

# **Facing the financial crisis: The imperative of regional action for agriculture in Africa**

**A paper submitted for the Fourth Annual African Economic conference on  
“Fostering Development in an Era of Financial and Economic Crises”**

**Addis Ababa, 11-13 November 2009**

**Colin Kirk, Director, Operations Evaluation (OPEV),  
African Development Bank, Tunis**

**Detlev Puetz, Principal Evaluation Officer, Operations Evaluation (OE,  
African Development Bank, Tunis**

**Draft**

**Oct. 19, 2009**

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## **Abstract**

African farmers could produce more food staples and livestock products for domestic and regional markets and other export commodities globally, if they had better regional infrastructure and food trade barriers were reduced. Natural resource management and defense against plant and animal epidemics also requires trans-boundary collective action.

The slow pace of regional integration, persistent under-funding of regional and sub-regional organizations and research, and inadequate cross-border infrastructure prevent a more effective African crisis response. Regional operations are still limited by political will and lack of effective instruments to support them. Regional action for agriculture could help Africa recover from the financial crisis more quickly and help in seizing post-crisis opportunities.

The paper summarizes arguments for a stronger regional focus with special attention to agriculture and rural development. It reviews scope and performance of regional operations by the African Development Bank and IFAD. It argues that developing and financing a range of important regional public goods for agriculture, from regional markets to trans-national infrastructure, from innovation research and plant and animal disease protection to natural resource management, could go a long way for farmers to seize post-crisis growth and development opportunities.

Donors such as AfDB and IFAD need to develop their regional capacities and streamlined financing and implementation mechanisms independent of individual country borrowing decisions. They have to generate effective partnerships with African governments, continental and regional African development institutions, civil society, private sector and other donors to narrow the regional development gaps.

## **1. Introduction**

### **1.1. Background**

1. Africa has more states than any other continent. Its small, fragmented, and shallow markets do not offer economies of scale. 40% of Africans live in landlocked countries, many of which are among the world's poorest performing economies (WDR 2009). Yet regional integration is slow, with a persistence of under-funded regional and sub-regional organizations, lack of political will, and slow progress in creating the infrastructure linking land-locked countries and remote regions of coastal countries to the centers of demand and to ports. An effective African crisis response requires smart investments now to tap into these well-known sources for future growth that are slumbering in regional integration.

2. Agriculture can play an important supportive role in Africa's economic recovery from the current recession, serving growing local, and possibly international markets, and buffering African economies from future global shocks, provided it becomes more competitive. A recently completed Joint Evaluation of Agriculture and Rural Development by IFAD and the African Development Bank prominently notes that many critical issues in agriculture and rural development could best be solved by regional action. For African farmers the largest opportunities in the short- and medium term are arguably in food staples and livestock products for domestic and regional markets, possibly complemented in a few years by bio-fuels and other agricultural commodities to be supplied to the region and the world.

3. Institutions such as the African Development Bank already are setting aside increasing amounts of resources to finance operations for regional development (about 15% of ADF XI funding). IFAD is supporting regional coordination and integration in Africa through a number of international initiatives and direct support to African research and capacity building.

4. This paper examines various aspects of regional integration and development, with a focus on agriculture and rural development in Africa. It draws largely from a recently completed joint evaluation of agriculture and rural development by the AfDB and IFAD of their programmes in Africa and from two reviews of multinational programmes done by the Operations Evaluation Department (OPEV) of the African Development Bank. As such, some of the findings and conclusions are specific for AfDB and IFAD, but their lessons and implications often reach beyond these two institutions.

### **1.2. Definition of regional development. Report boundaries.**

5. In the African development community the term 'regional development' can be understood in different ways. Depending on the user perspective it could be applied to the continent as a whole, to multi-country regions of varying composition within the continent

(often also referred to as sub-regions), or to regions within countries. In the agriculture and rural development literature, regional development programmes have often been closely related to integrated rural development (IRD) programmes, which have at their basis a regional, or spatial, development concept, and the integration of multi-sectoral activities. For the purpose of this paper the term ‘regional development’ will be primarily used for multi-country regions and the focus of the paper is on programmes and integration at this level.

6. Similarly, the majority of literature on ‘regional integration’ does not provide a clear definition of the concept of regional development or regional integration. The most comprehensive definition of regional integration that could be found is that of Bourenane<sup>1</sup> who defines it as “...a voluntary pooling of resources for a common purpose by two or more sets of partners belonging to different states. The process aims to reinforce structural interdependencies of a technical and economic sort, with positive effects on economic welfare.” Based on this definition it is clear that (i) there is no restriction on the size of the region (as long as it involves at least two countries), (ii) that the region can even span more than one continent and (iii) that “integration” includes one or more of the following areas: (i) Physical integration; (ii) Economic/financial integration; (iii) Political integration; (iv) Institutional integration; or (v) Social/cultural integration.

### **1.3. Paper objectives and outline**

7. This paper addresses the key role that regional integration in Africa has to play in supporting sustainable agricultural growth and rural development and to take advantage of post-crisis regional and global opportunities. Specifically it:

- (1) Summarizes the arguments for a stronger regional focus of agriculture and rural development operations in Africa, in the context of the evolving institutional and political structures and processes in this area (AU, NEPAD, CAADP etc.);
- (2) Reviews the performance and lessons learnt of regional operations in Africa with relevance for agriculture and rural development by the African Development Bank and IFAD; and
- (3) Draws conclusions for future regional operations and policies for agriculture and rural development, particularly in view of strengthening regional market integration, institutional development, and governance.

