finance guarantee (GTF) programme - see page 17 - and act as guarantor in the financial relationship between issuing and confirming bank. This enables local banks to obtain higher limits from their correspondent banks and to finance more transactions, thanks trade flows within the AfCFTA region).

to the expansion of their network and risk mitigation on existing lines of credit provided by Proparco. A large range of needs has been identified and the integration of confirming banks in West Africa, East Africa and Southern Africa is currently being studied (to support increasing

## SPECIFIC FEATURES OF AGRI-FOOD TRADE IN AFRICA

While agricultural production in Africa has only increased by a factor of 1.8 - from being generally increased steadily over the past thirty years (it has almost trebled in value - almost as much as in South America, and only slightly less than in Asia over the same period), this is mainly due to the increase in cultivated land, unprecedented demographic growth and a more has trebled in just thirty years. abundant agricultural labour force. However, Imports represent 1.7 times the value of exports<sup>5</sup>. yields have increased only marginally - for cere- Africa is having to contend with major supply als for example, they are on average half those obtained in Asia. While the total population has more than doubled, cereal production has

self-sufficient in the 1960s, Africa has become a net importer of cereals. The gap between these two trends is even greater for meat and processed products, which are increasingly in demand from a growing urban population that

challenges to meet the growing food requirements of its population.



<sup>1.</sup> So far, Proparco's Trade Finance guarantee programme has focused exclusively on Africa.

<sup>2 •</sup> The confirming bank (or confirmation bank, notifying bank or discounting bank, depending on the instrument used) is the exporter's bank; it takes a risk on the importer's bank and secures the transaction for the exporter who, depending on the financing instrument used, is certain of being paid 3 FCOWAS: Economic Community of West African States

<sup>4 -</sup> Source: Trade finance in western Africa, 2022 / IFC, WTO - https://www.wto.org/french/res\_f/booksp\_f/tfinwestafrica\_f.pdf

<sup>5 -</sup> Source: Les agricultures africaines, transformations et perspectives, novembre 2013 / NEPAD www.un.org/africarenewal/sites/www.un.org.africarenewal/files/Agriculture\_Africaine.pd





# How Proparco's Trade Finance guarantee programme works

# **AN ARTICLE BY (I) EMMANUEL HAYE**

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Margaux Chevrier is a graduate of SKEMA and her early experience was with BPI France and with a Parisbased venture capital fund. Before joining Proparco's Trade Finance team in June 2023, she completed an international voluntary internship in Proparco's Regional Office for Southern Africa in Johannesburg. She has worked in the Financial Institutions and Corporates divisions.

Trade Finance refers to the different international trade finance instruments used to secure factors, such as country risk or the absence of commercial relations between geographically their respective banks, who take on all or part of the risk of these transactions.

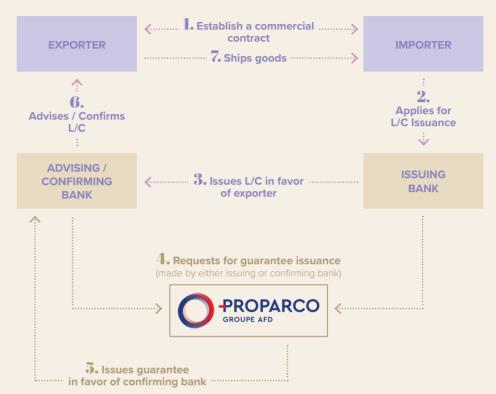
The most secure instrument is a **letter of credit (L/C).** When a company wishes to import s, it will ask its bank (the "**issuing bank**") to issue a letter of credit and notify th orter's bank (the "**confirming bank**") of the transaction. The confirmed version of the <u>lette</u> of credit guarantees that the exporter will be paid by their confirming bank, which is itself paid by the issuing bank, once the conditions of the letter of credit have been met (i.e., delivery issuing bank must pay the cost of the goods.

In accordance with Proparco's stated wish to support the increased integration of developing economies into world trade and to secure the supply of essential goods to Africa, Proparco key product provided by Proparco is a guarantee that insures confirming banks against the risk of default by issuing banks that have issued a Trade Finance instrument on behalf of one of their customers.

Proparco currently guarantees transactions – notably letters of credit and endorsed bills of confirming banks, mainly based in Europe and Turkey. While the portfolio of issuing banks is based in West and Central Africa, Proparco plans to rapidly expand the programme to the entire continent. Most of the counterparties are subsidiaries of major pan-African and regional banking groups (Ecobank and Coris, for example).

Seven of the programme's issuing banks are located in Least Developed Countries (LDCs). This programme is an integral part of the French Food and Agriculture Resilience Mission (FARM), as it provides a practical solution to the supply challenges being encountered by certain African countries in this time of crisis and rising prices for food commodities and fertilisers (90% of fertilisers consumed in sub-Saharan Africa are imported'). It supports companies who are heavily dependent on imports.

# Securing import and export transactions between companies



Source: Proparco, 2023.

# **GUARANTEEING AGRICULTURAL TRADE TO BOLSTER FOOD SECURITY**

Africa remains dependent on imports to meet trade. This is the aim of Proparco's Trade Finance the basic needs of its people and businesses. In guarantee programme, which provides a rapid this context, it is particularly important to provide instruments that can support and facilitate exacerbated by rising commodity prices as a result international trade, especially intra-continental of the war between Russia and Ukraine<sup>6</sup>.

6 According to the FAO, between 2019 and March 2022, international cereal prices rose by 48%, diesel prices by 85% and input prices by 35%. In sub-Saharan Africa, the effects of these price rises vary from one country to another, depending on local production capacity, the structure of the economy (oil/gas dependent or not), market size, the importance of cereal products in the day-to-day diet, particularly in cities, and dependence on





Like all international trade, these transactions need to be financed by banks in importing countries. In response to these challenges, Proparco has taken concrete steps to facilitate imports of agricultural foodstuffs. First, providing advanconfirming banks to become involved in these operations. In addition, Proparco offers higher cover for such operations – up to 100% of the total transaction amount.

Since the beginning of 2023, this guarantee programme has helped to finance \$74.2 million worth of Trade Finance import transactions, including \$50.2 million in agricultural commodities (wheat and rice), mainly destined tageous rates on agricultural trade encourages for Cameroon and Liberia. In addition to the programme, Proparco is developing guarantees for facilities provided to agricultural commodity traders, to secure cereal supplies to certain African countries.



# Guaranteeing cereal supplies

In July 2021, Proparco signed a €15 million Trade Finance guarantee facility with Cameroon-based **Afriland Bank**. This line will guarantee imports of essential agricultural products for this country, which is facing major food insecurity problems: according to the World Food Programme in Cameroon, 11% of the population is in a situation of acute food insecurity, exacerbated by the general rise in the price of raw materials and fertilisers as a result of the conflict in Ukraine

Since June 2022, Proparco has guaranteed more than €49 million worth of transactions, including €31.5 million in agricultural commodities, especially rice. Most of these foodstuffs come from Asia and are transported by boat to the port of Douala, then by truck to the

Proparco provides guarantees for supplies of other cereals, a commodity in growing demand in several West and Central African countries. For example, in 2022 **Proparco and Bic-Bred (Suisse) SA** teamed up to help the bank – a wholly-owned subsidiary of French-based Bred-Banque Populaire group – provide financing to **Céréalis**, a French company specialised in trading soft wheat for milling plants in sub-Saharan Africa. This will enable Céréalis to from customers in West and Central Africa. This risk-sharing arrangement rounds out Proparco's existing Trade Finance offering and helps to meet the growing demand for cereals from small and medium-sized mills in sub-Saharan Africa.



# Guarantees for financial providers, critical support for food security

**Yann Jacquemin,** Global head Guarantees for development, Proparco

Food security is a crucial part of maintaining indigenous populations and preventing conflicts over use. Along with other factors, it gives local populations confidence in the future of their own regions and guarantees provided to financial providers (AFD Group's various

Mitigating food insecurity can be seen from two angles: urban versus rural, or exogenous with investments adapted to the processing of agricultural produce, frequently accompanied by support for energy efficiency measures (investment loans). In rural areas, guarantees are more likely to be of help to businesses exposed to seasonal fluctuations in their activity

The second angle, linked to the causality of a crisis, distinguishes between a food crisis driven by an endogenous event, specific to a region (e.g., a country emerging from armed conflict), commodity prices).

