



Food and Agriculture Organization of the United Nations

## **Rapid Assessment of Aid Flows for Agricultural Development in Sub-Saharan Africa**

*Investment Centre Division Discussion Paper, September 2009*<sup>1</sup>

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### **Abstract**

*This discussion paper provides an initial assessment of the flow of aid to agriculture in Sub-Saharan Africa. This assessment is based on data on Official Development Assistance (ODA) collected from the Organisation for Economic Co-operation and Development (OECD) databases (as it was available in April 2009), major bilateral and multilateral financing agencies, as well as two private foundations active in the agriculture sector. Trends in ODA show a long-term decline in agricultural ODA to Sub-Saharan Africa, particularly in relation to social sectors. In recent years, however, ODA to the agriculture sector has increased and there is more financing for agriculture than usually assumed if aid flows from private foundations are included. Findings from the data also highlight the need for: balancing short-term food security interventions with long productivity investments; a focus on aid harmonization due to numerous donors in the sector; and the potential problem of absorptive capacity due to low disbursement rates by aid recipients.*

### **I. Context**

Following a long period of declining investment in agriculture, there is a growing awareness on the need to increase investment to much higher levels in order to achieve the goals of rural poverty reduction, and increased agricultural production and food security. This consensus has coincided with broader discussions around the need to dramatically scale-up investment in Africa to achieve the poverty reduction targets embodied in the United Nations Millennium Development Goals (MDGs) and in the context of global food crises and calls for greater food production. During the 2008 G8 Hokkaido Toyako Summit and L'Aquila Summit in 2009, political leaders renewed commitment to support the achievement of the MDGs and acknowledged that ODA from G8 and other donors to Africa should be reassessed and needs to be increased significantly for the period after 2010, beyond current commitments. The 2008 G8 statement echoed previous commitments that have been made including the UN Millennium Declaration in 2000 and the commitment to double assistance to Africa, which was made at the 2005 G8 Summit in Gleneagles. The 2009 G8 statement pledged USD 20 billion for food security and agricultural development, of which a significant part would be for Sub-Saharan Africa.

In 2003, the African Union (AU) and the New Economic Partnership for Africa's Development (NEPAD) launched the Comprehensive Africa Agriculture Development

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<sup>1</sup> This discussion paper was prepared by Melissa Brown with inputs from Guy Evers, Julia Seevinck, Yamina Cherrou, (all FAO Investment Centre) and Roberta Micillo, consultant. The note benefited from comments and suggestions by the OECD Development Cooperation Directorate, in particular Valerie Gaveau. The views expressed in the paper are those of the author and do not necessarily reflect those of FAO or the institutions named. Readers with an interest to further develop this work with the author or request reproduction of content should contact the Investment Centre Division at: [Investment-Centre@fao.org](mailto:Investment-Centre@fao.org).

Programme (CAADP), under which countries have committed to significantly increase the share of national budgets allocated to agriculture and rural development to at least 10 percent. By 2008, eight countries were spending 10 percent of their budget on agriculture. Another nine countries were close behind at rates of 8 to 10 percent, but the majority of African countries achieved between three and six percent<sup>2</sup>.

In response to the recent global food crisis, a High-Level Task Force (HLTF) was established in April 2008, bringing together heads of the UN specialized agencies, funds and programmes, Bretton Woods institutions and relevant parts of the UN Secretariat. The Comprehensive Framework for Action (CFA) created under the HLTF emphasizes the need for AU governments to provide additional budgetary resources for social protection systems and more specifically to increase the share of agriculture in public spending. Furthermore, donor countries are urged to double ODA for food assistance, national support, safety net programmes, and for an increase in the percentage of ODA to be invested in food and agricultural development from the current 3 percent to 10 percent within five years<sup>3</sup>.

Analysis has also been undertaken to determine the additional investment required to meet the first MDG to halve poverty by 2015. The estimates vary substantially, ranging from USD 9 billion to USD 62 billion depending on the method of analysis<sup>4</sup>. The International Food Policy Research Institute has estimated the total annual agricultural investment needed in Sub-Saharan Africa ranges from USD 11 to USD 13.7 billion, which would require an additional annual investment of approximately USD 6 to USD 7 billion from the public sector<sup>5</sup>. The MDG Africa Steering Group, which was established in late 2007 as a special task force of international organizations to strengthen joint efforts in support of MDGs in Africa, has also recommended that annual development assistance for African agriculture rise to USD 8 billion by 2010<sup>6</sup>.

Despite the different investment targets, there is broad agreement by development partners on the need to scale-up their external assistance to agriculture from its current levels. One key question, however, remains the overall magnitude of current financing levels for agriculture and the actual size of the financing gap given the projected investment targets. Following the 2005 G8 Summit in Gleneagles, OECD estimated that the overall flow of ODA will have to increase by 12 percent per year by 2010 in order to meet the Gleneagles target of doubling aid to Sub-Saharan Africa<sup>7</sup>. The current level of external assistance provided for agriculture has been estimated by the MDG Africa Steering Group at between USD 1 and USD 2 billion<sup>8</sup>; however there remains significant uncertainty about the exact level of financing available from bilateral, multilateral and individual organizations in the short to medium term and how much additional funding is required. In general, there is a need to better understand financing flows in the agriculture sector in order to identify gaps and measure changes over time.

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<sup>2</sup> AU/NEPAD CAADP Annual Report, 2008: [www.nepad-caadp.net/pdf/CAADP%20Annual%20report%202008.pdf](http://www.nepad-caadp.net/pdf/CAADP%20Annual%20report%202008.pdf)

<sup>3</sup> Comprehensive Framework for Action (2008) High-Level Task Force on the Global Food Security Crisis

<sup>4</sup> Fan et al, 2008 "Investing in Agriculture to Halve Poverty by 2015" [www.ifpri.org/pubs/dp/ifpridp00751.pdf](http://www.ifpri.org/pubs/dp/ifpridp00751.pdf)

<sup>5</sup> Fan and Rosengrant, 2008 "Investing in Agriculture to Overcome the World Food Crisis and reduce poverty and hunger": [www.ifpri.org/pubs/bp/bp003.pdf](http://www.ifpri.org/pubs/bp/bp003.pdf)

<sup>6</sup> MDG Africa Steering Group, "Business Plan of Thematic Group on Agriculture and Food Security": [www.MDGafrica.org](http://www.MDGafrica.org)

<sup>7</sup> OECD 2007 "Final ODA Flows in 2006": [ww.oecd.org/dataoecd/7/20/39768315.pdf](http://ww.oecd.org/dataoecd/7/20/39768315.pdf)

<sup>8</sup> MDG Africa Steering Group, op cit.

