



AFRICA UPDATE

AFRICA'S PULSE VOL. 26

SPECIAL FOCUS

FOOD SYSTEM OPPORTUNITIES IN A TURBULENT TIME

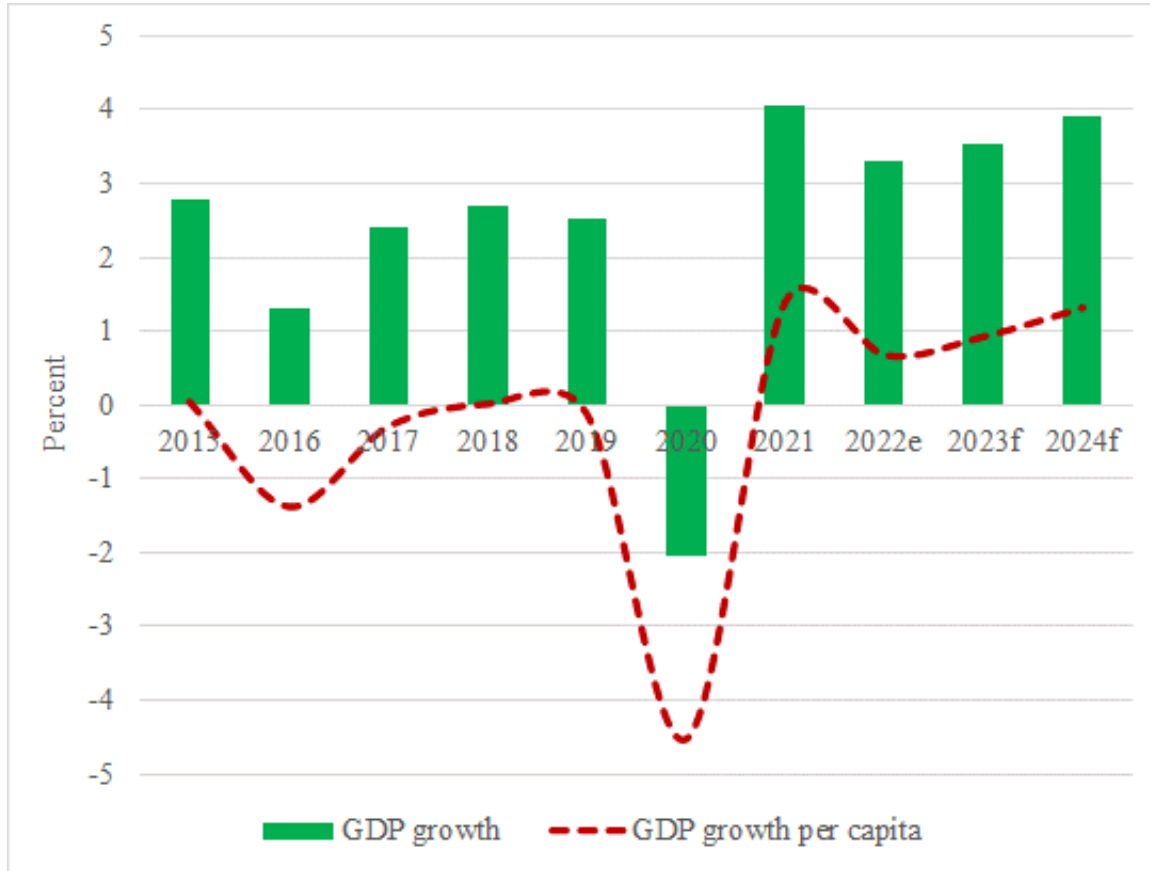


Chief Economist Office for the Africa Region

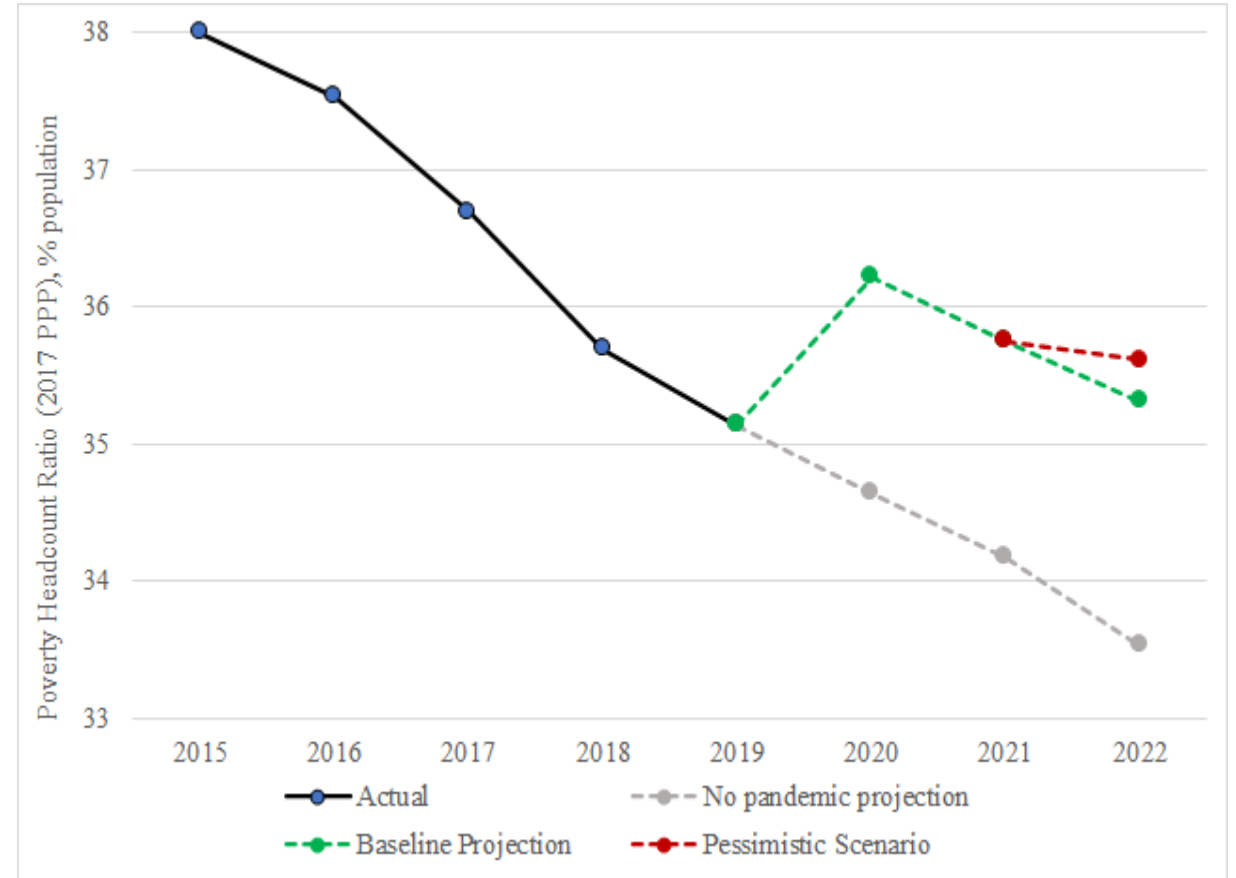
October 2022

AFRICA'S GROWTH IS SLOWING DOWN, PUTTING A HALT TO POVERTY REDUCTION

Growth



Poverty Rate

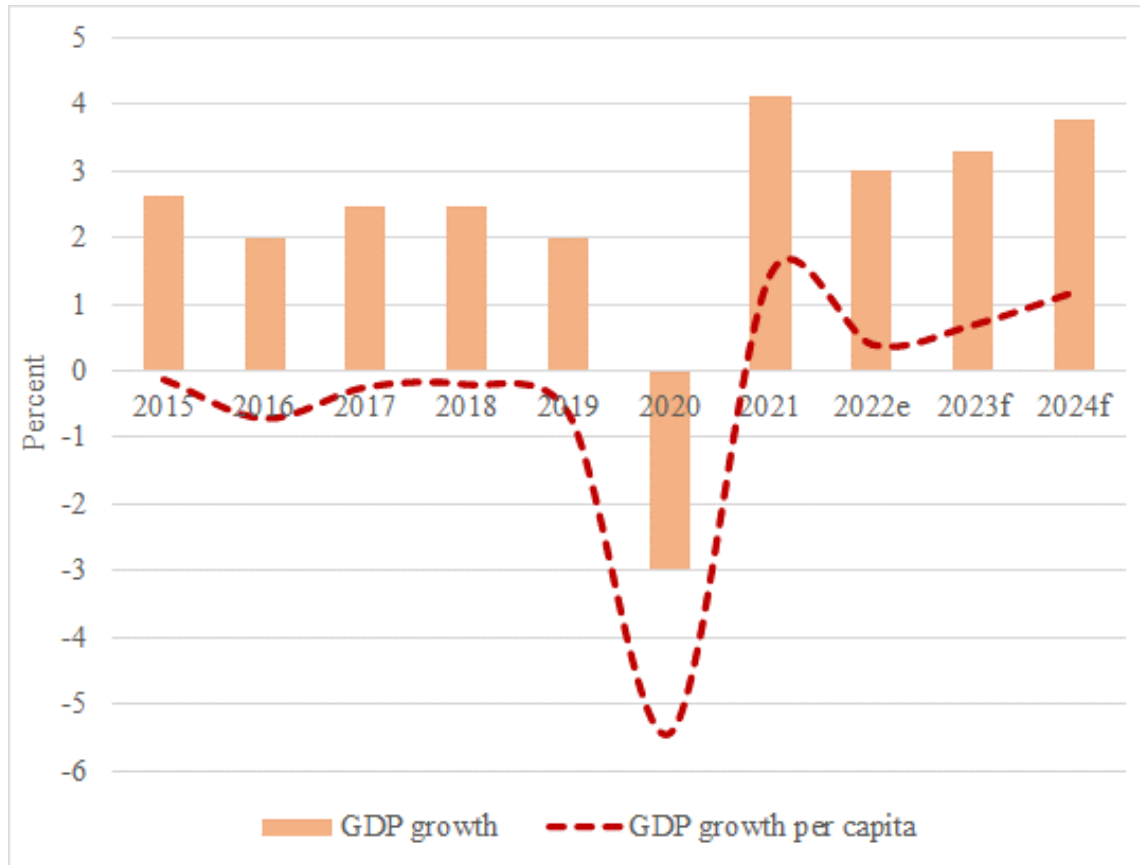


Source: World Bank staff estimates.