8. The paper starts with a review of arguments for enhanced regional integration, a brief overview of regional institutions and activities, and the policies of the two organizations on regional integration (Ch. 2). It proceeds with a summary of the role, opportunities and challenges for African agriculture in view of the financial crisis, and the imperative for regional action (Ch. 3). A review of scope and performance of regional operations of AfDB and IFAD follows in Ch. 4, including some observations on organizational structures,

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<sup>1</sup> Naceur, B. *Regional Integration and Cooperation in West Africa: Theoretical and Strategic Approaches*.

responsibilities, and business processes for regional development. Ch. 5 presents the main policy conclusions.

## **2. Strengthening regional cooperation in response to the global financial crisis.**

### **2.1. The need for enhanced regional integration and cooperation**

9. African countries are tiny markets, and their borders are the least permeable in the world, impeding the movement of goods, services, capital, ideas and people (*World Development Report 2009*). At the regional level, transiting through a neighboring country can be more costly and time-consuming than shipping cargo to even Japan, the farthest developed country. For Africa to fully participate in the global economy, scale economies in production and transport must be boldly exploited.

10. The current financial crisis and its negative effects on investments, growth and global trade in Africa cannot undo many positive structural trends and enhanced opportunities for Africa's economies and businesses in recent years. This includes a better macroeconomic and sector policy environment and more space for the private sector in many African countries. To some extent, institutions and governance have improved, including regional and sub-regional organizations. Stronger civil society and community organizations can be found on the continent than 20 years ago. Yet, there are lingering problems, such as a slow regional integration with a persistence of under-funded regional and sub-regional organizations and slow progress in creating the infrastructure linking land-locked countries and remote regions of coastal countries to the centres of demand and to ports. An effective crisis response requires smart investment now to tap into these well-known sources and requirements for future growth and poverty reduction.

### **Bridging the infrastructure gap and regional integration**

11. NEPAD defines the infrastructure gap as is one of the main factors that constrain economic growth and job creation in Africa. It states specifically that “there can be no meaningful development without trade – and there can be no trade without adequate and reliable infrastructure.”<sup>2</sup> Poor infrastructure and other barriers to trade have a direct impact on the competitive advantage of African goods in local and international markets. It is therefore one of the main determinants of product prices.

12. Bridging the infrastructure gap has been identified as an important element of promoting regional integration in Africa. This view is supported by many international development agencies, such as the World Bank or the African Development Bank, which has elevated

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<sup>2</sup> NEPAD. 2002. *Short Term Action Plan Infrastructure (Main Report)*.

regional integration as a priority instrument for promoting economic growth and poverty reduction.

13. For the African Development Bank deeper regional integration within Africa is an imperative to build markets and new opportunities for growth, job creation and improved living standards; to create more robust, competitive and diversified economies; and, to attract and reward new sources of investment finance (*Bank High-Level Panel report 2007 and Medium-Term Strategy 2008*).

14. The World Bank WDR 2009 on reshaping economic geography gives a number of examples of positive regional integration, reducing distance and division through regional development corridors, development partnerships between neighboring cities in different countries, and more reliance on and support for traditional trading networks and communities.

### **Overcoming the historical infrastructure legacy and the multiplicity of organizations and bilateral arrangements**

15. The South-African Minister in the Presidency responsible for National Planning, Mr. Trevor Manuel, recently put it as follows: *“Some of the handicaps affecting African economies are a legacy of colonialism, railways and roads leading from the interior to the coasts, but not between contiguous countries. Today Africa’s transport costs; local, national, or international, are around twice as high as those for a typical Asian country. ... What is clear is that if Africa is to have a greater say in global governance, it has to be better organized and it must demonstrate greater qualities of regional economic development in order to transcend the strictures [of national boundaries] of Berlin 1885. But defining a new approach needs work. Africa’s regional economic communities suffer from overlapping memberships (Common Market of Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), Southern Africa Customs Union (SACU)) and a multiplicity of regional institutions. Graphically, the picture presented by all of these institutions is scary. In substance, the complexities increase exponentially when the detail of a myriad of bilateral arrangements with outside agencies, such as the current situation arising from the European Union economic partnership agreements (EPA’s) are taken into account.”* (Manuel 2009)

### **Concerted regional efforts in natural resource management**

16. The infrastructure gap and regional planning and coordination problems in the continent affect agriculture as well as other sectors. In addition, there are many other issues that require regional solutions. An important one is the increasing concern for natural resource management and problems related to the rapid degradation of many environmental resources in Africa. Global environmental issues such as climate change adaptation, deforestation and desertification control, sustainable land management and biodiversity conservation can be addressed in a concerted approach among regional countries.

### **Regional organizations and initiatives**

17. In recent years, much attention was paid to strengthening of regional institutions, such as the AU, NEPAD, and Regional Economic Communities (RECs)<sup>3</sup>. For agriculture, the Comprehensive African Agricultural Development Programme and regional research and knowledge centers (FARA, ASARECA, CGIAR, RESKSS) have been expanding and focusing their mandates (see ANNEX 1). Yet, as discussed above, many of these institutions suffer from overlapping mandates, underfunding and lack of capacity and support at country level.

## **2.2. AfDB and IFAD policies and operations for regional development**

18. The AfDB and IFAD may be well positioned - as providers of international public goods - to contribute more actively to develop and finance many essential regional capacities, from regional market development to trans-national infrastructure, and, more specifically for agriculture, from plant and animal disease protection to natural resource management. Both AfDB and IFAD are important multilateral financiers of ARD and regional initiatives in Africa. But their mandates differ. While AfDB has a broad multi-sectoral mandate, its geographical engagement is limited to Africa. In contrast, IFAD has a global remit with focus on agriculture, and its mandate is tightly focused on the needs of smallholder farmers and the rural poor. Although AfDB has a broad agenda, it is increasingly focusing on provision of major infrastructure, enhanced governance, and private sector support, with a strong focus on regional integration. This contrasts with IFAD's focus on grassroots work of agricultural innovation, rural social and economic institutions, and services for smallholder farmers. The mandates and policies of the two institutions are distinct, but in many ways complementary, and are, separately and together, very relevant to Africa's regional integration needs.

