



Mobilizing Investments for Climate Change Adaptation in African Food Systems

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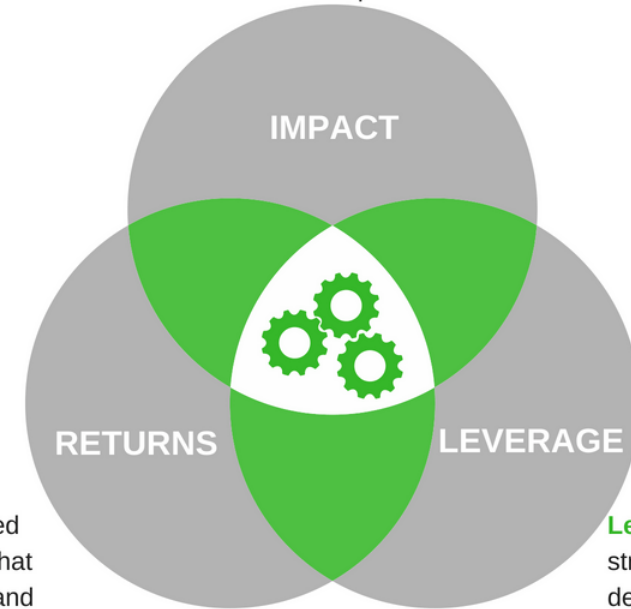
Innovative New Modalities for Investment



- Increasing commitments from large value-based institutional investors – public and private.
- Financing in Common Summit Declaration, Nov 2020
“Affirm determination to shift strategies, investment patterns, activities, and operations to achieve the SDGs and the objectives of the Paris Agreement”
- Prioritize investments that deliver on agri-food transformation goals (nutrition outcomes, inclusivity, resilience)
- The rise of blended finance: “strategic use of development finance for the mobilization of additional finance toward sustainable development in developing countries”

The pillars of blended finance

Impact: investments that deliver measurable social and/or environmental impact



Returns: market-based risk-adjusted returns that meet business goals and fiduciary duties

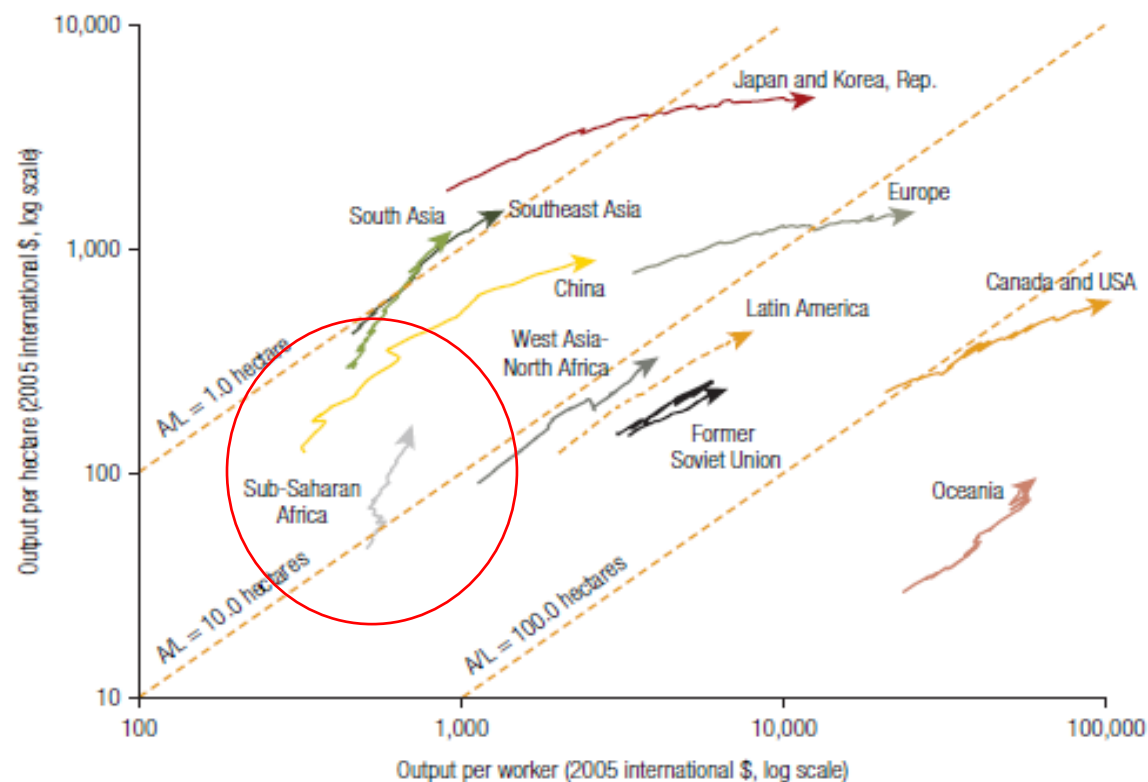
Leverage: systematic and strategic use of grants, development and philanthropic funds to mobilise and engage private capital at scale

