

FOCUS ISSUE 1: AGRICULTURE

I. Overview of the Commitments

Africa:

Key African Union (AU) Declarations include:

- ◆ The **2003 Common Africa Agriculture Development Programme (CAADP) Framework** calls for achieving 6% agricultural growth rates annually.
- ◆ The **2003 Maputo Declaration** commits African leaders to allocate at least 10% of public expenditure to agriculture and rural development within five years. African leaders resolved to implement the CAADP, including its and flagship projects and “Action Plans” for agricultural development at the national, regional and continental levels and, to this end, agreed to adopt sound policies for agricultural and rural development.
- ◆ The **2004 Sirte Declaration on Agriculture and Water** that reiterated the commitment to expedite the implementation of i) NEPAD programmes in the field of agriculture and water and ii) the implementation of the Maputo Declaration. Equally important in this Declaration are commitments to, *inter alia*:
 - Support the development and production of strategic agricultural commodities;
 - Promote the development/manufacturing of agricultural implements, livestock and fishery equipment to meet the continent’s needs for agricultural production;
 - Promote the strengthening/establishment of agricultural Centres of Excellence as well as tertiary and research institutions at continental and regional levels;
 - Establish the African Common Market for Agricultural products and promote intra-African trade in agricultural and fishery products;
 - Develop a common and coherent policy framework for public-private cooperation; and
 - Expedite action on the establishment of the African Investment Bank and undertake a feasibility study for the establishment of an African Agricultural Development Fund.
- ◆ The **2006 Abuja Fertiliser Summit** adopted a number of resolutions to promote the supply and use of fertilizers by Africa farmers, with the explicit objective of raising the level of fertilizer use from the current average of 8 kilograms to at least 50 kilograms per hectare by 2015. In this regard, the African Union member States resolved to, *inter alia*:
 - Reduce the cost of fertilizer production and/or procurement at national and regional levels;
 - Promote national/regional fertilizer production and intra-regional fertilizer trade and establish Regional Fertilizer Procurement and Distribution Facilities;
 - Establish national financing facilities for agricultural input suppliers to accelerate access to credit at the local and national level; and
 - Establish an Africa Fertilizer Development Financing Mechanism.
- ◆ The **2006 Abuja Food Security Summit** reaffirmed commitments made in Maputo in 2003 and further committed African Heads of State and Government to:

- Increase intra-African trade by promoting and protecting rice, maize, legumes, cotton, oil palm, beef, dairy, poultry and fisheries products as strategic commodities at the continental level, and cassava, sorghum and millet at sub-regional level;
- Accelerate the development of strategic commodities by fast-tracking the implementation of trade arrangements adopted by Regional Economic Communities (RECs) through lowering tariff barriers and eliminating non tariff barriers by 2010;
- Promote public sector investment in agriculture-related infrastructure, particularly regarding water, irrigation, electricity and roads through public-private partnerships; and
- Establish a funding mechanism to mobilize additional resources for purposes of up-scaling agricultural successes within and across countries in Africa.

International Community:

- ◆ Various **multilateral and bilateral agencies** have pledged support for African agriculture through support to the CAADP.
- ◆ **G8 leaders** at successive G8 Summits have pledged their support for African agriculture and have committed themselves to:
 - Improve food security and sustainable use of natural resources;
 - Support AU/NEPADs CAADP and promote policy reforms and investments in sustainable agriculture leading to higher productivity, better market access and reduced vulnerabilities in order to support rural populations; Substantially reduce trade-distorting domestic support, substantially improve market access, eliminate all forms of export subsidies to cotton (by 2006) and other agricultural products, and establish disciplines on all export measures with equivalent effect by end of 2013, subject to successful conclusion of the Doha Round.
- ◆ The **EU/AU Co-operation Strategy on Agriculture Development** will be based on African priorities as reflected in CAADP. The Communication ‘Advancing African Agriculture’, which aims to enhance EU-AU co-operation on agricultural development was adopted in July 2007.
- ◆ **WTO members committed themselves in the 2001 Doha Ministerial Declaration** to comprehensive negotiations on agriculture aimed at substantial improvements in market access; In the **Hong Kong Declaration in 2005**, members agreed to eliminate all forms of export subsidies for cotton by 2006, and to reduce **trade-distorting subsidies for cotton** production;
- ◆ The **World Food Summit in 2002** adopted a declaration calling on the international community **to cut the number of hungry** people to about 400 million by 2015.
- ◆ The Declaration adopted at the **2008 High-Level Conference on World Food Security** committed Heads of State and Government to a number of measures to address the challenges of higher food prices including through providing balance of payment support, increasing investment to agriculture, and addressing obstacles to food access.