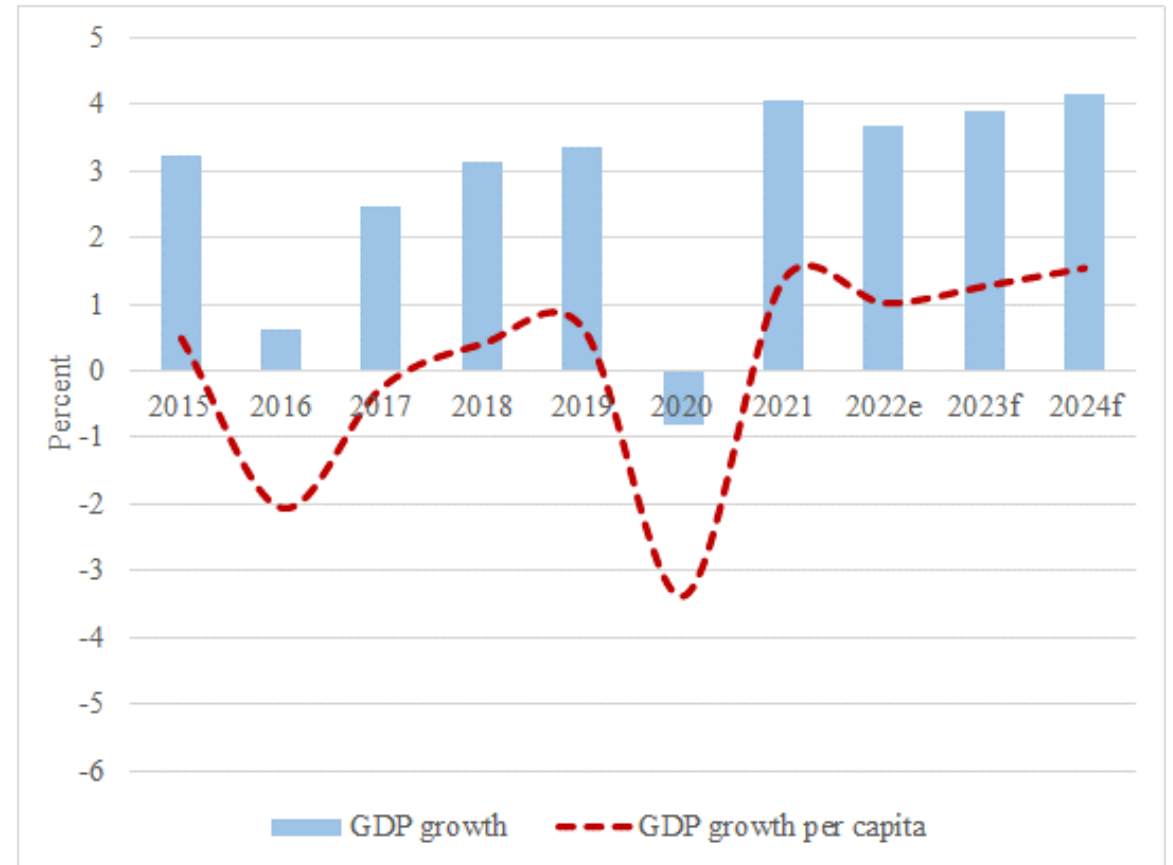
Note: Extreme poverty is measured as number of people living on less than \$2.15 (2017 PPP). Baseline projections=MPOs 2022, Pessimistic= Disproportionate impact on poor. e = estimate; f = forecast; GDP = gross domestic product.

AFRICA'S GROWTH IS SLOWING DOWN, PUTTING A HALT TO POVERTY REDUCTION

AFE Growth



AFW Growth

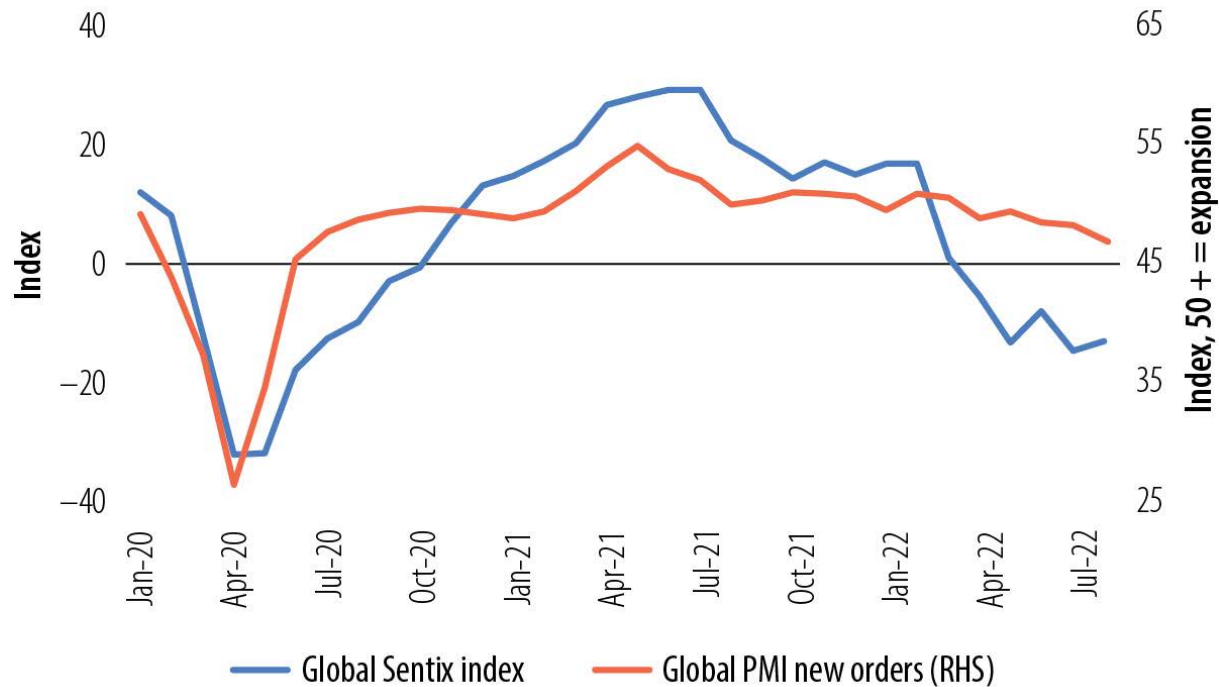


Source: World Bank staff estimates.

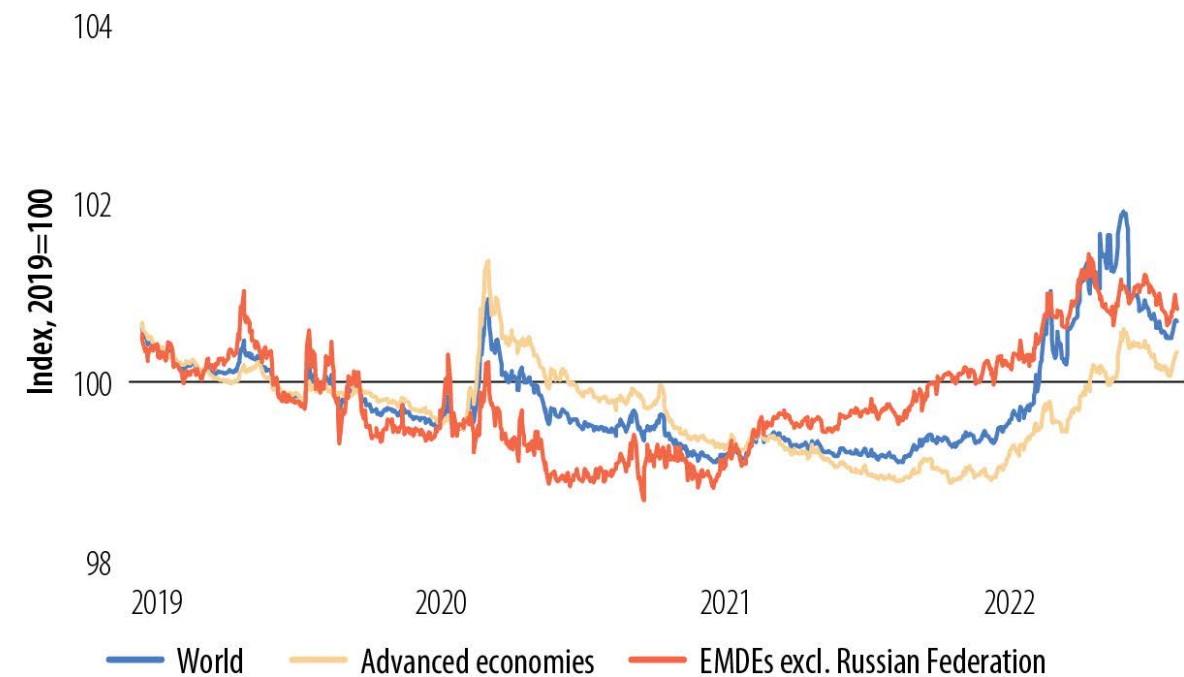
Note: e = estimate; f = forecast; GDP = gross domestic product.

CHALLENGING GLOBAL ENVIRONMENT: SLOWER GLOBAL GROWTH AND TIGHTENING FINANCIAL CONDITIONS

Global Sentix Index and PMI New Orders



Global Financing Conditions

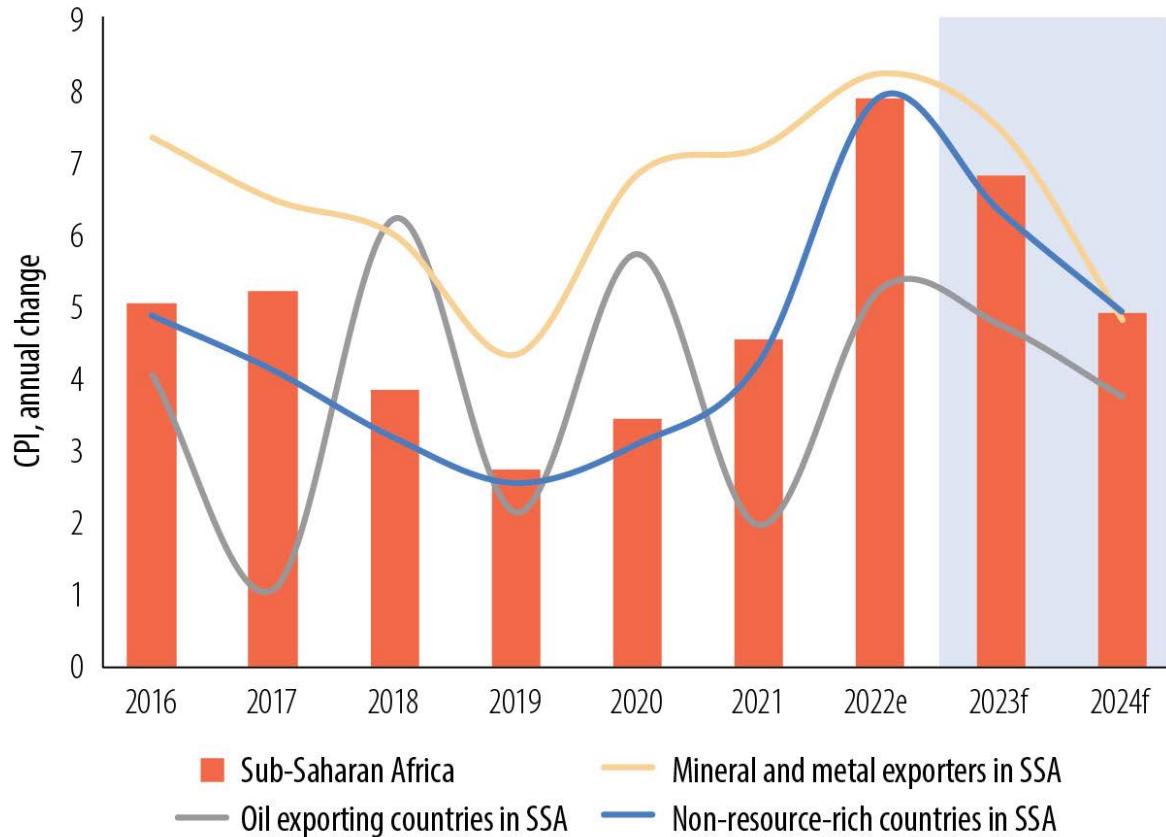


Sources: [1] Haver Analytics, World Bank. [2] Bloomberg, Goldman Sachs, World Bank

