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**Institutional framework and financial mechanism for
the implementation of ECOWAP/CAADP**

1 Context and objectives

- 1 Agriculture is an essential component of the West African economy. It accounts for more than 35% of the gross domestic product and more than 15% of export revenue, employs more than 60% of workers, covers more than 80% of the population's food needs and contributes to regional development.
- 2 Despite the huge potential of the region, agriculture in West Africa remains one of the least productive agricultural sectors in the world due to the numerous constraints confronting it. These include constraints relating to the coordination of agricultural strategies and programs and to the financing of the agricultural and agro-food sector:
 - a. The weakness of the institutions responsible for managing and coordinating the sector's development strategies and programs resulting from (i) insufficient personnel, (ii) the low level of involvement of other actors in the systems for functional management at regional level and (iii) the weak capacity to coordinate foreign aid;
 - b. Financing difficulties characterized by (i) the lack of a framework and mechanism for channeling the main sources of financing, (ii) the weak adaptation of financial instruments to the specifics of the agricultural sector, (iii) the low level of involvement of the private sector in a sector considered as "risky", (iv) the lack of a mechanism to cover risks and (v) the dispersion of international aid and its low level of integration into regional strategies.
- 3 In 2005, aware of the importance of the agricultural sector to the development of the region, the ECOWAS Heads of State and Government adopted the Community's agricultural policy: ECOWAP. Designed as a regional incarnation of the Comprehensive Africa Agriculture Development Program (CAADP)—the agricultural component of NEPAD—the ECOWAS agricultural policy includes¹:
 - a. *In the financial sphere*, the establishment of an "ECOWAS Agricultural Development Fund (ECOWADF)." This "will be financed using the Community's own resources together with contributions from financial backers who wish to channel their resources towards the regional agricultural programs corresponding to the priorities of ECOWAP";
 - b. *In the institutional sphere*, the establishment of an Advisory Committee for Agriculture and Food bringing together all the representatives of organized stakeholders in the region.
- 4 In light of these directives, the ECOWAS Commission formulated a number of proposals relating to the institutional framework and the financial mechanism of ECOWAP/CAADP. These proposals were presented and discussed at the Extraordinary Meeting of ECOWAS Ministers of Economics and Finance, Regional Integration, Agriculture and Trade held in Yamoussoukro on October 22, 2009. The Council approved the main tenets of these proposals (which are the subject of the present note)

Decision A/DEC/01/05 concerning the adoption of the ECOWAS agricultural policy and annex to the Decision; ECOWAS; January 19, 2005.

and asked the ECOWAS Commission to specify the terms for the implementation of the institutional framework and financial mechanism during the coming weeks.

2 The institutional framework for implementation

2.1. Objective and mission

- 5 The aim of the institutional framework is the effective and efficient implementation of ECOWAP/CAADP. This implementation involves:
 - *Regional investment programs* reflecting the region's priorities and whose implementation will require the involvement of regional cooperation institutions, socio-professional organizations and private operators acting on a contractual basis on behalf of ECOWAS;
 - *Policy instruments*, some of which fall under the prerogative of departments other than that responsible for agriculture;
 - *Financial tools* for the financing of the programs and of certain policy instruments (cf. infra);
 - *Management, coordination and control mechanisms*;
 - *Information, outlook and decision-making-assistance tools*;
 - *Monitoring/evaluation tools*.
- 6 The framework is placed under the direct responsibility of the ECOWAS Commission, represented by the Commissioner for Agriculture, the Environment and Water Resources, acting under responsibility delegated by the President of the Commission.

2.2. The functions

- 7 The institutional framework is intended to fulfill the following functions:
 - Lead the coordinated implementation of the regional agricultural policy and conduct the regional and international negotiations relating to the sector;
 - Coordinate the implementation of the National Agricultural Investment Programs (NAIPs);
 - Implement the regional programs (mobilizing programs, etc.);
 - Contribute to informing the decisions concerning several departments of ECOWAS, in particular with regard to public policy reforms (regional sector management instruments or tools, harmonization and convergence of national policies);
 - Assure the monitoring-evaluation of the policy, programs and policy instruments.

