Summary Report

INVESTING FOR AGRICULTURE IN SUB-SAHARAN AFRICA

Summary Report on the High-Level Meeting on 8 December 2008

On 8 December 2008, the Secretariat of State for Cooperation and Francophony, in partnership with the Ministry of Agriculture, held a high-level meeting on the subject of "Investing for Agriculture in Sub-Saharan Africa". This Paris meeting was attended by approximately thirty ministers from Europe and sub-Saharan Africa. Approximately 250 participants took part in the discussions, in which economic operators had a large role.This document summarizes the main points in the speakers' presentations and the primary highlights of the discussions[1].

Opening: Background

The meeting was opened by the Minister Joyandet, Mr. Ibn Chambas (ECOWAS), and Mr. Riera Figuera (Director, Development Policy, Agriculture and Infrastructures Division, Directorate General for Development, European Commission

In his introduction, Minister Joyandet stated that the high-level meeting "Investing for Agriculture in Sub-Saharan Africa" is timely, coming after the European Union's decision to allocate an additional one billion euros to food security over the next three years.

Indeed, the Meeting took place against the backdrop of a food crisis that, in early 2008, was marked by a sudden surge in the price of farm products. More than the rise in prices, it is rather their volatility that is a serious concern, notably for the countries most dependent on global food markets This food crisis is accentuated by the effects of the global recession on populations, notably urban populations in the poorest countries, and by the greater threat of climatic aberrations.

In this context, a consensus is forming within the international community and among African states to recognize that, as indicated in the 2007 World Bank Report, investing in agriculture is an effective way of alleviating poverty and improving populations' food security.

The existence of a still mostly rural farming population and large margins in terms of available land, better resource management, and improved productivity fully justifies

1 *All of the presentations are available on the Ministry of Foreign and European Affairs' website: http://www.diplomatie.gouv.fr/fr/actions-france_830/agriculture-securite-alimentaire_18825/forum-sur-financement-investissements-pour-agriculture-afrique-subsaharienne-8.12.08_70047.html.*

states, technical and financial partners, and the private sector reinvesting in this long-neglected sector.

Although agricultural production has regularly increased in Africa since the early 1980s, it has barely—or not at all—been able to keep pace with the strong population growth that is expected to continue in the decades to come. In addition to this demographic challenge, the growth of the urban population is a new challenge to meet. It is no longer only a matter of producing to feed oneself in the countryside or exporting and obtaining currency. Today, national and regional demand, especially in African cities, is the main commercial outlet for African farm products. This trend will most likely intensify.

To meet this growing demand, many countries have increased their food imports and become heavily dependent on international markets to cover their domestic needs. African agricultural commodity chains therefore also need to re-conquer these markets.

While the increase in production was above all based on increasing the amount of cultivated land, the last challenge emphasized by Mr. Joyandet was that of sustainable natural resource management which is exacerbated by the effects of climate change. Indeed, food shortage situations caused by increasingly erratic rainfall and more numerous and more severe incidents of bad weather are at risk of intensifying.

Finally, the Minister emphasized that the current state of African agriculture is notably the result of inappropriate policies and insufficient funding.

According to Mr. Chambas, the past twenty-five years have been marked by disinvestment in the sector on three levels: disinvestment by African states that often moved from an administrative and interventionist vision of the sector to a total lack of vision for the sector, placing their trust in market forces to steer the agricultural transformation; disinvestment by entrepreneurs who have generally preferred to enter more promising branches, favoring import activities; and disinvestment by the international community, the share of whose aid for agriculture has plummeted dangerously. Mr. Chambas added a fourth level of disinvestment: disinvestment by farmers who are discouraged and isolated and who have often sought a way out by diversifying their sources of income outside farming or stock farming.

For Mr. Chambas, in this context, developing African agriculture has become a global challenge, one for which responsibilities are shared. African agriculture is no longer only a stake in alleviating poverty in Africa, but is a form of global public good. Reinvesting massively in the agriculture sector is, therefore, imperative for all of the actors concerned: states and their regional integration organizations, farmers and their organizations, development partners, private entrepreneurs, and investors.