Here too, guarantees have played an important role in cushioning the impact of food crises, by providing soft loans that can be organised quickly, for example by the French government (FARM programme, Choose Africa Resilience, etc.), or via EU funding (FEDD). They provide companies in the agri-food sector. By quietly absorbing a specific risk, guarantees have a tremendous ability to maintain or act as a catalyst for a crucial economic activity in certain

Since the beginning of 2023, Proparco's Trade Finance guarantee programme has helped to finance \$74.2 million worth of Trade Finance import transactions, including \$50.2 million in agricultural commodities (wheat and rice), mainly destined for Cameroon and Liberia. 55



# Public policies, essential to the development of agri-food sectors

In sub-Saharan Africa, the development of high-performance agri-food chains will be contingent on stronger smallholder farms. Training, advice, financing of agriculture, supply chain structuring and contractualisation: developing these critical functions must lead to the implementation of ambitious public policies. At a time when there is a new consensus around the goal of food sovereignty, strengthening agricultural policy is a priority. All players in the sector – particularly upstream and downstream businesses – will benefit from public investment focused on smallholder farms.

# AN ARTICLE BY MATTHIEU LE GRIX

Matthieu Le Grix is an agricultural engineer and has been head of AFD's Agriculture, Rural Development and Biodiversity Division since 2021. Before this, he spent around ten years working as project manager in several AFD local offices in Burkina Faso, Cameroon and Tunisia. He joined the Agriculture, Rural Development and Biodiversity Division in 2018, where he has overseen AFD sector-based operations in the Sahel, Gulf of Guinea, the Maghreb, the Near and Middle East and in Latin America.

ver the last ten years, the global food situation has steadily deteriorated. Since 2020, a succession of major crises (the Covid-19 pandemic, inflationary pressures linked to the post-pandemic recovery, the war in Ukraine) has exacerbated this worsening trend, and highlighted the fragility of food systems, particularly in developing countries.

Consequently, both in northern and southern countries, although it is not a new concept, there appears to be an unprecedented consensus around the objective of food sovereignty. This should not be equated with mere self-sufficiency in each country. Instead, especially in developing countries, food sovereignty means exercising greater control over food availability and stability within national (or regional) borders, without excluding recourse to imports where necessary. Reasserting the objective of

food sovereignty is nonetheless a shift towards a new paradigm that questions geographical specialisation of agricultural production and the ability of international trade to ensure food availability everywhere.

In developing countries and particularly in Africa, the corollary to this shift is a call for massive investment in agriculture in order to unlock insufficiently expressed productive potential. However, there is no consensus around the methods and objectives needed to secure this necessary increase in investment in the sector: which farming models should take precedence? What are the respective roles of smallholder farming on the one hand, and large-scale agro-industrial farms on the other? What role should public investment play? How can we improve the sustainability of agriculture (in environmental, social and economic terms) while strengthening food security?

# THE IMPORTANCE OF SMALLHOLDER FARMING

Smallholdings now play a major role in global agricultural production. This is particularly the case in sub-Saharan Africa, where they constitute the vast majority of farms and the biggest chunk of the private agricultural sector. Within these farms, there is major potential for gains in technical and economic performance. They are frequently diversified and have considerable capacity for adapting to contingencies, particularly economic or climate hazards.

Their development is therefore a key prerequisite for food sovereignty and current economic and demographic trends in Africa suggest they will continue to play a major role in the decades to come. Although there is a significant rural exodus, demographic forecasts indicate that rural areas will continue to experience densification. In principle, the conditions for development of the industrial and service sectors, and problems relating to their competitiveness, do not suggest any possibility of a structural transformation similar to that which took place in Europe after the Second World War. Lastly, while abundant "available land" is often used to illustrate the potential of African agriculture, this needs to

be put into perspective. Indeed, in view of the need to preserve the carbon sinks constituted by African forests (primarily the Congolian rainforests) and the richest habitats in terms of biodiversity, the potential for extending agricultural land is not actually all that great. In particular, there is very little land that is not either subject to legitimate land tenure rights or already being used, under pastoral arrangements for example. The future growth of agricultural production in sub-Saharan Africa cannot therefore be achieved by developing vast, capital-intensive agro-industrial farms.

This should not be equated with mere self-sufficiency in each country. Instead, especially in developing countries, food sovereignty means exercising greater control over food availability and stability within national (or regional) borders, without excluding recourse to imports where necessary.

# FINANCING AND STRENGTHENING SERVICES FOR AGRICULTURAL PRODUCERS

Developing smallholdings, enhancing their productivity and creating high-quality, decent and well-paid jobs is therefore essential and the availability of services to improve their technical and economic performance is the key condition for such development. Non-financial services (i.e., training, advice, research) are currently extremely poor, and funding them and improving their quality constitute major development

challenges. Given their questionable solvency, small farmers cannot be considered a profitable proposition for private investors and they must therefore be able to benefit from major public funding programmes which are currently insufficient. The availability of financial services is little better (e.g., campaign or investment financing).

The agricultural sector is objectively risky as it is exposed to climate and health hazards, compounded by the fact that financial institutions often have an excessive perception of this risk due to their relative unfamiliarity with the sector. Consequently, there is little or no

Upstream private sectors involved in agricultural production (i.e., production and supply of inputs, seeds and equipment) as well as downstream sectors (i.e., processing, marketing, distribution) will benefit from a strengthening of the fabric of smallholder farms.

financing available for African agriculture. In the face of this major market failure, public policy instruments (public banks, incentives, subsidies, guarantees, etc.) also need to be harnessed.

Upstream private sectors (i.e., production and supply of inputs, seeds and equipment) as well as downstream sectors (i.e., processing, marketing, distribution) involved in agricultural production will benefit from a strengthening of the fabric of smallholder farms. More solvent farms mean more outlets for upstream businesses. Farms that are better advised, better financed, more technically efficient and more resilient to unforeseen events will be able to provide downstream businesses with the quantity, quality and stability they need. Public investment in farming units is a key factor in the development of all players across the sector.

# **DEVELOPING AGRI-FOOD SECTORS**

This sector-based approach – especially the establishment of balanced relationships between the different players – can be part of a virtuous circle. Forging contractual arrangements between farmers (or their organisations) and downstream companies can ensure a fair distribution of added value (and risks), and secure supplies for downstream companies. The existence of such contracts makes it possible to guarantee the financing of farms by financial institutions (banks or microfinance institutions). Creating inter-professional organisations establishes a balanced framework for dialogue and negotiations and reduces imbalance in terms of information and power relationships between different indus-

try players. However, experience shows that balanced contractual frameworks and inter-professional organisations rarely come about in a spontaneous manner and public policies that combine regulation, incentives and mobilisation of resources dedicated to structuring the sectors are a key factor in this type of approach. The history of the cotton sectors in West and Central Africa are a case in point. Moreover, given the imbalance in terms of information and power relationships between agricultural producers and downstream companies, getting neutral third parties involved is often necessary to guarantee balanced contractual arrangements.

## THE NEED FOR PUBLIC INVESTMENT

Given the specific features of the agricultural sector, the role of public policy is crucial in leveraging private investment. It is not just a matter of governments creating a business environment that is conducive to private investment. Public investment is a prerequisite for the development of smallholder farms and agribusinesses cannot replace this.

Beyond this, devising and implementing ambitious public agricultural policies is justified by the fact that this sector cannot be reduced to simply the production of foodstuffs. Agricultural activity is underpinned by natural resources, some of which cannot be privatised. Agriculture also provides numerous services (environmental and landscape maintenance services for example), most of which are unpaid. Agriculture's crucial and strategic role in ensuring food availability and stability cannot be considered simply in terms of the production of consumer goods.

Nevertheless, agricultural policies are clearly underfunded in developing countries. Few African countries have honoured the commitments made in the 2014 Malabo Declaration<sup>1</sup>, which

called for 10% of public resources to be allocated to agriculture. The observatory of public support for agriculture set up by the FARM Foundation² confirms the low level of support in many developing countries and highlights a paradox: support is generally lower in countries whose economies are most dependent on the agricultural sector. Now more than ever, we need stronger public agricultural policies to which development institutions need to contribute. The impact of this public investment, focused on smallholder farming, will be conducive to the development of all players in the agri-food

# **FOCUS**

## AFD

Agence française de développement (AFD) helps implement France's development and international solidarity policy. It finances, supports and accelerates the transition to a fairer and more sustainable world through its public sector and NGO financing activities, research and publications (Editions AFD), sustainable development training (AFD Campus) and awareness-raising activities in France. Its teams are involved in more than 3,250 projects for the common good - focusing on climate, biodiversity, peace, gender equality, education and health on the ground in French overseas departments, in 115 countries and in territories in crisis.