### **The Bank and regional development**

19. The Bank's 2007 High Level Panel stressed the need for AfDB as a premier continental development bank in the following to tasks: (1) to underpin economic integration, and, particularly, to undertake multinational investments where the regional returns are greater than those for any individual country and which may otherwise not be financed; and (2) to provide a range of regional public goods, particularly knowledge and advisory services, to transfer experience and best practice, and to be an African voice on development internationally.

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<sup>3</sup> The following seven RECs have been identified by NEPAD<sup>3</sup> as being primarily responsible for the integration o of infrastructure in order to achieve NEPAD's goals:

- ECOWAS: Economic Community of West African States
- ECCAS: Economic Community if Central African States
- IGAD: Intergovernmental Authority on Development
- EAC: East African Community
- COMESA: Common Market for East and Southern Africa
- SADC: Southern Africa Development Community
- UMA: Union du Maghreb Arabe

20. While it is clearly pointed out that economic integration at the continental level would be led by the African Union and at the regional level by regional economic communities (RECs) aligned with continental objectives, the Bank's members subsequently identified regional integration as a key strategic objective for the institution and set aside a pool of specifically earmarked ADF resources (about 15%). The Bank's new **Framework for Regional Operations** sets clear guidelines to ensure selectivity, ownership and impact.

21. Going forward, the Bank will focus on deepening cross-border economic, commercial and policy linkages, including between ADF and ADB countries. Beyond project finance, which will concentrate on investments in cross-border infrastructure and selective support to regional public goods, the Bank will provide assistance and advisory services, including work with the AU to increase the effectiveness and relevance of the network of regional and sub-regional economic communities and bodies (AfDB 2008, Medium-Term Strategy).

### **IFAD and regional development**

22. Given its mandate of direct support to poor rural farmers, IFAD is much less concerned with regional activities, but is indeed carrying out a number of regional activities or activities with regional implications, as will be discussed further below (Ch. 4.5 and 4.6).

### **3. Many opportunities for agriculture in African agriculture can best be captured through regional action**

#### **3.1. Africa on the move: Opportunities for agriculture**

23. Notwithstanding the current crisis the economic situation in Africa has improved in recent years: for over a decade before the current global recession, many African economies were growing rapidly, helped by improvements in the macro-economic environment as well as better governance and a reduction in levels of armed conflict. High economic growth helped to reduce poverty and agricultural growth in particular contributed to promoting food security as well as reducing hunger and malnutrition.

24. **Agriculture for growth and poverty reduction.** In spite of the ongoing recession and some continued challenges for the sector the evaluation identified ample opportunities for African farmers and agri-businesses. ARD sector policies improved over the years backed by increased political support for the sector, particularly through the 2002 Maputo Declaration. Increased agricultural growth is largely the result of improved conditions, commodity prices stabilizing at higher levels, providing a better investment climate for the private sector and opportunities for agricultural development. Agriculture and rural development provide an important route towards promoting growth and reducing poverty in Africa, and of mitigating the current financial crisis. Agriculture supports the livelihoods of 80 percent of Africa's people, and it contributes to one third of the continent's GDP. Growth based on agriculture is up to four times more effective in reducing poverty than growth based in other sectors.

25. **Regional and global markets for agriculture commodities are opening up.** New agriculture technologies and products (such as bio-fuels) are sweeping the continent. Regional economic communities are committed to creating customs unions and common markets to support South-South. In the immediate future, the main markets for African farmers are in Africa. These markets are large and growing fast, even more rapidly once the current crisis will be overcome. Urbanization will increase demand for higher-value foods. Secondly, as many of the large and growing Asian markets, particularly China and India, have limited additional land – the best areas are already used intensively – Asian countries are expected to import more agricultural commodities in future. Africa will be well placed to meet this increasing demand. Third, factors such as biotechnology and production of bio-fuels provide significant opportunities for agriculture in the medium and long term. Dramatic changes are already occurring in international agribusiness and agricultural research as a consequence of the development of new varieties of high-yield, pest-resistant or drought-tolerant crops. The lack of a green revolution in Africa is frequently lamented, but technical progress has been made: examples include improved, mosaic-free varieties of cassava and new varieties of rice such as *Nerica* that cross the characteristics of African and Asian rice strains. Other innovations are in the pipeline and can greatly enhance the productivity and competitiveness of African agriculture.

**26. Political commitment.** African governments, regional institutions and development partners are increasingly committed to ARD. New private donors and emerging donors such as Brazil, China and India are providing growing volumes of aid and investment for Africa, even though this increases the challenge of coordination in development interventions and is further complicated by the proliferation of donors. However, the emphasis on country ownership in the Paris Declaration agenda offers a realistic way forward.

27. As these opportunities are captured a growing agriculture sector will be providing employment, food security and growth, and reduce poverty and malnutrition. Agriculture not only can help to mitigate the current crisis, but also support a sustainable and more equitable growth path and buffer African economies against future shocks, such as those of the 2008 food and energy price crises and the financial crisis. There is a strong case for a strategic engagement and expanded investments in agriculture in Africa.