II. What has been done to deliver on these commitments?

Africa: Implementation of the Africa Agriculture Agenda (AAA) within the CAADP-Sirte framework.

1. The framework that underpins the implementation of the AAA is the Comprehensive African CAADP, the Sirte Declaration on Agriculture and Water and additional Decisions and Declarations of the AU Summits of Heads of State and Government. The following paragraphs detail progress achieved in delivering on discrete elements of this framework including agricultural growth rates, fertiliser use and the four CAADP pillars.

2. **Agricultural sector growth.** A core target on this framework is to achieve an average annual growth rate of 6% in agriculture across the continent. The number of countries which have met or exceeded this target has more than doubled between 2003 and 2005 from 5 to 11 countries, with at least nine countries exceeding this objective.

3. A recent report by the AU stated that six countries have exceeded the Maputo target of allocating 10% of national budgets for agriculture. These include Niger (20%), Ethiopia (16.8%), Burkina Faso (13.7%), Chad (12%), Mali (11%), and Malawi (11%). Latest figures show that most countries are still far from meeting this commitment, with spending at significantly lower levels (an average of 6.6% in 2005).

4. The contribution of agriculture to GDP remains much higher than the share of government budgets allocated to the sector. One of the major issues in assessing the implementation of the Maputo target is the determination of the scope of the agriculture and rural development sector. After consultation with member governments and the RECs, agreement was reached that the agriculture sector should be defined according to the internationally accepted standards based on the UN Classification of Function of Government as used in the IMF's Government Financial Statistics. However, this issue has not been completely solved as some governments argue that spending on infrastructure, energy and water etc, have a direct impact on agriculture and rural development.

5. **Fertiliser use.** According to the Third Biannual Progress Report of the Implementation of the Abuja Declaration on Fertiliser for an African Green Revolution, there are signs of improvement at the regional and country levels with regards to progress in implementing the Abuja Declaration. African countries and RECs are recognizing the importance of a sustainable fertiliser subsector for agricultural development and are designing initiatives that reflect this recognition. Most of the RECs have now developed Regional Fertiliser Policies and Strategies, which offer strategic and institutional support to the implementation of the Declaration.

6. The Africa Fertiliser Development Financing Mechanism (AFFM) has already mobilized over US \$32.2 million in pledges (including from the Government of Nigeria, IFAD, Gates Foundation, and the AGRA/Rockefeller Foundation).

7. **Implementing the CAADP Pillars.** The four CAADP pillars are as follows: 1) Land and Water Management, 2) Rural Infrastructure and Trade-Related Capacities, 3) Increasing Food Supply and Reducing Hunger, and 4) Agriculture Research and Technology Development. Implementation is underway, albeit at a slow pace. CAADP is now going through an implementation planning exercise which has resulted in a set of sub-regional/regional "Priority Action Plans", and "Early Actions" led by the RECs. The focus has been on promoting food security and enhancing agricultural production through sustainable land management, increasing the food supplies, improving and enhancing nutrition and enhancing research and the flow of technologies to and within Africa.

8. A coalition of bilateral and multilateral institutions, including United Nations agencies, have been brought together to support the implementation of the *sustainable land management* component. A planning process to mobilize 50% of new resources under the Global Environment Facility for

Africa is well advanced. This effort is likely to generate \$100 to \$200 million over a four-year period. To date, about \$1.5 million has been mobilized.

9. The RECs are also making progress with their *Regional CAADP Compacts*. SADC signed an agreement of US\$1 million to begin the project preparation process. US\$50 million has been mobilized for the SADC region and a process is ongoing to prepare a similar programme for West and Central Africa. Two programmes have been undertaken to promote agribusiness operators in COMESA and ECOWAS, and both RECs are finalizing their action plans of their regional CAADP Compacts.