- 8 These different functions are divided into three categories:
- a. The political functions and the steering, coordination and monitoring/evaluation missions;
 - b. The technical functions of the implementation of the regional programs;
 - c. The financial functions related to the implementation of the regional programs.

2.3. The adopted principles

- 9 The implementation of ECOWAP/CAADP is governed by four principles:
- a. Political responsibility;
 - b. Partnership and multi-stakeholder dialogue;
 - c. Delegation of project implementation;
 - d. Monitoring.
- 10 *Political responsibility.* The implementation of ECOWAP is the responsibility of the ECOWAS Commission, mandated by the Heads of State and Government. This responsibility is exercised by the Department of Agriculture, the Environment and Water Resources under the aegis of the Commissioner responsible for this sector. The executive bodies of ECOWAP/CAADP are all placed under the direct responsibility of this department. The department is accountable to the President of the Commission, the Council of Ministers and the Summit of Heads of State and Government. The last two statutory bodies can call on a special Technical Committee for Food and Agriculture which meets with both the experts of the member states and the ministries responsible for the sector.
- 11 *Partnership and multi-stakeholder dialogue.* ECOWAP/CAADP is a policy negotiated with the member states, regional cooperation organizations and socio-professional actors. Its implementation requires a similar approach, which, nevertheless, does not negate the ultimate responsibility of the ECOWAS Commission. Consequently, the Commission will endow itself with an advisory body—the Advisory Committee for Agriculture and Food.
- 12 *Delegation of project implementation.* On a technical level, ECOWAP/CAADP must be implemented in accordance with criteria based on efficiency, contractual terms with regional actors or bodies, quick disbursement procedures, etc. Without calling into question its own responsibility, the Commission will establish two instruments that ensure that the technical and financial functions are exercised under the best possible conditions—the Regional Technical Agency for Agriculture and Food and the Regional Fund for Agriculture and Food.
- 13 *Monitoring.* The delegation of the technical and financial functions requires strict monitoring of their execution. This function is performed by the ECOWAS Commission and its statutory bodies. It is complemented by monitoring instruments, either existing or to be established, at the level of the financial institution that is entrusted with the task of managing the regional fund.

2.4. Implementing the principles within the different bodies

- 14 In order to undertake these missions while involving the socio-professional actors, member states and regional cooperation organizations, the Commission will endow itself with an *Advisory Committee for Agriculture and Food*. This represents a regular forum for dialogue. It has no decision-making powers but advises and informs the Commission and the statutory bodies of ECOWAS with regard to all aspects concerning the implementation of ECOWAP/CAADP. The composition of the committee will be honed to ensure an equitable representation between the representatives of the member states, the ECOWAS parliament, the professional organizations (agricultural organizations and agro-food private sector), regional cooperation organizations and the technical and financial partners. The Committee is presided over by the Minister of Agriculture of the country that occupies the Presidency of ECOWAS. A representative of the agricultural professional organizations acts as Vice-President.

