

# Climate Action

# DIGEST

ISSUE 12 / DECEMBER 2020



## POLICY AND STRATEGIC FRAMEWORK TO EASE THE IMPACTS OF POST-COVID19 THROUGH CLIMATE ACTION BASED ENTERPRISES

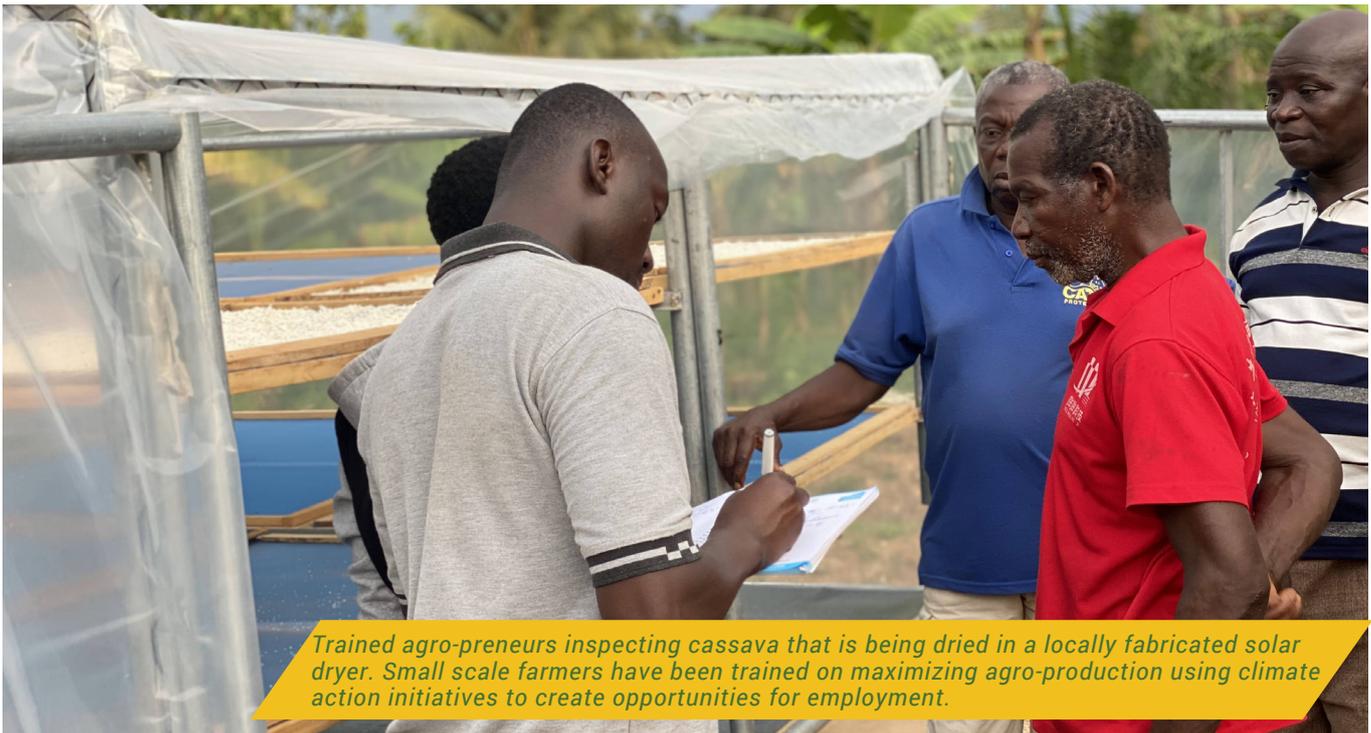
For a year now, the COVID-19 pandemic has been at the centre of news across the globe and Africa. In Africa where estimates put the effects of the pandemic to affect the economy of Africa to around a fall of 1.4% of its GDP, with smaller economies facing contraction of up to 7.8%. The contraction is mainly as a result of export adjustments affecting primary commodity exporters, and the attendant losses to tax revenue which reduce the capacity of government to extend public services needed to respond to the crisis. In this publication we shall focus on various policy recommendations and solutions that can alleviate the adverse effects of post-COVID in the agricultural sector, how the informal sector should adjust amidst the crisis and the role of climate action enterprises to provide a winning formula for communal adjustments to the economic effects.