10. A *regional water management and food security* programme, worth \$150 million, is in advanced stages of preparation in 10 countries of the SADC region. Significant resources are already being spent in these countries to prepare for the implementation of the programme. Efforts are also underway to include irrigation infrastructure into the Infrastructure Consortium for Africa, the International Water Facility and the Rural Water Supply and Sanitation Initiative.

11. Overall, progress in the implementing the four pillars of CAADP is still generally low. The 8th Annual Regional Consultations of the UN agencies in support of the AU/NEPAD programme underscored the need to revitalize support for the implementation of CAADP. The coordination and implementation of the AAA at national, regional and continental levels was consolidated with the convening of the Third CAADP-Sirte Partnership Platform and the AU-NEPAD-RECs and lead Pillar institutions meeting in Seychelles in March 2008.

International Community: Support for the revival of the African Agricultural Agenda and the CAADP-Sirte framework

12. **Official Development Assistance.** Overall, the share of agriculture in total ODA to Africa has been declining from 6.8% in 2001 to 3.6% in 2005. The latest World Development Report 2008 calls for greater investment in agriculture. For its part, the World Bank has committed to increasing its support for agriculture and rural development, following a decline in lending in the 1980s and 1990s. Commitments averaged \$2.9 billion per annum during FY05-07, equivalent to 12 percent of overall Bank commitments during that period. In FY07 total commitments reached \$3.1 billion, of which \$580.5 million were directed to Sub-Saharan Africa.

13. **Co-ordinating development partner support.** Most major development partners are showing commitment to CAADP and aligning their efforts through the CAADP-Sirte Partnership Platform. For development partners, CAADP offers important opportunities for implementing the Paris Declaration on Aid Effectiveness and the recently approved Accra Agenda for Action (AAA). The CAADP investment portfolio is estimated to cost a total of US\$ 251 billion over the period 2002-2015. .

14. In July 2007, the *European Commission* adopted the ‘Advancing African Agriculture’ Communication. EU-AU Cooperation on agricultural development will concentrate on seven areas – Agriculture in Development Strategies; Sector Governance; Research, Knowledge Systems and Dissemination; Trade Facilitation; Natural Resource Management; Livestock Development; and Risk Management.

15. In May 2008, the AU/NEPAD, in collaboration with other international agencies, established a *Task Force* for following up the May 2008 Workshop on “Accelerating Investments in Response to High Food Prices and Food Insecurity”, organised to address escalating global food prices. This Task Force includes Rome-based agencies, the World Bank, the EU, the AfDB and a number of bilateral agencies. The Task Force is intended to assist governments in selected African countries to identify and formulate an appropriate country framework for specific food security interventions.

16. The “*African Green Revolution*” is underway. This new partnership aims to invest in Africa’s inadequate agricultural infrastructure, as well as developing new seeds and fertilisers. The Alliance for a Green Revolution in Africa (AGRA) is a platform working across the African continent to help small-farmers and develop practical solutions to boost farm productivity and incomes. The Rome-

based institutions signed an MOU with AGRA in June 2008 and are working towards operationalising this and moving ahead with five of the 13 priority countries identified by AGRA in Africa. This will involve working to support the development of key value chains in each of the countries selected¹. AGRA has also launched a multi-million dollar initiative to increase access to fertiliser in Africa.