For his part, Mr. Figuera stated that the European initiative aimed to respond to the food crisis but was unable to meet all of agriculture's investment needs and that other instruments were available for that. For instance, the 10th EDF can double the funds available to finance the agriculture sector. However, it is not only a question of funds, but also of political determination. All of the actors concerned need a shared framework, which brings up the question of agriculture policy elaboration.

The purpose of the Meeting was therefore to examine how this reinvestment could be done in the context of markets that are promising over the long term but more volatile and largely imperfect. Accessibility, irrigation and commercial infrastructure needs and the need for institution building have for the most part been identified in most countries and regions of Africa. Sectoral policies and short- and medium-term investment strategies have been elaborated or updated in recent months. If these policies result in tangible signs of improvement in the economic environment, investors-among whom farmers and their professional organizations but also agro-industry entrepreneurs are first in line-will be encouraged to invest more in this sector.

As an introduction to the Meeting, a first series of talks focused on infrastructure needs in Africa. Discussions were then held around four round tables; these discussions made it possible to gather concrete testimony from investors, states and financial institutions in regard to financing agriculture investments.

- The first two round tables attempted to address the financing of agricultural commodity chains (production, processing, marketing), and infrastructures and services in the common interest (irrigation, rural roads, technical support, information, etc.). The goal was notably to identify the opportunities and difficulties encountered, the economic and institutional conditions conducive to investment, and the role of public-private partnerships.
- The following two round tables gave private finance organizations (commercial banks, microcredit institutions, venture capitalists, rural credit banks) on the one hand and states and multi- and bilateral donors on the other hand a voice. The aim was notably to discuss their interest in investing in the agriculture sector and the constraints that hold them back, as well as support prospects in the current economic and institutional context.

Mr. Camdessus spoke after the four round tables as a major witness and shared his thoughts on mobilizing savings in sub-Saharan Africa.

Introduction: Infrastructure Investment Needs

Mr. Lauzon from the Sahel Club presented, using several summary maps, the demographic forecasts for Western and Central Africa in 2030, and the current population densities in urban areas and sensitive rural areas.

He insisted on the fact that the African continent has the largest exploitable tracts of farm land on the planet, at a time when global demand is growing. Yet, investment in the agriculture sector has long been neglected in Africa. In the context of the food crisis in 2008 and climate change, to invest in agriculture is therefore to prepare the world's future.

Based on the forecasts presented, the OECD attempted to identify zones at risk for food crises and zones with high production potential in order to clarify investment needs. Mr. Lauzon emphasized that the regional approach must be favored here.

Investments in infrastructures, notably irrigation and transportation, are most urgent in order to meet African agriculture's development needs. Irrigation is particularly important. In West Africa alone there are said to be more than 9 million hectares of unused irrigable land.

In his speech, Mr. Rugamba, Coordinator of the Infrastructure Consortium for Africa (ICA) Secretariat, confirmed the imperative need to invest in infrastructures to develop the agriculture and agrifood sector in sub-Saharan Africa.

Investing in agriculture transport and hydro-agricultural infrastructures is particularly important. Financing needs in regard to access to water, transport, access to energy, and information and communication technologies are in reality double the needs initially determined by the Commission for Africa.

Road investment needs alone in sub-Saharan Africa are estimated at 14.8 billion over ten years, 60% of which for rural roads. Potential irrigation investments are also considerable (from 41 to 78 billion dollars depending on the scenario) and deal mostly with small-scale schemes.

NEPAD's Comprehensive Africa Agriculture Development Program (CAADP) provides a strategic framework for investing in African agriculture.

For Mr. Rugamba, the primary key messages are:

- Secure financing to invest notably in hydro-agricultural infrastructures;
- Draw attention to the need for hydro-agricultural investments in the context of climate change;
- Convert the numerous ideas for irrigation projects into bankable projects; and
- Guidelines on how to secure investments in water access in Africa should be proposed during the Syrte Conference on 15 to 17 December 2008.