It is not just a matter of governments creating a business environment that is conducive to private investment. Public investment is a prerequisite for the development of smallholder farms.

<sup>2 •</sup> See https://fondation-farm.org/observatoire/accueil/

# The challenges of food security

According to the United Nations, 9.2% of the world's population suffers from chronic hunger, far more than before the Covid-19 pandemic. While the causes of hunger are now well known - i.e. poverty and economic inequality, conflict and the impact of global warming - it is often a combination of these factors that grinds populations down.

# A critical level of food insecurity \(\neg \)

The number of people suffering from chronic hunger, i.e. without access to sufficient food to lead an active life, is predicted to fall from 9.2% of the world's population in 2023 to 8% in 2030, the same level as in 2015.

IN 2023
783 million people

WERE SUFFERING FROM CHRONIC HUNGER

I.E. **122 million** MORE than in 2019 (pre-Covid-19)

IN 2030

670 million
people
WILL BE STILL SUFFERING

FROM CHRONIC HUNGER

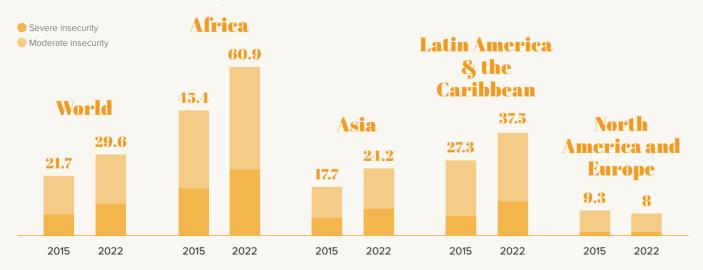
18 outbreaks of famine ACROSS 22

countries
- including
11 in Africa have got
worse

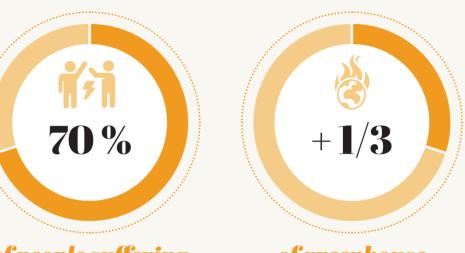
Sources: The State of Food Security and Nutrition in the World (2023) – FAO / WFP / Unicef / WHO / IFAD

# Africa, the most badly-affected continent V

Share of the world's population affected by food insecurity (%).



# Conflicts and the climate crisis continue to be the main causes of hunger 🔻



Climaterelated shocks

DESTROY LIVES, CROPS AND LIVELIHOODS AND UNDERMINE PEOPLE'S ABILITY TO FEED THEMSELVES

# of people suffering from hunger

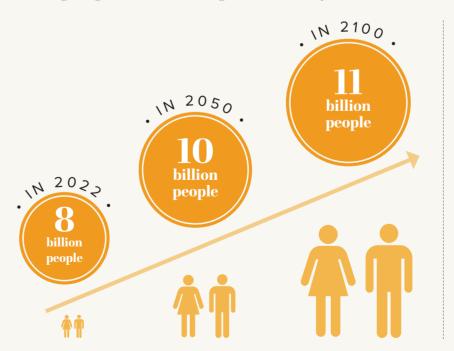
LIVE IN REGIONS AFFECTED ATTRIE
BY WAR AND VIOLENCE THROUGH

Source: World Food Programme (WFP)

# of greenhouse gas emissions

ATTRIBUTABLE TO HUMAN ACTIVITIES
THROUGHOUT THE WORLD ARE CAUSED
BY FOOD SYSTEMS

# Feeding the planet: the challenge of the century



7 African countries

WILL SEE THEIR POPULATIONS
DOUBLE IN SIZE

Mali

Niger Chad

Central African
Republic
Republic
of Congo

Source: World Population Prospects, ONU, 2022

Sources: FAO / Le Monde

# The private sector in the front line

Supporting the private sector - especially smallholder family units, which produce up to 80% of food consumed in certain African regions - is crucial. The private sector can make a significant contribution in the battle against hunger and poverty, and promote more sustainable food production and consumption practices.

# Agriculture – an economic growth driver V

FEED THE PLANET



THESE FARMERS CULTIVATE



WORTH OF ADDED VALUE

Sources: FAO. 2022. World Food and Agriculture – Statistical Yearbook 2022. Rome.

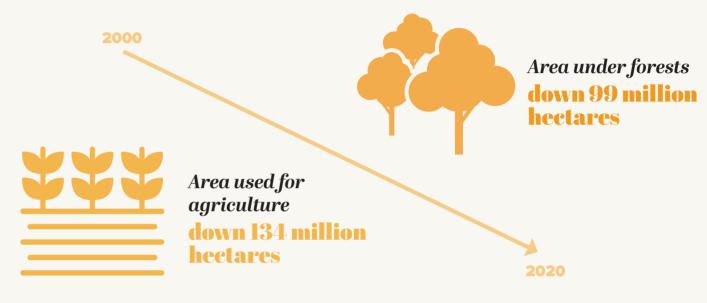
# Promoting agricultural development in Africa and Asia





# As a result of the climate crisis, less land is being farmed

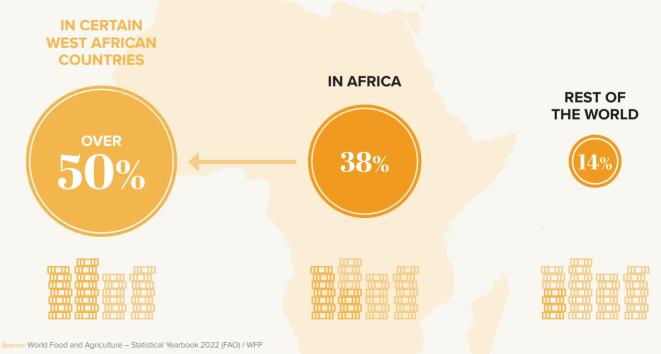
Between 2000 and 2020, the area used for agriculture declined by 134 million hectares (the size of Peru), while the area under forests shrank by 99 million hectares (the size of Egypt).



Source: FAO. 2022. World Food and Agriculture – Statistical Yearbook 2022. Rome.

# What proportion of a household budget is taken up by food?

Food as a proportion of the average household budget



# Farm Credit Armenia, a finance cooperative for food security

100 Interview with Armen Gabrielyan, CEO and President, Farm Credit Armenia (FCA)

FCA is Armenia's sole agricultural credit cooperative. It supports – with the aid of an AFD Group 1.5 m euro loan – its clients, the members, owners, participants, and beneficiaries of the cooperative. Its commitment is to improve the quality of life in rural Armenia, by providing accessible financial services to targeted groups, thereby fostering the country's sustainable development and contributing towards food security.

# 

Armen Gabrielvan has extensive experience in banking and agricultural lending. He was among the founding staff of ACBA Crédit Agricole Bank, in 1995. In 2005, he ioined the Center for Agribusiness and Rural Development NGO as head of its loan department. Since 2007, he has been the CEO and President of Farm Credit Armenia. He has a diploma from Moscow Supreme School at the Central Committee of Komsomol, in the Faculty of Political Science and Journalism and an MA in Law, from Yerevan State University

# WHAT IS THE FOOD SECURITY SITUATION IN ARMENIA?

Food security is a core aspect of national security. In Armenia, it is ensured primarily by agricultural development, domestic food production, and food import systems.

Armenia has developed agricultural sectors, which ensure a comparatively high level of self-sufficiency. These include vegetables and fruit; sheep and goat breeding; egg and fish, beef and pork; and milk and dairy production. In other categories, though, the country relies heavily on imports; for instance, wheat, rice, sugar, and vegetable oil production. This dependency on imports exposes Armenia to risks, such

as global food shortages and price increases. To address these issues, the government has implemented policies to promote domestic production in the vulnerable sectors and to reduce dependency on imports. These measures include subsidized loans and training for farmers, and promoting modern technologies and irrigation systems.

In 2020, Armenia's Global Food Security (GFS) Index was calculated at 59.4%<sup>1</sup>, constituting food availability - 64.9%; accessibility - 55.4%; quality and safety - 65.1%; and natural resources – 51.2%.