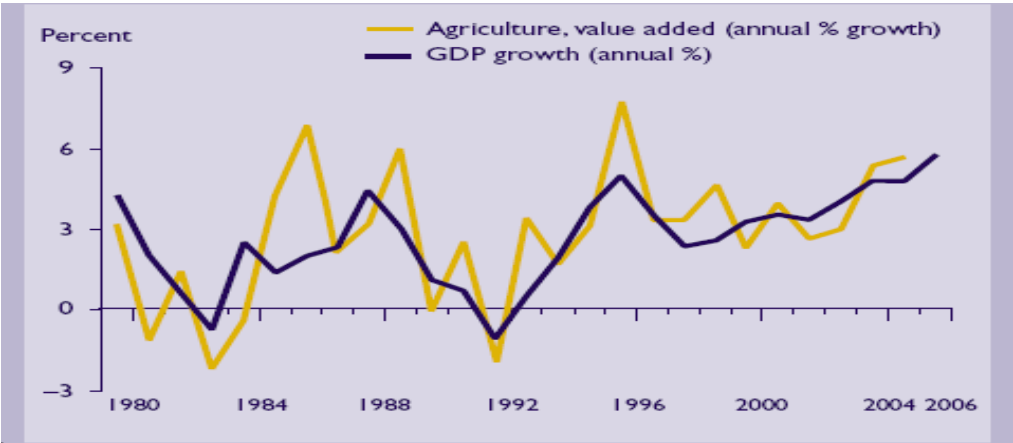
17. The *MDG-Africa Initiative* launched in 2007 includes a business plan for Agriculture Development and Food Security (May 2008) which calls for accelerating CAADP implementation and mobilising incremental resources of about US\$ 8 billion for agriculture.

18. **International trade.** Progress in increasing market access and reducing agricultural subsidies continues to depend on progress at a multilateral level, and in particular on the outcome of the Doha Development Round as a whole. Preference programmes that give African special access have helped to increase the value of African exports, but many of these programmes continue to impose limitations in terms of countries and products covered.

III. What are the results?

19. **There has been a marked increase in growth in the agriculture sector.** Agricultural sector growth in Africa has doubled from 2.7% in 2002 to close to 6% in 2006 as a result both of rising productivity and price trends. According to the 2008 World Development Report, rural poverty has also started to decline in 10 of 13 countries analyzed over the period 1990 to 2005. However, in comparison to other regions of the world, Africa is still characterised by comparatively low land and labour productivity. There has been some limited progress in land productivity but virtually none in labour productivity due to a rapidly growing labour force.

Figure 1. GDP and agricultural growth in Sub-Saharan Africa, 1980-2006



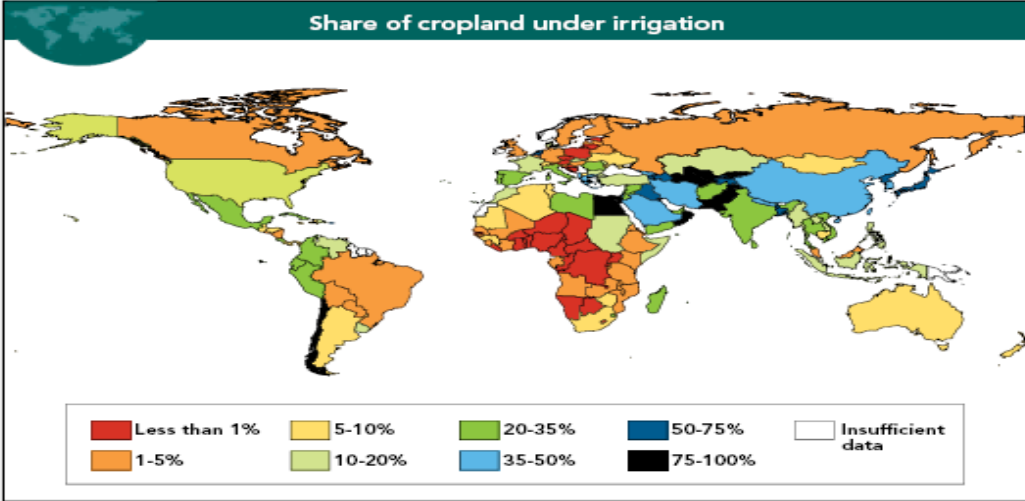
Source: Based on data from the World Bank, World Development Indicators 2007 (World Bank 2007)

20. **Fertiliser consumption in Africa is the lowest in the world and irrigation use is increasing slowly.** Cereal yields and per capita food production are much lower in Africa than elsewhere, and the gap with the rest of the world is not yet narrowing. The yield per hectare for food crops in Africa is less than half the level in developing countries as a whole, and about 20% of the level in developed economies.