## II. Data and Methodology

The analysis in the paper is based on projections and historical data on aid flows collected from OECD statistical databases and, where possible, directly from bilateral, multilateral and individual agencies. The aim was to capture a broad picture of financing for agriculture from bilateral and multilateral agencies as well as from foundations with significant agriculture portfolios. The analysis encompasses aid from both OECD Development Assistance Committee (DAC) members<sup>9</sup>, major multilateral agencies and two private foundations: Gates Foundation and Rockefeller Foundation. The phrase “aid flows” is used to reflect the inclusion of bilateral and multilateral ODA<sup>10</sup>, as well as private flows. In all, data has been collected from:

- The OECD Creditor Reporting System database, which provides data on ODA commitments from DAC members and major multilateral agencies, and actual gross ODA disbursements from DAC members through 2007, currently the latest data available;
- Individual bilateral donor agencies for data on actual disbursements for 2007 and projected disbursements for the period 2008-2010 (only four of the 16 bilateral donors’ agencies requested provided data);
- International Financial Institutions (IFIs) – the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the Islamic Development Bank (IsDB), and the World Bank/International Development Association (IDA) – for data on actual and projected disbursements for the period 2003-2010 and for completed and ongoing operations continuing beyond 2007;
- European Commission (EC) for data on actual disbursements between 2003-2007;
- Bill & Melinda Gates Foundation and Rockefeller Foundation for data on actual disbursements for 2003-2008 and data on projected disbursements for 2009-2010.

The classification of data follows OECD methodology and definitions<sup>11</sup>. The analysis uses a broad definition of agricultural development, which includes agriculture, forestry, fisheries and rural development sub-sectors. The OECD’s rural development classification includes a number of agriculture-related activities such as integrated rural development, natural resource management, land management and land use planning; it also includes a variety of other multi-sectoral activities that may not be agriculture-related. Despite this, the broad definition of agriculture is used in the analysis in order to capture a full picture of agriculture-related investments and avoid understatement of agriculture-related aid flows by donors. Over one-third of IFAD’s commitments in 2007, for example, were classified under the rural development category.

The analysis and data collection focus on Sub-Saharan Africa as defined by the OECD regional classification system. For ODA trends, the analysis also uses data from the Africa regional category, which is classified by OECD as including regional or multi-country activities. Data are expressed in US dollars (USD) and primarily in constant 2007 USD.

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<sup>9</sup> DAC Members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States and the Commission of the European Communities.

<sup>10</sup> ODA is formally defined as “flows of official financing administered with the promotion of economic development and welfare of developing countries as the main objective, and which are concessional in nature with a grant element of at least 25 percent.” (OECD/IMF).

<sup>11</sup> <http://stats.oecd.org/WBOS/Index.aspx?DatasetCode=CRSNEW&lang=en>

### III. Agriculture Financing in Sub-Saharan Africa: Trends in ODA

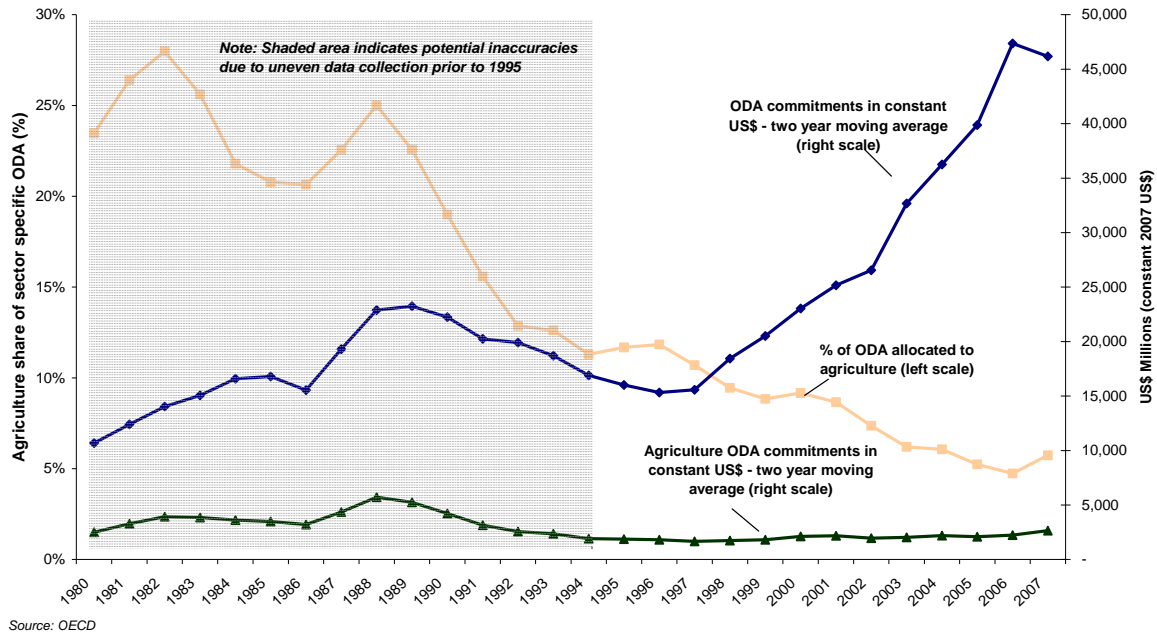
The pattern and flow of aid has altered significantly over the past thirty years. This section explores trends in ODA financing as a whole and for agriculture in particular. Analysis of ODA financing is for DAC members only and is based on multi-year commitments (total amounts allocated to aid activities) rather than on subsequent disbursements spread over several years (amounts actually paid in each year).

**The level of aid to Sub-Saharan Africa has increased over the past three decades but aid to agriculture has declined.** Overall aid to Sub-Saharan Africa has increased significantly over the past thirty years, particularly in the past decade. During the 1980s, the total level of annual ODA commitments for Sub-Saharan Africa ranged from over USD 9 billion in 1979 to a peak of over USD 23 billion in 1989 (in constant 2007 USD). The increase in overall ODA to Sub-Saharan Africa in the 1980s was due to many factors including structural adjustment programmes in many parts of Sub-Saharan Africa. Total ODA to Sub-Saharan Africa decreased in the 1990s reaching a low in 1996, but recovered by the end of the decade. ODA increased very quickly following 2000 as aid to social sectors increased and debt relief grew. Annual ODA commitments rose from USD 26 billion in 2000 to nearly USD 51 billion in 2006. ODA commitments have since declined to just over USD 41 billion in 2007 (all in constant 2007 USD), primarily due to a reduction in commitments for debt relief. If debt relief is excluded from ODA, the trend of positive growth has continued in 2007.

In contrast to overall aid commitments, ODA commitments to agriculture declined after the 1980s and remained relatively stagnant. During the 1980s, the amount of annual ODA commitments to agriculture in Sub-Saharan Africa ranged from USD 2 billion to nearly USD 6 billion, ranging between 20 and 29 percent of overall ODA during the same period. The share of ODA devoted to agriculture was slightly lower in Sub-Saharan Africa compared to other regions, such as Asia where a large share of agricultural ODA supported the green revolution in the late 1970s and early 1980s. Agriculture ODA in Sub-Saharan Africa abruptly declined, however, in the early 1990s and then remained relatively flat thereafter. USD 3.7 billion in 1990, annual ODA commitment to agriculture declined to USD 1.5 billion in 1996. Thus the share of agriculture in annual ODA commitments for Sub-Saharan Africa, which had remained relatively steady in the 1980s, fell from 25 percent in 1988 to 13 percent in 1991. By 2005, only five percent of all ODA was allocated to agriculture.