Youth in Ghana who had been trained on fabricating solar dryers displaying solar dryer use. The skills retooling program under EBAFOSA has equipped youth and women with new skills to advance climate action enterprises.

# Policy and Strategic Framework To Ease The Impacts Of Post-COVID19 Through Climate Action Based Enterprises



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*Trained agropreneurs inspecting cassava that is being dried in a locally fabricated solar dryer. Small scale farmers have been trained on maximizing agro-production using climate action initiatives to create opportunities for employment.*

The informal sector accounts for over 80% of all employment in sub-Saharan Africa. This constitutes small-scale grocers, retailers, small scale traders in rural and urban areas. They are manufacturers and young entrepreneurs stepping into the scene. These are the people who supply household goods and services. These are a critical group without whom life in our cities would come to a stand-still. This group has been most vulnerable as COVID-19 has meant slowed down their small enterprises. For example, small retailers, groceries, open-air traders, stall owners, who trade under \$150 daily, who are the fabric of the informal sector across Africa, have been hit hard.

The impact on the economy continues to unfold. As at March 2020, a 1.4% decline in GDP equivalent to \$29 billion has been reported. These losses, which translate to lost jobs, income and enterprise opportunities to the over 1.2 billion people in Africa, have far and wide-reaching effects in compounding a very precarious scenario – where the region already needs to create about 13 million jobs every year. Africa's informal sector accounts for over 80% of all employment in sub-Saharan

Africa. This therefore means anything that that hard hits this informal sector needs to be taken with grave consideration. Over 90% of new jobs created in Africa during the 90s for instance were in the informal economy. The cumulative effects of COVID-19 adding to existing vulnerabilities is pushing the region into its first economic recession in 25 years. With these strains on one hand, and ever-increasing global competition on the other, it is very likely, that some businesses that have closed will never re-open. Some jobs that have been lost, will never be recovered. It suffices to say that Africa, which is a socioeconomically fragile region, is being pushed further up the vulnerability scale.

COVID-19 crisis is yet another reminder of the urgent importance to surmount and emerge stronger. And this leads us to two fundamental questions that needs to be answered. First, how do we re-imagine, re-organise and re-design Africa's development under the changing climate and the unsettling realities of a COVID-19 plaguing our world and more so Africa?

**How will these people, who depend upon daily sales for their sustenance, be able to provide for themselves and their families? For those who deal in perishable food items, how will they buffer the losses of rotting stock that ends up unsold due to reduced clientele?**

Across the G-20 and indeed globally, countries have been framing policy responses to buffer their economies and populations against the repercussions of the COVID-19. The “stimulus package” has arisen as among most formidable policy measures to buffer economies, with some countries offering as high as 20% of GDP as emergency COVID 19 stimulus. The US for instance announced a package of some \$2 trillion. Germany announced \$800 billion. Canada announced over \$50 billion, and the list goes on.

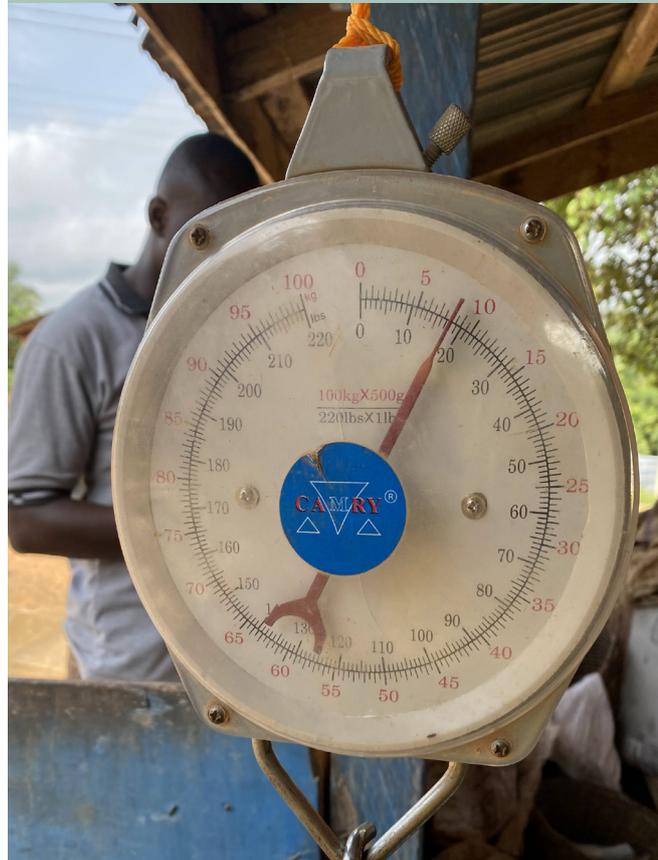
Africa has been estimated to need no less than \$100 billion. But even more important for Africa, a continent whose productivity lags competitors in the global economy by up to 20times, is how such emergency measures can be maximized as investments to accelerate the ongoing charge towards unlocking globally competitive climate action enterprises in the continent under the changing climate.