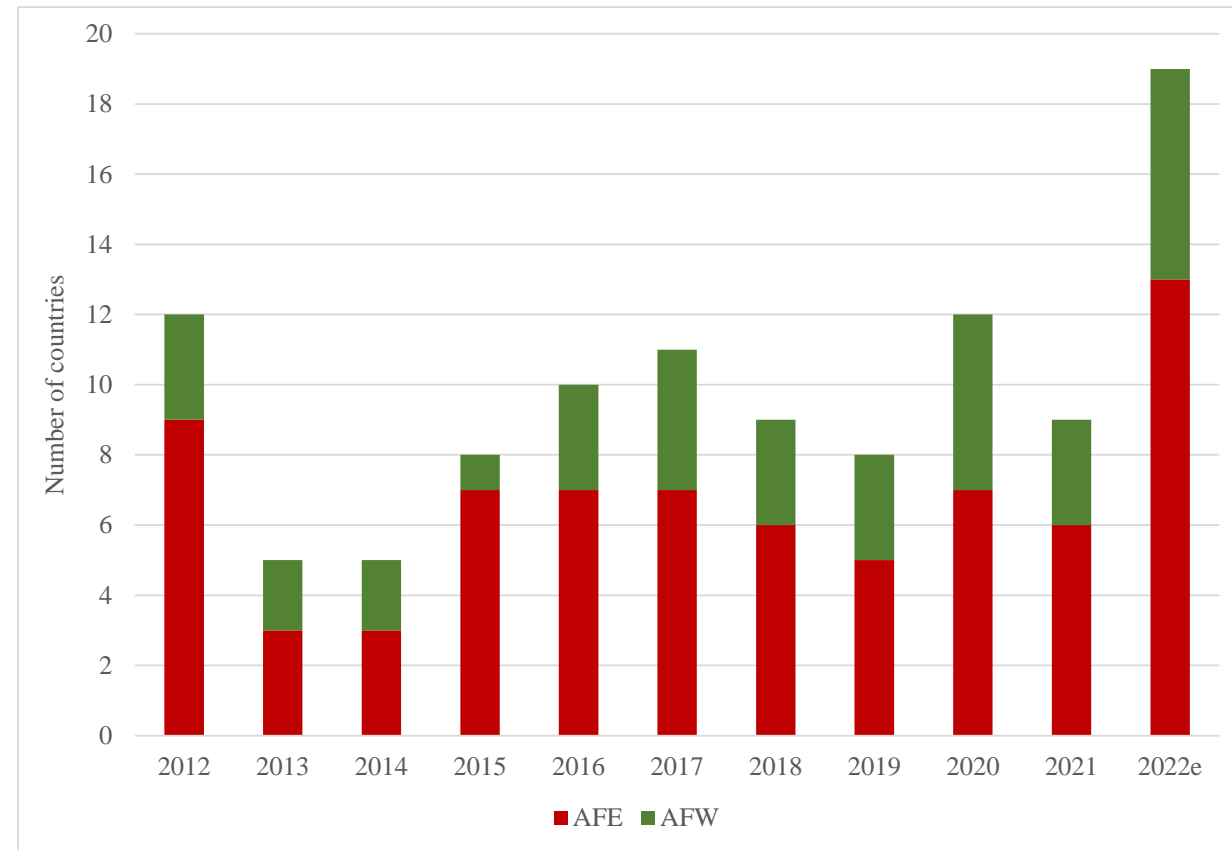
Notes: [1] Chart shows global Sentix index and PMI new orders. Purchasing Managers' Index (PMI) above 50 (below 50) indicates expansion (contraction). Latest data available for Sentix index is August 2022 and for PMI new orders is July 2022. [2] Higher index numbers reflect tighter financial conditions. The aggregates are computed using GDP weights at 2010-19 prices and market exchange rates, based on 25 economies (including euro area)—12 advanced economies and 13 EMDEs. Last observation is August 24, 2022.

RIISING INFLATION IS WEIGHING ON ECONOMIC ACTIVITY IN SUB-SAHARAN AFRICA

CPI Inflation Rate (average, %)



SSA Countries with 2-digit inflation

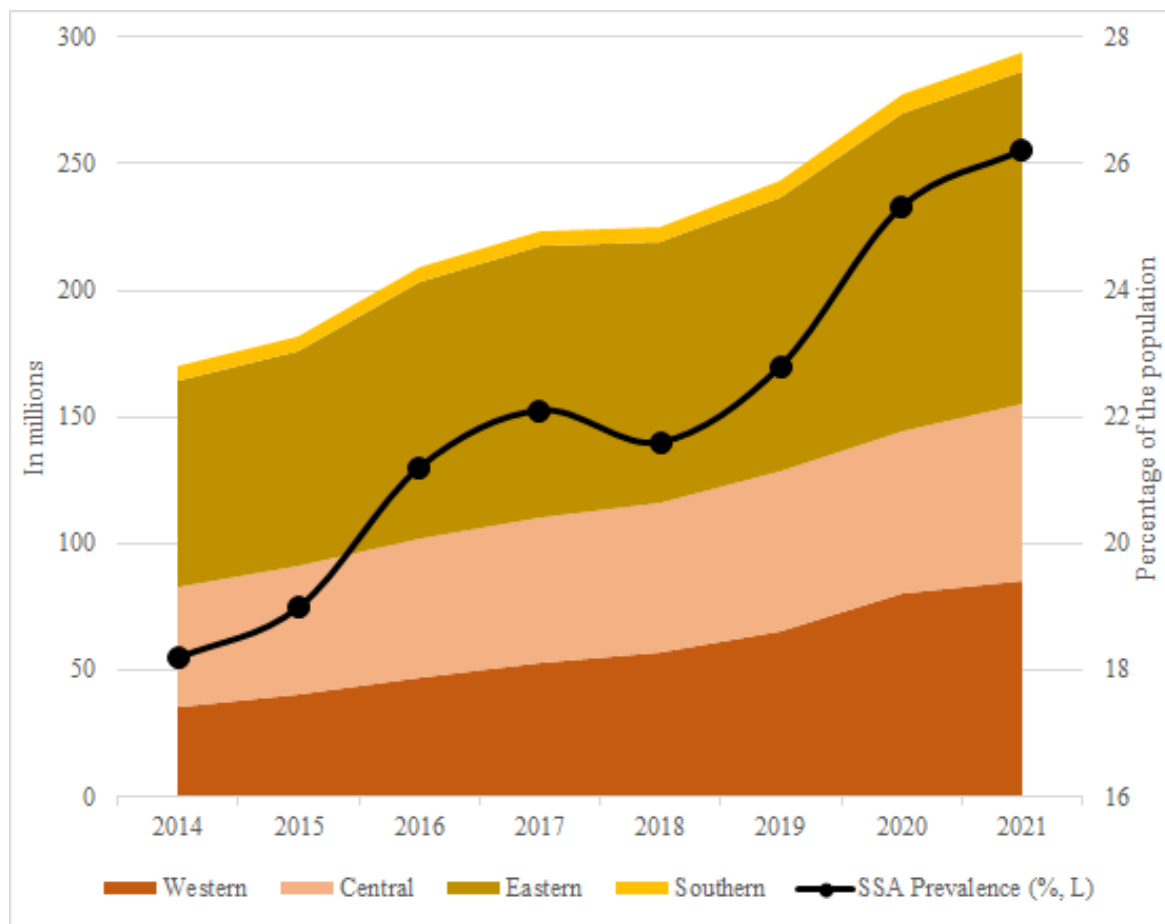


Source: World Bank Staff Projections

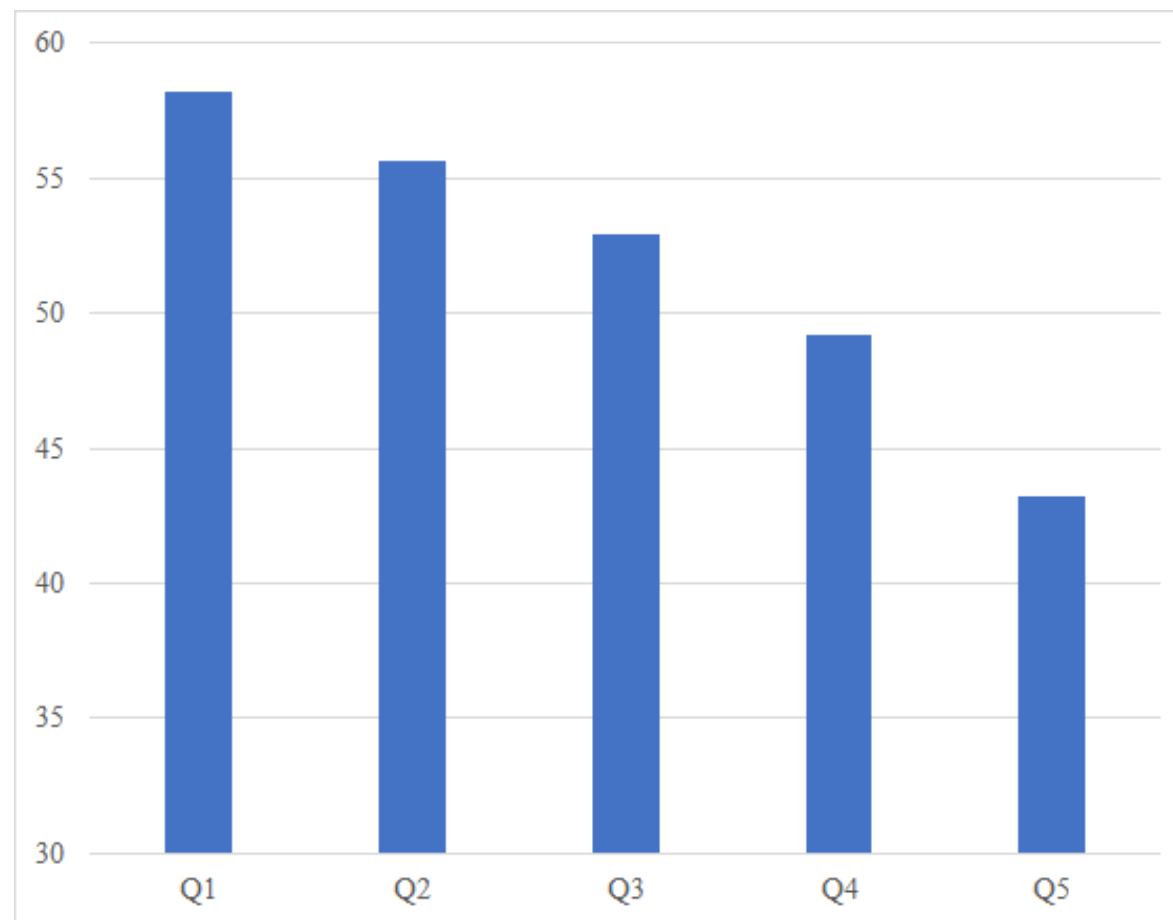
Note: Inflation is measured by percentage changes in the consumer price index (CPI) using the database from the MFMOD database, World Bank. CPI = Consumer Price Index; e = estimate; f = forecast; SSA = Sub-Saharan Africa.