# WHAT ARE THE REASONS FOR THIS STATUS?

Armenia has historically experienced food security issues due to its geography, limited arable lands, and dependency on imports. It relies on agriculture for domestic food production, but climate conditions, land degradation, and inadequate infrastructure have posed challenges.

Furthermore, there is a lack of modern technology and equipment available for developing agriculture and food production. Farmers battle to keep up with the demands of a rapidly changing market, requiring high quality and efficient production methods.

Additionally, the Nagorno-Karabakh conflict has impacted food security. It has disrupted agricultural activities, displaced populations, and damaged

infrastructure, affecting farming communities and their ability to produce food. The sector most affected has been wheat production. A significant part of Armenia's demand for wheat is met by wheat fields in Artsakh, which were reduced because of the 2020 Artsakh war. Moreover, socio-economic factors - poverty, unemployment, and income inequality - contribute to food insecurity in Armenia. Vulnerable populations, such as low-income households, may struggle to consistently access nutritious food.

# HOW DOES FCA CONTRIBUTE TO FOOD SECURITY?

FCA's mission statement reflects its commitment to improving the quality of life in rural Armenia, by providing accessible financial services to targeted groups, including agriculture; agribusiness; SMEs, micro borrowers; young, beginning and small farmers (YBS); women, and minority rural residents. It aims to contribute to the sustainable development of the country, by delivering the best loan products to all rural areas.

Almost 82% of the loan portfolio is allocated to different sectors of agriculture. FCA finances primary agricultural production (crop cultivation and cattle breeding), as well as food production and processing. Due to its small size, the cooperative is unable to significantly alter the country's level of food security; however, it comprises 6-7% of Armenia's total agriculture loan portfolio.

# **EXPLAIN THE FCA'S 'ONE CLIENT - ONE VOTE' COOPERATIVE** STRUCTURE?

FCA is the only true cooperative credit institution in Armenia. Its members are the owners, controllers, and beneficiaries of the organization. The cooperative model contributes to stability, because of its proximity to its clients. It provides credit to its clients and members in good and bad times. The core values of the organization are honesty, respect, commitment, customer

orientation, teamwork, accuracy, efficiency, transparency, and professionalism. It forms long-term relationships with owner-clients, who have complex financial requirements. In this regard, FCA is a socially responsible lender, which works for the benefit of all the farmers and beneficiaries of the cooperative.

# WHAT ARE THE EXPECTED IMPACTS OF THE AFD GROUP SUPPORT?

The loan from AFD (in Armenian dram) plays a crucial role for this credit cooperative. As FCA increases its equity from the members' contribution, it is very difficult to achieve significant annual growth. The AFD subordinated loan is accounted for as Tier 2 equity, which increases lending capacity and allows leveraging of the total equity to borrow additional funds. This type of partnership illustrates the significant role of development institutions, and is a prime example of strategic partnership.

The agricultural credit market is highly competitive in Armenia. FCA's strategy is to

maintain and grow its market share by focusing on its strengths, including its flexibility, pricing, customer service, and cooperative principles. A variety of new products are in development. These include agro-tourism and rural tourism loans, value chain financing, and energy efficiency and green loans, as well as loans to young, beginning, and small farmers, in addition to a recently activated leasing product. FCA is a small financial institution; yet, it has a nationwide structure.

# **FOCUS**

# FARM CREDIT ARMENIA

Farm Credit Armenia (FCA) is the only financial institution in Armenia that is a cooperative. Its clients are the members, owners, participants, and beneficiaries of the cooperative FCA provides loans to legal entities and private individuals engaged in agriculture and the processing of agricultural products, as well as associated entrepreneurial activities. The social focus of FCA is central to its activities; hence, its rates are among the lowest on the country's agricultural finance market.





# To impact food security, investors must understand farmers' resilience to climate change

10 Ellie Turner, Deputy Agriculture Lead, 60 Decibels

In recent years, unprecedented shocks - climate change, Covid-19 and supply chain disruptions - have changed the trajectory of progress on global food security. Acute food insecurity increased by 33 percent from 2021 to 2022. Smallholder farmers will be critical to resolving this food crisis, yet they are among the most vulnerable to climate shocks. Building climate resilience has emerged as a top priority for investors working in smallholder agriculture, but demonstrating impact on resilience has remained a challenge.

# **AN ARTICLE BY (I) ○ ELLIE TURNER**

Ellie Turner is the Deputy Agriculture Lead for 60 Decibels. She holds an MSc in Agricultural, Food, and Resource Economics, and has 15 vears' experience implementing and evaluating programs with smallholder farmers in the Global South. At 60 Decibels, Ms Turner works with impact investors in the agriculture sector to understand and improve their impact on farmers Prior to working at 60 Decibels. she was a founding member of the Food Security and Agriculture practice at RTI International, a global research institute, where she oversaw agribusiness development projects in Fast Africa

he world's 600 million smallholder farmers produce a third of the global food supply. However, rising temperatures, water scarcity, and frequent extreme weather events have jeopardized these farmers' ability to produce food. In Africa, yields of staple crops such as wheat and maize are projected to decline by 10-20 percent by 2050. Smallholders

are among the most vulnerable to unexpected weather events, because they rely primarily on rainfed agriculture, and have small landholdings, as well as low education and high poverty levels. For these farmers, one season of crop failure can be dire, impacting their ability to produce food—and feed their own families—for generations to come.

# **BOOST RESILIENCE, NOT JUST PRODUCTIVITY**

Technologies and solutions exist to increase productivity on small farms. Social enterprises, NGOs, governments, and research institutes have been developing and scaling these for decades. Generally, some combination of training, finance, and market access can help a smallholder to adopt these solutions. 60 Decibels has worked with many of these innovative social enterprises to measure their impact on a range of key metrics, including production and income. This is done by listening directly to the smallholder farmers 60 Decibels serves. The result is that impact measurement is made simple and scalable, enabling agribusinesses to improve their products and

services. In the past three years, 60 Decibels has listened to 18,000 farmers in the Global South, using standardized questions to establish impact performance benchmarks. These benchmarks include metrics for improved production and farm income—which have been paramount for most agriculture initiatives.

But with increasing climate risks, companies working with smallholders are no longer solely focused on boosting food production. They are thinking about a complex series of scenarios a farmer faces and how to ensure food production—and a sustainable income—in both the short and long terms. Consider the example

of businesses that provide loans to farmers to buy quality maize seeds. Farmers get a loan and plant their farms with maize seeds. Their production increases, they earn more money, pay back their loans, and can feed their families. This entails a positive social impact and mate scenarios and helping farmers to build contribution to food security. Now imagine that there was insufficient rain for the maize to germinate. They may have no other crops to rely on for their income and could default on their loans. They may rely on coping strategies—like

selling productive assets or keeping their kids out of school—which could negatively impact their ability to grow food and earn a living in the long term.

Businesses are now considering various cliresilience to shocks. The aforegoing fictional lending businesses, for example, might package their loans with a crop insurance product, or link their borrowers to a weather advisory service that tells them the best time to plant.

# TO IMPACT RESILIENCE. MEASURE RESILIENCE

Social enterprises (and their investors) know that "you can't manage what you don't measure," so to build farmer resilience to climate change - and therefore, food security - measuring resilience is critical. But how do you measure impacts across a range of scenarios that did and did not happen? It is extremely complex to consider all the possible scenarios for farmers in the above example. Social enterprises would need to know everything about their clients' farms and families, the probability of specific weather events occurring, and which coping strategies they would use - and scenarios would need to be projected over the medium and long terms.

But the good news is, businesses do not have to get bogged down in complex risk modeling. To measure impact, they just have to listen to farmers, because farmers already know. They know if something has made them more or less vulnerable to a climate shock.

Let us go back to the example given. Imagine these farmers got their loans, and we asked them a simple question: "What would have happened if it did not rain enough?" Perhaps they knew that the seeds they had used the loan for were drought tolerant, and when they bought these seeds, they received an advisory on the best time to plant them. So, they felt prepared, and they could tell us that.

So now, in addition to measuring impact on the things most observable to a farmer – like production and income - 60 Decibels has simple, standard metrics for measuring a company's impact on climate

resilience. The Climate Resilience Assessment measures changes in three key dimensions of household resilience, all captured through lean, remote interviews with a representative sample of stakeholders:

1. Perceived resilience. Four key indicators are used to assess how an individual's resilience to potential future shocks has changed because of a specific business.

