Inter-réseaux Développement rural

SOS FAIM

FOOD SOVEREIGNTY BRIEF

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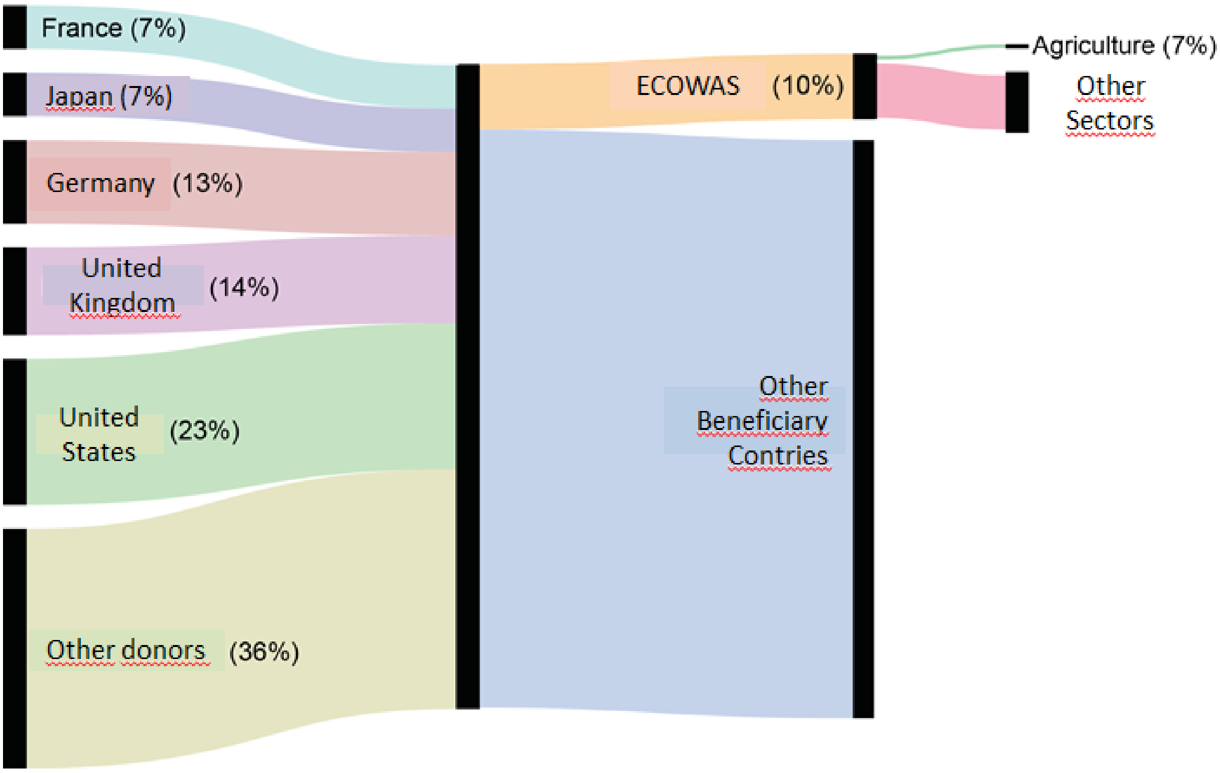
Has Agricultural ODA Been Reborn in West Africa?

International donors' renewed interest in agriculture after a long period of neglect is on the tips of everyone's tongues. The 'historic' World Bank report published in 2008 on this subject, followed by the food crisis and pledges of African States and their partners to invest massively in this sector are illustrations of this doctrine shift when it comes to the allocation of national and international public funds. But what is happening today? What form has the 'rebirth' of agricultural aid from the OECD's Development Aid Committee (DAC) to ECOWAS countries taken? Is it effective? What donors are once again mobilising for agriculture? What approaches are they taking? What debates have been launched by this new agenda? While we will not pretend to cover such a complex question exhaustively, we would like to provide our readers with a few signposts and orders of magnitude to better decipher the world of official development assistance (ODA) for agriculture in West Africa and how it is evolving. This brief is part of a broader cycle of reflection undertaken by Inter-Réseaux on agricultural financing, comprising other publications on complementary topics and including a forthcoming issue of **Grain de Sel*****.***