FOOD INSECURITY IS RISING, AFFECTING THE POOR DISPROPORTIONATELY, RAISING SOCIAL TENSIONS

Nearly 300mn people w/ severe food insecurity



Food share in HH budget higher among poor

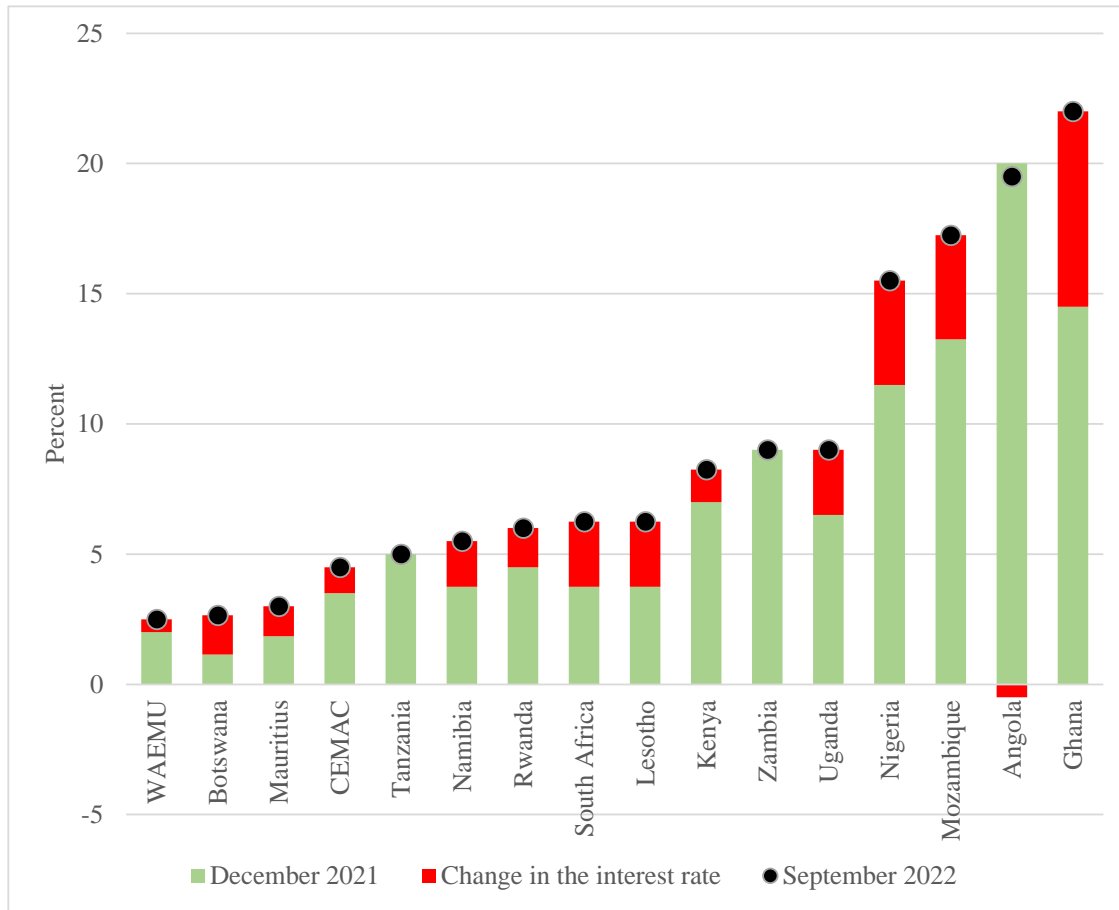


Source: [1] FAO Statistics. [2] International Household Survey Network

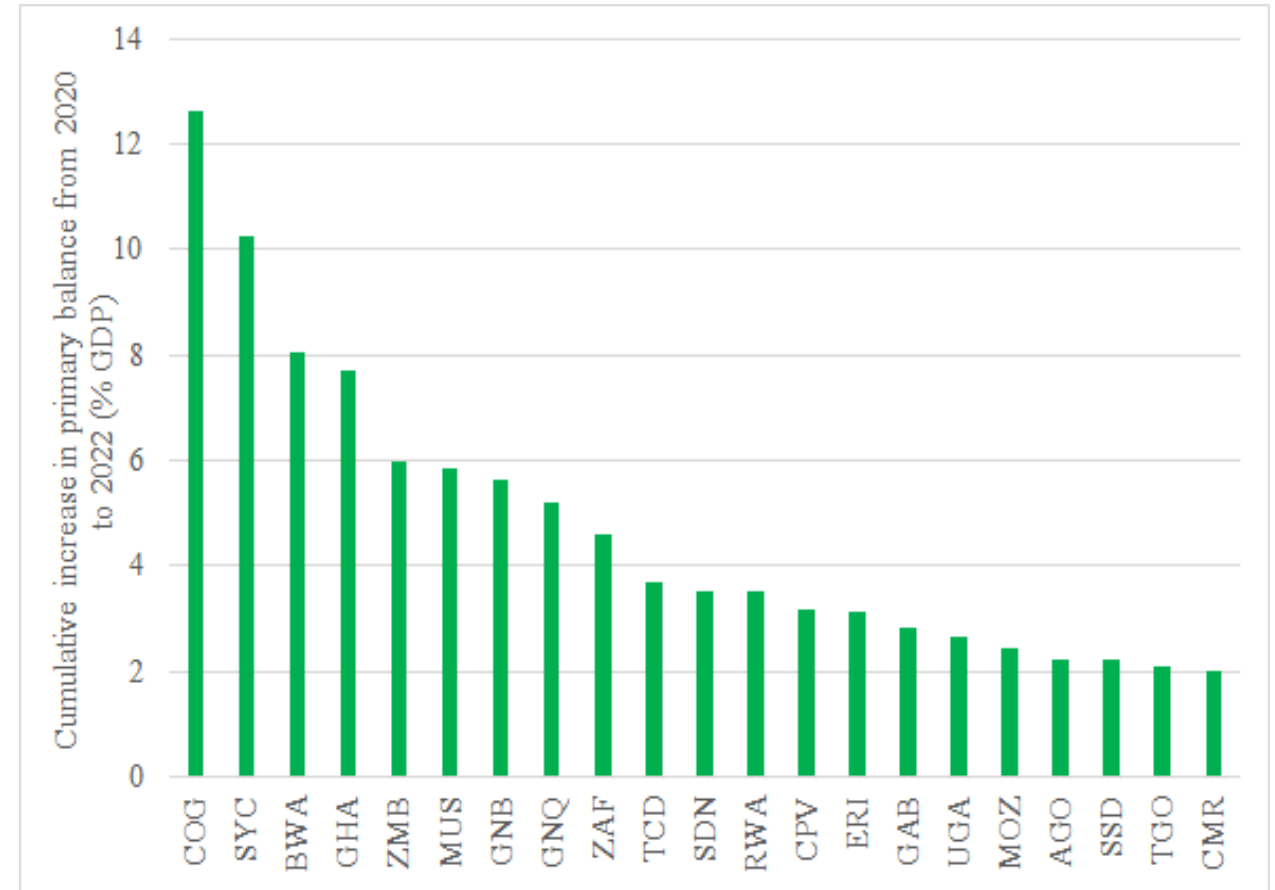
Note: [1] Severe food insecurity=run out of food or gone for 1 day or more w/o eating. [2] Food share in household (HH) budget across quintiles.

THERE IS RISING NEED TO COORDINATE MACROECONOMIC POLICIES TO FIGHT INFLATION AND PROTECT VULNERABLE

Some SSA countries raising policy rates



Some SSA countries consolidating

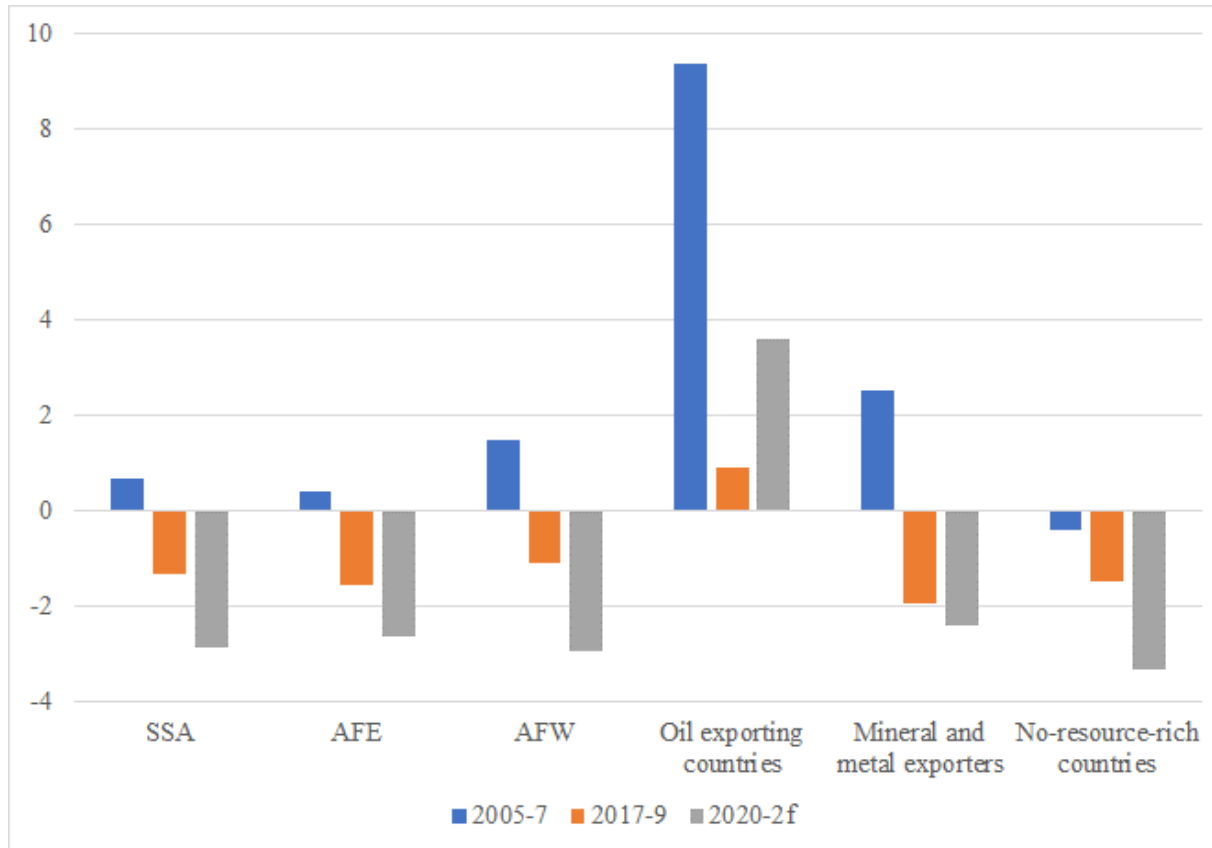


Source: [1] Haver Analytics. [2] IMF WEO Outlook

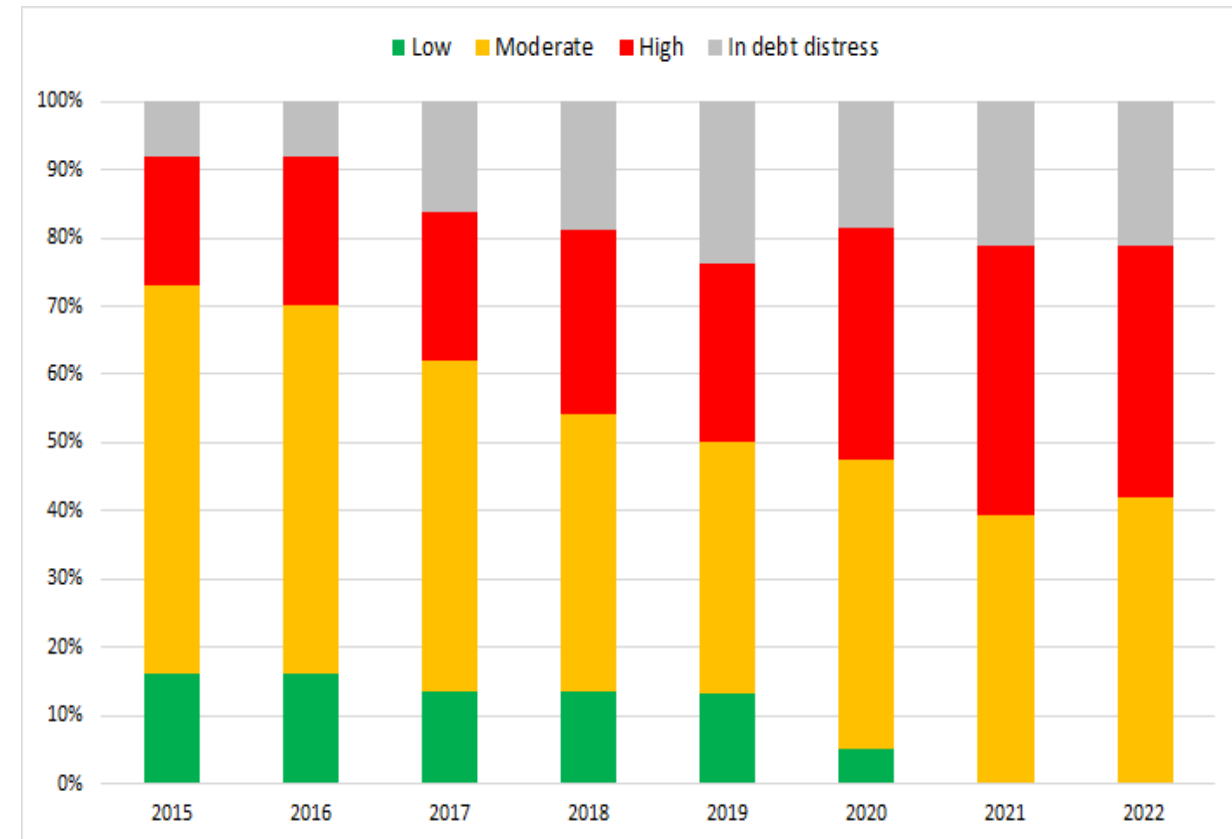
Note: [1] Cumulative increase in monetary policy rates from Dec. 2021 to Sep. 2022. [2] Cumulative increase in the primary balance from 2020 (% of GDP).