According to Mr. Rigouzzo, CEO of Proparco, the food crisis is not a supply crisis but a crisis in urban populations' access to food. This crisis is due notably to the fact that the implicit model under which the rural population feeds itself and the urban population imports its food no longer works.

Today, it is necessary to expand donors' traditional approaches. For too long, they have concentrated primarily on support for the production of cash crops destined for export in developing countries, and on post-production support in emerging countries. Yet, it is necessary to examine the entire value chain in commodity chains and invest massively in the principal bottlenecks.

These bottlenecks are notably: infrastructures, logistics and the lack of regional integration; competitiveness factors, including energy; the lack of financial intermediaries and processors; and the lack of long-term financing in local currencies.

Investments must also focus more on commodity chains destined for regional markets. Indeed, there is a consensus to give priority to local and regional food security and, therefore, to favor production for local and regional consumption rather than betting everything on export. Investments must also go more to the least developed countries (LDCs).

Coordination among the various donors to utilize most effectively their comparative advantages is indispensable. New frontiers for donor interventions must be defined and new initiatives must be developed.

This shift in approach must result in the establishment of suitable and innovative financial instruments. This is the case, for instance, with recent French initiatives (notably revival of major agricultural dossiers), the Cape Town initiative (10 billion euros over 5 years for Africa, the KORA investment fund, the ARIZ guarantee mechanism[2]), and even innovative long-term loans.

Round Table 1. Production, Processing and Marketing Support

Through the accounts of four people, this round table was the occasion to present several experiences with investing in the production, processing and marketing of farm products in Africa.

Mr. Moussa Para Diallo, Chairman of the Fouta Djallon Farmers' Federation in Guinea, Mr. Gaoussou Touré, Chairman of the Association Afrique Agro Export's (AFFEX) Finance Committee, Mrs. Bintou Diallo, CEO of the Société Nouvelle Savonnerie Huilerie (SN CITEC) in Burkina Faso, and Mr. Emmanuel Akwasi Owusu, Project Manager with Ghana Estate Limited (GREL) in Ghana, in turn highlighted the often shared problems that they face in financing investments and successfully implementing them.

[2] *A guarantee fund set up by the AFD. It makes it possible to share with local banks up to 50% of the risk on the loans they grant to businesses.*

In particular:

- the difficulty obtaining loans because of excessive demands for guarantees, sometimes in local currency, very high interest rates sometimes exceeding 20%, and loans that do not meet needs (equipment loans, seasonal credit, etc.);
- donors' rigid and sometimes inappropriate procedures;
- the failure to promote African products and the lack of acknowledgement for these products;
- the difficulty obtaining secure land tenure;
- the difficulty certain processors and industrialists have finding raw materials that meet their needs and that are sometimes exported instead of being utilized locally (e.g. cotton seed);
- the often very sharp competition from imported products;
- the dependency on international prices for exported products;
- the sharp rise in input prices;
- the lack of farm insurance;
- the difficulty complying with international standards and the high cost of upgrading;
- the weakness of communication, information, conservation, etc. infrastructures; and
- climate change, which is becoming a constraint to be reckoned with in cropping practices.

To overcome these constraints, the speakers presented the solutions that they had developed or their lines of thought, as well as the actions that they believed states should take (often regulatory and therefore inexpensive) to favor access to financing and foster the profitability of the activities thus generated. They notably emphasized:

- The importance of coherent public policies to protect and regulate markets. This is notably the case for potatoes in Guinea, where potato imports are limited during the local production period, or for oil imports (notably from Asia) that compete with local oils. They all agreed on the need for a stable and equitable economic environment in regard to imports.
- The priority to be given to local and regional markets, rather than only to export products, to improve food security and lessen dependency on imports.
- The indispensable development of credit that is suitable for the various demands (supplier loans for seasonal credit, lease-purchase arrangements for equipment, etc.).
- The necessity of specific support from states and donors to facilitate access to financing and credit (preferential interest rates, guarantees, etc.).
- The need to make donors' procedures more flexible and better suited to beneficiaries' needs.
- The necessity of promoting land reform to improve access to land.
- The growing importance of standards and product quality, both for export and for the local market. Quality standards are increasingly complex, and certification processes are expensive. However, developing standards and labels (organic, fair trade, etc.) also creates opportunities to seize to showcase product quality, including the low use of inputs in Africa.
- The importance of new technologies to develop and improve products and agrifood processing procedures (potato seeds and industrial process). The aim is both to improve product quality and increase value added.