ODA: A Primer

Official development assistance (ODA) designates the public aid granted by the wealthiest countries to developing countries. The 'assistance' includes both grants and soft loans (i.e. loans with below-market interest rates). 'Public' refers to the aid provided by government bodies, rather than by private associations or foundations. Total ODA has nearly doubled in volume since 2000, now reaching 135 billion dollars (it was $40 billion in 1960).	→ *This concept was forged in the 1960s by the OECD, an organisation bringing together 34 countries, most of which Western and among the wealthiest in the world. Loans make up a small share of total gross aid—an estimated 15%. The proportion of loans has been following a long downwards trend, and is very marginal in Least Developed Countries (LDCs). (It should be noted that 11 out of the ECOWAS region's 15 member countries are LDCs (least developed countries.) According to the FAO, if private aid is also taken into account, the value of ODA would be doubled.*
Country programmable aid (CPA) identifies the share of ODA over which the partner countries 'could have a significant say' (Organisation for Economic Co-operation and Development – OECD). This new indicator was created to combat certain artifices of ODA, which includes a large amount of unforeseen and sometimes non-transferred spending for recipient countries (for example, the salaries of aid agency staff).	→ *CPA is defined negatively, by subtracting from gross ODA those elements that: (i) are by nature unpredictable; (ii) do not involve crossborder flows; and (iii) are not part of a cooperation agreement between governments. On average, CPA comes to half of ODA, although there are very large differences depending on the donors and the countries in question. The European Union is reputed to offer much more CPA than its member countries.*
Bilateral aid designates direct aid from one country to another. It is different from **multilateral** aid, which designates aid implemented by international organisations and programmes (such as the United Nations, the World Bank and global funds).	→ *Bilateral aid makes up the bulk of official development assistance (approximately two-thirds), but its proportion varies according to country (for example, nearly 90% of the United States' ODA is in the form of bilateral aid).*
Tied aid designates grants or loans of public origin used to finance the purchase of goods and services in the donor country. It is 'untied' when it can be used by the recipient country to purchase goods and services from any country.	→ *More and more, the aid from members of the Development Assistance Committee (DAC)—that is, the OECD—is untied (80% today), unlike China, for example, whose aid has a reputation of being largely tied.*
Direct (or global) budget support is aid destined to finance government budgets without pre-identified allocation to specific spending. It is included in the State budget under resources and can be disbursed according to certain pre-determined criteria (AFD's definition). **Sectoral** budgetary aid is destined to finance government spending related to the implementation of a policy in a given economic sector (agriculture, for example). It is executed according to national procedures. Budgetary aid is classified as CPA.	→ *Burkina Faso has received much global budget support. The EU and Canada favour this type of aid, unlike the United States that prefers project aid and guarantee funds for private investments. Sectoral budget aid is increasingly taking the form of 'basket funding'—that is to say donors pooling funds to finance a sector or programme. These funds are written into government budgets but may be subject to specific rules.*
Project aid is the most classic aid instrument. It consists of the donor country providing targeted aid for the accomplishment of a specific project in a given zone and over a given period of time, with the donor country directly controlling the use of the funds.	→ *Project aid has sometimes been depicted as a 'meddling' form of aid because it leaves little latitude for the authorities of the beneficiary country. It is abundantly used in countries where public administrations are seen as weak or unreliable.*

Diagram 1: Share of Agricultural ODA to ECOWAS Countries Out of Total ODA and the Main Donors in 2015 (CRS, OECD, 2016)

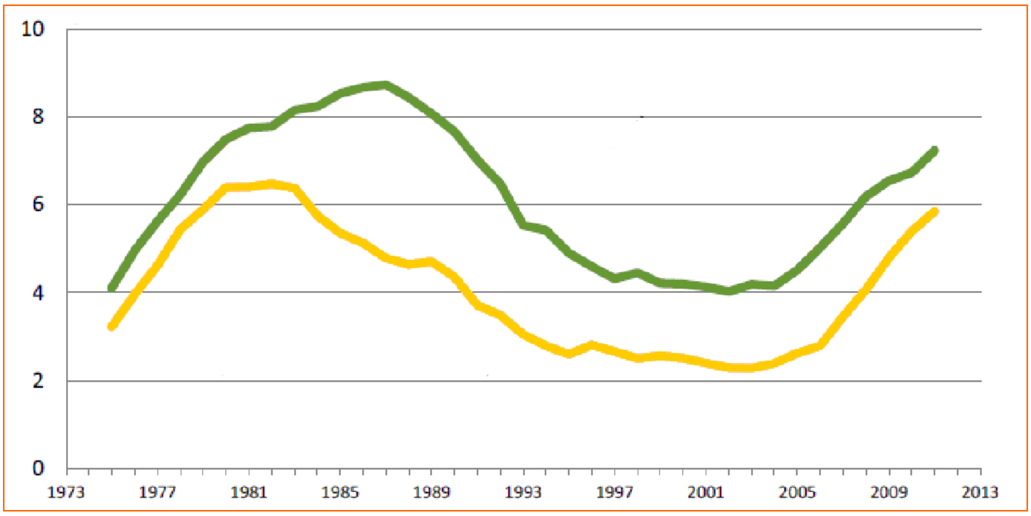


The Return of Agricultural ODA?