FISCAL SPACE ALMOST DEPLETED IN SOME COUNTRIES

Depleted Public Savings: Primary Balance (% GDP)



Higher Risk of Debt Distress



Source: [1] IMF World Economic Outlook. [2] World Bank Staff estimates as of June 2022

Note: [1] Primary balance (% of GDP), averages across countries. [2] The data cover joint World Bank–International Monetary Fund debt sustainability analyses for low-income countries in Sub-Saharan Africa. The number of countries varies by year.

MACROECONOMIC POLICY SPACE IS INSUFFICIENT TO MOUNT EFFECTIVE RESPONSE FOR MOST COUNTRIES

Macroeconomic Policy Space: Taxonomy of Countries

	Some Fiscal Space	Lack of Fiscal Space
Low Inflation	Cameroon Chad Congo, Rep. Equatorial Guinea Gabon	Cabo Verde Central African Rep. Guinea-Bissau Senegal
High Inflation	Angola Burundi Congo, Dem. Rep. Eritrea Gambia, The Guinea Liberia Mauritania Mozambique São Tomé and Príncipe Somalia	South Africa South Sudan Sudan Tanzania Zambia Zimbabwe Benin Botswana Burkina Faso Comoros Côte d'Ivoire Eswatini Ethiopia Ghana Kenya Lesotho Madagascar Malawi Mali Mauritius Namibia Niger Nigeria Rwanda Seychelles Sierra Leone Togo Uganda

Source: IMF, World Bank

Note: Low inflation defined as below 4% in 2022 (world average). Some fiscal space defined as countries with primary balances above -3% of GDP.

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

Protect the gains achieved in the last few years

1. Maintain price stability and support to the poor and vulnerable

- ✓ Fund or expand social protection systems if affordable
- ✓ Maintain macroeconomic stability: Keep inflation within target.

Support growth: reprioritize spending towards growth and food security

2. Reprioritize spending to support growth – coordinate fiscal and monetary policy for impact.

- ✓ Investments in high-value activities: human capital, technology research, infrastructure, market connectivity, etc.
- ✓ Better fiscal and debt management.
- ✓ Regional trade (sub-regional and continental) and integration within Africa as an opportunity to serve new markets and enhance resilience to international shocks.

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

3. Collect more revenues: More progressive taxation, property taxes without hurting the poor.

- ✓ More progressive tax systems, property taxes without hurting the poor.
- ✓ Leveraging data and digital technologies to improve tax administration.

4. Diversify trading partners

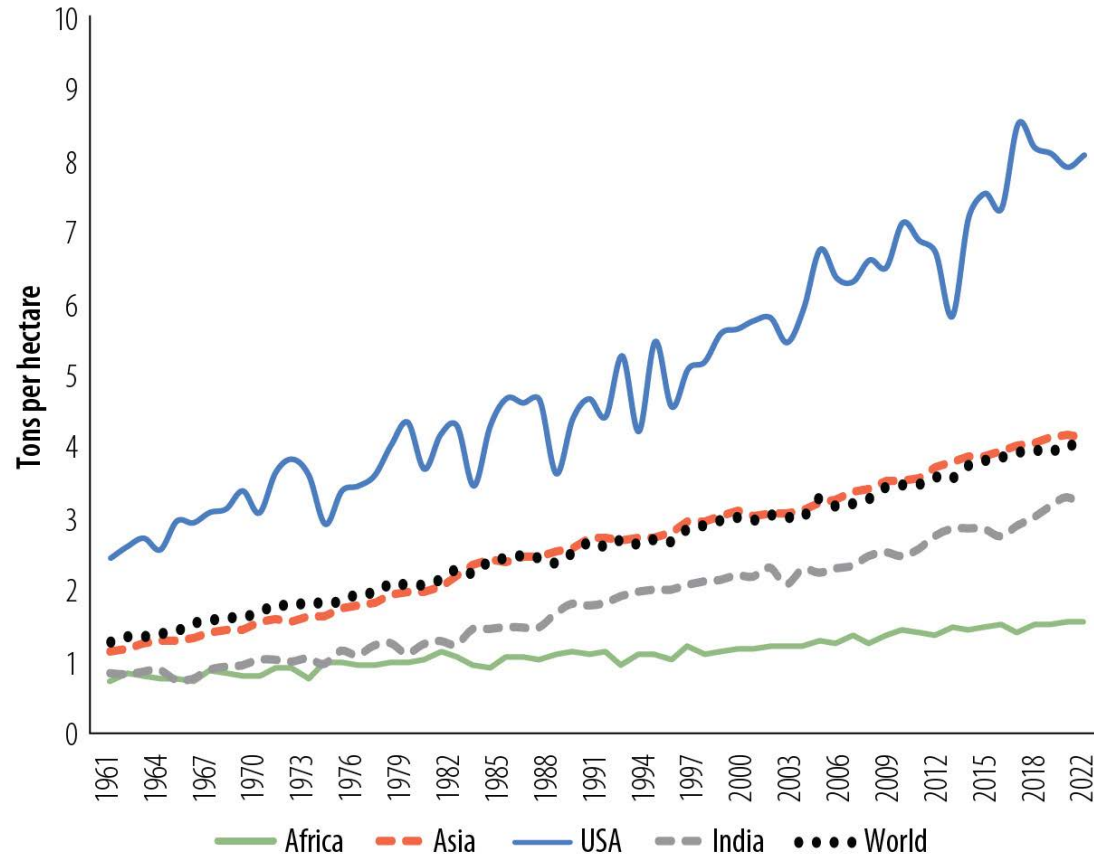
- ✓ Opportunities to supply new markets (oil and gas, minerals, food).