2.4.1. The political functions: strengthening direct management capacities by the Commission

- 15 Through the ECOWAS Directorate for Agriculture, the Department of Agriculture, the Environment and Water Resources is responsible for:
- Guiding and coordinating the implementation of ECOWAP;
 - Leading the negotiations with the member states and professional stakeholders concerning the implementation of ECOWAP/CAADP and its gradual adaptation to the changing context and needs of both the sector and the Community;
 - Defining the operational programs (mobilizing programs) and ensuring that they are consistent with the National Agricultural Investment Programs (NAIPs);
 - Defining and implementing the public policy instruments dedicated to the agriculture and food sector (or contributing to it according to the respective prerogatives of the different ECOWAS departments and directorates);
 - Conducting or participating in the international negotiations relating to the agriculture and food sector, including trade negotiations;
 - Assuring the monitoring and evaluation of the policy and programs;
 - Developing a capacity for prospective analysis, oversight and decision-making assistance for the higher authorities of the Community.
- 16 The implementation of these missions requires *a major improvement in the human and institutional capacities within the Commission*:
- With regard to human resources, the Directorate must be strengthened by the addition of more specialists, in particular concerning:
 - Dialogue with the stakeholders, including the technical and financial partners, and the coordination of financial support,
 - Monitoring/evaluation,
 - Oversight, outlook and decision-making assistance;
 - With regard to institutional aspects: Implementation of an ad-hoc group including the Commissioners responsible for macroeconomics, trade, customs, infrastructure and humanitarian affairs. This *Inter-departmental Committee for Agriculture and Food* will be presided over by the Vice-President of the Commission. The Commissioner responsible for agriculture, the environment and water resources

will act as Vice-President. This committee is called on to arbitrate the policy decisions that have an impact on the agricultural sector.

*2.4.2. The technical functions:
delegation of management with the creation of a Technical Agency*

- 17 At the proposal of the Council of Ministers, the next Summit of Heads of State and Government will endow the Commission with a *Regional Technical Agency for Agriculture and Food*.
- 18 This agency is placed under the direct responsibility of the Commissioner responsible for Agriculture, the Environment and Water Resources. It enjoys administrative and financial management autonomy and is accountable to the Commissioner.
- 19 The technical functions of the implementation of the investment programs are delegated to the Agency, which will primarily act by establishing contracts with the relevant organizations, mainly by means of calls for proposals or calls for tenders. The contracting parties can be regional technical cooperation institutions, networks of economic actors, private actors, etc.
- 20 The agency is divided into two main departments: the first responsible for the implementation of the programs and the other responsible for administration and finances.

*2.4.3. The financial functions: delegation of management
with the introduction of a Regional Fund for Agriculture and Food*

- 21 The Regional Partnership Compact for the implementation of ECOWAP/CAADP stipulates that the latter represents the referential framework for programming the financial support to the agricultural sector.
- 22 This focus has two operational implications: (i) the Commission organizes close consultation between the Directorate of Agriculture and all the financial partners with a view to coordinating the contributions on the basis of the mobilizing programs adopted; and (ii) the regional fund should enable the channeling of most of the financial contributions.
- 23 The ECOWAS Commission delegates the management of the financial mechanisms and instruments facilitating the implementation of ECOWAP/CAADP to the *Regional Fund for Agriculture and Food* (cf. infra, chapter 3).

3 The financial mechanism

3.1. Objective, mission and role

- 24 The aim of the financial mechanism is to eventually channel most of the sources of financing for regional actions concerning the agricultural sector, with a view to ensuring the rational use of internal and external resources in order to ensure that the ECOWAP/CAADP objectives are achieved. It is the sole, consensual financing mechanism for:
- Regional programs, in particular investments in the basic building blocks of agricultural development on a regional scale;
 - Instruments of public policy, incentives and the regulation of the agricultural sector;
 - Services provided to stakeholders or states by the region: information systems; common research programs, etc.
- 25 Pooling resources enables ECOWAS to play a leadership role in establishing the priorities for financing the different dimensions of ECOWAP/CAADP, in conformity with the principles of the Paris Declaration concerning the efficiency of aid.

3.2. The principles

- 26 The importance of the fund in the efficient implementation of ECOWAP/CAADP requires that it obey the following principles:
- A clear and pertinent institutional framework that reassures all contributors and potential users;
 - A clear definition of the fields of intervention, taking into account, on the one hand, the complementarity and need for coordination with the existing mechanisms (national, regional and multilateral) and, on the other hand, the diverse financing needs and their specifics (subsidies, working capital, credit lines, guarantee funds, etc.);
 - Good governance, including (i) transparency and traceability in the use of resources; (ii) flexibility to satisfy the need to adapt the programs to economic changes and the complexity of the agricultural sector; and (iii) the obligation to be accountable;
 - Results-oriented management and evaluation;
 - The commitment of all stakeholders to the mechanism.