2. Realized resilience. For those households who have experienced a shock recently, five more indicators are captured to measure how they fared in the face of that shock, and what the impact of the company was on their recovery.

3. Resources and enablers. Changes are measured in a farmer's access to key resources and enablers that are proven to be drivers of resilience, providing objective measures of what factors have changed and actionable insights into how to better support households.

Through standardization, 60 Decibels is building benchmarks to enable comparability of resilience impact performance across various factors. The perceived and realized resilience indicators could, for example, be used to measure (and compare) impacts on chicken farmers in Ethiopia, coffee farmers in Indonesia, or shopkeepers in Nicaragua. Resources and enablers are designed to be used in tailored combinations while remaining standardized. The goal of this tool is to make it easy for companies to measure—and therefore impact—farmers' resilience and global food security.

# **FOCUS**

# **60 DECIBELS**

60 Decibels provides simple scalable, and high-value impact measurement, by enabling investors and enterprises to listen to their beneficiaries anywhere in the world. They turn this listening into quality, benchmarked impact data and insights, to help clients demonstrate and manage their social performance, 60 Decibels has built a sector-leading infrastructure to undertake rapid, quality impact measurement remotely, including a network of 1,000+ researchers in 75+ countries, who speak directly (by phone) to end users





# Towards food security in Yemen: HSA Group in concert with the UN, DFIs and international NGOs

Nabil Hayel Saeed Anam, Managing Director, HSA Yemen

Against a background of conflict and widespread food insecurity in Yemen, the country's HSA Group continues to work in partnership with UN agencies, DFIs and international NGOs. HSA Group's work with Proparco demonstrates the positive effect of public-private partnerships in bringing affordable essential products and services, as well as humanitarian and social development to a crisis-stricken country.

# NABIL HAYEL SAEED ANAM

Nabil Hayel Saeed Anam is the Managing Director of HSA Yemen, and a Board Member of HSA Group, one of the largest conglomerates based in the Middle East. Nabil has extensive experience in adaptive strategies and crisis management, much of it gained while leading the Group's operations in the midst of the world's worst humanitarian crisis. He leads many of HSA Group's partnerships with global organisations.

# WHILE MORE THAN 50 % OF YEMEN'S POPULATION SUFFERS FROM FOOD INSECURITY, WHAT IS YOUR VIEW ON THE POTENTIAL SOURCES OF HOPE FOR A DEFINITIVE END TO THE CONFLICT?

Yemen remains the world's worst humanitarian crisis, with over 17 million people suffering from food insecurity. Furthermore, it is disproportionally impacted by external shocks due to its reliance on imported goods. The private sector plays a vital role in ensuring the country's food security and is responsible for the majority of food imports into Yemen, which make up 90% of Yemen's total food supply, adapting in the face of logistical, economic and political challenges. These challenges, in combination with volatile international markets, have contributed to a decrease in the purchasing power of busi-

nesses and consumers alike. While fulfilling the immediate needs of vulnerable populations is an essential part of humanitarian aid, it must be combined with a long-term holistic approach that addresses the root causes of food insecurity, such as currency depreciation, lack of domestic agricultural production and low purchasing power linked to economic stagnation. Only by addressing the root causes of food insecurity can we hope to provide a sustainable solution to the problem.

# WHAT CONCRETE INITIATIVES TO REDUCE FOOD INSECURITY HAVE YOU SEEN OVER THE LAST FEW YEARS FROM BOTH PUBLIC AND PRIVATE STAKEHOLDERS?

In the last eight years, HSA Group has partnered with a number of UN agencies, including the World Health Organization (WHO), the UN Office for Coordination of Humanitarian Affairs (UN OCHA) and the World Food Programme (WFP) on a variety of initiatives and aid programmes that benefit millions of Yemenis. Our

work with the WFP has included milling flour for distribution across Yemen, manufacturing high-energy date bars for school feeding programmes, distributing emergency food baskets across Yemen, and coordinating logistics for the delivery of vital medical supplies to respond to Yemen's Covid-19 crisis, through the Interna-

tional Initiative on Covid-19 in Yemen (IICY). Most recently, HSA Group has been partnering with Tetra Pak on a new initiative in Yemen that will serve as a pilot for introducing fortified milk in school feeding programmes. At HSA Group, we remain committed to working with our partners to address Yemen's food security challenges and to help build a prosperous future.

Yemen remains the world's worst humanitarian crisis, with over 17 million people suffering from food insecurity.

# WHAT SPECIFIC ROLE DOES HSA FOODS PLAY IN IMPROVING FOOD SAFETY IN YEMEN?

During Yemen's ongoing food crisis, all aspects of the food systems have been affected, including food safety. In an attempt to improve food safety, HSA Group, together with its partners, has facilitated critical projects across the public sphere, affecting infrastructure and nutrition. We are also constantly innovating in areas such as packaging, incorporating digital technologies to enhance food safety. In some cases, the Group has had to adapt its operations to ensure that it meets the needs of its consumers. This has previously involved adapting the contents of its

products to boost nutritional value and shelf-life, and redesigning packaging to reduce wastage caused by exposure to environmental elements such as sustained direct sunlight and rough terrain. The quality and safety of our products will remain our top priority. We believe that food safety is integral to the entire food system and that it plays a critical role in providing safe and nutritious food for all. At HSA Group, we are committed to improving food security in communities across Yemen and beyond.

# **FOCUS**

# HSA GROUP

HSA Group was established in Yemen in 1938 and now employs over 35,000 people globally. The Group is the largest private company and a leading importer of food commodities and essential goods in the country. It has delivered and contributed to humanitarian and social development programmes in its home country, often in partnership with UN agencies and international NGOs.

# WHAT ARE THE TANGIBLE IMPACTS OF THE PARTNERSHIPS BETWEEN HSA AND DFIS IN SOLVING THE FOOD SECURITY ISSUE IN YEMEN?

Throughout our 85-year history in Yemen, HSA Group has harnessed the power of partnership to solve food security issues and drive sustainable development. We believe that collaboration between the private sector and DFIs can address Yemen's food security issues. DFIs play a vital role in unlocking investment in fragile and conflict-affected states that are cut off from international markets due to their perceived high-risk profiles. The Group has partnered with the International Finance Corporation (IFC) to support food security in Yemen. Through this partnership, organisations such as Proparco and FMO have been able to invest in the Yemeni market, enabling us to manage wheat imports at a time of high price

volatility, in order to ensure affordability when it matters most for people in the country. There is a huge opportunity for DFIs to invest further in Yemen, partnering with the private sector to address immediate humanitarian challenges and help pave the way to sustainable economic development and growth. HSA Group's Economic Development Initiatives (EDI) have recently published a study, entitled "Unlocking the Potential of Yemen's Private Sector"<sup>1</sup>, which is designed to foster open engagement between the private and public sectors and international organisations, to address Yemen's challenges and encourage efforts to scale up private sector development and engagement in Yemen.



# **HOW CAN THESE PARTNERSHIPS BE IMPROVED?**

Our partnership with the IFC has been a great success and has brought finance and agility to an extremely challenging market, supporting communities across Yemen. It was the IFC's first agribusiness investment in Yemen in 10 years and Proparco and FMO's first ever in

We believe that collaboration between the private sector and DFIs can address Yemen's food security issues. DFIs play a vital role in unlocking investment in fragile and conflict-affected states that are cut off from international markets due to their perceived high-risk profiles.

the country. Sadly, the underlying challenges remain, and more support will be needed from DFIs in the future. We will need to support projects that tackle the wider causes of food insecurity, promoting initiatives that boost domestic production, address import imbalances, and deal with widespread water scarcity. We cannot rely on humanitarian aid to generate prosperity in communities. Instead, private sector organisations and DFIs will need to work together to create the conditions for long-term growth. Through encouraging more DFI engagement – tailoring support to address the structural issues in addition to immediate needs and prioritising growth across the value chain – the development community can create a tangible positive impact and build a better future in these uncertain times.

# WHAT ARE THE KNOCK-ON EFFECTS OF THE UKRAINIAN CONFLICT ON HSA'S PROCUREMENTS AND SUPPLY CHAIN, AND ULTIMATELY ITS EFFECTS ON THE LOCAL POPULATIONS THE GROUP SERVES?

