

2017 African Caucus
Economic Transformation and Jobs: A focus on Agriculture and Agribusiness

August 2-4, 2017

Agricultural Policy Foundations: Financing, land Tenure and Markets

Concept Note

1- Purpose and Objectives

The African Caucus was established as the “African Group,” with the objective of strengthening the voice of African Governors in the Bretton Woods Institutions (the International Monetary Fund (IMF) and the World Bank Group (WBG)), on development issues of particular interest to Africa. Membership to the Caucus is open to all African Countries who are members of the IMF and WBG (currently all the 54 countries on the African continent). The countries are represented by their respective Governors at these institutions, commonly referred to as the African Governors, who are usually Ministers of Finance and Economic Development, and Central Banks Governors.

This year’s African Caucus meeting will take place during August 2-4, 2017 in Gaborone-Republic of Botswana under the theme “*Economic Transformation and Jobs: A focus on Agriculture and Agribusiness*”.

2- Context and Background

It is widely acknowledged that government commitment expressed through agricultural policies is key in boosting agricultural production, addressing food security and poverty reduction in Africa. A well-performing agricultural sector is fundamental for Africa’s overall economic growth. Building and renewing a critical mass of domestic capacity for the design and implementation of sound agricultural policy in rapidly changing contexts is, therefore, absolutely necessary for the acceleration of Africa’s development.

In fact, feeding the increasing population is the daunting challenge that Africa needs to meet. The target for the coming decades should be to ensure food security for the increasing population, helping to create jobs for youth, while reducing inequalities and vulnerability. In this regard, improving and transforming African farming systems and other connected activities through adequate policies is a determining factor. And this can be achieved by improving and sustaining financing systems, securing land access and management, controlling and minimizing agricultural risks, and by improving the structuring and regulation of markets, among others.

The role of policy-makers in this process is to provide the impetus needed to ensure that farmers make their profession an economic activity that generates the well-being, and meets food security, and employment growth challenges in the sector. For that, there is a need not only of allocating resources to the sector, but also to deal with other issues such as new innovative agricultural

financing policy and instruments, land tenure, and the agricultural markets development. In this regard, designing public policy that improves the current dynamics to achieve the desired results but also understanding the main forces and threats influencing agricultural development is crucial.

Financing aspects:

Fostering investment and financing in agriculture sector means attaching greater importance to the economic and financial environment to reassure agricultural producers and other actors in the agri-food value chains. In this regard, longer-term agricultural financing is needed for longer-term investments such as storage facilities, food processing facilities and equipment/mechanization, feeder roads, etc.

However, as it has been proven, agriculture financing institutions are lacking in Africa compared to other parts of the world, especially in the financial and insurance sectors. This hampers farmers' ability to take more risks and to increase investment. Also, some government policies often prove to be ineffective and could in fact create impediments to offering financial services to the agricultural sector.

Therefore, agricultural public policy instruments are key and have a great role to play in attracting and allocating financing for the agricultural sector. At micro level, most African agricultural producers do not have the institutional and financial environment that enables them to manage their farms and adapt to environmental and market changes. According to the WBG¹ study the Banking sectors in developing countries lend a much smaller share of their loan portfolios to agriculture compared to agriculture's share of GDP. This limits investment in agriculture by both farmers and agro-enterprises. It also demonstrates that the barrier to lending isn't due to a lack of liquidity in the banking sectors, but rather a lack of willingness to expand lending to agriculture. At the same time, at macro level, there is always a need to have sustainable investments policy in smart agriculture and technologies, in land management and regulation, as well as in markets development. In this regard, the future needs in agriculture financing include: (i) Longer-term agricultural financing, (ii) Financing agriculture-related infrastructure, (iii) Climate change, (iv) Advancements in technology.