Between 1998 and 2005, annual agricultural ODA commitments fluctuated between USD 1.8 billion and USD 2.1 billion (constant 2007 USD) without showing any sustained trend. Renewed commitment to the sector in the past two years, however, has resulted in more rapid increase. ODA commitments to agriculture reached USD 2.8 billion in 2007, its highest level since 1990. Nonetheless, the 2007 level of commitments remains more than USD 1 billion lower in real terms than average annual ODA commitments to agriculture during the 1980s.

Figure 1. Annual ODA Commitments in Sub-Saharan Africa:  
Overall Trends and Share Allocated to Agriculture

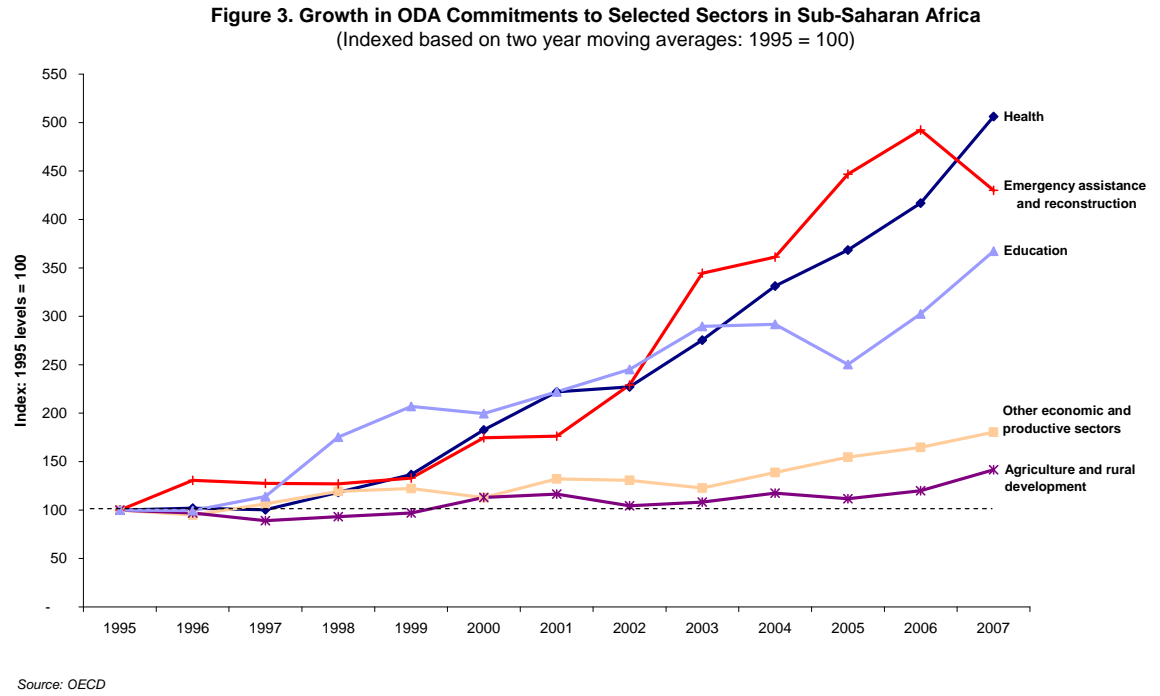
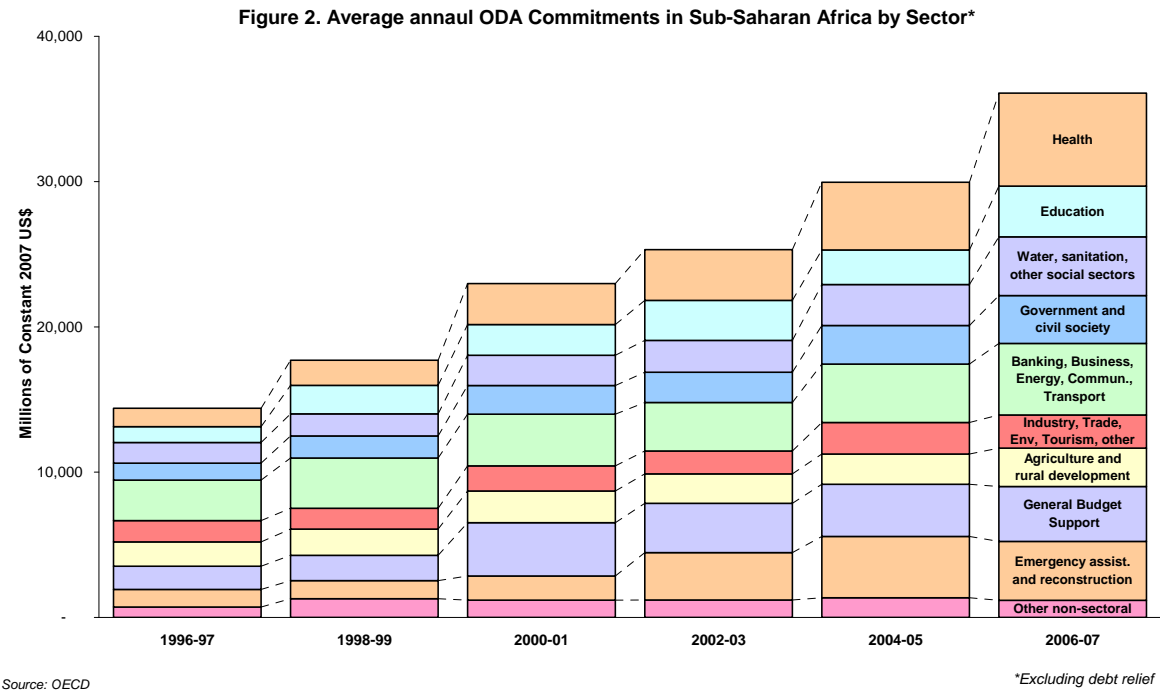


**In Sub-Saharan Africa, the structure of aid has shifted with more resources devoted to the social sector and non-sectoral aid.** The composition of aid has changed over the past three decades with large shifts in ODA allocations towards the social sectors (health, education, governance), and emergency assistance and reconstruction activities. The share of ODA devoted to the social sector grew from nearly 13 percent in 1979 to 44 percent of all ODA in 2007. In contrast, productive sectors (agriculture, industry, mining,) and economic and infrastructure sectors (communications, banking, transport, energy) have experienced declining ODA allocations. Around 58 percent of ODA in 1979, economic and productive sectors received slightly more than 23 percent of ODA in 2007. All sectors experienced growth as overall ODA increased in the 1990s, but growth in ODA commitments to the agriculture and rural development sector were the lowest among all sectors, including the economic and productive sectors. Figure 2 provides a sectoral breakdown of annual ODA commitments since 1995, excluding debt relief, using average annual commitments within two year periods and Figure 3 shows the differential growth in ODA for a few selected sectors using an index with 1995 as the base year.