FOOD SECURITY

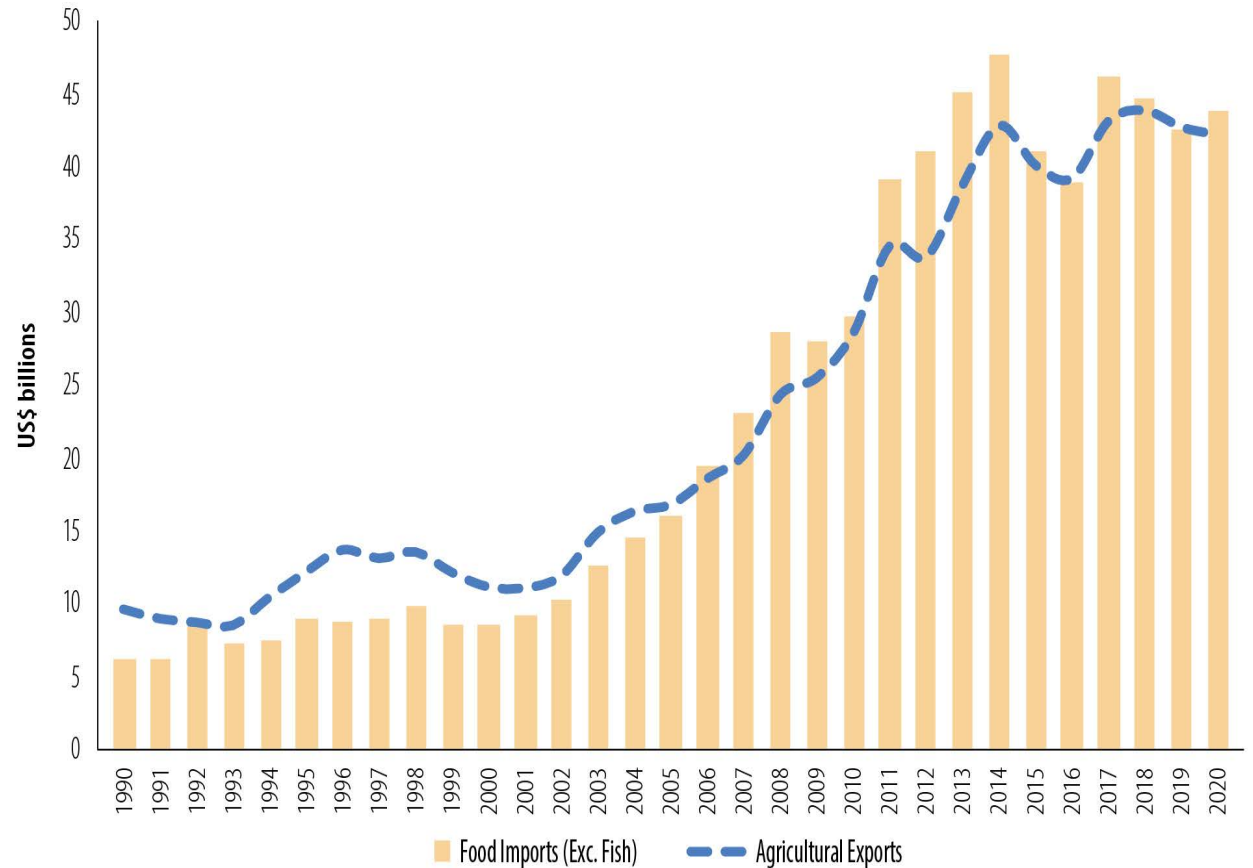


LOW AGRICULTURAL PRODUCTIVITY GROWTH AND RISING IMPORT BILL IN SUB-SAHARAN AFRICA

Average Cereal Yields, 1961-2022



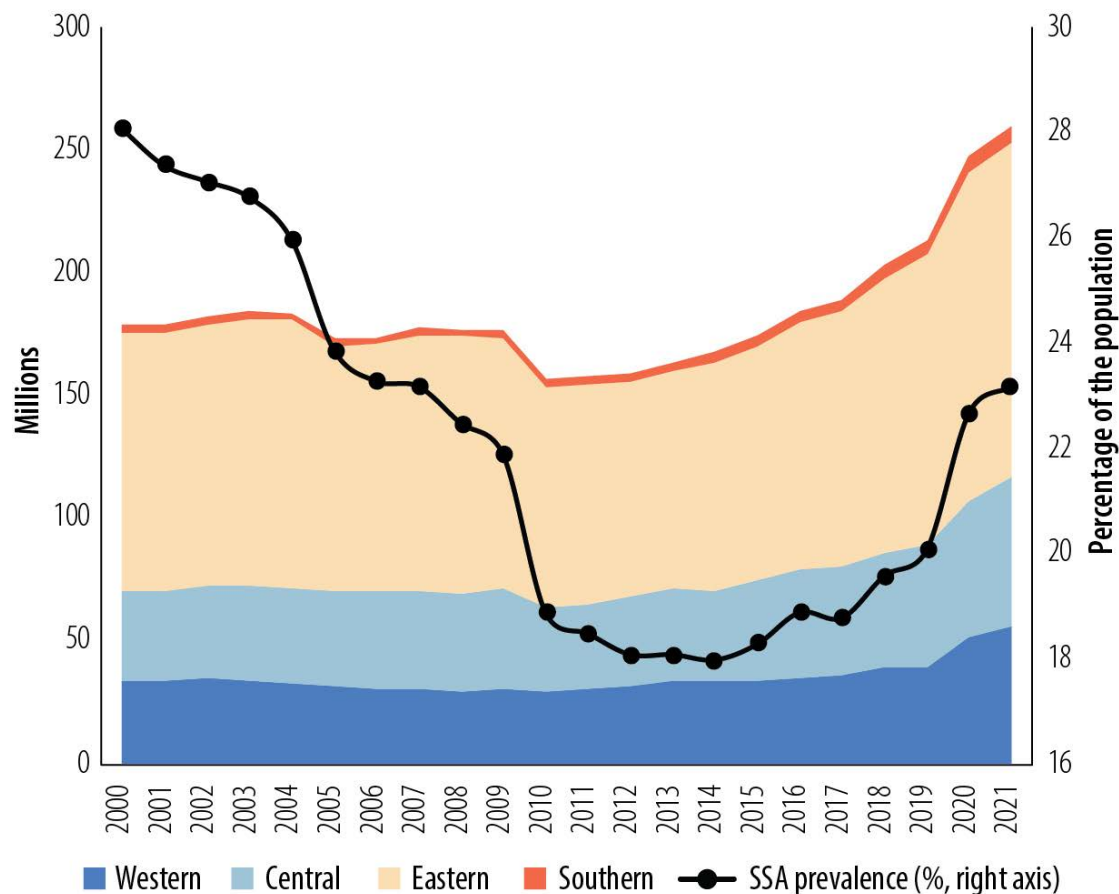
Food Imports, 1990-2020



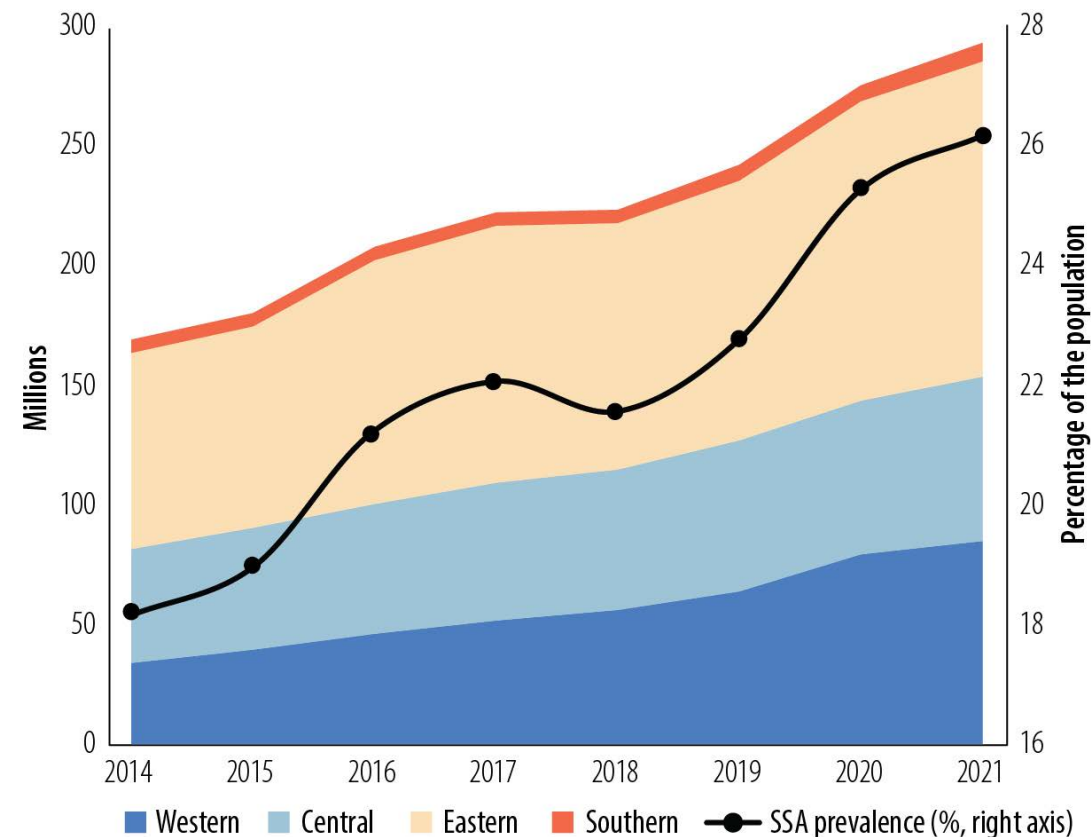
Source: FAOSTAT 2022 database, Food and Agriculture Organization, <http://www.fao.org/faostat/>.

FOOD SECURITY IS RISING IN SUB-SAHARAN AFRICA

Undernourishment, 2020-21



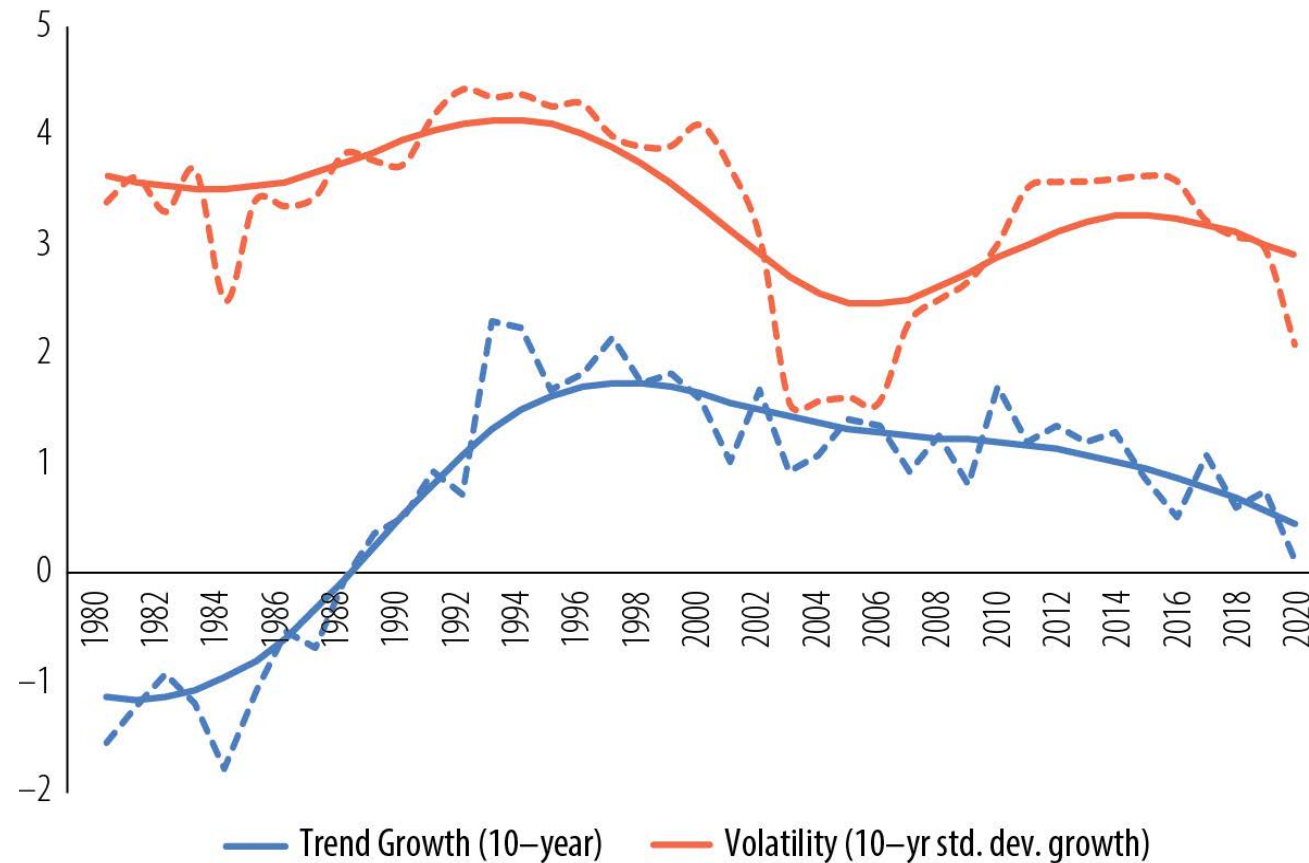
Severe Food Insecurity, 2020-21



Source: FAOSTAT 2022 database, Food and Agriculture Organization, <http://www.fao.org/faostat/>.

GROWTH OF FOOD PRODUCTION: LOWER AND MORE VOLATILE

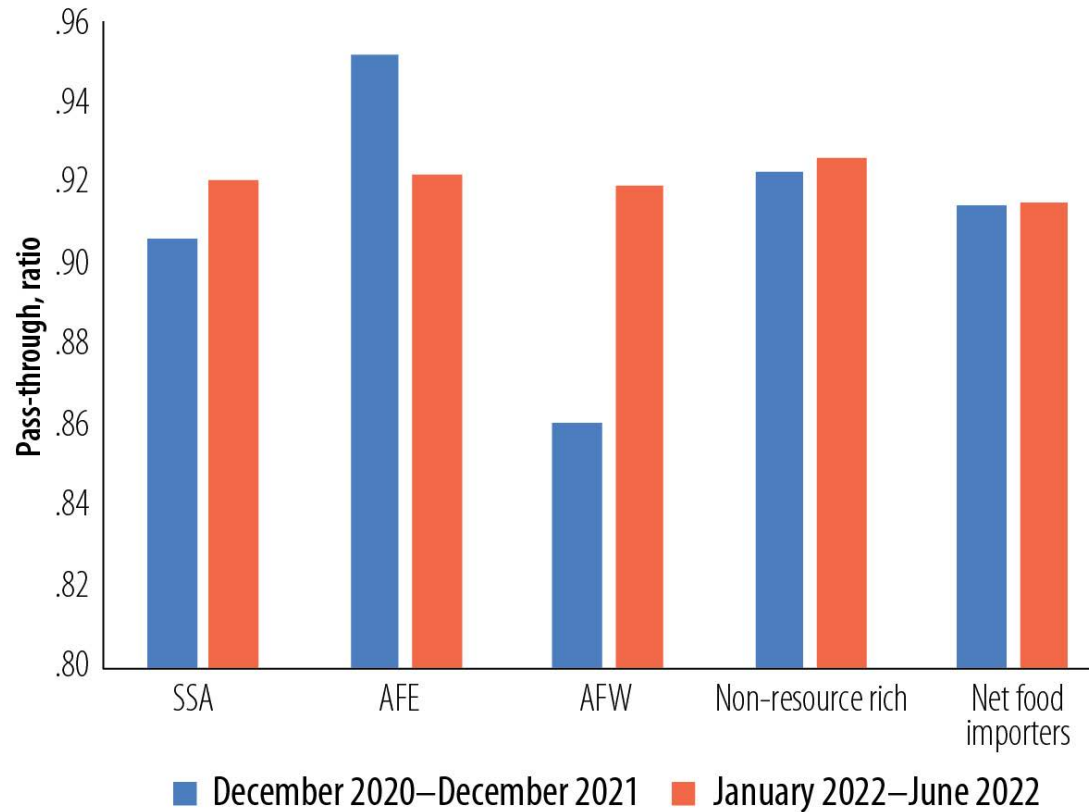
SSA Growth and Volatility Trends in Food Production per capita (%)



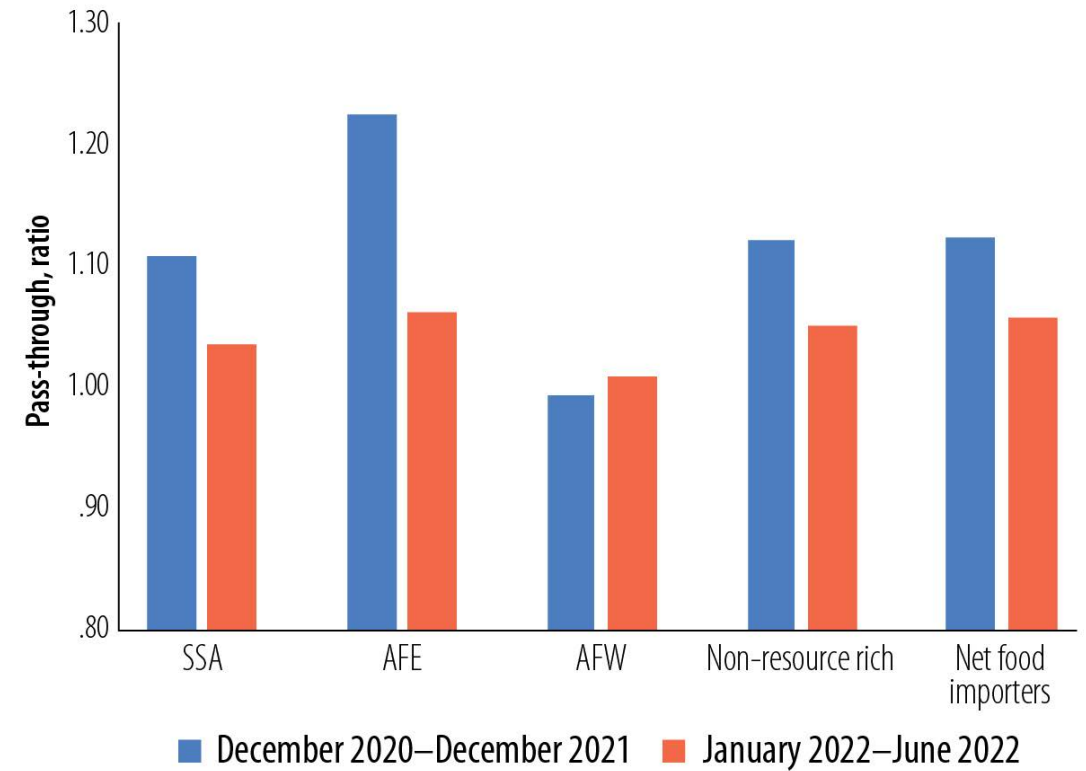
Source: FAOSTAT 2022 database, Food and Agriculture Organization, <http://www.fao.org/faostat/>.