Africa’s agro-market is estimated to be worth up to \$150 billion each year in 5 years’ time. While it is open to global competition, empowering the local informal sector to take lead in developing competitive local products, that can compete for shelf-space with goods from elsewhere, offers an opportunity for developmental strides in the continent. Enabling this long-term perspective is the trajectory that stimulus packages in Africa should take. Not short-term cash transfers as is the traditional approach currently been used.

**1) First, prioritize buffering informal sector players in the continent’s catalytic sectors.** These are economically inclusive sectors – meaning they engage majority of the population. This implies that maximizing their productivity through value addition means putting more money in more pockets.



*The informal sector employs upto 80% of Africa’s population. The image shows women in Uganda who have been trained to make fuel briquettes as an alternative source of fuel.*



A weighing scale that is used to measure the weight of processed cassava, this was part of a training on showing effectiveness of solar dryers and reduction of post-harvest losses.

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*The innovativeness of using alternate fuel made from wastes not only does it provide a climate solution but also creates an income generating opportunity for the women of Nakisunga in Uganda who were trained under the EBAFOSA initiative.*

In addition, these sectors can meet both climate and socioeconomic priorities simultaneously. For example, decentralizing solar driers among cassava farmers – where cassava is converted into dried cassava chips that can be preserved for longer, sold to millers to be further processed into cassava flour or eaten as is / or fried into cassava chips, has seen incomes increase by 150% and reduce loss by 30%. Use of solar driers to dry rice has proven to be 48times faster than traditional open sun drying and result in better quality, cleaner, more hygienic rice that fetches more in the market. Decentralizing solar driers to farmers in local markets, to enable them to dehydrate and preserve their harvest that remains unsold at end of day and sell when demand peaks is not only cutting postharvest losses but increasing earning up to 30times.

All these are delivered by innovatively applying an accessible climate solution – solar dryers – which enhances incomes without piling on the emissions that exacerbate climate change in the first place. Stimulus packages being discussed should aim to buffer these players by targeting the structures that they use to conduct their trade. For example, cooperatives are grounded community financing structures for these players. The stimulus could be targeted at cushioning cooperatives against liquidity crunches hence ensure that delayed payments that may arise out of such a slow-down, do not render them

insolvent and close them down.

Second is prioritising human capital. A skilled person, capable of turning challenges, into enterprise opportunities is 4 times the value of produced capital and 15 times the value of natural capital. Over years, Africa has overlooked its most important capital – its people, and prioritised physical resources instead. Youth need to be supported to refine, improve and adapt their skills—regardless of disciplinary backgrounds - for application in establishing enterprises in the “catalytic areas of the economy. Stimulus packages should therefore go to create incentives in the form of tax breaks, reliefs, holidays, rebates – to enterprising youth already engaged in these areas, to encourage them and keep them afloat during these turbulent times.

Third, is more in the long term. Even as we ride through the emergency response period, the continent must invest purposefully towards unlocking credit opportunities in the informal sector. But this remains untapped because formal credit structures, the commercial banks, remain reluctant to invest in measuring credit worthiness of players in the informal economy. Over 95% of their transactions are still in cash. Modern technologies such as block-chain offer a way out to evaluate transactions in the informal sector through block chain governance.

## Building Better and Stronger the African way: Harnessing the Power of innovative approaches in.

**1) Rebuilding through Informal Sector:** Over 90% of new jobs created in Africa during the 90s for instance were in the informal economy. Currently, up to 80% of young workers in nearly all school-to work transition surveys fall into the category of informal employment. Going forward, this sector has also been described as the “present and future” of work in Africa. Efforts to re-build resilient inclusive economies must therefore focus on where majority of people draw their livelihoods. And by this, ensure we have most people productively engaged in productive economic activities.