### **3.2. Challenges for agriculture in Africa**

28. Yet many challenges remain for agriculture in Africa, including poor infrastructure; weak sector institutions and insufficient regional integration; underdeveloped markets and limited private sector involvement; the low productivity of smallholder farmers; the need for effective management of natural resources and the environment, in the face of climate change; high levels of poverty, exacerbated by rapid population growth and the continued prevalence of HIV/AIDS; and pervasive gender inequality, which undercuts the contribution of women in a region where they play key roles in agriculture and agricultural trade.

29. A particular challenge is to enable the many smallholder farmers in Africa to transform from subsistence to commercial farming, and to assist commercial farmers to become more competitive in regional and global markets. Enhanced market access, value chains, and price incentives for agriculture products are paramount. Internationally, inequitable terms of trade still often undercut African agriculture. Trade barriers and export subsidies in OECD countries, inefficient production systems, and limited product quality assurance mechanisms in Africa combine to hamper trade and market access in the continent. This requires concerted action given the re-opening of the WTO trade negotiations in 2010. Good road networks and market infrastructure are critical for reducing marketing costs and increasing competitiveness. Yet, progress in creating such infrastructure is slow, particularly in terms of linking landlocked countries and remote regions of coastal countries with the centres of demand and ports. The necessary regional and sub-regional investments continue to be under-funded.

### **3.3. Strategic implications and the imperative of regionalization for ARD in Africa**

30. African leaders have started to respond to these challenges by creating consensus on what needs to be done. Increasing agricultural growth and productivity will require a wide range of actions to address the challenges set out above. They can be summarized in terms of “the four Is”: improving the *investment climate*; better *infrastructure* and regional integration; supporting *innovation*; and strengthening *institutional capacity* (Ndulu et al 2007; for details see Binswanger/McCalla 2009).

31. Recent years have seen renewed support for agriculture, including the launch in 2002 of NEPAD’s Comprehensive Africa Agriculture Development Programme (CAADP) and the Maputo Declaration of 2003, which committed African Governments to allocate 10 percent of their national budgets to agriculture with the aim of raising annual agricultural growth rates to 6 percent. By early 2009, seven African countries had reached the commitment level of 10 percent of budget set by the Maputo Declaration.

32. These commitments can go a long way to address fundamental structural challenges in the sector. Many of them will have to be addressed at the national level, through expanded investments, better regulatory frameworks, and strategic partnerships for ARD between public sector, farmer associations, civil society, and private sector. But the Joint Evaluation also identified many critical issues that can best be, or only, solved by regional action, such as:

#### **Small countries legacy**

- Small countries dominate the African scene often lacking financial capacity for public goods investments;
- Small land locked countries generally do worse, and depend on regional integration to be able to do better;

#### **Expanded regional trade**

- Expanded regional trade in agriculture and food products is good for growth, farmer’s income and regional food security; long run opportunities arising from prices that are expected to settle at higher than past levels only add to this imperative;
- Expanded regional trade and food security will be helped by the harmonization of standards and sanitary measures, and sub-regional and regional capacities to implement them;
- Freer borders and internal infrastructure should encourage private sector traders;
- For small countries, regional infrastructure –roads, communications, ports – critical for access to each other and external markets;

#### **Natural resource management and protection**

- Reversing land degradation and desertification and preserving biodiversity require trans- boundary collective action;
- Managing crucial, but under threat, forestry and fisheries resources must be approached on a transnational basis;

- Managing and developing trans-boundary river basins, watersheds and ecosystems requires regional approaches, coordination, and negotiation;
- Defense against plant and animal disease epidemics require collective responses at sub-regional and regional levels;

#### **Innovation and scientific research**

- Success in agriculture crucially depends on indigenous scientific capacity to generate new technology; given small and poor countries is far better done on a regional or sub regional basis –FARA and the SRO’s are on the right track but the effort needs to be greatly expanded;
- Biotechnology research is expensive with a large critical mass therefore two or three regional institutes is far superior to 48 or 24 underfunded, under resourced national institutions;
- Indigenous scientific capacity requires trained people, again better done by regional institutions which have critical mass and necessary financial support;

#### **Agriculture and rural financing**

- Regional approaches to rural financial architecture may increase potential deposits and loanable funds and spreads risk;

33. These examples illustrate that the potential for regional approaches and an overall regional strategy for rural Africa are significant. Yet in all most of these areas institutional development programs remain massively underfunded. The main reason for this is that the regional efforts produce regional and sub-regional public goods, and therefore their financing is subject to the familiar free rider problem of financing public goods. Except the largest countries which have an incentive to supply themselves with these regional public goods, countries will seek to benefit from the investment of others.

34. It is precisely here that a Regional Development Finance Institution such as the African Development Bank has a major opportunity to step in, as it can both coordinate, as well as contribute to the financing of these essential regional capacities. While there is probably less of a role for IFAD in this area, it is already active in support of many continental and regional initiatives in support of research, capacity building, and advocacy (see also chapter 4.5 and 4.6).

## **4. Regional operations by AfDB and IFAD in Africa: Scope and performance**

### **4.1. Overview**

35. Over the years the Bank and IFAD have been carrying out many operations with regional focus and implications, some as multinational and some as national operations.

36. On the side of the Bank, these operations consist of physical infrastructure projects, more than two-thirds of them generic transport projects (roads, ports, airports). The rest concerns assorted projects for power supply, communication, finance (lending to regional Banks), and direct agriculture support projects. It is estimated that projects with regional integration cover between 10 and 15 percent of total lending. IFAD has been focusing its regional assistance on research and capacity building projects.

37. This chapter provides a review of the scope of regional operations by AfDB and IFAD and it offers a qualitative assessment of the performance of these projects, and the lessons learnt from past and ongoing projects. In general, there is very little information available on the supervision or impact of ongoing multinational projects that would allow to draw conclusions on their comparative advantages versus national projects. Secondly, problems in clearly delineating regional projects makes it difficult to compare quantitative performance of regional and national projects.