RISING FOOD AND FUEL PRICES ARE BEING PASSED ONTO AFRICAN CONSUMERS

Pass-through from domestic energy to consumer prices



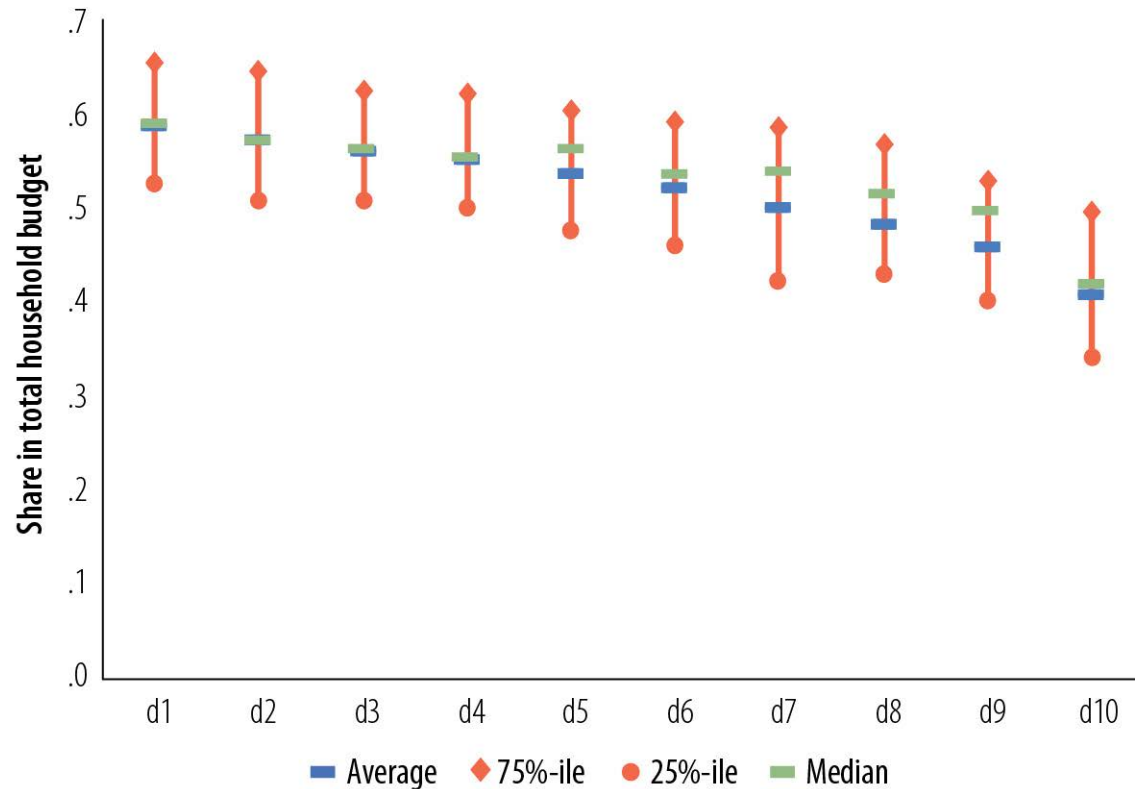
Pass-through from domestic food to consumer prices



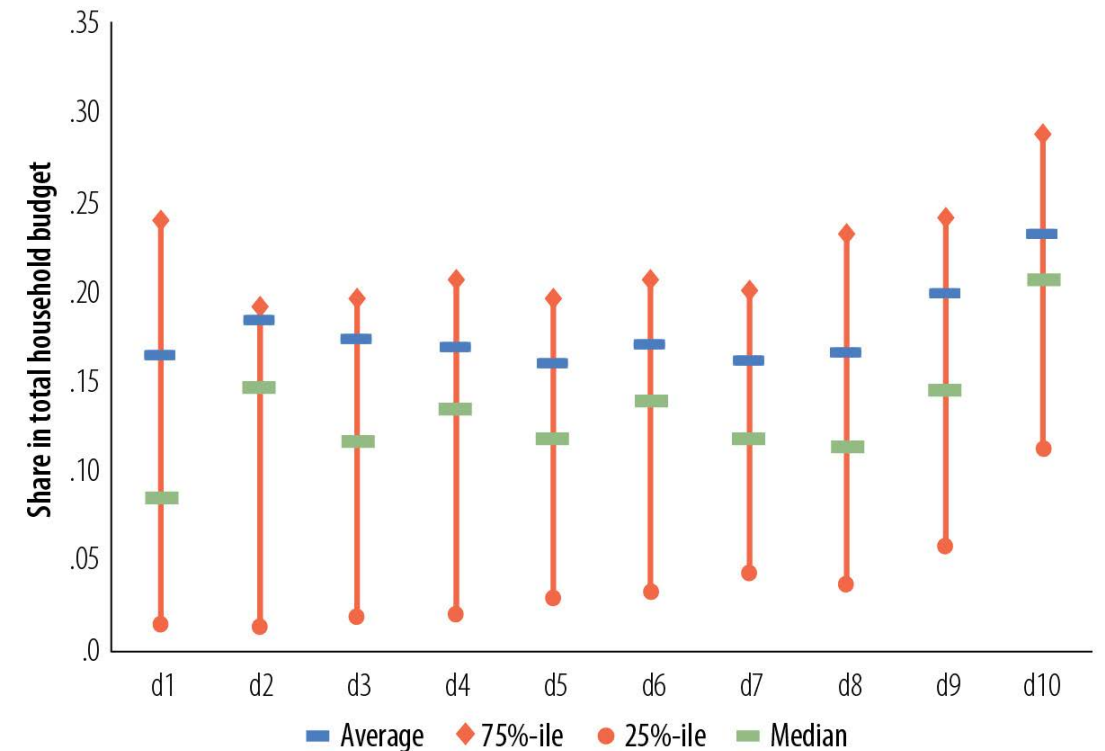
Sources: Ha, Kose, and Ohnsorge 2021; Haver Analytics; World Bank staff estimates.

POORER HOUSEHOLDS IN SSA SPEND A LARGER SHARE OF THEIR BUDGET IN FOOD AND A SIGNIFICANT PORTION ON ENERGY

Food share in household budget across income distribution deciles



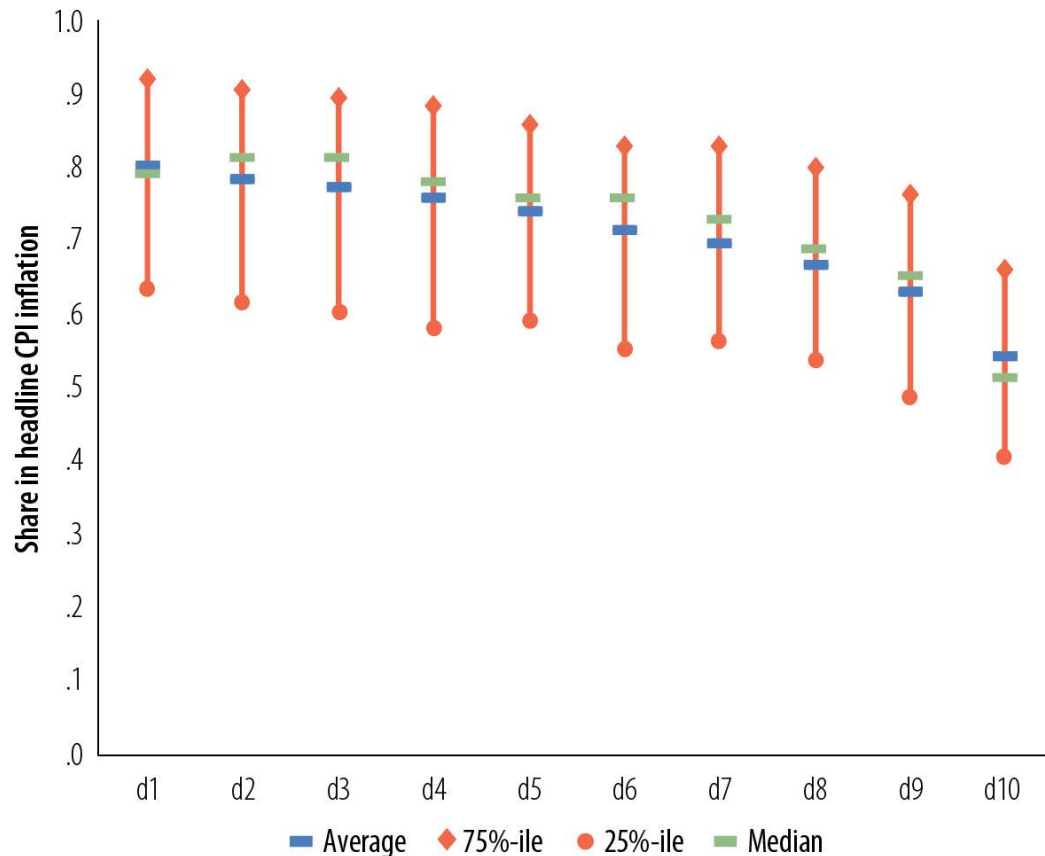
Fuel share in household budget across income distribution deciles



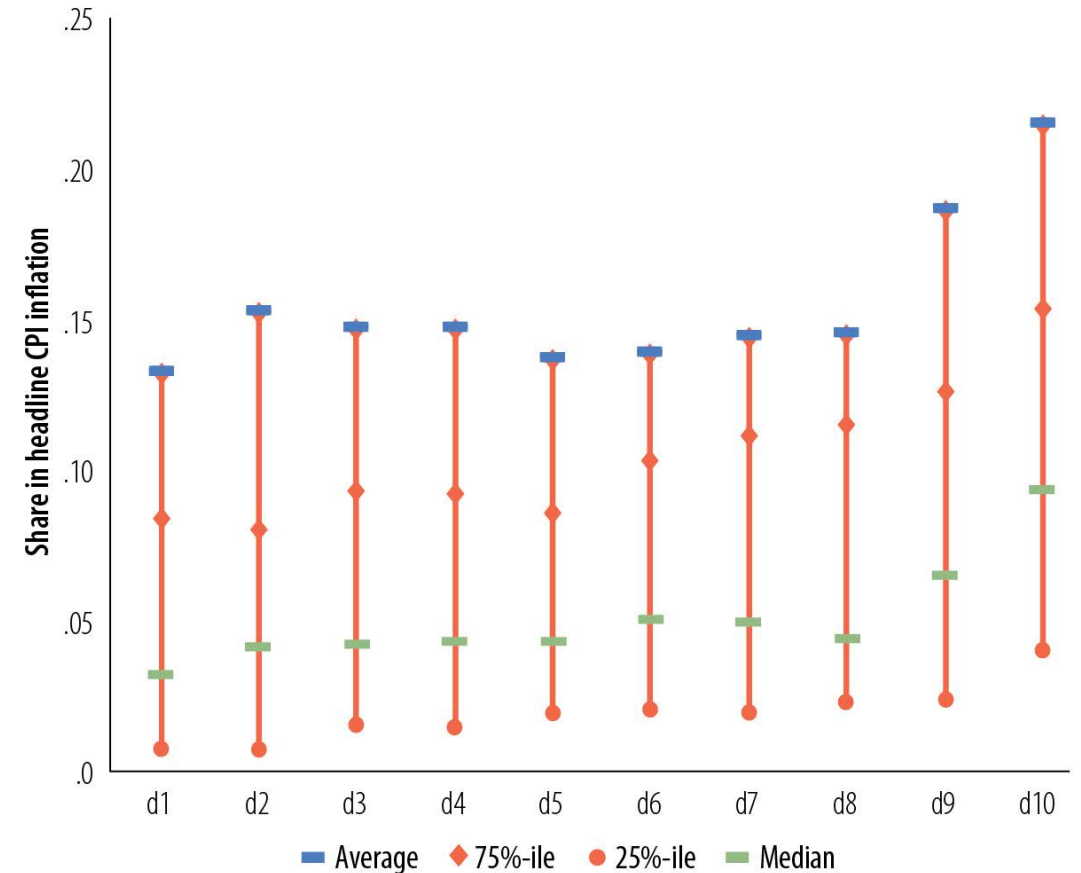
Source: International Household Survey Network, Various Years