In general, the overall structure of aid to Sub-Saharan Africa has changed with the emergence of new aid instruments and non-sector specific aid. Direct budget support emerged in the mid 1980s as a new aid modality, ranging between eight percent and 16 percent of ODA in Sub-Saharan Africa, with the bulk of funding coming from IDA<sup>12</sup>, EC and the United Kingdom. Debt relief and debt reorganization were relatively unimportant within ODA in the late 1970s through the 1980s, but emerged in the 1990s following greater concerns about debt sustainability in poor countries. Assistance related to debt relief or debt reorganization has increased rapidly since 2000, particularly between 2002 and 2006, when debt related assistance averaged nearly 25 percent of all annual ODA commitments in Sub-Saharan

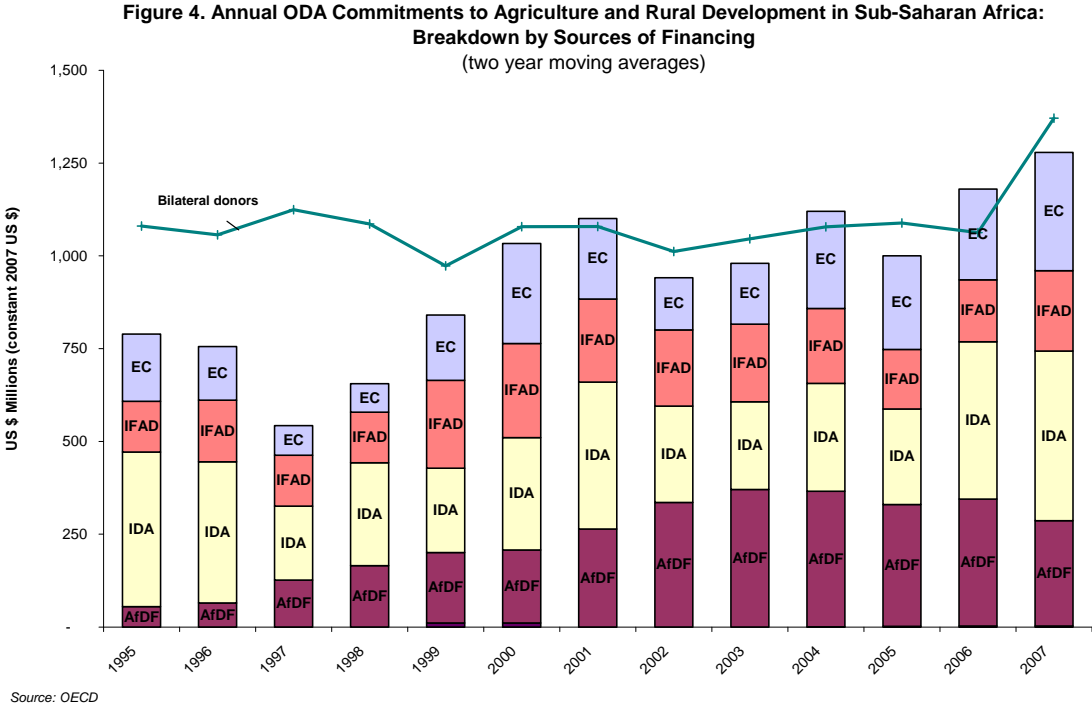
<sup>12</sup> International Development Association is the concessional lending window of the World Bank available to the world's poorest countries.

Africa. This share, however, has subsequently declined to less than 10 percent of annual ODA commitments in 2007.



**In terms of sources of financing, aid to agriculture is supported nearly equally by bilateral and multilateral institutions, but with some decline in support among multilaterals.** In the 1980s aid to agriculture was nearly evenly divided between multilateral and bilateral institutions with the European Community and the World Bank as the largest donors. Multilateral aid slightly exceeded bilateral aid in the early part of the 1980s, but

reversed in the late 1980s when bilateral funding grew at a faster rate. When aid to agriculture declined substantially in the early 1990s, total ODA commitments between 1990-1994 fell 44 percent over the previous five-years 1985-1989. Bilateral aid fell significantly, but at a slower rate than multilateral aid, which experienced large declines from the EC, African Development Bank and, to a lesser extent, the World Bank. Bilateral aid still represents the largest group of donors to the sector even after the overall increase in ODA funding following 2000. Multilateral institutions, however, have increased aid at a faster pace in recent years, with some increase in African Development Bank<sup>13</sup> financing in the earlier part of the decade and more recent investments by the World Bank and IFAD in 2006 and 2007. Figure 4 provides a breakdown among multilateral institutions.