The past 18 months have been characterised by extraordinary turbulence and turmoil globally. The communities we serve are facing challenges that have been exacerbated by the conflict in Ukraine, while we continue to experience disruption across our operations. The ongoing food security crisis, lack of international funding for humanitarian operations, and the outbreak of the conflict in Ukraine have combined to create one of the worst possible situations for millions

of Yemenis. During this period, HSA Group has faced increasing challenges in securing sufficient supplies of affordable food to support Yemen. The resulting food shortages have caused price surges in basic commodities traded globally. In such uncertain times, it is our responsibility together with our partners to continue to provide affordable essential goods and services to millions of people in Yemen.

# Placing contract farming in the service of development, food security and equality

Senior development impact advisor, Finnfund

The 2022 Global Report on Food Crises¹ estimates that at least one in five Africans goes to bed hungry, and an estimated 140 million people in Africa face acute food insecurity. The Horn of Africa, in particular, is again suffering from persistent drought, and countries dependent on imported wheat and sunflower oil are suffering as prices have skyrocketed because of the Ukraine war. Gender inequity – with women precluded from contributing – compounds the issues.

any of Finnfund's agricultural investments² have small-holder farmers³ in their supply chains, through various types of contractual arrangements; food security and smallholder access to markets are key development impacts in these investments. Generally, smallholder farmers in Africa struggle with limited access to quality inputs, seeds, fertilizers, modern farming methods and access to markets. We want to better understand how agricultural companies typically engage with smallholders: what are the benefits, risks, and obstacles in engaging with them; what

are the impacts of contract farming<sup>4</sup> on food security. Finnfund also wants to assemble best practices to manage and mitigate these. Increased food production does not necessarily imply food security, whereas investment in cash crops for export, potentially decreases food security at the community level. Furthermore, reliance on smallholder suppliers for crop purchases, poses various risks for companies.

What follows are key best practices and ideas obtained from recent academic research. 'Smallholder incorporation in commercial value chains through agricultural traders and local food security', 2022 (with E2 Research).

# **AN ARTICLE BY**

# **I ⊚** ANNE VALTO

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Development Impact Advisor with
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She has worked in development
cooperation and financing for
over 20 years. At Finnfund, Anne
specialises in the forestry and
agricultural sectors, climate change
adaptation, biodiversity, and gender
issues. She enjoys building bridges
and feeding synergies between
the public and private sectors,
civil society and communities, and
understanding the wider impacts of
development financing.

Women's access to productive resources such as land and finance is traditionally more limited compared with men, as is their general decision making power at the household and community levels.

<sup>1.</sup> Source: Global Report on Food Crises, 2022 / Food Security Information Network (FSIN) - https://www.wfp.org/publications/global-report-food-crises-2022

<sup>2 • 8.4%</sup> of Finnfund's investments (portfolio and commitments) is in agriculture and food processing

<sup>3 •</sup> Smallholder farmer definition and e.g. size of their land holdings varies between country contexts, but what is always common is that they use mainly their own labor for farming activities

<sup>4.</sup> Contract farming involves agricultural production being carried out on the basis of an agreement between the buyer and farm producers. Sometimes it involves the buyer specifying the quality required and the price, with the farmer agreeing to deliver at a future date.



## **FARMER RISKS AND BENEFITS**

Smallholder farmers are eager to participate in contract farming as it offers an opportunity for livelihood improvement and the possibility to reduce risk – for example, price fluctuations. One of the major reasons contract farming is increasing in popularity is the spread of food retailing businesses, due to rapid urbanization, requiring a steady flow of high-quality raw materials. This requires vertical coordination between producers and markets. Also, contract farming

Contract farming could reinforce the current gendered modes of operations. It may also have negative gendered effects if traditional food crops are displaced by cash crops.

may also offer farmers access to farming inputs and advisory services. While increased income from contract farming may lead to improved food security and dietary diversity, because households can afford to buy additional items from the market, it does not automatically do so. Households may prioritise other spending, such as on school fees or agricultural inputs, or there may be limited diversity of food in local markets. There is also the tendency to favour contract farmers with larger parcels of land and with access to irrigation. On the risk side, narrowing crop diversity and moving to monocultures can result in a loss of soil fertility and biodiversity, leading to increased exposure to pests and price shocks.

## **GENDER RELATIONS AND FOOD SECURITY**

Women's access to productive resources such as land and finance is traditionally more limited compared with men, as is their general decision-making power at the household and community levels. On the positive side, contract farming provides the opportunity to empower women, by allowing them to participate, which enables them to attain financial independence

and increase their bargaining power within their households. Yet, to succeed, awareness raising is needed. On the contrary, contract farming could reinforce the current gendered modes of operations. It may also have negative gendered effects if traditional food crops are displaced by cash crops.

Figure 1. Property ownership by gender for selected countries in Sub-Saharan Africa (average 2000-2020) ▼



Source: The Paradox of Gender Equality and Economic Outcomes in Sub-Saharan Africa: The Role of Land Rights (Evelyn Wamboye / Center for Global Development – 2021)

## FOOD SECURITY RISKS AND BENEFITS AT COMMUNITY LEVEL

Changes in local crop production inevitably impact local food security. Not all community members benefit from contract farming, and there is a risk of increasing inequality. Additionally, the availability and diversity of locally acceptable food may decrease when land is allocated for cash crops, and food price fluctuations may increase. Those not participating as contract farmers can also benefit, through increased job availability, infrastructure development and corporate social responsibility activities implemented by companies. Developing farmer organisations may also increase local capacities and social cohesion.

There are a huge variety of contexts for smallholder contract farming; thus there is no panacea that would solve all smallholder partnership challenges. That said, there are important findings in the study that could guide risk mitigation, from both farmer and company perspectives. These include taking into consideration historical and institutional legacies that have shaped local conditions, having professionally managed contractual relations and mutual trust, as well as a market-driven approach.

## FOCUS

## FINNFUND

Finnfund is a Finnish development financier and impact investor. It aims to build a sustainable future and generate lasting impacts by investing in businesses that solve global development challenges in developing countries. Each year Finnfund invests 200-250 million euros in 20-30 projects, with the emphasis on renewable energy, sustainable forestry, sustainable agriculture, financial institutions and digital infrastructure and solutions. Today its investments, commitments and investment decisions total about 1.22 billion euros, half of which are in Africa. The organisation has 100 employees, based in Helsinki and



# In Kenya, a case embracing the future with gender lens

Kentegra Biotechnology, Kenya, produces a pale, refined extract of the pyrethrum flower, sourced mainly from smallholder farmers. Their farmer partnership model aims to build trust through transparency and fair treatment and has within a year been able to triple the number of contract farmers from some 7 000 to over 20 000. The model's principles are:

- Transparent farmer screening, selection and introduction to the model.
- Market-driven approach, based on traditional crops and rapid growth in demand.
- · Long-term partnership, sustainability and scaling.
- Viability for the company and farmers. Farmers can multiply their income up to 8 times compared to other cash crops they produce.
- Inputs are provided: also soil analysi
- Farmer training to promote performance and product quality
- **Risk mitigation** through drought resistance crops and regenerative farming methods. Pricing and payment mechanisms guarantee prices and prompt payments.
- Managed contractual relations and mutual trust based on a sound contract and Farmer Relations Officers interacting with farmers' groups.
- Farmers' interests are addressed in group meetings; the Savings and Credit Cooperative Organisation (SACCO) is one result.

Concerning food security, the model has been a success. Farmers receive a steady, increased income, allowing them to pay school fees and buy additional food. Those with small land parcels – many with 0.5 acres – are able to join. **Currently, some 50% of the farmers are women, but the target is 55% by 2027.** To safeguard food security at the household level, Kentegra advises farmers to diversify production and retain space to cultivate food crops.





# Financing a sustainable future: de-risking innovation through food systems investing

10> Tim Crosby, Chair, Transformational Investing in Food Systems (TIFS)

Faced with the negative-dominant impacts of food production, opportunities in sustainable food businesses need to be aligned with the capital available for transformation. To achieve this, they must be brought within view of private sector impact-first investors. This requires calculated and thoughtful government interventions.