Land Tenure and management:

Like elsewhere, on the African continent, land is a fundamental issue for economic development, food security and poverty reduction. It is the main vector for investments and accumulation of wealth that can be transferred to the next generation. This is where land tenure becomes an important part not only for social accountability but also and more importantly for agriculture sector development. Land tenure is a key factor in the economic development of agricultural production sector, natural resource management, management of flood-plains and irrigated croplands and in local development programs in both urban and rural areas. For this reason, the question of securing land tenure concerns the whole range of stakeholders from local farmers, local area authorities and public service providers, including national and foreign investors². It has been evidenced, for example, that land registration stimulates a more efficient use of the land, because

¹ World bank group, *Ending Poverty and Hunger by 2030, An Agenda for the Global Food System, Second Edition*, MAY 2015

² *Land tenure issues and challenges. Perspectives on land tenure in Africa*, by Paul Kabré, 2012

it increases tenure security and removes disincentives to invest in the longer term management and productivity of the land. Also, land registration provides farmers with a title that can be offered as collateral to financial institutions, thereby improving farmers' access to credit and allowing them to invest in land improvements. However, building up a land tenure policy is not easy³. It can never be a straightforward process because it is multi-dimensional, bringing into play social, economic, institutional, legal aspects that are often ignored in agriculture policy design.

To respond to these land tenure challenges, a large number of African countries have adopted over the last decade new policies and laws aimed at restructuring land relations. Land has also featured high in the agendas of donors and development agencies, which have supported to varying degrees reform programs across Africa.

Improving land governance can significantly raise farm incomes and reduce poverty, with significant scope to further improve land governance across countries, particularly in Africa. As suggested by World Bank Group⁴, this agenda should include: (i) improving tenure security over individual land and community lands; (ii) increasing land access and tenure for women and for poor and vulnerable families; (iii) resolving land disputes; (iv) better managing public land; and (v) increasing efficiency and transparency in land administration services.

Markets aspects:

Agriculture markets development is a key component of the whole agriculture development agenda in Africa. There is a crucial need for farmers not only to be well connected to the markets but also to understand the whole mechanism and own it in their decision making and planning process. Improvements in transport and local market infrastructure facilitate the supply of agricultural products to urban areas, whose growth is rapid, ongoing and predictable over the long term. Regionally, economic and trade globalization has been accompanied by an acceleration of the regional integration process. The regional markets, along with their smooth integration, is one of the most effective means of stabilizing prices and securing domestic market supply. It is also a key driver for deploying competitively mechanisms and tools to manage price instability. However, the level of intra-African trade in agricultural and food products is low. Most of African countries import food from the international market with varying degrees of dependence. And these products are some of the main items traded domestically. Cross-border trade is comprised of flows of local products and of import/re-export flows. Market fragmentation (a lack of infrastructure; monetary, tax and trade fragmentation, etc.), limits the development of the region's trade potential. These barriers increase price instability and affect food security. Market uncertainties discourage agricultural producers from pursuing intensification.

3- Discussion focus

The discussion may focus on the followings:

- Longer-term agricultural financing especially financing agriculture-related infrastructure and new technologies;

³ *Land tenure issues and challenges. Perspectives on land tenure in Africa, by Paul Kabré, 2012*

⁴ *World bank group, Ending Poverty and Hunger by 2030, An Agenda for the Global Food System, Second Edition, MAY 2015*

- The role that south-south cooperation approach can play in Africa to improve agricultural policy design and implementation at national levels;
- The importance of having enhanced capacity to formulate, implement, monitor domestic agricultural policy for inputs productivity and improved output;
- The agricultural policy ownership by all actors in the sector including smallholder farmers.
- The options to meet the financing gap in agricultural sector
- The best way to avoid market failure domestically and regionally
- Increasing land access and tenure for women and youth;
- Land registration is key in agriculture development. Some countries have already finished the land registration, others are in the process. Being a costly project, what can be the easiest mechanism of helping countries in overcoming the land registration issues.
- Increasing efficiency and transparency in land administration services

4- Audience and expected attendance

Primarily all African Governors to World Bank Group and IMF, who are usually Ministers of Finance and Economic Development, and Central Banks Governors. The meeting will be also attended by Executive Directors representing the African continent at the World Bank Group and International Monetary fund (IMF), host Government official, as well as invited regional and international organizations.