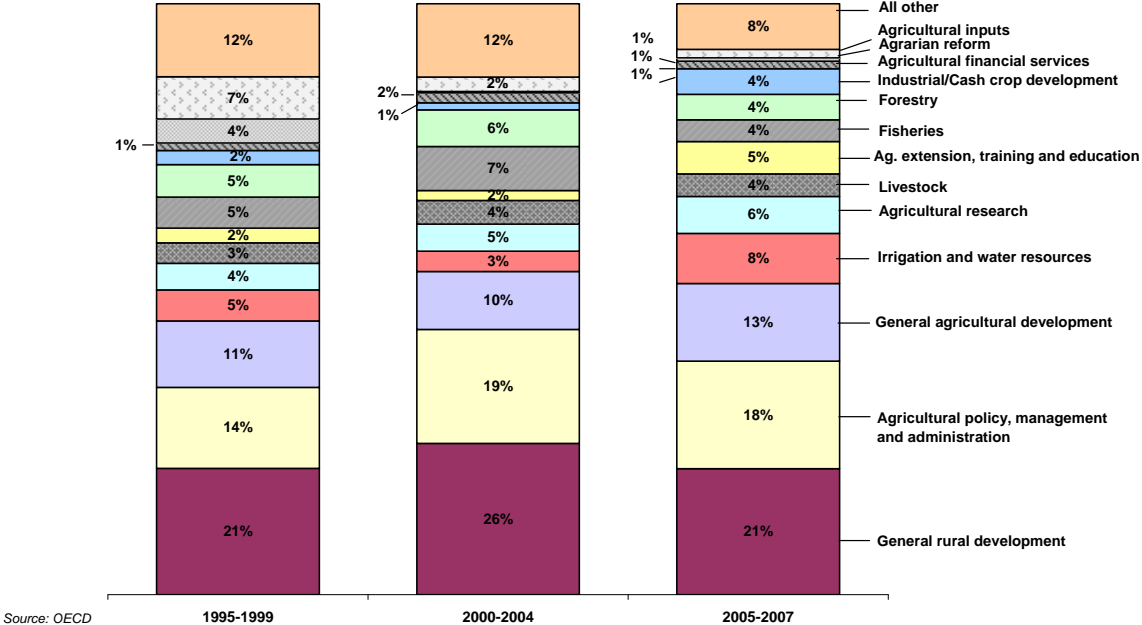


**Although the data should be interpreted with care, sub-sectoral allocations within the agriculture sector appear to have remained relatively constant over time, with crop-related activities receiving more funding than non-crop activities.** The accuracy of data on sub-sector allocations is weak due to inconsistencies in reporting among donors, but allocation of ODA to sub-sectors has shifted slightly over time with most funding allocated to general agricultural or rural development programmes, and agricultural policy, management and administration activities (although it should be noted this last category also includes projects where the specific focus of which is unknown). Fisheries, forestry and livestock receive relatively little direct funding in comparison. Fisheries, forestry and livestock each received four percent of agriculture ODA commitments between 2005 and 2007. Figure 5 shows the breakdown of ODA commitments using the OECD sub-sector classifications for the agriculture and rural development sector. Although the shifts have been relatively minor, trends in sub-sector allocations over the past decade show small fluctuations in several sub-sectors. An increasing amount of ODA has been allocated to irrigation and water resource management in recent years, as has direct funding for industrial and cash crop development. Support for agricultural extension, training and education also increased slightly following

<sup>13</sup> African Development Fund (AfDF) is the concessional lending window for the African Development Bank

2005, albeit from relatively low base in the 1990s. Funding has also increased for agricultural research. Direct financing for agricultural inputs has declined, however it may be possible that funding for inputs is contained in other general categories. Agrarian reform, which includes land tenure reform, received a substantial amount of funding in the 1990s, but received very little direct support following 2000. Trends in ODA allocations to both forestry and fisheries also indicate a slight decline over time.

**Figure 5. Trends in Agriculture ODA Sub-Sector Allocations in Africa**  
 (Share of total commitments made during the periods of 1995-1999, 200-2004, 2005-2007)

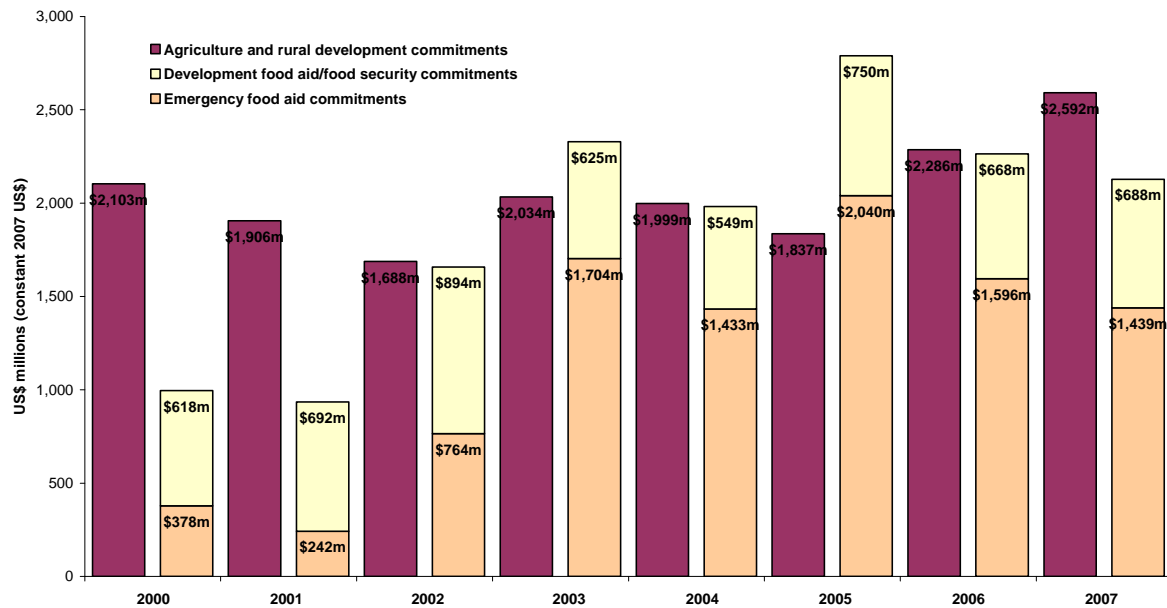


**Short-term investments to increase food supply have grown more rapidly than long-term investments in agricultural production.** Although funding for agriculture has grown in recent years, support for short-term food aid allocations has grown much more rapidly. OECD distinguishes between emergency food aid that targets specific populations in an emergency or humanitarian context, and development food aid/food security, which supports programmes in a developmental, non-emergency context such as school feeding programmes or food aid monetization, which is used to raise funds for development programmes. Together emergency and development food aid can be seen as short-term interventions to address food availability while agriculture and rural development investments can be seen as longer-term interventions to increase food supply. Figure 6 shows ODA commitments for the agriculture sector and food aid in Sub-Saharan Africa from 2000 to 2007.

Trends in ODA commitments show allocations to agriculture exceeded food aid in 2000, but support for food aid increased rapidly thereafter, reaching a peak in 2005 with total allocations to food aid exceeding allocations to agriculture. Although food aid allocations declined in 2006 and 2007, food aid expenditures totalled nearly USD 2.2 billion in 2007 compared to USD 2.6 billion for the agriculture sector (all in constant 2007 USD).



Figure 6. ODA Commitments for Agricultural/Rural Development and Short Term or Emergency Food Aid in Sub-Saharan Africa



