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Mobilizing Climate Adaptation Finance for Africa's Food Systems



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The Malabo Montpellier Panel

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Mobilizing Climate Adaptation Finance for Africa's Food Systems

Africa's food systems are at the forefront of the global climate crisis with direct consequences on food security, livelihoods, and income. In most African countries, food systems are a key pillar of livelihoods and national GDP: nearly half of the continent's workforce is employed in agriculture ¹ and the sector contributes to an average of 20 percent of GDP. ²

Climate change has already caused a reduction in agricultural productivity growth by 34 percent since 1961. ³ Droughts have claimed the lives of more than half a million people and led to economic losses of more than US\$ 70 billion in the past 50 years. Warming beyond the 2°C mark will cause crop yields to fall by up to 20 percent ⁴ and extreme weather events are likely to cost the continent US\$ 50 billion annually by 2050. ⁵ Future projected changes in the length of growing seasons (shorter) and increasing water stress are likely to exacerbate the challenges faced by food systems in Africa.

Adaptation to climate risks and shocks is crucial and must form a part of overall efforts to build resilience while simultaneously reducing climate risks by bending down the warming curve, and adopting nature-based climate solutions for emission reductions, such as agroforestry, sustainable land and soil management.



For African countries to improve their preparedness, adapt to climate change, and build resilient food systems requires effective institutions and governance, innovation, and investments ⁶ in environmentally sound technologies and infrastructure. Access to climate finance is critical to ensure increased resilience and to limit the adverse impacts of climate change. However, the continent's access to international climate finance remains low and insufficient, with total estimated access at only 5 percent of the global finance available. ⁷

The economic imperative to support adaptation in Africa's food systems is clear. The Global Centre on Adaptation estimates that the annual cost of inaction including paying for disaster relief and recovery after floods and droughts can be as high as US\$ 210 billion. ⁸ This equates to approximately 12 percent of GDP across the continent. Regional impacts can vary with Southern Africa potentially losing 10 percent of its GDP by 2050, while West and East Africa could lose up to 15 percent of GDP by 2050. ⁹ In comparison, taking effective action by investing in research and extension services, water management, infrastructure, land restoration, and climate information services would cost US\$ 15 billion per year (0.93 percent of GDP). ¹⁰ **Significant reductions in the costs of damages caused by climate change could hence be made.**

Africa's leaders recognize the urgency and importance of adapting their food systems to a changing climate. They are investing significant resources in developing national policies and institutions to respond to climate change. The African Union has also elevated building resilience and adaptation to climate change to a top policy priority, demonstrated by the adoption of the 2022 Climate Change and Resilient Development Strategy and Action Plan and the 2021 African Union Green Recovery Action Plan. Equally, the Africa Common Position to the 2021 UN Food Systems Summit outlines strategies to tackle the challenges caused by climate change including measures and investments needed to strengthen climate resilience in Africa's food systems.

Analyses of several African countries show how dedicated action at the government level – through strategic policy and institutional innovations and programmatic interventions on the ground – can unlock significant climate finance for resilient and sustainable food systems transformation. Importantly, those countries that have successfully gained accreditation at the Adaptation Fund and the Green Climate Fund report spillover benefits such as improved internal controls, enhanced project development capacity which subsequently diffuses to other institutions, an overall increase in the capacity to absorb large-scale funding from other sources too, and stronger bargaining power when seeking funds from other sources.

However, much more can be done. **Africa’s policymakers must develop national and regional investment opportunities at scale for effective climate adaptation across food systems, including related resilient infrastructure.** This includes the formulation of comprehensive adaptation investment plans that articulate the needs, costs, roles, responsibilities, incentive structures, and return on investments for implementation. **The technical knowledge and capacity that straddles climate, agriculture, and finance must also be built.** This needs to include the capacity to interpret climate data and the skills to foster synergies between public and private sources of funding.

In parallel, donor institutions must **streamline and rationalize policies to unlock opportunities for recipient countries to access more and better finance.** This can be facilitated by the creation of a central repository, co-governed by African institutions, that provides information on sources and availability of climate finance. **This must, of course, go hand in hand with donor countries living up to meet their pledge of channeling US\$ 100 billion a year to less-wealthy countries by 2025.**

Financing for climate adaptation across food systems faces approximately the same technical and structural challenges as agricultural financing in Africa: high risk, low liquidity, long timeframes, lack of large investment grade projects, and high upfront capital and transaction costs. The majority of African farmers are smallholders with few sources of finance and limited access to infrastructure and information. **Addressing upstream challenges in accessing funds, must be combined with efforts to mobilize private sector funding, and scaling up downstream delivery solutions, while de-risking and investment-insurance mechanisms to reduce the cost of food system investments must be facilitated.**

Private sector finance is essential to bridge the gap in adaptation finance. Food systems are particularly conducive for blended finance solutions because they are exposed to considerable production, market, and enabling environment fluxes, and because investors perceive risks to be greater than they are. **There is a substantial opportunity to stimulate greater blended finance for enhancing resilience in food systems thereby unlocking the flow of commercial capital toward adaptation in Africa’s food systems.** Efforts to reduce the cost of investments in food systems and deepen local capital markets can mobilize private capital from a larger base.

Sound policies and plans rely on good-quality data. **Data platforms at national and regional levels help to identify emerging risks, track progress, and record climate finance flows for improved decision-making.** The poor quality and quantity of adaptation data is a global concern. However, African governments can play an active role in resolving this issue. Recording and reporting, through a central depository, on climate finance received can be a powerful tool to hold developed countries to account.



The Malabo Montpellier Panel at COP27

November 9, 15:30 – 16:15, Food Systems Pavilion

“Building bridges between finance and development cooperation for the adaptation of food systems” with Panel member Dr. Debisi Araba.

The EU Practitioners Network (PN), FMO, ECDPM and DFCD will facilitate a dialogue among key relevant stakeholders, based on recent research around public-private collaborations and blended finance, focusing on different examples of climate finance and food value chain investment processes. It features experiences emerging from Europe, Africa and international public-private cooperation on the cooperation of financial institutions to increase access to finance for current marginalized actors in least developed countries (small-scale farmers, women, SMEs, Youth, etc.). <https://foodsystemspavilion.com/increase/increase-session-7/>

November 9, 17:30 – 18:15, Food Systems Pavilion

“Financing research and innovation for adaptation in Africa’s food systems” with Panel members Ms. Nachilala Nkombo, Mr. Ishmael Sunga, and Dr. Debisi Araba.

This event hosted by E3G and Malabo Montpellier Panel will explore the critical need for good quality public finance for investment in research and innovation to drive food systems adaptation activities. While the focus of this session will be on the financing needs of African food systems and ongoing activities on adaptation, lessons learned will be applicable beyond COP27 to broader action on building sustainable and resilient food and agriculture systems that deliver on health and nutrition targets in line with the SDGs, CAADP and the AU Agenda 2063. <https://foodsystemspavilion.com/increase/increase-session-9/>

The Malabo Montpellier Forum and report launch event

December 5, Dakar/Senegal and Online

The 11th edition of the Malabo Montpellier Forum is jointly organized by the Malabo Montpellier Panel, the Centre de Suivi Écologique, and the Global Center on Adaptation. The meeting of the Forum will be held in two parts: a technical part drawing on the findings and recommendations from the Panel’s report, and a second part which will be a policy roundtable, composed of senior representatives from African governments, development partners, civil society, and the private sector. Visit: <https://www.mamopanel.org/events/11th-malabo-montpellier-forum/>.

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