

CHAPTER 10

Conclusion

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The 2022 Annual Trends and Outlook Report (ATOR) aims to generate evidence to guide the ongoing transformation of African food systems through well-concerted and targeted policy interventions in the agrifood processing sector. In line with this objective, the report brings together several studies that explore available and emerging evidence and knowledge in a wide range of policy areas related to the processing segment of agrifood value chains. Overall, the studies (1) confirm the emerging opportunities for agrifood industrialization in Africa, driven by increased urbanization and middle-income consumers who look for diversified diets and convenient foods; and (2) shed light on key areas where policymakers and partners should design policies and make investments that strengthen the sector and increase its capacity to provide healthy diets for all.

Expand Successful Industries and Best Practices

Encouraged by macroeconomic and socioeconomic changes, some promising policy and private sector practices have emerged in the African agrifood processing sector, though they remain insufficient and, in some instances, limited in scope. However, the emerging agrifood processing sector has created a favorable environment for linking smallholder farmers with markets and value chains. For example, the report points to millet and other crops for which the development of a processing sector has been key to increasing farmgate prices as well as expanding consumption (chapter 2). It also shows that the growth of emerging agrifood processing industries is generating opportunities to advance the long-overdue policy goal of commercializing smallholders, helping to fill the gap between markets and smallholder producers. Therefore, expanding and sustaining these processing industries will not only help to achieve the wider goal of industrialization and employment generation but also to integrate smallholder producers with regional and global value chains.

Policy actions should focus on consolidating and scaling best practices in emerging agrifood industries in many parts of Africa. These include Africa's fruit and vegetable processing sectors—tomato processing in Ghana and Nigeria, fruit juices across the continent, pineapple processing in Benin, and traditional vegetable processing in Kenya and Tanzania (chapter 3)—which have experienced some success but also face significant challenges that must be overcome to reach their potential. Studies of these sectors point to the need for policies aimed at promoting agrifood industrialization to focus on increasing

the competitiveness of locally produced fruits and vegetables by expanding the adoption of varieties more suited to processing, improving production processes to increase the stability of supplies, and supporting institutional arrangements to organize smallholders into groups to facilitate coordination and generate economies of scale. Similarly, studies on meat production and processing illustrate the complexity of meat value chains and underline the need for context-specific policy interventions related to linkages between the live animal production sector and the meat sector and policies that promote the productivity, safety, and resilience of the livestock sector (chapter 4).

Strengthen the Transformation of Agrifood Processing Firms

Despite the growing opportunities in Africa's agrifood processing sector, its growth and transformation are sluggish. Therefore, while consolidating and scaling best practices is critical to widen and deepen the growth of the African agrifood processing industry, it is equally critical to revamp public and private actions in areas that are hampering the transformation of the informal sector and the growth and competitiveness of the formal firms. Of particular importance are (1) enhancing the productivity of small and informal firms, which are predominant in Africa's agrifood processing sector and have only limited access to external finance (chapter 5 and featured issue box 1); (2) accelerating the rate of firms' clustering, given the significant role that clusters play in facilitating access to markets, technology, inputs, and infrastructure (chapter 6); and (3) reversing and boosting the declining R&D investment and the low level of innovation in African agrifood processing firms (chapter 7).

Policies and investments to improve firms' performance should focus on enhancing firms' capacity and expanding institutional supports. More specifically, governments should focus on (1) strengthening research and training institutions to capitalize on the potential of clusters to promote processing sector growth and development; (2) expanding intra-African trade and redirecting demand for imported processed products toward local products that offer opportunities for growth; and (3) facilitating innovation by strengthening connections among firms and other innovation system actors through technology transfer agreements, skills development, contract farming, and the promotion of clustering. Expanding access to information and communication

technologies (ICT) is also critical to enable firms to interact with other actors; contribute to areas such as food safety, logistics, and traceability; and enable the development of new ICT-based products and services.

Revitalize Policies

The African agrifood processing sector has experienced a variety of policy failures associated with inappropriate and inadequate interventions. In many instances, public efforts related to the development of agro-parks (geographically targeted agricultural development initiatives) have failed because of poor targeting and provision of supportive services. Yet agro-parks have great potential to attract investment, create linkages among value chain actors, and facilitate the provision of services for investors and firms (chapter 8). The report emphasizes that governments should ensure that agro-park programs are fully aligned and integrated with their national development strategies, and should avoid investments based on vested interests and politicized decision-making. To prevent future failures, policy reforms are needed in the areas of effective design and management of infrastructure, provision of supportive services, strong private sector involvement at all stages, and consistent political support over time.

The other policy failure widespread in the processing sector is the poor alignment of public support services with emerging agribusiness potential. For instance, evidence presented in this report (chapters 6 and 7) suggests that women and informal entrepreneurs are by far more predominant and innovative than their male and formal counterparts in the processing sector; however, women and informal entrepreneurs benefit less from public services. In addition, the political commitment to support the private sector, specifically emerging small and informal agrifood processing and trading industries, is inadequate to carry them to the next stage of industrialization. African governments and development partners aspiring for agricultural transformation should streamline and intensify policy support for informal and small agrifood processing actors. Specific policy actions should include improving access to finance (featured issue box 1), resolving business obstacles (chapter 7), and enhancing technical and managerial skills (featured issue box 2).

The agrifood processing sector has enormous potential to enable food system transformation in Africa, to contribute to improved livelihoods as well as broader economic growth, and to help ensure wider availability of adequate and healthy diets. However, policymakers and other food system actors must

work to address the constraints that continue to limit the sector's ability to reach its potential. In summary, urgent areas for policy action include (1) facilitating the transformation of informal agrifood processing enterprises; (2) boosting the competitiveness of the formal agrifood processing establishments; and (3) deepening the involvement of the private sector through the provision of supportive services such as human capital development, energy, and infrastructure and financial services.