# **AN ARTICLE BY I** → TIM CROSBY

Tim Crosby is the Co-Founder and Chair of TIFS. He is also Principal of the Thread Fund, a family office currently focused on food system transformation. Additionally, Tim is a Steering Committee Member of the Global Alliance for the Future of Food and a Member of the Agroecology Fund. Previously he was Co-Chair of Sustainable Agriculture and Food System Funders, Manager of the Cascadia Foodshed Financing Project, and Director of Slow Money Northwest. He has also spent 15 vears as a professional photographe and designer. Tim holds an MBA in Sustainable Business and a BA in Anthropology

ultiple reports and research programs have shown that the true cost of food is disproportionally high, with the negative impacts outweighing the positive value. The Scientific Group of the UN Food Systems Summit in 2021 estimated the annual costs of environmental, health and economic impacts of food systems at roughly USD 29 trillion per year, 1 compared with the economic value of food sold at market prices, of USD 9 trillion per year. The global food system contributes upwards of 33% of

greenhouse gas emissions,2 with agriculture being the primary driver of biodiversity loss.<sup>3</sup> Almost 10% of the global population is hungry or undernourished,4 while diet-related diseases are a major 21st century challenge.

An estimated investment of USD 300-350 billion per year is needed to make food systems sustainable and climate resilient. These investments could result in new business opportunities worth up to USD 4.5 trillion a year by 2030. The "Mobilizing Money and Movements" report,5 by TIFS, features companies that exemplify the ideals of the network.

# THE MISSING MIDDLE

Financial institutions and normal financial flows are not currently serving the need for capital investments in farming, ranching, fishing, and related SMEs that advance multiple Sustainable Development Goals (SDGs) at the same time. The innovative enterprises included in the 'Mobilizing Money' report are often seen as being too small or risky by institutional investors, with

bring these opportunities within the view of

the funding available to them being scarce and expensive compared with that on offer to larger food businesses. This disconnect between the available capital for transformational food system businesses and the lack of visibility of investable opportunities for investors requires calculated and thoughtful government interventions to

private sector impact-first investors. This necessitates developing public-private-philanthropy partnerships that de-risk the financial innovations necessary for resiliency in our global and regional food systems.

In emerging from its design phase, TIFS is focusing on the missing middle of food systems investing: the gaps that make it challenging to mobilize the financial capital needed for food systems transformation.

These include:

# - Financial markets

Global public equity markets allocate capital that indirectly generates both positive and negative externalities. By using verifiable methods to reduce negative externalities, access to capital for enterprises generating positive externalities could be improved, mitigating their deemed

higher risk. Financial precedent-setting examples are needed that revise definitions of risk, reward, efficiency and scale, in moving towards increasing food security, biodiversity and climate resilience.

# - Financial capital allocators

SMEs adopting regenerative and agroecological principles often need flexible finance (e.g. loan guarantees and other forms of collateral, and blended finance to match smaller scales). Grant-makers do not make grants aimed at business success, while investors shy away from unfamiliar models (e.g. agroecological production), overpricing risk, and making capital unattainable. Also, the investment needs of socio-ecological enterprises may be too small for large investors, yet these innovative SMEs are needed to achieve global goals. This requires better financial pricing.

# **FOCUS**

TIFS (Transformational Investing in Food Systems) is an impact network dedicated to building pathways to just and sustainable food systems. The holistic approach of TIFS recognizes the full value of food production for consumers, communities, and nature. It convenes public, private and philanthropic interests that seek action toward systems transformation goals. TIFS develops and prototypes systemic investing tools that advise oublic and private investors on where orivate funds are focused within a set of system goals, and also their ability to deliver results. TIFS is an allied initiative of the Global Alliance for the Future of Food: it partners with the Agroecology Fund and other aligned nitiatives to advance food systems

## SYSTEMS DATA. RISK ASSESSMENT AND IMPACT VERIFICATION

Metrics that drive global food systems are primarily geared towards yield and scale, yet to achieve the SDGs, we need data and evidence that provides a systems investing lens which enables investors to respond to value destruction as well as value creation. Developments in finance and agricultural technologies must include producing data that identifies and assesses financial and systems risks: financially benefiting both the producers and stewards of natural, social and human capital – and investors' financial capital. TIFS' System Investing Assessment<sup>6</sup> tools are designed to analyze funds for systems advances, and to enable applying standards in development.

National and local policies favor existing large-scale actors in the food system, making it easier for institutions to finance the status quo. However, companies that are 'shifting the system' are seen as higher risk and compete on an uneven playing field. Policies and incentives (including government subsidies, loan guarantees,

first-loss capital, and accelerator services) can de-risk innovation to level the financial playing field and thereby unlock private investment.

The Global Alliance for the Future of Food (the author is a member) is working with philanthropists to create a global platform that accelerates finance for the regenerative, agroecological transition. TIFS' field-building efforts support this work by building regional communities of solutions-oriented finance innovators. In order to achieve a healthy, resilient, equitable, renewable, diverse and inclusive food system, we must account for environmental, social, and health impacts to inform better decision-making. Unlocking investment opportunities in sustainable food systems and aligning private, philanthropic, and multilateral funders with national food systems actors can leverage ecologically-beneficial forms of farming, healthy food, and resilient livelihoods and communities.



<sup>1.</sup> Source: The true cost and true price of food, June 2021 / Scientific Group of the UN Food Systems Summit

 $<sup>2 \</sup>star \text{Source}$ : Climate financing for food systems transformation, 2022 / Global alliance for the future of food

<sup>3 -</sup> Source: Food system impact on biodiversity loss, February 2021 / Chatham House

<sup>4.</sup> Source: Food security and nutrition in the World 2023 / FAO

<sup>5 -</sup> Source: Mobilizing Money & Movements - Creative finance for food systems transformation, May 2022 / TIFS

# E D

# Food systems to nourish the fastest-growing population

0 → Dr. Ibrahim Assane Mayaki, Special Envoy for Food Systems, African Union

Nourishing the world's fastest-growing population worldwide will involve transforming its food systems to enable food supply. Expanding Africa's food basket will serve both nutrition and resilience objectives in support of the human development needed to realize the potential of the African continent and its young population.

# 

Ibrahim Assane Mayaki is a former Prime Minister of Niger and a former CFO of the African Union Development Agency, AUDA-NEPAD. He brings decades of political and institutional leadership at the highest level in leading the multifaceted development agenda of the Continent. In March 2020 Mayaki was appointed Co-chair of the High-Level Panel on Internationa Financial Accountability Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel). Since 2022, Ibrahim Assane Mayaki is the African Union Special Envoy for Food

wo years after the Food Systems Summit of 2021, we reflect on why we are here today. We have a lot of the answers, but all the data tells us that we have not been successful, that instead of reversing the crises, they have been compounded. We target achievement of the SDGs, but to be realistic, the work we have to do goes beyond the SDGs, if we are to address the persistent and chronic hunger and put the real focus on food supply.

Our food systems are what we have made them - unfair and inequitable in some areas, buffeted by shocks and stresses, with little or no preparedness to cope; while in others, they are efficient. Addressing the current crises, and undoubtedly future ones, will require building resilience in our systems and in our populations. We will need to arm the next and future generations of some parts of the world to escape from the never-ending cycle of hunger. This is a stain on the landscape in a world of plenty, reversing the progress of some countries. It is stealing the future of our young people, who are sometimes driven to take extreme measures to prosper: a young Boko Haram fighter earning three dollars a day can have access to food.

Let us remember that food supply and food system transformation start at the national level – supplying food for populations is the first responsibility of any government, whether by using available locally produced food or by seeking it across borders. Increasing our food

supply in a responsible way goes hand in hand with growth for economic prosperity and social protection of the most vulnerable in our society.

Collectively, globally we need to act. For example, climate change has been a disruptive challenge - as we have seen with current realities, both in the north and south of the globe. Extreme weather events have a high cost. They risk the food security of people and reduce the resilience of productive natural ecosystems. The climate-change-food-systems nexus should be mainstreamed. This will nuance policy and investment interventions locally, foster improved climate-adapted agricultural technologies, generated locally, for climate-smart practices and approaches, and increase resilience, productivity and value-added processes. Conservation of biodiversity, and environmental governance should be parallel objectives.

There is a need to balance technological innovation and labour-intensive practices to increase productivity and enhance globally competitive agro-industrial performance. However, these approaches face several constraints, including inadequate access to finance, limited climate-adapted crops and livestock systems, and limited access to risk management tools. Globally, the various climate finance instruments, which have proliferated, should be adapted to resilience-building approaches, targeting people and systems. We know that just 2% of climate finance helps smallholder farmers, and these farmers are the bedrock of agricultural production.