¹ IFAD has already launched joint investment programmes with AGRA in Mozambique, Kenya and Uganda and more joint programmes are being developed.

21. **African agriculture is today one of the most undercapitalised in the world.** Over the period 1990-2003, the amount of irrigated land in Africa increased slowly from 11 million to 13.4 hectares, with approximately half of the total accounted for by North Africa. However, less than 10% of arable land is irrigated -- compared to 26% for India and 44% for China.

Figure 2 . Share of cropland under irrigation

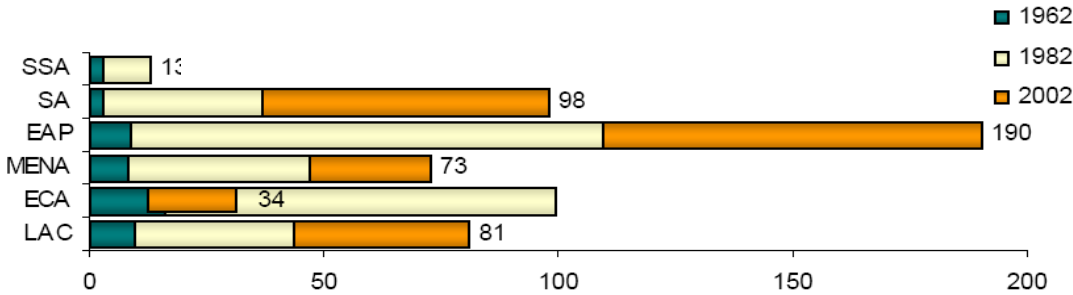


Source: World Bank (2007)

22. On average, African farmers use only about 20 kg of fertiliser per hectare of arable land (8kg/ha in sub-Saharan Africa), that is, only 22 % (and 9 %) of the world average of 93 kg/ha. Fertiliser use is, therefore, extremely low by international standards and, according to ECA figures, needs to treble to 23kg/ha in order to achieve MDG 1 of halving the number of malnourished people.

23. The number of tractors per 1000 ha of arable land is three times greater in Asia and eight times greater in Latin America than in Africa. Similarly, road densities are more than 2.5 times higher in Latin America and 6 times higher in Asia than in Africa. The deficit in roads is further compounded by inadequate maintenance and, therefore, poor quality of existing rural and feeder road networks, hampering effective year-round transport of food and agricultural produce from, and agricultural inputs, services and consumer goods to rural communities.

Figure 3 . Fertilizer consumption (kilogram per hectare of arable and permanent cropland)

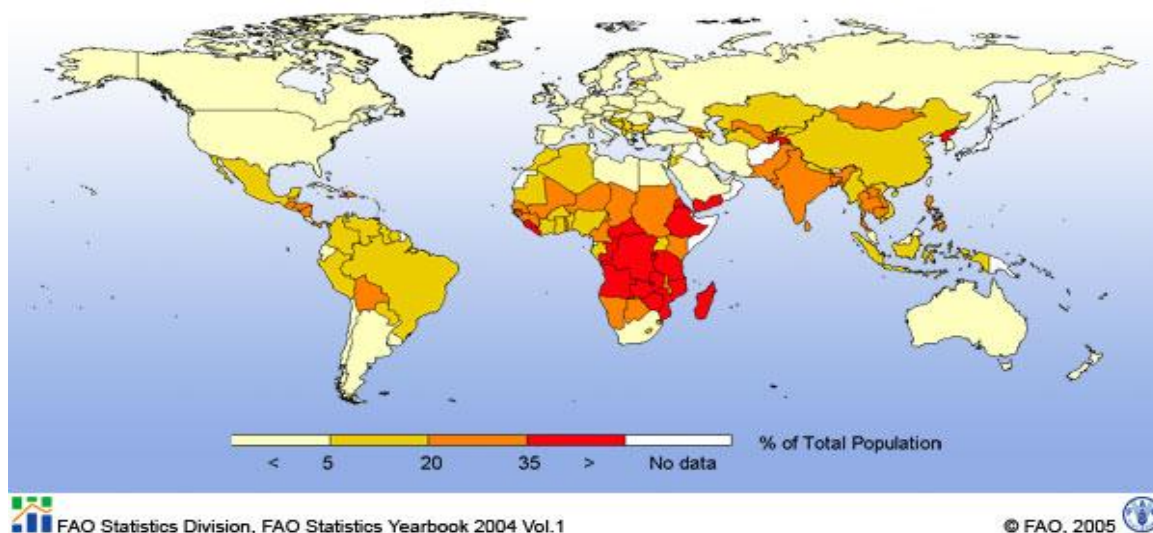


Source: World Bank (2007)