Graphic Source: [Impactinvestinghub.co.au](https://www.impactinvestinghub.co.au)

Investment Needs of the Food Systems Transformation in Africa



FIGURE 1.5 Fifty-Year Trends in Agricultural Land and Labor Productivity Reveal the Large Divergence in Regions and Countries, 1961–2015
Agricultural land and labor productivity by region

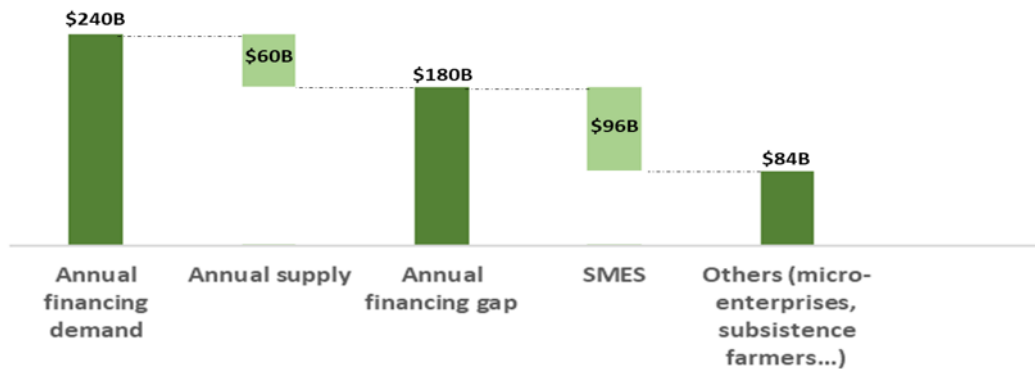


- Agri-food systems are strained by, and must adapt to, environmental degradation and climate variability – sustainability and resilience are critical concerns.
- Agri-food sector can and must serve as an engine for economic growth, the provider of sufficient, healthy food, and a source of jobs and inclusive livelihoods.
- Private sector has organizational capabilities and is the lynchpin for delivery of sustainable solutions
- 80% of all food consumed is purchased from supply chains of which 65% delivered by SMEs.

Investment Needs of the Agricultural Transformation



Estimated annual gap in agricultural finance in Sub-Saharan Africa



Different estimations with regards to the scale of investment needs:

Estimating the financing needs to reach specific SDGs (CERES 2030)

Estimating the un-met demand for finance for agriculture and agri-SMES to meet market demands. (DALBERG)

Source: Adapted from Dalberg and KFW, Africa Agricultural Finance Market Landscape 2018

What is clear is that:

- (i) Public sector investments are not enough to achieve the food system transformation and should prioritize investments that leverage/incentivise/mobilise private sector investment.
- (ii) Market contexts do not provide effective signals to drive investments into more inclusive, sustainable, and climate-resilient practices and therefore there is a need for incentives for investments and businesses to incorporate these practices.

Priority areas for investment – governance, institutions, markets



- **Priority Area 1: Build an investable pipeline of private sector opportunities aiming at agri-SMEs.**
- **Priority Area 2: Incentivise large-scale dissemination of productivity-increasing climate resilient practices, technologies and inputs.**
- **Priority Area 3: Increase the overall level of climate finance, moving from existing pools of climate finance towards commitments from value-based institutional investors.**
- **Priority Area 4: Innovate financing instruments and structure blended finance to effectively deploy multiple sources of finance, including climate finance to leverage private finance.**
- **Priority Area 5: Build the enabling policy and investment framework to enhance climate smart investments.**

Innovative New Modalities for Investment



Adoption of a risk-based approach for identifying climate-related activities, analysing the cost and benefits of different investments, and methodologies for pricing, disclosing and transferring physical risk in investments decisions



Capacity development towards viable business models for climate adaptation activities and monitoring of investments.



A framework for institutional investors bridging ‘green outcomes’ and risk related return for institutional investors.



A set of innovative financial instruments to leverage investors that are interested in inclusive, sustainable, and climate-resilient impact.

Acknowledgement of Governments that promote private sector to achieve sustainable transformation and climate objectives as set in the Paris Agreement.

THANK YOU