### **4.2. Definition and scope of projects with regional relevance and integration focus**

38. Not all projects with regional relevance or regional integration focus are designed and labeled as multi-national projects. For instance, only 6% of all infrastructure projects designed before 2007 fall into the “multinational” sub-subcategory. However, this is not an accurate reflection of the Banks involvement in regional integration as the size and nature of many infrastructure projects are such that they benefit the region even though the finance have been extended to one country (ports for example). In other cases a particular regional project has been split up into separate projects within specific countries (e.g. Trans Kgalagadi Highway).

39. If country projects with a regional integration dimension are included the share of transport and power projects with regional integration (RI) focus raises to 53%. Projects should therefore be classified as “regional” based on the physical regional integration properties of a given project that are unique to each sector.

40. **Integration properties for infrastructure projects.** For instance, for infrastructure the regional integration properties of each sector were defined as follows (Botes 2006): For transport they included (i) all international airports and ports (ii) links in a continuous international transport link (paved road, pipeline, rail line or waterway) that transverses two or

more countries. Multinational power projects are characterized by power pooling and energy sharing arrangements or interconnection of electricity grids. In communication networks and facilities that are shared by more than one country are included, similar for water resources

41. Projects with regional integration focus have both national and regional goals and they require national and regional action. They affect and are affected by political relations between countries. Their effectiveness depends on how well they handle these dimensions, how they reconcile countries' differing interest and how they can mobilize resources and institutional capacities for national implementation and regional planning and coordination.

### **4.3. Performance and lessons learnt**

42. Performance based on supervision and project completion reports shows that physical infrastructure projects, especially those in the transport sector, have in general performed well, including those with RI dimension. On the other hand, the performance of finance, such as lines of credit extended through regional Banks for on-lending, has been mixed. River basin-based initiatives show some mixed outcomes, with performance varying from region to region. (Botes 2006). Yet, overall, there is very little information available on the supervision or impact of past and ongoing multinational projects that would allow to draw clear conclusions on their comparative advantages versus country projects.

43. In 2006/2007 two OPEV reviews evaluated multinational projects and projects with a regional integration dimension, mostly in infrastructure (OPEV 2007a; OPEV 2007b). They led to the following conclusions and lessons learnt on design and implementation:

1. **Multi-national projects are more complicated to plan than national projects and the risks of failure due to institutional problems is very high.** They need longer gestation periods, and more intensive planning processes. Dealing with different institutions in different countries can complicate design and operationalization. Yet, multi-country projects are too often insufficiently planned (including their financing).
2. **The design of projects with regional integration dimensions, be they multi-nationally or nationally designed, should ideally derive from a joint assessment of countries' interests and benefits from the project** to ensure that countries gain optimal benefit from regional approaches. The design should assign benefits and costs equitably among participating countries.
3. **In national projects with regional integration dimensions, regional integration aspects are usually poorly mentioned in appraisal and completion reports.** There are usually no indicators to describe regional integration at entry and its impacts at project completion. Corporate incentives and capacities need to be strengthened to provide more effective support to the design and the monitoring of projects with regional integration focus (eg. in the Operations Manual and through learning activities).

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4. **Multi-national projects need to be supported, supervised, and managed very closely. Often multinational projects require additional resources and analysis to ensure institutional effectiveness and sustainability.** The design of multi-country and country projects with regional integration focus should clearly define how to coordinate country and regional activities during implementation.
5. **The scope of objectives should match national and regional capacities to deal effectively with the complex coordination challenges in the implementation of their activities.** The institutional capacity at the national and regional levels should be evaluated at project preparation and taken into account in the project design.
6. **Multinational projects often require a degree of sectoral policy harmonization between participating countries.** This was raised in relation to major river management and dam projects with the need for increased environmental management, agricultural, water, and electricity policy coordination.
7. **Funding for regional integration should not only be allocated to only multinational projects** since they naturally deal with RI but also to country projects with potential for RI.

44. Among some the constraints in doing more regional projects/programmes, one can feature the institutional weaknesses of the regional bodies and institutions that are needed to support these programs. Most of these lack steady budgetary resources as they go often through arrears problems. There is also a seeming lack of political will on the part of their leaders and support from member countries.

#### **4.4. The Bank's regional activities in agriculture**

45. In addition to more generic infrastructure projects, the Bank's Agriculture Department (OSAN) has been carrying out a number of multi-national projects in the past, mostly in support of water management, regional research, and disease control. These regional instruments, often in the form of multi-country projects, have not been working well, with disbursements of sometimes long running projects running at less than 10% (2009). Examples of larger multi-national operations in the past include the creation of Tsetse and Trypanosomiasis free areas (Ghana, Uganda, Kenya); OMVG natural resource management (Gambia river); Aquatic weeds; and Nerica rice dissemination (WARDA).

46. More recently approved multi-national programs try to avoid the mistakes of the past. They have new design features such as the increased use of regional institutions, less conditionality, higher quality feasibility studies, more capacity building, and rigorous application of RPG criteria (*eg. non-rivalry; non-exclusion; public interest and ownership. strategic alignment*). Examples of those are the Lake Chad Basin Sustainable Development Programme; the Congo Basin Ecosystem Conservation Support Programme; and the upcoming Mano River Ecosystem Conservation and Senegal River Basin Ecosystem conservation Programs. They also include a project for Cotton Value Chains in West Africa

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(more than UA 50m); assistance to Higher Education through UEMOA (UA 20m), and Humanitarian Assistance South Africa (less than UA 5m). In general the Bank's Agriculture Department plans to be more strategic and selective in its future multi-national programmes, focusing on regional projects of river basin development, water management, and eco-systems - based on its new Water Business Plan - and on targeted regional research and capacity building projects, such as the Creation of Tsetse and Typanosomiasis free areas in Southern Africa and Capacity Building for Agriculture Ministries.