Worldwide, the volume of agricultural ODA is increasing, but not its percentage. Since 2005, even before the 2008 crisis, a 'return to agriculture' had been noticed among donors who had abandoned this sector for twenty or so years. Diagram 1 illustrates this reversing trend very well. In 2013, the amount of aid devoted to agriculture was nearing the scores in the 1980s (in absolute value). Yet, if one looks at the percentage of the total volume of aid devoted to agriculture, it had fallen from 17% in the 1980s to 6% in 2009. And it seems that since 2009, this percentage has remained steady or even dropped (between 6 and 8 billion dollars out of a total exceeding $130 billion per year). From this standpoint, we can wonder if it is really accurate to speak of a rebirth of agricultural aid. ODA is growing overall, and in reality it is growing more slowly in the agricultural sector than in other sectors. There is a certain mismatch between donors' discourse and their real disbursements.

Why this renewed interest in agriculture? After the 2008 crisis, the flagship idea was to revive production in countries, it being understood that dependency on imports had become too strong, in particular regarding rice, the price of which had skyrocketed. Today, world prices have returned to more acceptable levels, and concern has shifted to young people (following the Arab Spring), safety in isolated zones (Sahel) and immigration. These concerns continue to justify special effort for agriculture and the rural world.

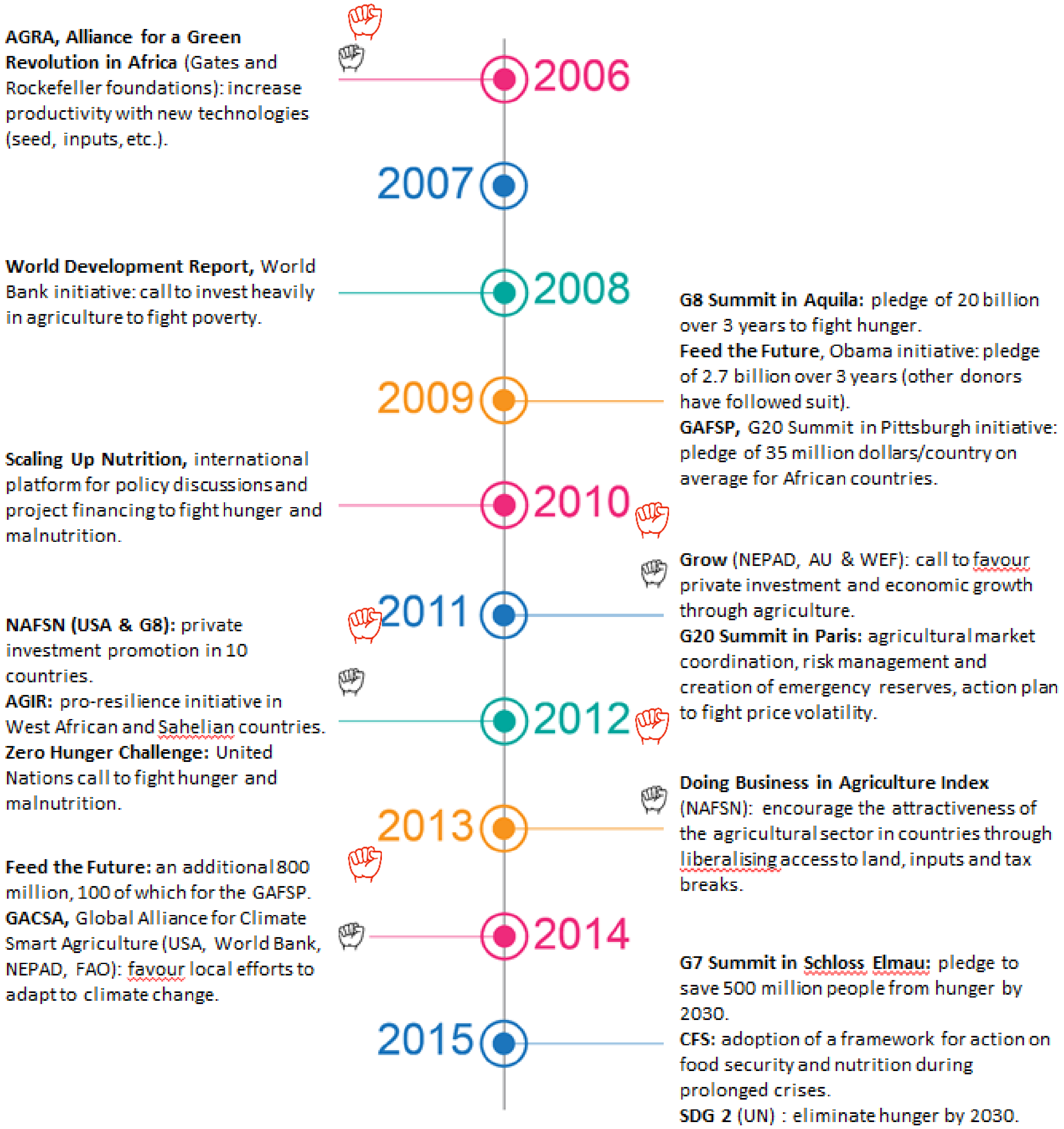
Diagram 2: 50-Year Trend in Agricultural ODA Worldwide (in billion 2013 constant dollars – OECD, 2015)