24. With regard to farming technology innovation, African institutions of agricultural higher education, research and extension remain poorly staffed, ill equipped and underfunded.

25. **The number of undernourished people in Africa is increasing.** According to the 2006 FAO Report, the share of undernourished people in sub-Saharan Africa stands at 32%. Due to population increases, the number of undernourished people is increasing. According to the ECA, 14 SSA countries have managed to reduce the number of people living with hunger by at least 25%. However, the majority of countries remain off-track towards achieving MDG 1.

Figure 4. Percentage of the total population that are undernourished



26. Nearly two-thirds of the total population and about 70% of the poverty and hunger MDG target group in Africa live in rural areas. For these poor people and the bulk of the rural population, income and livelihoods depend primarily on agriculture, which employs 90% of the rural labour force and nearly 60% of the total labour force of the continent. Those most affected by rural poverty include small-holder farmers, pastoralists, artisanal fishermen, landless wage labourers, female-headed households, displaced people and, across all categories, women.

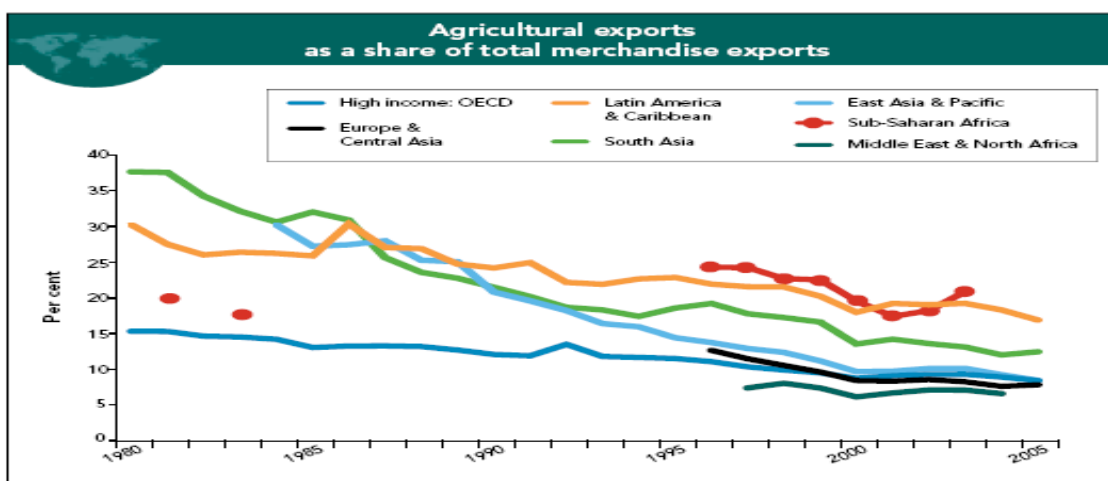
27. In Africa, women continue to carry the brunt of an ever-worsening food security situation, particularly at community and household levels. In poor households, women and girls are more likely to suffer from malnutrition. Liberalised economies have created many cracks through which mostly women fall, and a lack of access to time and labour-energy saving technologies continues to undermine their productivity and ability to generate income.

28. Climate change now poses a new major threat to agricultural production and therefore food security, both in arid and semi-arid areas which are becoming drier, and in other regions where flooding is destroying production. Changing weather patterns have most adverse effects on the agricultural sector where most women operate, thus their vulnerability is increased.

29. **Africa's trade performance and share in world agricultural markets has improved recently.** According to FAO data, Africa's commodity exports have been increasing in volume at an average of 13% since 2001. In terms of share of world trade, Africa's commodity exports increased from 4.8% to 5.4% during the same period.