- > The importance of relationships between actors within a commodity chain, through pooling of means (FPFD, AAFEX), the development of contract-based agriculture, or the development of public-private partnerships (GREL). Strengthening these various types of organizations and relations also fosters better access to credit.
- > The necessity of pooling costs, notably in regard to access to inputs and equipment (FPDF), or even in regard to marketing to ensure product promotion (AFFEX).
- > The need to modify cropping practices to take into account the effects of climate change.

Round Table 2. Private Sector Financing of Public Investment and Public Goods

This second round table was introduced by two talks that aimed to show the importance of investing in infrastructures, especially hydro-agricultural infrastructures, to promote agriculture sector development:

- The first speaker, Mr. Valensuela from the International Office for Water (IOWater), confirmed the large potential for developing land in Africa. It is said that a little less than 10% of cultivated lands are irrigated, compared to more than 45% in South Asia. Only 18% of cultivatable potential is developed and there is an estimated 39 million hectares of potentially developable land. There is therefore a great deal of room for progress based on a wide range of practices.

  It is indispensable to conduct integrated operations through public-private partnerships that are based on coherent national policies on water management, agriculture, land management, and even the environment. Financial needs are said to be estimated at 37 billion dollars for 20 million irrigated hectares in 2015.

- The second speaker, Mr. Dessouassi, head of the Niger Basin Observatory, emphasized the development of socioeconomic infrastructures and more specifically hydro-agricultural schemes and the public and/or private financing implemented or planned to meet these challenges and promote food security in the West African sub-region.

  The primary opportunities for agriculture sector development in the Niger river basin, the third largest in Africa, lie with irrigation. Numerous projects are planned with the objectives of promoting food security and optimizing water resources. Over the 2008-2027 period, financial needs for hydro-agricultural infrastructures are estimated to be 115 million euros; financial needs for agriculture sector support are estimated to be 217.9 million euros for the same period.

Then, through four accounts, this round table aimed to illustrate the private sector's commitment to make up for states' shortcomings and provide these infrastructures or services that are vital for the rise of agricultural activities. This is the case with fertilizer provision by NASFAM, the largest farmers' association in Malawi; the provision of rural roads by a private company, SOFITEX, in Burkina Faso; the provision of agriculture services by an inter-branch fund such as FIRCA in Côte d'Ivoire; and the dissemination of economic information for farmers by a private company, MANOBI, in Senegal.

As with the first round table, the various speakers spoke of their experiences and difficulties, especially:

- > The considerable financing needs for infrastructures such as rural roads that are in principle part of a public service mission. As Mrs. Diallo from SOFITEX stated, opening and maintaining roads is a major stake for African countries, especially for the agriculture sector. The annual cost covered by the private sector is particularly high, even if donors do provide some support.

- The difficulty of having operators themselves finance agriculture services and the lack of organization in certain commodity chains that does not make it possible to have credible interlocutors.
- The difficulty mobilizing state funds or funds from donors to finance certain agriculture services.
- The difficulty accessing innovative financing and the very different financing logics from one donor to the next.
- The rising input prices and transport costs.