3.3. The resources that can be mobilized

- 27 The ECOWAS Regional Fund for Agriculture and Food (ECOWADF) will be financed by several sources, including:
- *Resources from the Economic Community* provided by ECOWAS, either directly

(allocation of part of the Community levies or any other taxes it has agreed to collect) or indirectly using its own resources or via the EBID. They can also be provided via obligatory loans levied in favor of certain large-scale regional programs. An exceptional levy on ECOWAS reserves could provide the initial capital for the fund;

- *The states' budgets.* This contribution, which is still to be established, could be provided by: (i) a budgetary allocation; (ii) an allocation of part of the import taxes levied on agricultural and food products; (iii) an allocation of part of the VAT collected on the sale of imported food products; and (iv) the co-financing of the mobilizing programs. The possibility for states to contribute to the regional fund, beyond the usual ECOWAS financial mechanisms, will be the subject of a specific study, the results of which will be submitted to the statutory bodies of ECOWAS for a decision;
- *International financial aid,* of which the part dedicated to agriculture and food should increase due to: (i) the impact of agricultural growth on poverty reduction now recognized by most aid agencies; (ii) the 2008 food crisis (cf. commitments of the G8 summit in Aquila (July 8-10 2009, Italy) and the G20 summit in Pittsburgh (September 23-25, 2009, US)); and finally (iii) the mobilization resulting from the process of implementing CAADP and ECOWAP. It includes all types of aid (bilateral and multilateral, aid for trade, support from NGOs, private foundations and decentralized cooperation funds) as well as a share of the resources mobilized by the new financial mechanisms such as the carbon fund or the Clean Development Mechanism (CDM) and for which the projects would be directly linked to the mobilizing programs (for example, program 2 concerning adaptations to climate change).

- 28 As a complement to these different public resources directed by the fund, the mobilizing programs will enjoy significant co-financing from private actors: self-financing by actors within the sector, sums levied within the value chains, contributions from local, regional and international commercial banks (contributions to reduced interest rates on credit lines, subsidization of agricultural banking services) and direct foreign investment.

3.4. Channeling the resources

- 29 The aim is to promote the pooling of resources from various sources with a view to directing the funds in accordance with the financing priorities defined by ECOWAS, following discussions with the member states and the socio-professional actors in the sector and limiting as far as possible the parallel programming of support, which reduces the overall efficiency of the agricultural programs.
- 30 Nevertheless, the procedures of certain contributors do not allow their resources to be pooled. The fund will establish sub-funds ensuring the traceability of non-pooled resources while endeavoring to ensure a joint programming for the use of the funds.
- 31 Similarly, certain contributors are interested in using the regional channel to provide resources for national programs. The fund will establish terms and conditions that will allow it to assure this mission and to contribute to the coordination of the financial mechanisms within the region.