Many international initiatives have marked agriculture's return to grace. Donors' renewed interest in agriculture and food security is illustrated by many international initiatives, sometimes at the highest level (G8, G20 notably), and involving more and more private donors such as the Gates 'mega foundation'. These initiatives have also been marked by much criticism from West African civil society and NGOs, dealing with the inadequate volume, poor follow-through on financial pledges, donors' lack of coordination and alignment with local priorities, and above all the agricultural model they promote, usually an intensification-based model seen as being un-ecological, marginalising family farming, and increasing African countries' dependency on imports.

Diagram 3: A Few International Initiatives for West African Agriculture Since 2006

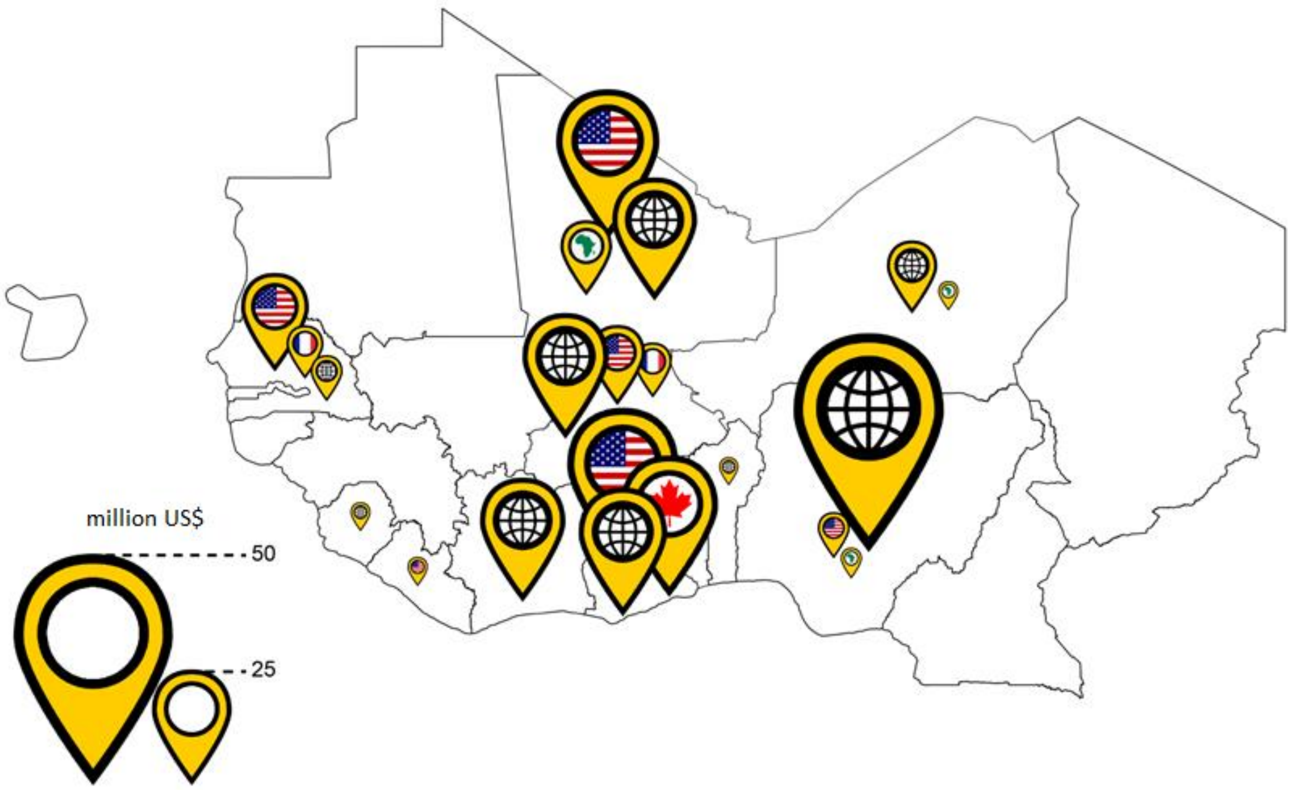
(The symbol indicates initiatives that were the subject of dissent by civil society.)