47. Coordination and partnerships will be strengthened with Regional Economic Communities (RECs) as an important plank for the realization of the regional integration mandate of the Bank (OSAN strategy/business plan 2007). Developing close ties with specialized agricultural institutions (CILSS, CENSAD, WARDA, FARA, etc) should help in tackling regional and global threats such as disease eradication, policy harmonization, capacity building and sharing, and environmental mitigation and climate adaptation (eg. droughts). The NEPAD-CAADP framework and allied institutional arrangements is a critical anchor for the Bank's engagement in multinational operations on the continent.

#### **4.5. IFAD's global policy to support regional initiatives**

48. IFAD's programme of regional projects is tailored to address the causes of inadequate green revolution take-up in Africa through a combination of investment, grants to NGOs, agriculture research, and policy advice. This includes empowerment and capacity building for farmer organizations and trade associations, national and international agriculture research centers, support for cross border initiatives etc. (IFAD 2006. IFAD 2008). Grants are an important element in a regional strategy and the proportion of grants in IFAD's portfolio has been raised from 5% to 10% (2006). But most grants are still being used at the country level.

49. IFAD indirectly supports continental and regional planning and integration through partnering at global and continental level with a number of institutions in the following initiatives:

- a. Co-chairing Global Coalition for Rural Development
- b. Sponsoring farmer associations globally, regionally and nationally
- c. Co-chairing the International Land Coalition
- d. Hosting the global mechanism for fight against desertification
- e. Sponsoring the Indigenous Peoples Forum.
- f. Executing projects of the Global Environmental Facility
- g. Co-chairing Reform Program of CGIAR

#### **4.6. IFAD's Africa regional activities**

50. IFAD's regional non-lending activities in Africa include

- Partnership building and strengthening of institutional capacities to create momentum of synergy and foster coordinated action: NEPAD, ROPPA, APMm, UEMOA, CILSS etc.
- Strengthening the technical capacity to combat rural poverty of various key stakeholders (Regional HUB)
- Identifying and up-scaling innovative approach
- Fostering institutional learning and
- Knowledge management (FIDAFRIQUE).

51. In West-Africa IFAD's regional programmes mostly consist of relatively modest grants to support technical innovation, such as grants for cassava research with IITA and others, research on cow peas, and on conservation agriculture. Strengthening capacity of regional associations (HUB) and farmer associations is the other pillar of regional support. In East- and Southern Africa the IFAD regional programme supports 22 regional projects with a value of USD 22 million, mainly for knowledge management, M&E and management support, institutional support to regional institutions and farmers organisations and some technical focusing at markets and agricultural research.

52. In general, IFAD has very limited instruments and funds to operate at regional level. The agency primarily focuses at the grassroot level, supporting the empowerment of the rural poor. This is much country-based and often even more local than national, which is reflected in IFAD's instruments, principally loans/grants to Governments. Thus regional operations play only a minor role in IFAD's total portfolio. Regional projects in East- and Southern Africa are currently about 2.5% of IFAD's portfolio, and the annual budget for regional operations in this region is minimal at approximately at USD 5 million.

53. The two main problems associated with regional programmes is workload and direct relevance to the rural poor and their institutions. IFAD in its sub-Saharan Africa operations tends to believe that the development problems in Africa cannot be solved top-down. Thus priority is given for a country-led approach where the (sub-)regional activities provide support and pursue complementarities where needed.

54. IFAD, as a relatively small and project oriented institution, supports regional processes but mainly from the perspective to share lessons and needs of the rural poor from the countries, to enhance needed support and actions at and from the region, all improving on IFAD's fight to reduce rural poverty. Thus IFAD's Regional Department for East- and Southern Africa plans to gradually close down its ongoing 22 multinational programmes. In future, the focus of regional grants is expected to be on knowledge management, institution support and (sub) regional themes derived from and in support of projects.

#### **4.7. AfDB and IFAD response to regional ARD challenges in Africa**

55. The Joint Evaluation concluded that both AfDB and IFAD could have done more to fill the large gap in supply of ARD public goods such as infrastructure, science and technology, and market development. There have been a few promising results when investments have

been made in regional public goods such as agricultural research and dissemination of information at the regional level and control of animal diseases and locusts (for instance in cassava). Yet, many multi-national projects in this field have not worked well as coordination was difficult. To some extent, the country focused allocation models of both institutions inhibits efforts towards regional development. The political support among African Governments and the absorptive capacity for regional programmes are also still limited.

56. The Joint Evaluation also commented on the policy capacity of IFAD and the AfDB viz-a-viz that may be of relevance for any future engagement of both institutions in continental and regional development. It concludes that the two agencies are keeping abreast of policy developments, most clearly shown in their quick and effective response to the 2008 food price crisis. But it is not clear that AfDB and IFAD are well-equipped to deal with wider policy questions of regional relevance, such as trade. The role of the two organizations in providing policy support has been limited, mainly focused on sub-sectors. Both agencies contributed to the formulation of a new land tenure framework for Africa. But neither AfDB nor IFAD has systematically engaged in debate on international trade.

## **5. Institutional aspects of regional development and financing mechanisms (*business processes*). Partners for regional development.**

### **5.1. Organizational regional structures**

57. Institutionally and organizationally, the Bank is well suited to leverage its comparative advantages as a regional Bank by focusing its interventions on regional co-operation and governance, private sector promotion, and institution building.