FOOD INFLATION AFFECTS POORER HOUSEHOLDS DISPROPORTIONATELY

Contribution of Food inflation across income distribution deciles



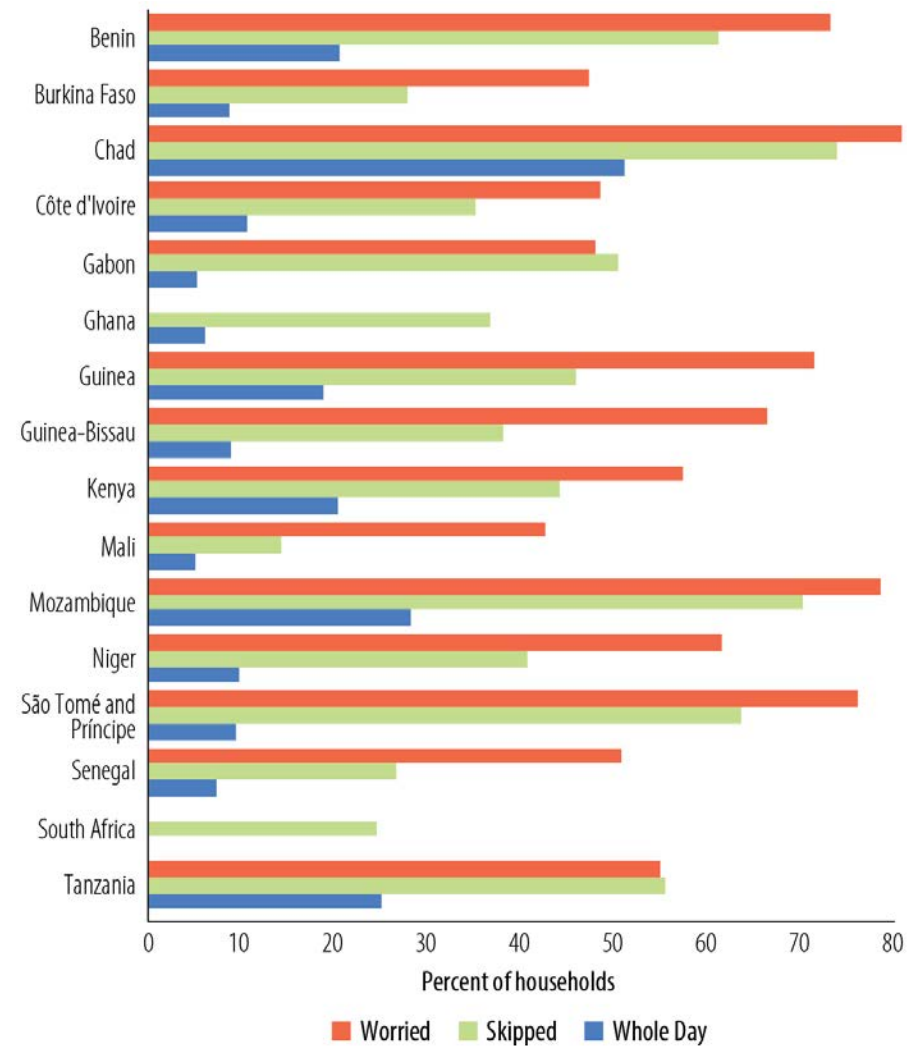
Contribution of Fuel inflation across income distribution deciles



Source: International Household Survey Network, Various Years

FOOD INSECURITY: DETRIMENTAL COPING RESPONSES BY SSA HOUSEHOLDS

Incidence of Food Insecurity across Sub-Saharan African Households



Source: International Household Survey Network, various years.

Note: The figure depicts the incidence of households with at least one member worried about food, skipping a meal, or going a whole day without eating in the 12 months prior to the interview

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

Addressing food insecurity and increasing resilience through social protection programs.

1. Social safety net interventions among vulnerable households

- ✓ Malawi – Social Cash Transfer Program (SCTP). Increase food consumption for beneficiaries by 23%. Contribute to higher school enrollment rates and attendance, microentrepreneurial activity and investments in livestock holdings, durable assets and fertilizers.

2. New generation social protection programs to boost resilience

- ✓ Adaptive Safety Net Programs: Address shock vulnerability and productive inclusion.
- ✓ Cash transfers “plus” programs: Include measures to boost human capital outcomes, empower women, and improve livelihoods.
- ✓ Sahel Adaptive Social Protection Program, launched in 2014, has benefitted more than 50,000 people (over 90% of whom are women) thanks to inclusion measures such as cash grants, coaching, savings group facilitation, community sensitization, life skills and micro-entrepreneurship training, and access to markets.

3. Partnerships to reduce response fragmentation

- ✓ Towards a more coherent approach to crisis response with the aim of supporting a unified national social protection system.
- ✓ FCV Countries: High degree of cooperation across government agencies, humanitarian actors, and international donors, not just in terms of leveraging investments, but also for information sharing is needed. E.g. Baaxnano in Somalia.

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

Transforming agriculture and food systems

4. Make food systems more resilient by increasing productivity and resource efficiency.

- ✓ Strengthen capacity of agricultural producers (Ghana, Senegal, Tanzania, Zambia) to ramp up production so intra-regional trade is an effective response.
- ✓ Support the transformation of the agri-food value chains to accelerate structural transformation and generate employment.
- ✓ Cutting edge technologies (precision agriculture, HelloTractor)
- ✓ Improve water management, irrigation.
- ✓ Energy (renewables) to support mid-stream segments of agri-food value chains (solar-powered storage solutions, refrigeration units, and other processing equipment).
- ✓ Improve post-harvest and transport infrastructure to reduce food loss and waste.

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

5. Boosting the quality of investment to raise agricultural productivity

- ✓ Chronic under-investment in agriculture (only 6% of total budget spent on agriculture) to remain low for the foreseeable future.
- ✓ Improving the efficiency and effectiveness of public spending will be critical to unlock the potential of agricultural growth and job generation, while meeting the climate change challenges.
- ✓ Repurposing agricultural spending to “high value” public goods can yield massive benefits—e.g. a \$1 investment in agricultural research, on average, generates a stream of future benefits equivalent to US\$ 10 (in net present value terms).
- ✓ Benefits from investments in irrigation are potentially high—with returns in Sub-Saharan Africa ranging from 17% on large-scale schemes to 43% for small-scale schemes.

Estimates of the Cost-Effectiveness of priority public sector investments

 <p>Water Management</p>	<ul style="list-style-type: none">• Innovative irrigation systems that increase water-use efficiency; and• Improve water harvesting and soil-water management systems.	Adaptation cost: \$6.1B Inaction cost: \$90.7B
 <p>Research & Extension</p>	<ul style="list-style-type: none">• Create robust research functionalities;• Design agile research services to rapidly respond to emerging risks; and• Better understanding of impacts from climate extremes.	Adaptation cost: \$3.9B Inaction cost: \$71.2B
 <p>Land Restoration</p>	<ul style="list-style-type: none">• Scale up sustainable soil, land, and forest management practices to deliver climate co-benefits;• Restore degraded landscapes; and• Implement long-term land use planning.	Adaptation cost: \$3.4B Inaction cost: \$26.8B

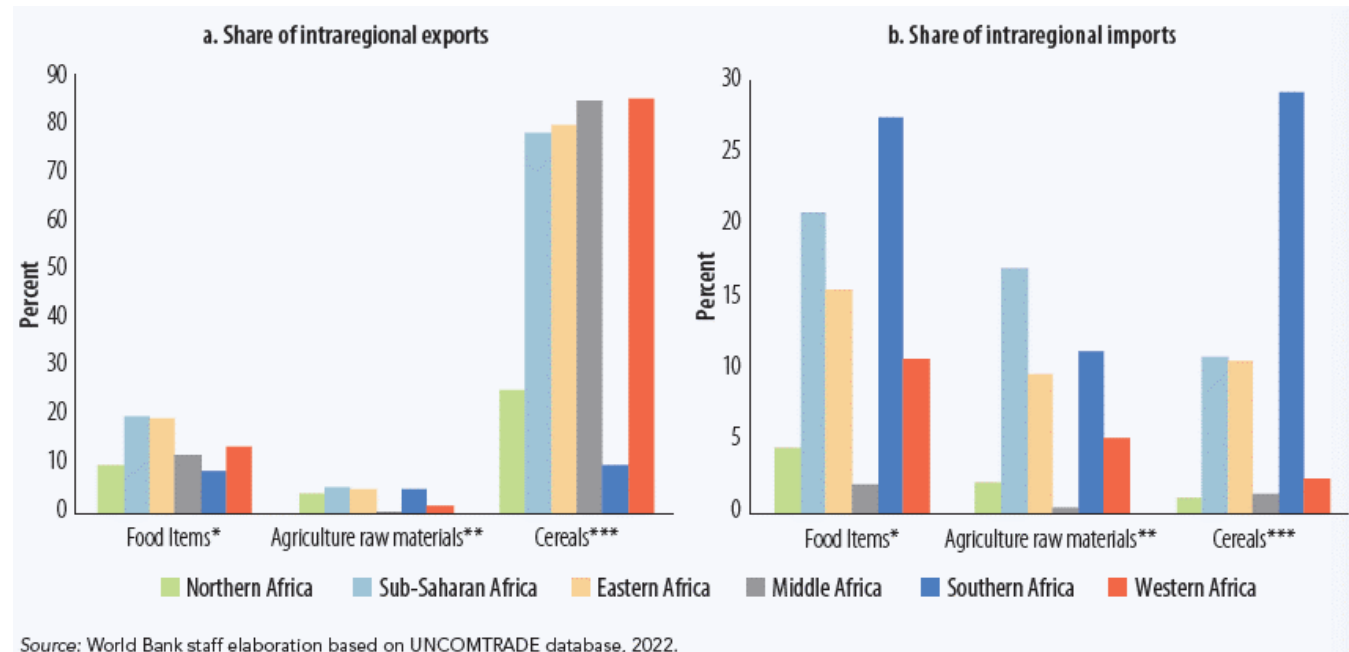
Source: Global Center on Adaptation, The State and Trends in Adaptation Report 2021: Africa

POLICIES: OPPORTUNITIES IN A TURBULENT TIME

6. Diversify trading partners

- ✓ Opportunities to supply new markets (oil and gas, minerals, food).
- ✓ SSA imports basic foodstuffs (dairy products, meat and meat products, edible oils and fats, and cereals) to meet the growing consumption needs of their population. Most food imports from outside Africa.
- ✓ Regional trade (sub-regional and continental) and integration within Africa as an opportunity to enhance resilience of food systems to international shocks.
- ✓ Strengthen capacity of agricultural producers (Zambia, Tanzania) to ramp up production so intra-regional trade is an effective response.

Share of intra-regional trade in food items, cereals, and agricultural raw materials



THANK YOU!