**2) Market Incentives** there is a growing market segment of consumers ready to pay a premium for food that is certified organic, healthy and environmentally complaint – at times up to 3 times the price of conventional foods. Informal sector food traders who cultivate using nature based, non-chemicalised approaches and add value using non-polluting clean energy stand a chance to tap this market. But this is only if their production is certified by formal national standards bodies. National standards bodies therefore need to adopt critical, affordable climate action related enablers such as solar dryers, and nature-based agriculture, to ensure informal sector players have a way of achieving criteria needed to be formally certified. And by this, tap into the growing, lucrative organic foods market.

**3) Prioritising Human Capital:** a skilled person, capable of turning challenges, into enterprise opportunities is 4 times the value of produced capital and 15 times the value of natural capital. What we must urgently invest in skills retooling of youth and inspire them in establishing enterprises in the “catalytic areas of the economy. For example, across Africa, we are structurally guiding youth through Innovative Volunteerism to use locally available material and develop mechanical solar dryers. They are being guided to decentralise the same to farmers to enable them add value. Biofertiliser is another area – where youth are converting agricultural waste – be it rice husks, maize cobs and other agricultural waste into organic fertiliser earning over 560% profit. To catalyse such enterprises, policy will also need to be in tandem to lower enterprise costs especially for the youth. A critical aspect can be zero-rating taxes on material and equipment required to develop such solutions.

**4) Low Risk Investment Financing is critical to catalyse growth of enterprises in the informal sector.** But this needs to build on institutions that are most accessible to informal sector players. Up to 90% in Africa, inadvertently engaged in the informal sector transact in cash and in part, the convenience of mobile money. Formal financial structures such as bank accounts, are out of their reach.

Africa Catalytic Sectors: while informal sector actions

emanate from nearly every sector, transformation can only be driven through a strategic focus on the sectors that can be considered catalytic. These sectors are economically inclusive – meaning they engage majority of the population. This implies that maximising their productivity through value addition means putting more money in more pockets. In addition, these sectors can meet both climate and socioeconomic priorities simultaneously. Accordingly, the agro-value chain coupled with clean energy power especially locally manufactured solar dryers, clean cook stoves for value addition, stands as most catalytic. Not only are these inclusive – with agriculture employing over 60% of the population, but the continent holds a significant resources comparative advantage in them. The economic challenges that continue to peak even as the medical crisis phase of the COVID-19 wanes will only plunge Africa into deeper climate crisis. This is given the direct correlation of climate vulnerability with weak economic fundamentals.

The opportunity that COVID is presenting for Africa, Revisiting its progress towards more resilient, inclusive, and competitive economies informed by fundamentals that the COVID crisis has exposed will be a game changer in the lives of the informal sector who drive over 80% of the economies in sub Saharan Africa. This chance is unmissable if we are committed to just transitions.



*An image showing the traditional drying methods of drying cassava in the sun, EBAFOSA has partnered with local agro-actors to innovatively provide alternate preservation methods to grow the cassava value chain enterprise.*



*Youths in Nigeria showcasing an innovative preservation method that has since helped in reducing post-harvest losses among tomato farmers. Such initiatives partner with local cooperatives to boost agro-preneurs engaged in climate action.*

### ***Harnessing communal cooperatives to innovatively finance climate action post COVID19***

Africa must leverage on financing structures familiar to the informal sector. Up to 90% in Africa, inadvertently engaged in the informal sector transact in cash and in part, the convenience of mobile money. Formal financial structures such as bank accounts, tax brackets etc., are out of their reach. However, they are accounted for in cooperatives, which exist in some form even at the lowest socioeconomic level. This is the structure of cooperatives that are known in different names but exist in nearly every community level in every country. Cooperatives are weaved into the diverse cultures in the continent and draw on critical values that are fundamental to development – selflessness, trust and co-creation of value.

Community cooperatives are proven to work, are accessible and relevant to the diverse financing needs of the informal sector having withstood the test of time. They build on trust which is the social capital and the most asset that many strive on for progress in communities . And for this, leveraging on this community old long structures for transformational climate action- cooperatives will need to be restructured .