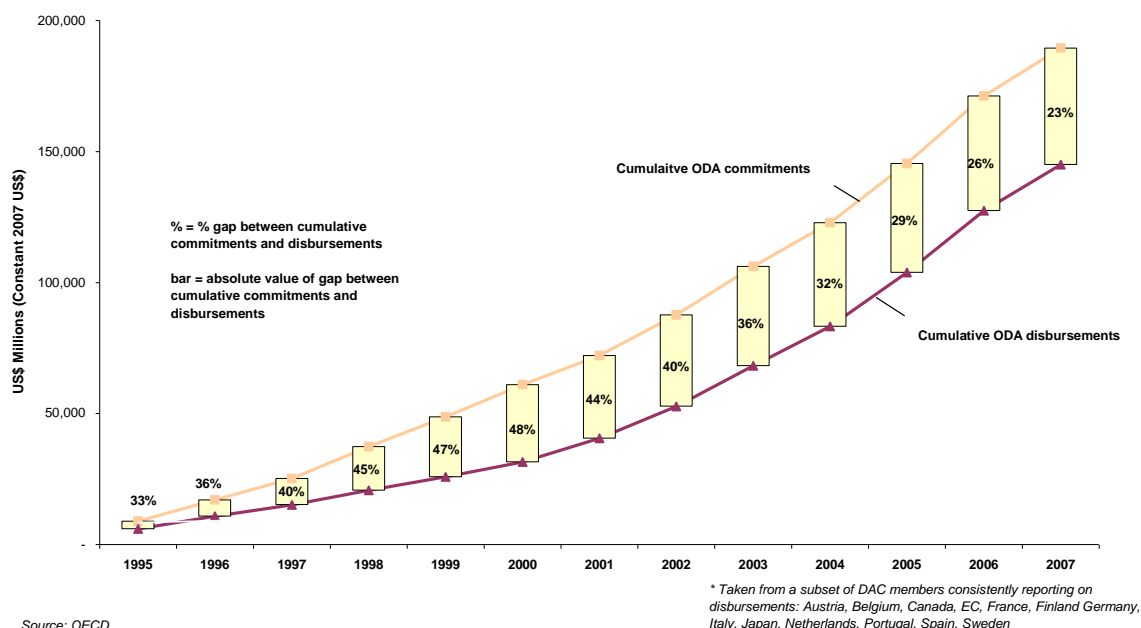
Source: OECD

There appears to be a gap between aid commitments and disbursements which may indicate a portion of aid commitments are not being fully realized. Disbursements represent actual payments related to a prior commitment of funds and naturally lag behind the initial commitment because they often reflect multi-year activity with disbursements scheduled to take place over several subsequent years. Comprehensive data on disbursements is not available within the OECD data due to lack of reporting from certain donors. Multilateral institutions such as the African Development Bank, IFAD, and the World Bank do not routinely provide disbursement data which prevents a full analysis of trends. The most accurate assessment of disbursement rates requires project by project analysis comparing individual commitments with their subsequent disbursements, however such analysis is beyond the scope of this discussion paper. Instead, a broad picture of disbursement rates is attempted by comparing aggregate commitments and disbursements over a timeframe long enough to capture full disbursements.

Total commitments and disbursements between 1995 and 2007 were compared using a sub-set of DAC members who have consistently provided disbursement data since 1995 and who represent approximately half of overall ODA commitments<sup>14</sup>. This sub-set of data shows a total amount of commitments higher than total disbursements, even accounting for the annual increases in commitments in the past few years which will only result in disbursements in the future. Figure 8 below shows the cumulative level of ODA commitments and disbursements in Sub-Saharan Africa. During 1995-2007, total disbursements were 23 percent less than total commitments. There are no significant differences between overall ODA and the agriculture sector, which for the same period showed total disbursements slightly worse, 29 percent below total commitments between 1995 and 2007. Although the data should be interpreted with care, it may indicate that disbursement rates are persistently lower than initial commitments. This could be due to a variety of factors related to implementation modalities, conditionalities or available implementation capacity.

<sup>14</sup> Austria, Belgium, Canada, EC, Finland, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden

**Figure 7. Cumulative ODA Commitments and Disbursements in Sub-Saharan Africa for a Sample of Donors\***



#### IV. Available Financing for Agriculture in Sub-Saharan Africa: Projections for DAC and non-DAC Donor Disbursements

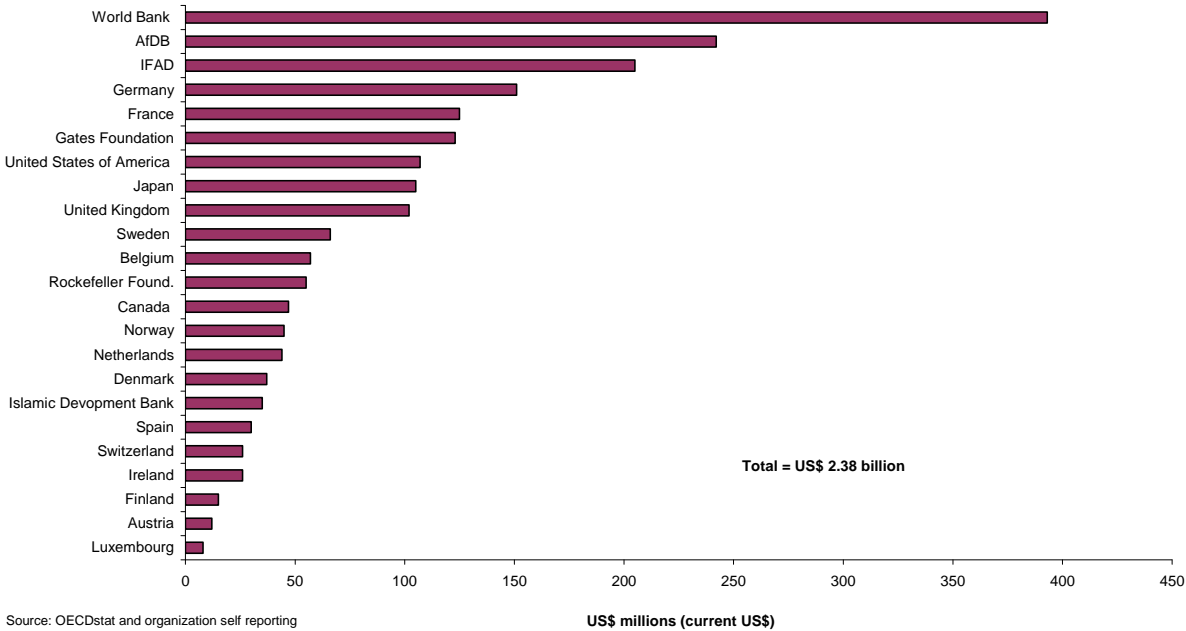
Recent trends show an increasing amount of ODA for agriculture and the potential for higher allocations in the future. This section attempts to provide a fuller picture of financing for the sector by incorporating the aid provided by non-DAC members. It also makes projections for the future based on self reported data, analysis of trends and estimates of high level commitments to increase aid to agriculture. The analysis here uses disbursement rather than commitments figures. While aid commitments represent an obligation to provide resources in the future – backed by a signed legal agreement – actual aid expenditures are measured by disbursements, which represent the total release of funds in any given year.

**Analysis of non-ODA financing shows new donors contributing significantly to agriculture sector disbursements.** Using estimates from OECD Creditor Reporting System for bilateral disbursements and actual data on disbursements reported by IFIs and foundations, ODA and non-ODA disbursements were estimated. Estimated disbursements in the agriculture sector totalled approximately USD 2.4 billion in 2006. The largest donors were IFIs, followed by larger bilaterals and the Gates Foundation. Figure 7 provides a breakdown of all estimated disbursements to the agriculture sector in Sub-Saharan Africa in 2006. This data confirms non-governmental institutions are increasingly important in aid expenditures. The Gates Foundation appears in the sixth highest position in terms of annual aid disbursements to the agriculture sector, ahead of many individual bilateral donors.