The various possibilities evoked for overcoming these constraints were as follows:

- Regarding hydro-agricultural infrastructures and rural roads, prioritizing investments at the local and above all regional levels is necessary. For continental priorities, NEPAD's maps can be used as the basis for this prioritization. A first selection of already ready projects would make rapid impact possible.
- Synergies between continental infrastructure needs (rural roads and hydro-agricultural schemes) and local needs must be found and the most appropriate means of financing each type of need must be determined.
- In regard to access to inputs, several possibilities were evoked: the development of input credits, subsidies, and the development of organic fertilizer production. The aim is to improve yields while preserving the production potential of agricultural land and limiting deforestation.
- Public-private partnerships involving the state, private operators and donors are one option that seems to have been proven effective for investments in public or shared goods (cf. MANOBI, FIRCA, NASFAM). They must be developed and strengthened (SOFITEX).
- Whatever institutional framework is chosen, producing or selling these public or shared goods implies a clear political will and a close partnership with the state. This requires, as already mentioned, there to be robust and coherent public policies, especially policies on agriculture, regional planning and water management.

Round Table 3. The Pros and Cons of the Agriculture Sector: Private Financier's Opinions

Through the accounts of four speakers, this round table sought the opinions of private financiers on the opportunities afforded by the agriculture and agrifood sector in sub-Saharan Africa and the related issues. It brought together Mr. Chuk en Shuin, Microfinance Director for the Bank of Africa (BOA) in Madagascar, Mrs. Rasoarimalala, Secretary General of the Association des Institutions Mutualistes de Madagascar (APIFM), Mr. de Beaumont, Chairman of Techdev that manages a venture capital fund, and Mr. Carron, Chairman of Crédit Agricole.

Several observations can be made from their presentations:

- The agriculture sector is a risky sector because of its characteristics (production cycles, weather and health hazards, etc.) and requires specific, lasting financing tools
- There is a strong demand for credit in the African agriculture sector; this is confirmed by the BOA's growing number of loan beneficiaries and rising loan amounts, and by the magnitude of microfinance needs not met by the APIFM in Madagascar. Banks and other financial organizations therefore have a real interest in working in the agriculture sector.

- These needs target the financing of diverse activities that require diversified and appropriate approaches (direct loans to farmers and businesses, loans via farmers' organizations, etc.) and loan products (seasonal credit, lease-purchase arrangements, investment loans, etc.).
- Although the microfinance system is often the only system available to farmers, everyone acknowledged its limitations: based on short-term savings, it is not suitable for medium- and long-term financing (farm equipment, agrifood investments, etc.). In addition, microfinance institutions often have refinancing difficulties.
- High interest rates remain a strong constraint on the development of financing for agricultural activities, even though they reflect a high level of risk and equally high inflation rates in some countries.
- The relative lack of professionalism among farmers and their difficulties finding sufficient guarantees are major hindrances to the growth of rural credit.
- These difficulties also concern the financing of processing units and the marketing of farm products, both in regard to working capital and investments.

In response to these various constraints, several potential solutions were evoked:

- Build farmers' capacities and improve their organization with the aim of creating structures capable of negotiating and managing loans for their members (considerable leverage with the BOA).
- Strengthen and diversify networks of microfinance institutions so that they can better meet the needs of loan beneficiaries and develop mutual guarantee schemes.
- Based on this, strengthen the partnership with commercial banks so as to increase the possibility of bank refinancing and develop security mechanisms.
- Mobilize additional financial resources through outside refinancing.
- Develop a range of specific financial products that suit evolving demand for rural and agriculture investment.
- Multiply financial intermediation mechanisms to mobilize savings in the agriculture sector while facilitating access to these mechanisms and limiting their cost (grants, interest rate subsidies, specific lines of credit, bond issues, etc.).
- Adjust interest rates to ensure profitability on all levels, including via a loan subsidization mechanism.

In conclusion, Mr. Grosclaude, from the AFD, insisted on:

- The need to define and implement comprehensive agriculture and food policies based on the market covering rural and urban worlds, rather than specific policies for each commodity chain. These policies must foster the creation of sufficient farming incomes so that farmers can earn a living from their work.

  It is also necessary to develop a vision of profitability for all actors and at all levels: farmers in regard to production in rural areas, shopkeepers in regard to sales in cities.