Overview of Major Agricultural Donors in West Africa

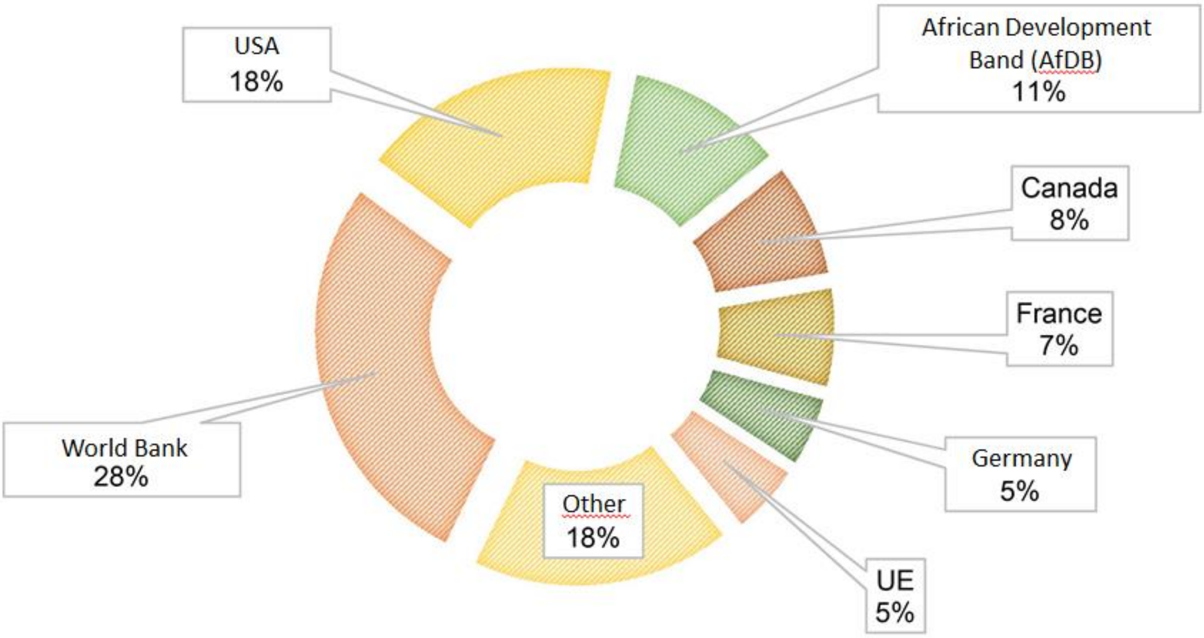
Numbers to be viewed with caution. To our knowledge, there are no recent studies in the public domain targeting agricultural ODA in West Africa. There are several databases that provide information on aid flows in this region, notably at the OECD, FAO, World Bank and ReSAKSS. For this brief, we primarily used the OECD database. It is considered to be the most reliable for issues relating to development aid, but it must be used with caution. The gross ODA amounts it shows, taken from donor countries' declarations, are often much higher than what the national authorities of recipient countries actually receive. This difference comes notably from the fact that ODA records spending that is not seen as programmable by recipient countries. It can vary can vary by a factor of two, as the work estimating country programmable aid (see the definition of CPA) has shown. What is more, this database, focused as it is on the declarations of the Development Assistance Committee member countries (OECD-DAC), has difficulty grasping private aid flows (foundations, migrants' remittances, etc.) and aid from donors outside the DAC (notably China and other emerging countries).

<u>Diagram 4: Map of the Main Agricultural Donors by Country in West Africa (CRS, OECD, 2016)</u>



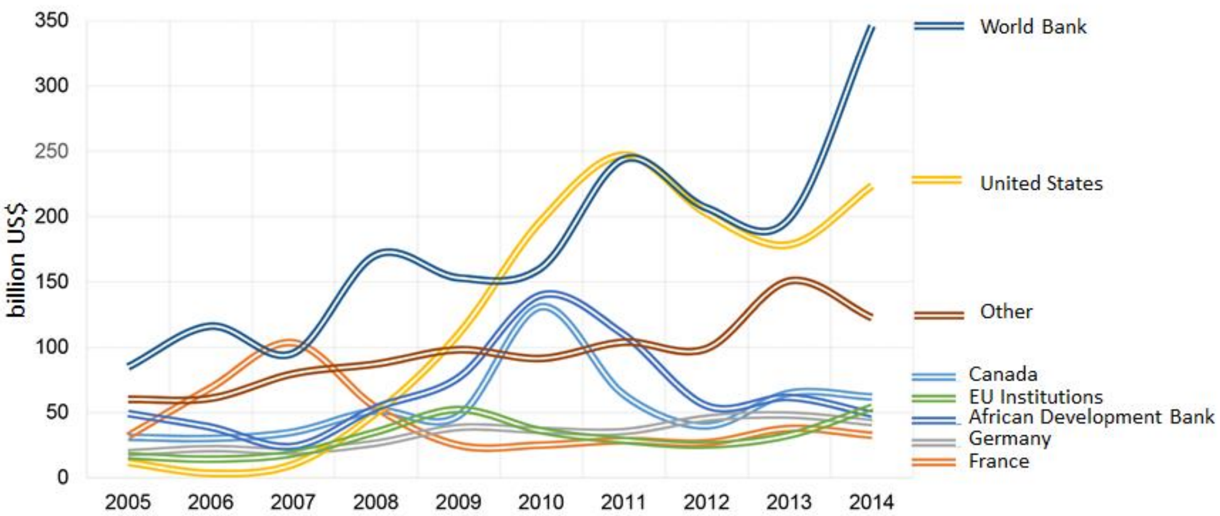
Is ODA Still 'Classic'? According to the OECD database, five donors now contribute more than ¾ of the agricultural aid to countries in the region. The World Bank and United States together account for nearly half of public agricultural aid. They are followed by the African Development Bank (AfDB), then Canada, and then a tie between Germany, France and the European Union. According to non-OECD information we collected, China and the Gates Foundation (the only private foundation to currently have resources on par with those of a country) are not among most ECOWAS countries' main agricultural donors. When it comes to the Gates Foundation, it seems that its financial influence is nevertheless considerable in English-speaking countries, Nigeria and Ghana in particular. There are also very specific features for each country. For example, the United Arab Emirates invest heavily in agriculture in Guinea, Belgium is the second largest donor in Benin (where the USA is absent), and OPEC is the third largest in Togo.