As the data shows, large foundations and NGOs, which source funding from both the public and private sector, have the potential to equal or even exceed bilateral aid expenditures. The Rockefeller Foundation, which generates its own funds out of its endowment, had assets valued at over USD 4 billion in 2007 and averaged annual investment income of over

USD 400 million in recent years<sup>15</sup>. Likewise, the combined asset value of the Gates Foundation and the Gates Foundation Trust totaled approximately USD 39 billion in 2007 and therefore has the potential to generate substantial annual income<sup>16</sup>. Although NGOs do not have large endowments, the budgets for the development activities of the large international NGOs often exceed the bilateral aid expenditures of some countries. In 2007, for example, the programme budget for World Vision International, which raised 67 percent of its funds from private cash or in kind contributions in 2007, exceeded the entire aid flows of 14 of 22 bilateral DAC members<sup>17</sup>. International NGOs and foundations have also shown renewed interest in agriculture with emerging donors such as the Gates Foundation committing to a substantial upscaling of its assistance to the agriculture sector, including its support to the Alliance for a Green Revolution in Africa (AGRA), and developing small and medium enterprise financing in agriculture and development of credit schemes in collaboration with banks.

**Figure 9. DAC and non-DAC Financing for Agriculture in Africa**  
(estimated disbursements in 2006)

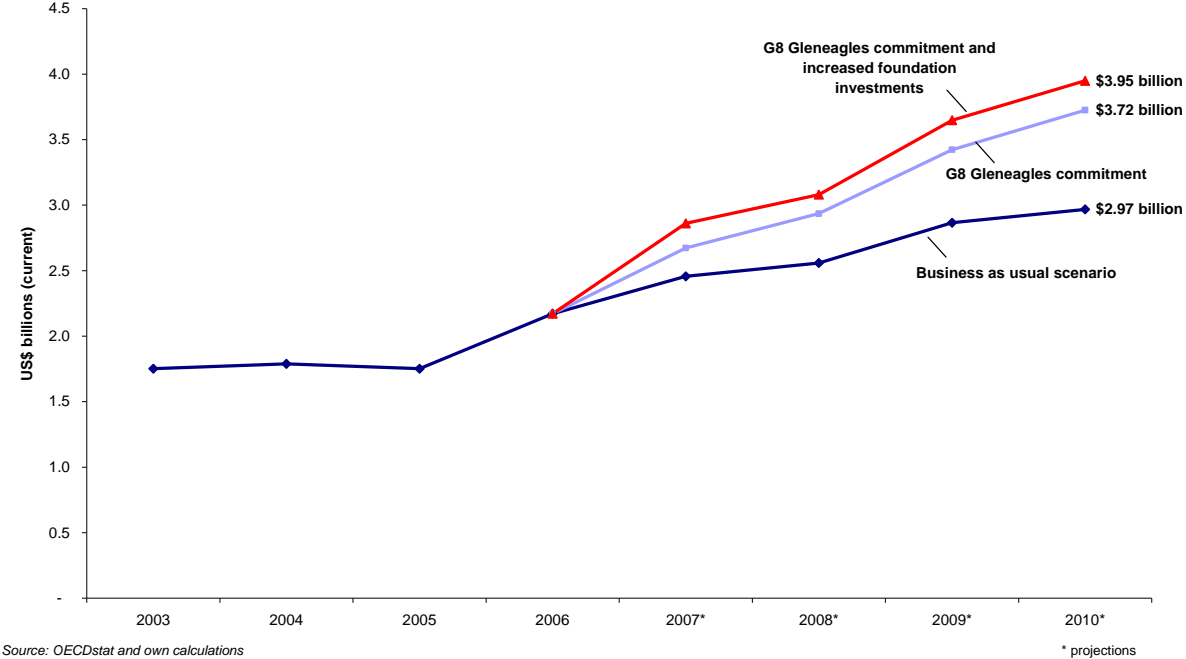


**Possible scenarios for aid to agriculture in the short term.** Projections for financing in the agriculture sector were developed using self reported data on expected disbursements from IFIs and assumptions on future disbursements. Three scenarios were developed. A base case scenario was created on IFI estimates of planned disbursements from 2007-2010 and an assumption that bilateral donors and foundations will continue disbursements at the same level as the average rate for the previous four years. Under this scenario, annual donor disbursements in the agriculture sector would reach USD 2.97 billion by 2010. The increase in financing is driven primarily by the commitments made on the part of IFIs and the EC in 2008. At that point, the World Bank has committed to increasing its agricultural lending in Sub-Saharan Africa from USD 450 to over USD 800 million over the coming years with priority areas such as irrigation and water management, market access for smallholders, crop diversification, and emergency budget support to cope with high food and oil prices.

<sup>15</sup> [www.rockfound.org/about\\_us/financials/2007/2007\\_990\\_tofc.shtml](http://www.rockfound.org/about_us/financials/2007/2007_990_tofc.shtml)  
<sup>16</sup> [www.gatesfoundation.org/nr/public/media/annualreports/annualreport07/AR2007Statements.html](http://www.gatesfoundation.org/nr/public/media/annualreports/annualreport07/AR2007Statements.html)  
<sup>17</sup> [www.worldvision.org/resources.nsf/main/PRES08830\\_AFS\\_2008.pdf/\\$file/PRES08830\\_AFS\\_2008.pdf](http://www.worldvision.org/resources.nsf/main/PRES08830_AFS_2008.pdf/$file/PRES08830_AFS_2008.pdf)

A second scenario assumes higher levels of bilateral aid in line with global commitments made by G8 countries in 2007 and 2008. The total amount of financing for agriculture could exceed USD 3.7 billion by 2010 if higher levels of bilateral aid are assumed. A third scenario was developed based on the OECD target of increasing annual aid at a rate of 12 percent from G8 donors and applying this to agricultural aid. Under this scenario total annual agricultural financing could reach up to USD 3.95 billion by 2010.

Figure 10. Financing for Agriculture: Alternative Scenarios



The projections show that if aid increases in line with already existing commitments (the base case scenario), financing for agriculture in the public sector is likely to reach just under USD 3 billion per year by 2010. Estimates do not include emerging non-DAC donors, such as Brazil, China, India and the Gulf States, which would likely increase the total slightly. Increasing aid to meet targets established by the G8 and contributions by foundations could generate an additional USD 1 billion by 2010 (third scenario). The analysis and projections above also do not include the most recent pledges made by multilateral and bilateral institutions to increase aid. The EC recently approved a €1 billion Food Facility to support agriculture and safety nets programmes. For Sub-Saharan Africa, this means that around €500 million will be disbursed over the next three years<sup>18</sup>. As a result of the June 2008 Jeddah Declaration and in response to the recent food crisis, the Islamic Development Bank has also announced it will allocate USD 1.5 billion, over a five-year period, to a selected number of least developed member countries<sup>19</sup>. A substantial part of this aid will be designated to Sub-Saharan Africa as is indicated in the targeted list (19 out of the selected 26 countries are on the African continent). These and other new pledges, in particular the L’Aquila G8 commitment, are likely to increase the potential financing available for agriculture.