30. Despite this progress, Africa's share of global trade still remains low in comparison to other regions and agricultural exports remain concentrated in a few commodities (coffee, tea, cocoa, sugar, bananas). For many countries in Africa, reliance on one single commodity accounts for between 50-75% of total commodity exports. With the exception of cotton over the last two decades, African producers have steadily been losing market share to Asian and Latin American competitors.

Figure 5. Agricultural exports as a share of total merchandise exports



Source: World Development Indicators online database

Note: Agricultural exports share = Share of agricultural raw materials exports + Share of food exports

31. Africa has considerable potential to expand exports, but trade barriers in industrial countries and taxation of agricultural exports continue to reduce incentives. Notwithstanding, whilst market access is an important issue, there are equally important supply-side constraints such as weak infrastructure, poorly funded research and development, relatively weak links to global supply chains in terms of delivering products at the price and time, and in the volumes and quality required by international buyers. More encouragingly however, intra-African trade in agricultural products doubled between 1996–2000 and 2001–2004, and was about twice the level of trade in non-agricultural products.

32. **Staple crops dominate production and will continue to do so in the near future.** Farmers grow mostly food staples for their own consumption and to supply domestic and regional markets. However, with increased private sector participation, several countries have successfully diversified into new areas such as cut-flowers and fruit and vegetables (though these are vulnerable to product standards in export markets). In some cases, varietal improvements have begun to have an impact on rice, maize, cassava and other crops, with public institutions acting as key facilitators of innovation and diffusion. Nevertheless, Africa still lags far behind other developing regions in maximising the potential of improved crop varieties to ensure adequate staple crop production.

IV. New Emerging Issues affecting African Agriculture - Climate Change, Biofuels, Food Prices

33. **Climate Change:** Most of Africa relies on rain-fed agriculture, which substantially increases its vulnerability to changes in climate variability, seasonal shifts, and precipitation patterns. With climate change, the area suitable for agriculture, the length of the growing season and yield potential – particularly in margins of semi-arid and arid areas – are all expected to decrease. As a result, pronounced shifts in regional cropping patterns are expected to be observed while trade-offs in land allocation between agricultural sub-sectors (e.g. crops and livestock) may have to be made. This would further adversely affect food security.

34. By global comparison, sub-Saharan Africa is particularly vulnerable to the effects of climate change: agricultural output is projected to be reduced by 28% by 2080 (without carbon fertilisation). In terms of revenue, the IPCC (2007) estimates agricultural losses of between 2 and 7% of GDP by 2100. Temperatures in Africa are already generally high. Any amount of warming may therefore be devastating for agriculture on the continent.

35. Africa's agricultural yields have already been declining, and it is estimated that Africa's food supply will need to quadruple by 2050 to meet people's basic calorific needs. The Stern Review (2007) projects that at 3 degrees Celsius warming there would be 150 million to 550 million additional people at risk of hunger. Thus, climate change seriously threatens Africa's ongoing efforts to achieve the poverty and hunger targets of MDG 1.. The effects of climate change will likely increase an already vulnerable situation for African farmers who are dependent on agriculture for jobs and income and whose adaptive capacity is most constrained. The evidence from the IPCC is that the most vulnerable people will be affected first and foremost, and that subsistence farmers are expected to experience the most negative effects of climate change.

36. **Biofuels:** There have been high expectations surrounding biofuels as a resource that could potentially mitigate climate change, contribute to energy security and support agricultural producers. Perceptions, however are now changing. Recent analysis suggests that increasing biofuels production may further hurt subsistence farmers and heighten the risk of food insecurity in Africa by diverting crop cultivation away from food production whilst increasing price pressures on agricultural products.

37. One of the key messages in the 2008 FAO report on *The State of Food and Agriculture – Biofuels: Prospects, Risks and Opportunities* - is that rapidly growing demand for biofuel feedstocks has contributed to higher food prices, which poses an immediate threat to the food security of poor net food buyers in both urban and rural areas. It is also noted that even though biofuels are only one of many factors that have driven the rise in commodity prices, the growing demand for biofuels has certainly contributed to the upward pressure on agricultural and food prices and may continue to do so for some time to come.