3.5. The status of the funds

- 32 The nature of the sources of financing for the Regional Fund for Agriculture and Food and the range of financial services to be provided require that *the fund be housed in a financial institution and that it be managed in accordance with international banking rules*.
- 33 The extraordinary meeting of the Council of Ministers held in Yamoussoukro (October 23, 2009) favored the option of housing the fund within the EBID.
- 34 The terms adopted should facilitate good linkages and complementarities with the multilateral innovations currently being developed, in particular the international trust fund envisaged by certain international partners that would channel the additional resources allocated in response to the agricultural and food crisis. Referring to the principles underlying the preparation of this trust fund (national and regional leadership, alignment with the national and regional strategies, quick disbursement, synergy with the other efforts and instruments, partnership with multiple actors, etc.), ECOWAS considers that the Regional Fund should be sufficiently credible to coordinate the financial mechanisms for the whole of West Africa. The discussions undertaken with the donor platform must envisage, starting from now, the terms of cooperation and contractualization between this potential global fund and the regional fund and identify the consequences for their respective organizations and operations.
- 35 Similarly, the Regional Fund must be well linked with the national frameworks under reform, in particular through the introduction of intermediary funds in the financial institutions of the member states.
- 36 The feasibility study in progress will specify the terms and implications of the option involving housing the fund within the EBID. It will determine the mechanisms of management and control of the resources as well as the relations to be established between the Regional Fund, the EBID, the Commission and the statutory bodies of ECOWAS.
- 37 Given the importance of what is at stake in the creation of the Regional Fund, the institutional proposals will be submitted to the statutory bodies of ECOWAS. The Summit of the Heads of State and Government will make its decision and adopt a corresponding statute.

3.6. Mechanisms for financing the needs

- 38 In order to play its role to the full in supporting the agricultural and food development of the region by taking into account the diverse financing needs of the agricultural sector, the Fund must be able to call on the following tools:
- *Loans*, targeting actions that facilitate access to financial services for producers and other actors in the agro-food value chains, in particular by i) introducing loan re-financing lines, ii) providing interest-rate reductions, (iii) creating a loan guarantee fund, (iv) providing support for the implementation of an agricultural ware-

- house receipt system in partnership with the banking institutions, etc.;
- *Guarantee funds*. These are instruments that enable risks to be pooled. Two spheres are identified at present:
 - Guarantee fund for marketing agricultural products and inputs,
 - Guarantee fund linked to the establishment of insurance systems (agricultural risks);
 - *Subsidies*. These are intended to support basic investments enabling the improvement of the productivity and competitiveness of production and value chains. They can include temporary subsidies intended to reduce production costs and to encourage agricultural intensification. Finally, they are an intervention tool that can help orient the agricultural sector (incentives for diversifying production or market outlets, incentives for the reconversion of activities, incentives for organizing actors, incentives for the adoption of sustainable production techniques and the implementation of certain precautionary measures, measures to adapt to climate change, etc.). From the outset, several dedicated windows should be established:
 - Fund to support the mobilizing programs,
 - Fund to strengthen the capacity of the actors,
 - Fund to support regional or multi-country initiatives,
 - Food security fund.

4 Summary of the framework

The following table summarizes the position and role of the different elements of the institutional and financial framework.

Level		Body	Role
Political: Statuary bodies of ECOWAS	Heads of State and Government	Summit	Supreme body Decides the focus of the agricultural policy Examines and approves reports from the Council of Ministers
	Ministers	Council of Ministers	Prepares the Summit decisions
	Experts of members states	Specialized Technical Committee (agriculture)	Examines the reports from the Commission and prepares the decisions of the statuary bodies Examines the reports from the financial controller (cf. verifying the Regional Fund)
	ECOWAS parliament	Parliamentary Commission for Agriculture and Food	Examines the reports from the Commission
Executive: ECOWAS Commission	Other departments concerned (trade, administration and finance, macro-economy, infrastructure, humanitarian affairs etc.)	Inter-departmental Committee for Agriculture and Food	Informs the policy reforms affecting the agricultural sector and concerning several departments
	Department of Agriculture, the Environment and Water Resources	Directorate of Agriculture	Steers and coordinates ECOWAP/CAADP Leads the negotiations and coordinates financing Defines the intervention programs Performs monitoring/evaluation Performs the tasks of oversight, outlook, and providing decision-making assistance
		<i>Regional Technical Agency for Agriculture and Food</i> <i>Regional Fund for Agriculture and Food(housed in the EBID and with a Supervisory Board)</i>	Implements the mobilizing programs Channels and performs financial management of the resources allocated to the regional programs
Advisory		Advisory Committee for Agriculture and Food	Ensures dialogue between all actors in the sector and advises the Commission