__Diagram 5: Distribution of Donors in Total Agricultural ODA to the 15 ECOWAS Countries (CRS, OECD, 2016)__



What Has Changed Since 2008? We know the extent to which the 2008 food crisis was a 'massive jolt' for many governments and donors. We could have expected radical shifts after this episode. However, no major changes have been seen in sources of financing (the same main donors finance agriculture). Yet, the relative weight of these 'traditional' donors varies. In particular, we can note the behaviour of the United States—only the 5th largest donor in 2007—that has increased its agricultural ODA since 2008, now reaching 2nd place among the main donors. Thus, the World Bank and the United States are now, and have been since 2008, the main agricultural donors by far. There has been a more progressive and much smaller increase in the ODA of the five other main donors; and we can note a sharp spike in Canada's and the AfDB's ODA between 2007 and 2010, probably in response to the food crisis, followed by a return to smaller sums.

__Diagram 6: Evolution of Agricultural ODA in the Total ODA of All 15 ECOWAS Countries (CRS, OECD, 2016)__



A Look at the Practices of the Major Agricultural Donors

Overall strategies. Each donor draws up an overall strategy that sets its approach and guides its selection of the actions it finances. Generally speaking, the reviews of agricultural public spending seem to indicate that outside resources are more often used to finance public investments (Ministries' operating expenses are usually financed with own resources). Regarding areas of intervention, the World Bank tends to finance very diverse areas of agricultural development, unlike the United States whose aid is more concentrated on specific countries and themes. In particular, we can cite irrigation, which concentrates a large share of the United States' efforts in the region. Similarly, Canada concentrates 80% of its aid in 20 countries (five of which in WA). It should be said that the World Bank also administers several fiduciary funds such as the *Global Agriculture and Food Security Program* (GAFSP) linked to the G20, the *Consultative Group on International Agricultural Research* (CGIAR) linked to research, several climate funds, etc. When it comes to aid modalities, the World Bank provides loans as well as grants, and invests heavily in infrastructures, as does the AfDB, the largest investor in African development. It also provides budget aid. Most of the United States' interventions regarding agriculture are part of the Feed the Future initiative encompassing 19 countries, four of which in West Africa. The European Union, a large provider of aid in general, does not rank among the top agricultural donors because this area of interest was not included in the major priorities of the previous European Development Fund (EDF). However, it is one of the three pillars of the new EDF: the EU is therefore likely to figure among the top agricultural financiers in the years to come. The European Union distinguishes itself from the World Bank in that it only offers grants and provides abundant budget aid. Project support is said to account for 30% of its aid, and NGO support 5%.

Country policy frameworks. Donors' programmes vary greatly from country to country. A CIRAD study sheds light on the actions of the main donors in three countries. According to this study, foreign resources in agricultural budgets are more directed towards infrastructures (notably hydraulic infrastructures) and the food sector. Inversely, domestic resources are more invested in major export value chains (cotton, coffee, cocoa, etc.).