  For the AFD, food or agriculture policies must be elaborated and implemented at the regional/national level taking a market approach to both urban and rural worlds, which we can no longer separate.
- The need for transparent bank regulation. While donors' support of microfinance institutions (MFIs) has made it possible to structure networks and improve bank regulations in this field, structuring regulations remains states' responsibility.
- The need to adapt agriculture policies to the various sizes of farms and agricultural or agrifood businesses (from small enterprises and farms to larger scale farms).

For the AFD, it is important to continue to support MFIs based on the short-term credit approach. However, the difficulty financing the growing need for intermediary amounts (€0.5M - €1M)—and therefore of moving from MFI status to that of credit agency—remains untouched.

For its part, the AFD uses the notion of guarantee fund, the structure of which relies systematically on the banking sector. The aim is to refinance projects presented to the banking sector via guarantee fund tools to cover part of the risk that the banking sector in the country concerned does not cover. This is an instrument that is part of the investment capital family of tools. There are investment capital investment funds of different sizes that aim to meet all financing needs in the various sectors of activity in a given country. These tools exist, they must therefore be used and improved so that they meet the agriculture sector's specific requirements.

While MFIs are a good tool to provide short-term credit, the guarantee fund serves to support the banking sector that often finances only short-to-medium term credit. Donors must therefore provide long-term financial resources to allow financing of agriculture and agrifood sector investments while giving greater responsibility to the banking sector in the country concerned.

In conclusion, to foster the development of short-, medium- and long-term credit at any scale, training, and capacity building programs for the various actors concerned (farmers' organizations, those involved in marketing, the banking sector, administrations) are indispensable.

According to Mr. Carron, the watchword is mutualization. The aim is, within a given country, region or commodity chain, to set up insurance or guarantee funds that make it possible to cover the risks facing the agriculture sector. This is, what is more, the purpose of the Gramine Foundation that aims to guarantee loans granted by MFIs in the agriculture sector.

Round Table 4. Public Financing of Agriculture Investments

With its five presentations, the fourth round table aimed to generate a discussion with representatives of sub-Saharan African states and bi- and multilateral donors on the agriculture sector's importance for the continent's development, the new prospects offered by the current economic environment, and the place that this sector holds and will ultimately hold in the public finances of African countries and in the investment activities of rural development banks.

The round table brought together Mrs. Doucouré, Advisor to the Mali Minister of Finance, Mr. Diallo, Chairman of the Banque Nationale de Développement Agricole (BNDA) in Mali, Mr. Chemerinski, Director of the IFC's Agribusiness Department, Mr. Le Gall, Deputy Director of Agriculture and Rural Development at the World Bank, and Mr. Jacquier, Deputy CEO of the Agence Française de Développement.

- During this round table, the speakers insisted on the fact that agriculture sector investments in many sub-Saharan African countries still depend heavily on foreign financing. This is notably the case in Mali where, as Mrs. Doucouré explained, the country has nevertheless managed for several years to attain the target set in Maputo in 2003 of devoting 10% of public spending to this sector. Let us note that, in 2004, public financing in the agriculture sector in sub-Saharan African countries as a whole represented barely 5% of total public spending.
- While investment financing depends heavily on the outside, one is nevertheless obliged to note that the amounts given by donors have been falling in this sector sine the 1980s. In addition, African states often decry the fastidious procedures to disburse avail-

able funds and express their difficulties mastering procurement procedures and project monitoring/assessment procedures.

- Mr. Diallo from the BNDA in Mali mentioned the multiple constraints and risks facing the agriculture sector (clientele-related constraints, hazardous sector of activity, legal status of farmers and organizations, farms' lack of accounting records, low profitability of investments, commercial constraints, land status, etc.) to explain the hesitation to invest. Among other things, he distinguished between financing investments in infrastructures and in commercial and technological innovation, which must the be responsibility of states, and financing investments in farms, which depends on rural development banks (and MFIs).