38. Policy approaches towards biofuels has to take into account the high degree of uncertainty still surrounding the potential and future role of biofuels in global energy supplies. As stated in the 2008 FAO report, an important step forward would be for countries to refrain from pursuing and adopting policies that place a premium on and promote demand for biofuel feedstocks to the detriment of food supplies. Biofuel production and food production could have an important place in the development of rural areas if they are approached carefully and with consideration of the needs of smallholder farmers.

39. **Food Prices:** The importance of implementing the Abuja Declaration(s) on food security and fertilisers has been accentuated by the recent rise in food prices. The FAO Food Price Index rose by 47 per cent between January 2007 and January 2008 – led by increases in the prices of cereals (62%), dairy (69%), and vegetable oils (85%). High food prices have had a particularly negative effect on the African continent, which is a net food importer and spends about US\$ 20 billion dollars annually on food imports. Forty five percent of rice and 85% of wheat consumed in Africa is imported. This has been an important factor in the negative terms of trade position of the majority of African countries.

40. Even though food prices have fallen recently, prices are unlikely to drop to former levels in the medium-term. Compared to 2005 levels, the price of maize is likely to be higher by 40% in 2016-17, with wheat prices up by 20%, and rice by 14%. The price increase for maize is primarily due to an increased demand for maize for biofuel production.

41. The greatest concern is the impact of food prices on food consumption. While most of Africa's poor live in rural areas, not all are farmers, and even some farmers buy staples. The poor generally spend the largest share of their budget on food, so high prices make them more likely to reduce their food consumption. Higher food prices will raise farmers' incomes if global price movements transmit to local markets, and if farmers can respond. However, experience suggests that African farmers may lack the credit and inputs that are needed to respond in the short-term.

42. According to a recent NEPAD report, during 2008, African farmers also faced fertiliser price increases of about 200%. Higher fertiliser prices affect farmers' ability to purchase fertiliser and dampens their incentive to use this agro-input. This is a long standing difficulty, which is already exacerbated by higher food prices and the erosion of the real incomes and savings of the many poor farmers in Africa who produce less food than they consume.

V. What are the key priorities?

Action by Africa:

- ◆ Higher levels of public investment in particular in irrigation, fertiliser use, rural infrastructure, and agricultural services - critical to tackling supply-side constraints;
- ◆ Public investments could be better achieved through improved policy reform to promote PPPs and mobilise more ODA for agriculture.
- ◆ Support for “climate-tuned” agriculture and risk-coping production systems (e.g. conservation agriculture) to increase the capacity of the most vulnerable to adapt to climate change. Such techniques should also be supported by Research for Development (R4D), training, and value chain development, including credit and production inputs.
- ◆ Further action to promote the involvement of the private sector, and enhance the incentives for both small-scale producers and medium-/large-scale entrepreneurs and agri-businesses to undertake investments, expand and diversify.
- ◆ Design and implement policies to promote significant private investment through joint-regional/trans-national ventures of strategic input and strategies commodity chains (cross-border investment).
- ◆ Move market integration beyond national and sub-regional levels to encompass the global regional market through the establishment of a Common African Market for agricultural products.
- ◆ Building human and institutional capacities through education and training, as well as empowering rural communities, decentralisation and community-based development.

Response by the international community:

- ◆ Increased attention to and funding for the agricultural sector, and related priorities such as rural infrastructure;
- ◆ Donor governments to enhance food assistance to provide increased support for food and nutrition security resulting from higher food prices by contributing resources for assisting and protecting the most vulnerable.
- ◆ Intensified efforts to reach agreement on market access, and the reduction of agricultural export subsidies;
- ◆ Improve biofuel policies and invest in science and technology for more higher yielding crops and production methods;
- ◆ Urgent action on climate change, both to reduce future emission levels, and also to provide increased support for adaptation to the immediate effects of climate change in particular on agricultural production and food security.
- ◆ Review the large number of initiatives and related institutions and mainstream/simplify them in the context of CAADP, with a view to increasing country ownership, reducing transaction costs and increasing impact.