Countries	Main Donors and Types of Actions Financed
Côte d'Ivoire	Donors mainly finance the development of food value chains and rice (three-quarters of their agricultural aid in the country), whereas governments target the coffee and cocoa value chains. To a lesser extent, they also support bananas for export and sugar (UE funds, excluding the EDF). Market infrastructures and storage and entirely financed by donors. The AfDB finances a large number of infrastructures, and IFAD focuses on food production and food security. The 11th EDF finances food production (excluding the rice value chain) in priority.
Ghana	The World Bank finances many projects focusing on access to inputs: seed and fertiliser. The United States finances the modernisation of maize, rice and soy value chains through capacity building for farmers, seed improvement, mechanisation, and improved market access. Most of Canada's aid is devoted to financial and institutional support for the Ministry of Agriculture; the rest consists of a fund fighting soil degradation and another fund focusing on farmer capacity building. The AfDB finances a large livestock programme (20% of invested funds) and actions in support of export crops (marketing, quality). One quarter of the AFD's aid is devoted to debt relief. The rest goes to supporting farmers' organisations in the rice value chain and financing PPPs in conjunction with seed development.
Senegal	The USA finances large water management programmes (half of injected funds). It also supports the rice, maize and millet value chains, and sets up guarantee and insurance funds to encourage value chain financing. The AfDB is largely focused on private sector support and the rice value chain. The AFD finances infrastructures and irrigation for family farms, and commercial rice cropping. Canada finances the fruit and vegetable sector and the agricultural export product sector, it also supports rural finance. Most of the World Bank's aid concerns budget support, and the rest supports agribusiness and infrastructure building for rice and horticultural value chains for the domestic market.

Overview of the Major Debates on Agricultural ODA in West Africa

The ODA dependency debate. Over the past ten years, ODA has always made up a large proportion of public agricultural spending in most West African counties, and of course in particular in the 11 LDCs. These proportions easily reach half (Senegal), two-thirds (Burkina Faso) or even three-quarters (Niger, Mali) of public investment in agriculture from outside resources (see the Public Expenditure Reviews). They are said to be on the order of one fourth in non-LDC countries such as Côte d'Ivoire. Some civil society stakeholders see this situation as a mark of excessive foreign influence and national authorities' poor implication in what is after all a strategic sector. In addition, it is perceived as going against the spirit of the 2003 Maputo Declaration, reaffirmed in 2014 in Malabo, in which African States pledged to invest massively in the agricultural sector. The position taken by African citizen stakeholders re-joins that of many international experts, including the OECD for whom it is urgent that States increase their national resources via better tax collection and increased efforts to fight tax evasion. The OECD's Base Erosion and Profit Shifting (BEPS) initiative illustrates this concern. Estimates of African States' fiscal losses represent considerable amounts, exceeding ODA, and hinting at equivalent margins for progress. A report published by the New Partnership for Africa's Development (NEPAD) in 2014 also explores ways to mobilise 'domestic financial resources for implementing NEPAD national and regional programmes and projects'.

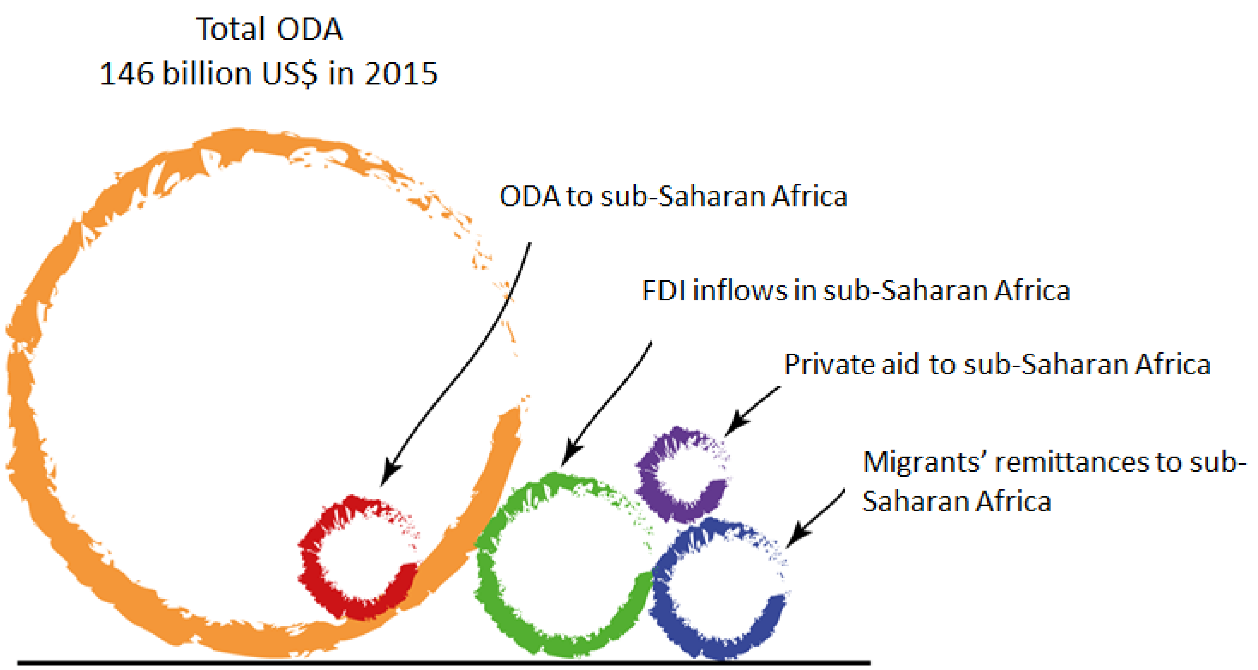
The ODA alignment debate. The list of many global initiatives to fight food insecurity given above, each of which pays special attention to Africa, is often seen as the sign of a lack of continuity and coordination in development financing. A recent Oxfam study ('ECOWAP: A Fragmented Policy') clearly illustrates the contradictions of international donors who in their interventions unanimously proclaim their efforts to align with the priorities of States in the region but also struggle to apply this principle. The ECOWAS region's agricultural policy had been revived following the 2008 crisis around a federating programme (National Agricultural Investment Plans – NAIPs; Regional Agricultural Investment Programme – RAIP) that was supposed to provide a common foundation for and greater coherence among donors' national and regional interventions. A few years later, it seems that these programming efforts, like donors' coordination efforts in an ECOWAP Group and an attempt to map interventions in the region, have had disappointing results. The region's largest agricultural donors still seem to operate in scattered ranks, for reasons that deal with both the splintering of regional institutions (notably between ECOWAS, CILSS and WAEMU) and the donors' own logics and constraints (for example, 11th EDF programming pulls States into a programming exercise parallel to the NAIPs).