  Among the rural credit system's success factors, he emphasized the importance of farmers' mastering production techniques, the quality of supervision, management of climate hazards, accessibility, storage capacity, good product conservation, and product marketing safety. In his opinion, it is difficult for the banking system to finance certain activities given the agriculture sector's particularities. The sector's importance for Africa's development and poverty alleviation justifies specific support, notably from donors.

- Today, the international community shows a clear determination to reinvest in this long-neglected sector. Bi- and multilateral donors reaffirmed this during this round table.

- Mr. Le Gall from the World Bank presented his roadmap for agriculture sector investment in sub-Saharan Africa. The aim is both to respond to the food crisis in the short term and propose a long-term program. This roadmap is part of the Comprehensive Africa Agriculture Development Program. In the short term, as part of the Africa Global Food Response Program, 729 million dollars should be mobilized for 33 countries. The aim is to act on four pillars: food security and vulnerability, land tenure and water management, markets and infrastructures, and technologies. They are also the bases of the long-term program. The projected investments are on the order of 800 million dollars in 2009, and 1 billion dollars per year in 2010 and 2011.

- Mr. Chemerinski from the IFC also wishes to develop its investments in the "agribusiness" sector in Africa. In 2008, of the 2.7 billion invested by the IFC in this sector, only 5% were in Africa. As was already emphasized, there are numerous opportunities to invest in this sector. However, this implies active contributions from the public sector in order to provide an economic, institutional, political and legal environment that is conducive to investment. A stable agriculture policy is indispensable. For their part, donors must play a catalyzing role in their areas of competence.

- As emphasized by Mr. Jacquier of the AFD, the price hike in 2007-2008 created new opportunities. In addition, as already indicated, there is a reservoir of farmable land. Finally, despite the deficiency of agriculture policies notably, agricultural production has increased. This increase was masked by strong population growth. This demographic trend is continuing and is also an advantage in terms of the potential market for African food products.

  The framework for public intervention must be renewed. The aim is to seek stronger synergy between the market, the state and public and private actors of all types. One must help rebuild states' and farmers' organizations' institutional capacities through training, capacity building and advocacy support. One must support the elaboration of public policies—agriculture policy, of course, but also trade policy, land policy, agronomic research, the regulatory framework for access to credit, and mechanisms to overcome price volatility and manage risk. A regional framework for this work and these reflections should be favored.

  Supporting agricultural production is indispensable. However, one must renew the approach based on the commodity chain/product pair and switch to an approach based on family farming and the territory. In this framework, support for agricultural research, notably to restore or improve soil fertility, and water management are major stakes.

In regard to financing, despite its good qualities, it is very difficult to develop microcredit in the agriculture sector because of irregular incomes and scattered housing. The AFD therefore wants to provide the guarantees needed for microcredit to reach this new clientele.

When it comes to marketing farm products, the AFD emphasized the importance of storage in order to regulate prices and serve as a guarantee for banks, and of rural road maintenance to improve accessibility.

From 2008 to 2012, the AFD will devote one billion euros to agriculture sector development. These activities fall under the initiative announced by President Sarkosy in Cape Town at the end of February 2008. The goal is notably to develop a guarantee fund and an investment fund, and stimulate Proparco's activities.

- In summary, Mr. Kaberuka, Chairman of the ADB, restated the challenges facing African agriculture, and underscored the opportunities open to it following the food crisis.

  He insisted that the ADB had never abandoned the agriculture sector, unlike most other donors. Today, the ADB has an agricultural portfolio of 4 billion euros, to which it has just added 1 billion euros to combat the effects of the food crisis.

  There is a real problem coordinating donors' actions. The Paris Agenda on agriculture should make it possible to commit more funds and better share tasks. One crucial step is to create synergies around the elaboration of national public policies on which donors' support could be built to ensure that their actions are coherent.

  For its part, the ADB has chosen to invest massively in infrastructures, and especially hydro-agricultural infrastructures, since one of the primary limitations of African agriculture is its dependence on rainfall.

  Finally, financial tools must complement each other if agricultural development is to undergo a change of scale.