58. **NEPAD and Department of Regional Integration and Trade (ONRI).** Among others, the Bank hosts the NEPAD Infrastructure Team and the multi-donor supported Infrastructure Project Preparation Facility (IPPF), embedded in the Department of Regional Integration and Trade (ONRI) in the Infrastructure Complex of the Bank. This Department also has a strong mandate for promotion of regional trade. The NEPAD infrastructure team and the IPPF have responsibilities in strategic planning and coordination for regional infrastructure projects, preparing project feasibility studies, and mobilizing multi-donor funds for regional infrastructure and planning.

59. **Regional Directors.** In 2006 the Bank established 9 Regional Departments with regional planning and coordination responsibilities, that together supervise the Bank's 25 country and regional field offices. In addition to the Bank's current Country Strategy Programmes it is planned to develop Regional Strategies that could with the intent of stronger regional integration and coordinated planning.

60. IFAD is organizationally well positioned to think in regional dimensions as many decisions are already decentralized to their Regional Departments, of which there are three for the African continent.

## **5.2. Business processes and allocation instruments for regional development**

61. The effectiveness of regional operations still suffers from limitations of the internal business processes of the two agencies<sup>4</sup> and, to some extent, of effective instruments for their support. As earlier discussed complex business processes, coordination requirements, and still insufficient field presence are often getting in the way of regionalization and regional projects that usually are more time- and supervision intensive. IFAD and the AfDB have already undertaken major reforms of their business processes in recent years, yet have to take them further. Moving forward, it will be essential for the organizations to develop good procedures and incentives, and in the case of the AfDB internal coordination, to allow stronger partnerships for regional development. Further decentralizing offices and activities to regional and country levels could boost regional programmes and integration.

62. The Bank and, to a lesser degree IFAD, do not have sufficient analytical and implementation capacity for regional projects and programmes. Nor do they have streamlined mechanisms for financing them that are not dependent on individual country borrowing decisions. As suggested by the Bank's High Level Panel there could be positive incentives for integration, including concessional finance for projects that create positive regional returns.

## **5.3. Strategic partnering for regional development. Shared responsibilities.**

63. Also in future, most 'regional' projects are likely to be implemented and financed through country mechanisms. It is therefore important to clearly define the roles and responsibilities of all the public agencies involved, of each tier, i.e. country, sub-regional economic communities (RECs), regional agencies, and international development agencies. In the near and medium-term future, the main responsibility, ownership, and implementation responsibility for regional programmes will clearly stay with the *countries*. *Sub-regional economic communities (RECS)* have important responsibilities in the prioritization, coordination, and monitoring and review of such programmes. *Regional organs such as the AU and NEPAD* would mainly facilitate regional programmes (including politically), mobilize resources, and peer review them. *International agencies such as AfDB, together with other development agencies and donors, such as the EU, ECA, WB, or bilateral agencies* would mainly provide technical support, capacity building, and financial resources.

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<sup>4</sup> Business processes are primarily defined as those governing strategy and project development, policy dialogue, knowledge management, project cycle activities, human resources, and country presence/decentralization.

64. Given the size of the challenge and their limited capacities it would remain essential for AfDB and IFAD to find synergies with other major players in agriculture and rural development in the continent to carry out regional programmes, including agents from the public, civil society, and the private sector.

## **6. Summary of findings and conclusions**

### **6.1. Summary of findings and general conclusions**

65. Agriculture can play an important supportive role, serving growing local, and possibly international markets, and buffering African economies from global shocks. In terms of the importance of regional integration the Joint Evaluation of Agriculture and Rural Development by IFAD and the African Development Bank concluded that

- small and landlocked countries depend on regional integration;
- regional infrastructure is critical for access to markets;
- natural resources and environmental management require trans-boundary collective action, including that of river basins and watersheds; and
- defence against plant and animal epidemics requires collective regional action

66. Capturing the ample regional and global market opportunities in agriculture requires above all infrastructure and removal of trade barriers for foods, among others through regional integration. Furthermore, natural resources and environmental management requires trans-boundary collective action, and so does the defence against plant and animal epidemics.

67. Together with concerned African Governments and regional institutions, such as the AU, NEPAD, and CAADP, and various other specialized sector institutions in Africa (FARA, AGRA, CGIAR) the AfDB and IFAD could contribute more actively and effectively to develop and finance many essential regional capacities, from regional market development to trans-national infrastructure, from plant and animal disease protection to natural resource management.

68. The evaluation also finds that regional integration operations are still limited by the political will of concerned governments and by effective instruments for their support. To effectively exercise a leadership role, the Bank and, to a lesser degree IFAD, need to develop the analytical and implementation capacity, as well as streamlined mechanisms for financing them that are not dependent on individual country borrowing decisions.

## 6.2. Policy conclusions

69. All development partners, including the AfDB, and to some extent IFAD, have to move more towards regional planning, integration and cooperation. This means essentially three things:

1. Agencies will have to increasingly contribute to and finance many essential regional capacities and public goods, from infrastructure, to research, to plant and animal disease protection and natural resource management. This may require stronger coordination with partners to build national and regional capacity in the sector and more alignment of programmes and projects.
2. For the promotion of ARD a strategy of thinking and investing more regionally includes:
  - a. the reduction of excessively high transport costs for agricultural products and inputs on account of poor infrastructure, policy interventions, barriers to inter-regional trade, and illegal road blocks;
  - b. the management of crucial natural resources (such as river basins, fisheries) and the protection against plant and livestock diseases through better phyto-sanitary regulations and trans-boundary disease controls; and
  - c. the promotion of innovation and productivity growth through
    - building of sub-regional and regional agricultural technology institutions;
    - developing bio-technology networks and institutions; and
    - investing in national institutions of higher learning and research.
3. Regional operations may require a change in internal agency business processes, in particular through
  - a. developing analytical and implementation capacity for regional programmes;
  - b. streamlined mechanisms for financing regional operations that are not dependent on individual country borrowing decisions; and
  - c. increasingly working with a range of new partners, such as farm producer associations, regional public institutions, and the private sector.