The ODA procedures debate. The issue of donors' alignment with States' priorities raises both policy and technical problems. Full alignment would imply generalising budget aid, which consists of entrusting States with responsibility for deciding, guiding, monitoring and evaluating the use of the funds lent or given. In reality, depending on the context, such procedures can be difficult, for instance where the recipient country does not have a solid statistics system. Very often, we see a project aid – programme aid – budget aid continuum that varies according to the recipient State's capacity to prove proper utilisation of the funds. The rate of budget aid also varies greatly from one donor to another. The European Union has a reputation for granting a great deal of budget aid, as does Canada. France does as well, but to a lesser extent, whereas the United States barely offers this type of aid. Ultimately, the situation can be very different from one country to another. The FAO's *Monitoring and Analysing Food and Agricultural Policies* (MAFAP) programme, for example, conducted a study in Ghana in 2014 that showed that non-budget aid has been much higher than in-budget aid since 2006. For its part, the review of the World Bank's public spending in Burkina Faso in 2013 estimated agricultural aid outside the budgets of the Ministries in charge of this sector at 32%.

The ODA targeting debate. Many NGOs and farmers' organisations active in the countries of the region regret that national and outside financing of agriculture is not directed sufficiently to family farming and farmers' organisations. Promotion of the 'private sector'—around which there is a consensus in the community of donors and among many African leaders—is said to usually be synonymous with aid to businesses and value chains with an industrial vocation, side-lining aid for 'small farmers'. For example, opinions on Enabling the Business of Agriculture (EBA), a World Bank programme aiming to increase countries' attractiveness in the eyes of private investors, are far from unanimous. By fostering the expansion of agribusiness, cutting taxes and reforming laws, it has been accused of weakening States' ability to regulate their development. It is said to worsen land pressure and weaken family farming by increasing dependency on costly and polluting inputs and privatising seeds. These positions blame a conceptual or 'ideological' complicity between donors and certain African leaders regarding the neo-liberal slate of the agricultural policy. Indeed, although perspectives vary from one country to the next, the dominant doctrine emphasises the importance of growing the private sector in agricultural development. States, like donors, are presented as having a role more of arbitration, regulation or facilitation than of direct intervention in economic sectors.

The debate on the future of ODA. The question of the role of aid reveals a general trend of minimising the role of classic aid (ODA) in development. Some have gone so far as to declare ODA on its deathbed. Indeed, if aid is placed into perspective with all public and private financial flows, both domestic and foreign, contributing to the development of agriculture, and if we look in particular at flows from migrants, direct foreign investment and all private aid (from large foundations and companies), it becomes apparent that ODA carries little weight on the scale of the African continent. In fact, needs are still much greater and agricultural ODA has still not returned to the levels it has attained in the 1980s in real terms. However, other voices point out that the situation of LDCs is unique and that an overall view of Africa, where we know that growth rates are very strong in some places, must not mask these realities. An OECD document indicates that in LDCs, ODA still accounts for 70% of net foreign flows on average and the equivalent of 40% of tax revenues.

Diagram 7: ODA and Other Financial Flows in Sub-Saharan Africa, a Few Orders of Magnitude (compilation of OECD and FAO data, 2016)



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The illustrations were produced with the collaboration of Tristan Dissaux (with exception of Diagram 2).

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