Conclusion

The closing session brought together Mr. Nabarro, UN Task Force coordinator, Mr. Lejeune, FAO Assistant Director-General and Director of Cabinet to the Secretary of State for Cooperation and Francophony, Mr. Kaberuka, Chairman of the ADB, and Mr. Chambas, President of the ECOWAS Commission.

This session restated that:

- The food crisis has revealed how fragile the world's food security is. In this context, the importance of the agriculture sector has come to the forefront, both to meet this challenge and as a major lever to alleviate poverty.

  Indeed, as Mr. Lejeune stated, one dollar invested in developing agriculture has four times more effect on growth than one dollar invested in any other sector, making agriculture sector investment issues decisive in Africa. Today, we must make up for 20 years of lost time when it comes to investments in this sector by both international donors and African states.

- New challenges must also be faced: the food crisis already mentioned, but also population growth since, in 2050, Africa will probably be the most populated continent in the world with two billion inhabitants—a very rapid doubling of the population. Another major challenge to take into consideration deals with the effects of climate change on production. We can fear that these two challenges will generate a scissors effect in supply and demand that is problematic for the continent's food security.

- In the face of these challenges, action must be taken on two fronts:
  > First, obtain food production results in the short term. This is the objective of the local food crop development programs that were discussed in the United Nations assembly in New York. These programs support the purchase of seeds, fertilizers, cattle feed, etc.
  > Second, invest in hydro-agricultural, storage, transport and market infrastructures. There is considerable production potential and it must be utilized.
- However, human investment in the productive sector must not be neglected either: capacity building for farmers' organizations; access to services (investment funds, communication, agricultural advice) and developing research; assistance elaborating land policies and allocating land to secure access to land tenure; agriculture policy elaboration support; etc.
- These investments require resources that must be mobilized rapidly. For instance, Michel Camdessus evoked the need for 12 billion dollars in order to have a chance of attaining the Millennium Goals on food. There are only 7 years left to halve the percentage of malnourished people on the planet.
- As Mr. Chambas emphasized, after having left it up to the private sector to invest in agriculture, the aim is to develop a more balanced approach in which states, the international community, the private sector, and farmers all have a role to play.
- In addition, the success of this mobilization requires a major change be initiated in how development aid policies are conducted otherwise we run the risk of reproducing yesterday's failures today. Even though there is a consensus to increase donors' investments in the agriculture sector, it is preferable to harmonize interventions, foster an integrated regional approach, and invest massively in infrastructures useful to agriculture such as roads making production zones more accessible and hydro-agricultural infrastructures making it possible to exploit the potential of irrigated land. We must move beyond classic models, take inspiration from original experiments, and develop public-private partnerships.
- After relying on the growth of food imports to supply urban populations, the food crisis has shown us that such dependency is very risky, not only for food security but also for African countries' political and social stability. Therefore, we must now favor local production and regional trade, and support regional integration processes.
- Infrastructure development and the growth of investment—whether by public sector initiatives or private operators—need a framework. This framework is above all a matter of agriculture policies integrated into coherent public policies that address access to financing, market access and market regulation, access to information, innovation and research results, regional planning, etc. As Mr. Châtaigner insisted, rural development must be seen as a component of development in its own right. In this way, it is up to states and regional and international institutions to create a regulatory and legal framework that provides private investors with both incentives and a measure of security.
- In conclusion, everyone agreed on the need for high-level coordination and lasting commitments. This is the purpose of the Global Partnership on Agriculture and Food Security that will be launched on 26 and 27 January in Madrid. Today, there is a consensus to view food security as a global public good. This partnership ratifies an agreement in principal on:
  > the necessity of open dialogue at a high political level on decisions that have implications for the food security of the world and of the most vulnerable countries;
  > the usefulness of mobilizing all international expertise to build a shared vision of the challenges to tackle and the possible options for doing so; and
  > the need for a rapid and sustained renewal of investments to benefit the agriculture sector in developing countries, with a focus on food commodity chains and support for the evolution of family farming.