There is need to formalise local, grassroots cooperatives from the traditional basis where they are known as vehicles of social financing, into special purposed vehicles for investment

and enterprise financing in the informal sector. And this informal sector includes individuals who can through such cooperatives, be part of the enterprise approach.

Another aspect is to tie Financing to Informal Sector Actions in Catalytic Areas While informal sector actions emanate from every sector of the economy, sustainable nature-based agriculture which protects ecosystems and clean energy stand out as the most catalytic and foundational. They are not only critical to environmental enhancement and protection, but also in catalysing small youth enterprises across diverse sectors. Leverage Cooperatives as the Structure for Tracing Impact of Development. Domestic budgets in countries need more inclusive accountability mechanisms beyond the “dashboards” of resource allocations to ministries and on to specific projects. Tracing development through the budgeting process alone goes only halfway as it fails to account for actual impact made on the ground in terms of climate action enterprises that create inclusive wealth and lift populations out of poverty. The structure of communal cooperatives offers a ready, proven, accountable, representative and low risk framework on which this rebuilding can occur. Leveraging on communal cooperatives will be a game changer in the lives of the informal sector who drive over 80% of the economies in sub Saharan Africa.

## Achieving food safety in Africa's informal food supply chain under climate change

Informal food trade and supply chains are the major source of vegetables and fruits consumed by most people in African cities. Measures to inculcate food safety need to be urgently undertaken to reverse the silent suffering of millions of lives across the continent and elsewhere and this needs to be done in a way that works with the environment and not against it. Leveraging climate action solutions and a combination of incentives that can drive smart enforcement within local structures is the urgent imperative of now to save lives. To get us going in this direction, we cannot ignore realities.

The increasing rate of urbanisation provides a ready lucrative market for them, including urban farmers. This means that we must appreciate the fact that banning these informal traders is not an option. Rather what we need to do is enhance the level of traceability and accountability in how they conduct their enterprises. To this end, the following will be key

First, is traceability. The food from urban farms, sold by informal traders, must be traceable from farming to value addition until it reaches the final consumer. Every produce should be traced to ensure they are free from any form of dangerous contamination resulting from improper chemical fertiliser use, harmful effluent and wastewater irrigation.

Ecosystems Based Adaptation (EBA) approaches such as use of organic fertiliser and organic pesticides, metred application of mineral fertilisers in what is called fertilizer micro-dosing to enhance soil nutrient, agroforestry etc., for on-farm cultivation and accessible and affordable clean energy solutions for value addition should be implemented to make produce more organic. Use of EBA approaches is scientifically proven and is known to increase yields up to 128% under the changing climate and result in food with better immune boosting micro-nutrients. Affordable clean energy solutions of solar dryers have been proven to dehydrate food up to 48times faster than open sun drying and enable actors to preserve their harvest for longer to hit the market during peak demand. The result being up to 30times more incomes.

National standards regulators now need to adapt these climate action solutions as part of the suite of benchmarks for actualising food safety. Where foods cultivated using EBA and processed using clean energy get specially recognised as organic and are priced at a higher premium. This is already happening. In Uganda for instance with our technical guidance, the Uganda National Bureau of Standards (UNBS) has developed a market incentive guide that incorporates these climate action solutions to drive food safety, health, quality, and environmental sustainability benchmarks along its cassava value chain. With this clear policy, cassava farmers, operating in closely monitored farming units, are adopting these sustainable approaches that automatically translate to

safer food.

With a clear track record of compliance each step of the way, these farmers are assured of formal and statutory endorsement by UNBS that their produce meets a certain threshold of health, safety, quality, and environmental compliance. And with this, they can charge a premium for such products and earn more. With increased awareness among consumers of the link between food and health, more tend to gravitate towards such certified compliant produce. This lucrative market becomes an incentive to shift towards safer production approaches.

Safer production will also mean partnerships with cooperatives. Through such, these cooperatives become not only centres for pooling resources and mobilising capital, but also checking members to ensure safe production. In addition, through pooling these resources, informal food actors can afford capital assets they need to achieve compliance. To catalyse such enterprises, policy will also need to be in tandem to lower enterprise costs especially for the youth. The youth being the most significant non-state actor constituency in Africa by virtue of their numbers, ought to be the target of such incentives.



*A tomato farmer drying his produce in a solar dryer in Nigeria. Nigeria standards organization has adopted policies that promote climate solutions as part of production standards to improve food safety and marketability.*



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