70. The African Development Bank can facilitate many of these activities through making use of its 'convening power' in Africa.

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**Annex 1 – Key continental and regional organisations involved in Africa’s agricultural development (to be further completed)<sup>5</sup>****A. Regional Economic Communities (RECs)**

No.	Abbreviation	Name	Comments
A1	SADC	Southern Africa Development Community	CAADP focal point in Southern Africa
A2	COMESA	Common Market for Southern and Eastern Africa	CAADP focal point in Eastern Africa
A3	EAC	East Africa Community	
A4	IGAD	Inter-Governmental Agency for Development	
A5	UMA	Union du Maghreb Arabe	
A6	CEN-SAD		
A7	ECOWAS	Economic Community of West-African States	CAADP focal point in West Africa.
A8	ECCAS/ CEEAC	Communauté économique des Etats de l’Afrique centrale	CAAADP focal point in Central Africa. Covers: Angola, Burundi, Cameroon, CAR, Chad, Congo (Brazzaville), DRC, Equatorial Guinea, Gabon, Rwanda, Sao Tome & Principe

**B. Other Regional Economic Organisations**

No.	Abbreviation	Name	Comments
B1	UEMOA	Union économique et monétaire ouest africaine	
B2	IOC	Indian Ocean Commission	
B3	IGAD	Inter-Governmental Agency on Development	Involved in issues of drought, land management and food security in the Horn of Africa:

<sup>5</sup> From: European Commission. (2007). “Advancing African Agriculture. Proposal for continental and regional level cooperation on agricultural development in Africa.” Discussion Paper.

**C. Research Organisations**

C1	FARA	Forum for Agricultural Research in Africa/ Forum Africaine pour la Recherche Agricole	Continental umbrella organisation; requested by NEPAD to take the lead in implementation of the CAADP research pillar; has produced 'Framework for African Agricultural Productivity' (FAAP) to guide agricultural research orientations
C2	ASARECA	The Association for Strengthening Agricultural Research in Eastern and Central Africa	SRO for Eastern and Central Africa. See: <a href="http://www.asareca.org">www.asareca.org</a>
C3	CORAF/ WECARD	Conseil ouest et centre africain pour la recherche et le développement agricole/ West and Central African Council for Agricultural Research and Development	SRO for Western and Central Africa ; see : <a href="http://www.coraf.org">www.coraf.org</a>
C4	SADC-FANR	Southern African Development Community's Food Agriculture and Natural Resources Directorate	SRO for Southern Africa; see <a href="http://www.sadc.int/english/fanr">www.sadc.int/english/fanr</a>
C5	AARINENA	Association of Agricultural Research Institutions in the Near East and North Africa	North African members constitute the SRO for North Africa; see: <a href="http://www.aarinena.org">www.aarinena.org</a>
C6	CIRDES	Centre International de Recherche-Développement sur l'Élevage en zone Subhumide	Members: Mali, Burkina Faso, Togo, Benin, Niger, Cote d'Ivoire Guinea-Bissau. <a href="http://www.cirdes.org">www.cirdes.org</a>
C7	INSAH	Institut du Sahel	Public, intergovernmental agency. Coordinates, promotes and harmonises studies and research on environment, agriculture and sustainable development in the Sahel. <a href="http://www.insah.org">www.insah.org</a>
C8	FANRPAN	Food, Agriculture and Natural Resources Policy Analysis Network	Research, analysis and advocacy network operating in SADC region <a href="http://www.fanrpan.org">www.fanrpan.org</a>

**D. Farmers Organisations**

D1	ROPPA	Réseau des organisations paysannes & de producteurs de l'Afrique de l'Ouest	<p>Le ROPPA) a formellement été fondé en juillet 2000. Il regroupe des organisations ou "cadres de concertation" de 10 pays d'Afrique de l'Ouest (Bénin, Burkina Faso, Côte d'Ivoire, Gambie, Guinée, Guinée-Bissau, Mali, Niger, Sénégal, Togo,). L'ambition, à moyen terme, est d'accueillir des organisations paysannes de l'ensemble des pays de la CEDEAO, qui représente l'Afrique de l'Ouest réelle.</p> <p>See : <a href="http://www.roppa.info">www.roppa.info</a></p>
D2	EAFF	Eastern Africa Farmers Federation	<p>EAFF is a non-political, non-profit and democratic organization of farmers in the Eastern Africa Region. It was formed in the year 2001. The role of EAFF is to voice the legitimate concerns and interests of the farmers in the region, with an aim of enhancing regional cohesiveness and socio-economic development of farmers.</p> <p>See: <a href="http://eaff.peasantsworldwide.net">http://eaff.peasantsworldwide.net</a></p>

**E. Other Continental/Regional Organisations**

E1	IBAR		Key actor on livestock on behalf of AUC
E2	ANBO	African Network of River Basin Organisations	
E3	CILSS	Comité Permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel	Burkina Faso, Gambia, Cape Vert, Mali, Guinea Bissau, Niger, Chad, Senegal
E4	The Hub/La Plateforme		The Hub's goal is to assist West and Central African stakeholders (States, Inter-governmental Organisations, Civil Society Organisations and Development Partners) to promote coherence in rural development programmes worldwide