# MAKE AFRICA LESS RELIANT ON FOOD IMPORTS

The various crises have exposed our unpreparedness and exposed the gap in resilience coping strategies between the global North and South. The food supply crisis was a wakeup call – and an opportunity. It highlighted the need for governments to act and pushed them to become more self-reliant in food production – firstly, to provide food for their populations and, secondly, to recognise the importance and interdependence of regional global cooperation.

The Covid-19 pandemic exposed the intensity in poverty and inequality, with most households balancing largely non-existent social protection measures with increased levels of fragility and weakness. And all of this has had, and will continue to have an impact on systems and people. At the recent Dakar 2 Summit, for example, African presidents boldly set Resilience and Food Sovereignty as a goal, to make the Continent less reliant on imports to feed its people.

Africa imports, on average, 40% of its food under unfair terms of trade that have eliminated tariff protection at frontiers. The lack of a regional or stable continental market keeps the majority of farmers in perpetual poverty.

With its 60% global share of uncultivated arable land, Africa is in a strategic position to cement global leadership in agriculture and agribusiness and become a food and agribusiness centre. To this end, there must be inten-

tional investments and interventions focused on increased productivity, production, food supply and value chains.

The reality, though, is negative. Overall, Africa's per capita food production has declined, while the population increase has led to a widening gap between production and consumption. However, it is a fact that expanding Africa's food basket will serve both nutrition and resilience objectives. African smallholder producers, processing entities and traders, however, compete with international agribusinesses and food imports despite lacking key enablers such as access to technologies, inadequate financing services, fragmentation in the food markets, generally low levels of income, and high levels of risk and uncertainty. Therefore, African countries have neither a regional nor a stable continental market, which persistently keeps smallholder farmers on the continent in perpetual 'poverty'. Access to energy and water as well as the development of local value-adding (food processing) capabilities are low.

Appropriate policies and regulatory frameworks are needed to enable the development of competitive supply chains. Also, digital innovations are needed not only for large-scale food producers and agro-industry systems, but also to benefit small-scale production and processing systems.

With its 60% global share of arable land, Africa is in a strategic position to cement global leadership in agriculture and agribusiness and become a food and agribusiness centre.

## WE MUST PRIORITIZE YOUTH INVOLVEMENT

Young people are extensively engaged at the policy initiation and development stages globally, and this is increasing in Africa. More emphasis should be placed on participating, executing and implementing these policies, as well as on monitoring and evaluating processes. This will foster collective ownership, control and accountability. The continent has the fastest growing young population worldwide – 60% are under 35.

Young Africans need to believe that they have a stake in the development of the Continent. How to provide economic activities is a challenge and a question to be tackled by governments when helping one another. It is at once a domestic problem and a global phenomenon. We are witnessing the exodus of not only experts but also the young: they see no hope, so the opportunity for them to contribute to economic development is missed.

# AFRICA'S AGRIBUSINESS AND AGRO-INDUSTRIALIZATION CRITICAL POINTS

Africa's current agro-industrialization model pathways need urgent re-examination and realignment, and investment in science-innovation and human capital are needed. The focus in this should be on incentivising local food- and agro-industrial growth. It should be along the length of food system value chains, through tailored trade-agriculture policies to advance the commercialization of smallholder agriculture, expand commodity ranges, and effectively integrate farmers and frontline SMEs into expanded domestic, transnational and regional supply and demand value chains.

Africa's current agro-industrialization model pathways need urgent re-examination and realignment, and investment in science-innovation and human capital are needed.

To date, the adoption rate of improved technologies in Africa stands at about 35% far lower than its potential. Only an estimated 33% of arable land is planted with improved crop varieties on the Continent. Digital innovations should be diffused globally, not only for large-scale food producers and agro-industry systems, but also to benefit small-scale production and processing systems. The conservation of biodiversity, and environmental governance will protect the land and water for the future. Aquaculture, a low carbon emission avenue for the low-cost production of protein and highly nutritious food is to be encouraged and taken to scale. Additionally, expanded investments in irrigation are needed and must be coupled with policies for the improved management and sustainable use of available water resources, to maximize agricultural output by adopting high-efficiency irrigation technologies and improved water management.

# AN ENVIRONMENT FOR CHANGE

Placing digitalization at the centre in transforming food system strategies and policies will be key to harnessing its cross-cutting innovative power. Innovation funds, in the form of grants, especially for young people, should be used to create innovative activity platforms and provide incentives to improve collaboration across regions.

Leveraging institutional procurement across the board, making the necessary investments and institutional, policy, and regulatory arrangements, and using government procurement to stimulate private sector investment will encourage the emergence of competitive SMEs and supply

chains. Food safety and regulations for school meals, as well as incentives for businesses to buy locally, involving specific agricultural and food system incentives, will result in food businesses opening. Investments in capital infrastructure and financing mechanisms for investing in national and trans-national businesses are needed to support emerging businesses and startups, especially among the youth and women.

In the current geopolitical context, attaining these objectives will essentially depend on two main factors: regional integration and domestic resource mobilization.

# FOCUS

# **AFRICAN UNION**

The African Union (AU) is a continental organisation with 55 member states. It was officially founded in 2002 to take over from the Organisation of African Unity (OAU, 1963-1999). Its aims are to work towards the promotion of democracy, human rights and development across Africa, particularly by increasing external investment through the New Partnership for Africa's Development (NEPAD). This programme considers peace and democracy as prerequisites for sustainable development.

Placing digitalization at the centre in transforming food system strategies and policies will be key to harnessing its cross-cutting innovative power. 55

# Private Sector Development

## THE MAGAZINE

Private Sector & Development (PS&D) is Proparco's magazine that compares the views of experts on issues relating to the role the private sector plays in the development of Southern countries, particularly in Sub-Saharan Africa.

The magazine calls on the expertise of development players in these geographical areas, especially private sector decision-makers, donors, international organizations, NGOs, as well as academics and experts from development research

Each issue of the PS&D magazine focuses on a theme addressed through about a dozen articles. Since its launch in 2009, Private Sector & Development has become a reference publication on the role of the private sector.

# THE WEBSITE

The PS&D website gathers the contributions published in the magazine, as well as video interviews with development players produced at Proparco by the team responsible for the editorial coordination of the magazine.

proparco.fr/en/private-sector-developmentmagazine





# **PS&D #38 CLIMATE CHANGE ADAPTATION: HOW** THE PRIVATE SECTOR IS SCALING UP

To mark COP27 held in November 2022, the 38th issue of Private Sector & Development magazine is dedicated to climate change adaptation and presents the drivers for action of Development Finance Institutions and the private sector faced with the challenges of the climate crisis.





# **PS&D #SPECIAL EDITION** THE NEW ENTREPRENEURSHIP **DYNAMICS IN AFRICA**

The objective of this special edition, which was published to mark the Africa-France Summit organized in October 2021, is to report on Africa's entrepreneurial revolution and show how this dynamic stimulates business relations between Africa and France.





PS&D #37 **FACED WITH THE CRISES, WHAT** PROSPECTS FOR THE PRIVATE

The 37th edition of Private Sector & Development magazine, produced with the association EDFI, gives a voice to European development finance institutions and presents their responses to the crisis linked to the Covid-19 pandemic.

SECTOR?





PS&D #35 PRESERVING BIODIVERSITY: THE PRIVATE SECTOR IN ACTION

This issue gives a voice to some 20 researchers and leaders of companies, foundations and NGOs which present some of the inspiring private sector initiatives to preserve biodiversity, backed up by concrete cases and key figures.





# PS&D#36 **TECHNICAL ASSISTANCE: OPENING UP NEW HORIZONS**

This issue, which was published in late 2021, provides avenues for reflection on technical assistance (TA) and what it involves. It gives a voice to a number of experts from development finance institutions, the European Union, investment companies and beneficiaries of TA





# **PS&D #SPECIAL EDITION PUBLIC DEVELOPMENT BANKS TACKLING GLOBAL CHALLENGES**

This issue was published in November 2020 to mark the global Finance in Common Summit (FiCS). It highlights the increasingly important role played by European Development Finance Institutions and addresses some of the main development issues.





# Private Sector & Development

Private Sector & Development (PS&D) is a half-yearly publication that provides analyses of the mechanisms through which the private sector can support the development of southern countries. Each issue compares the views of experts in different fields, from academia to the private sector, development institutions and civil society. An extension of the magazine, the PS&D blog offers a wider forum for discussion on private sector and development issues.

proparco.fr/en/private-sector-development-magazine