<sup>18</sup> [http://ec.europa.eu/europeaid/what/food-security/documents/food\\_facility\\_overall\\_plan\\_300309\\_en.pdf](http://ec.europa.eu/europeaid/what/food-security/documents/food_facility_overall_plan_300309_en.pdf)  
<sup>19</sup> [www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/35-years.pdf](http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/35-years.pdf)

## V. Discussion

**There is more financing for the agriculture sector than is usually assumed.** Projections for aid flows in the agriculture sector demonstrate that both traditional DAC donors and emerging non-DAC donors are likely to increase the amount of financing available for agriculture in the short-term and could substantially increase the levels of financing. There will be a need to ensure higher level commitments are transformed into concrete programmes on the ground.

**There is potential to reach higher levels through existing financing envelopes and alternative aid modalities.** Available financing for the sector could increase if governments and donors chose to prioritize agriculture by allocating general budget support funds, which represent a non-sectoral allocation, to agriculture or match their investments in emergency food security with funding to agriculture. Non-sectoral allocations can be used to support sectoral activities. For example, if 10-15 percent of general budget support were to be allocated to agriculture by national governments and 10-15 percent of the emergency food security allocation were matched with long-term agricultural productivity investments, financing to the sector could increase by another USD 1 billion. To increase finance for agriculture, there is a need for new financial commitments to meet existing targets but there could be scope for re-prioritization among governments and donors for existing funds.

**Donors are becoming more numerous and possibly more fragmented.** IFIs are increasing their allocations to agriculture at a faster rate than bilateral donors. While DAC Bilateral Donors' ODA constituted more than 50 percent of total aid flow to agriculture, this is likely to change in the immediate future if bilateral donors do not increase aid in line with G8 targets. Large private foundations and IFIs may become the main financiers of agricultural development in Sub-Saharan Africa and foundations are expected to double their share of financing flows to support agricultural development during 2007-2010. The growing relevance of emerging private foundations implies the need for enhancing synergies and harmonization among donors' practices and aid effectiveness, as recommended in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. The challenge will be to ensure complementarities against a backdrop of continuing proliferation of funding mechanisms and insufficient sector coordination capacity. There could be scope for promoting national ownership and lower transaction costs by accelerating the shift away from project-based financing towards sector support programmes or budget support instruments.

**There is a risk of an increasing imbalance between short-term interventions vis a vis long-term development support for the agriculture sector.** The current composition of aid allocates a substantial amount of funding to short-term measures to address food insecurity which has not been matched by funding to improve long-term agricultural productivity and food security. Long-term and structural support to agriculture is crucial to preventing and mitigating emergencies as well as improving community resilience and adaptive capacity. In addition, the structure of agricultural aid may also place insufficient emphasis on longer-term productivity enhancing investments such as education, institutional development, research, and extension.

The imbalance between short-term and long-term development support could be exacerbated by crisis response activities, such as those developed after the rapid increase of food prices in 2008, where a significant part of the planned support is assigned to agricultural inputs and safety nets. Long-term support will mostly prioritize investments in agribusiness and

agricultural trade such as market access for smallholders – key factors in improving long-term food security – and has been recognized by the latest G8 meeting in L’Aquila.

**Absorptive capacity may be a limiting factor.** The lower disbursement rates for aid appear to have resulted in gaps between aid commitments and actual disbursements. This has implications for the absorptive capacity for any new funding and affects projections for funding flows in the short to medium term. The capacity to absorb aid flows may limit the amount of financing available in the sector even if commitments rise to higher levels. The generally low levels of disbursement are likely related to a number of factors, including a lack of capacity within recipient countries, and the specific conditionalities associated with donor aid commitments, both of which can slow the speed of implementation. Agriculture may be lower disbursing than other sectors due to the lack of harmonized sector-wide programmes that are more common in the social sectors, budget support, and debt relief. In addition, there may be a more pronounced lack of capacity in the sector due to other factors such as low human capital and the lack of complementary physical or financial resources that result from the low prioritization sometimes given to agriculture by national governments.

**Gaps in the data.** There are a number of gaps in the data available for analysis. This paper does not cover disbursements from emerging non-DAC donors and data on aid flows from large foundations are limited to disbursements from the Bill & Melinda Gates Foundation and Rockefeller Foundation. Furthermore, contributions by NGOs to agricultural development in Sub-Saharan Africa have not been included in this assessment as mapping of NGOs’ financing flow for agricultural development has proven difficult, particularly because of problems of double counting and lack of information on sources of funds. There is a need for more systematic collection of data on external flow of funds, possibly through the expansion of the Creditor Reporting System of OECD, to include more institutions (DAC and non-DAC members). There may also be a need to expand or re-assess the OECD CRS sub-sector classification system (purpose codes) to allow for better understanding of the various types activities taking place in the agriculture, forestry and rural development sectors.

## **VI. Summary Conclusions**

This note highlights the following trends: aid allocations to agriculture in Sub-Saharan Africa are increasing; the nature of aid is changing and donors are becoming more numerous with the emergence of stronger investments in agriculture from private foundations.

Despite the financial crisis, commitments for agriculture have been made by various important donors (World Bank, EU, AfDB, IsDB and IFAD). However, donors and governments will need to rise to the challenge of finding the right balance between short-term assistance and long-term sector development support. Another challenge will be to improve disbursement rates and countries’ absorption capacity.

This paper also highlights the difficulty that may arise in correctly predicting aid inflows, which is likely more difficult than assessing outflows. In any given year, African countries experience great uncertainty with respect to how much aid they will receive in coming years making effective planning difficult. This holds true for the agricultural sector as well. One way to improve on aid predictability is for donors to issue country-by-country schedules for how their aid will be increased to meet the established commitment targets. While this first paper presents relevant information, more work remains to be done to fill the gaps in the data collection.

## Annex 1: Annual ODA Commitments in Sub-Saharan Africa from the OECD CRS Database\*

(In millions of constant 2007 USD)

CRS Sector Classification	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
I.1.a. Education, Level Unspecified	1,214	586	809	881	600	946	503	635	1,098	1,108
I.1.b. Basic Education	643	685	701	895	1,088	1,172	894	840	1,336	1,056
I.1.c. Secondary Education	198	210	165	90	129	214	382	128	265	469
I.1.d. Post-Secondary Education	116	279	354	319	652	696	730	636	800	837
I.2.a. Health, General	701	899	787	642	612	781	665	1,049	914	966
I.2.b. Basic Health	586	491	725	949	1,051	1,129	1,061	1,643	1,691	1,837
I.3. Population Pol./Progr. & Reproductive Health	359	432	1,297	1,235	1,275	2,137	2,626	2,296	2,974	4,452
I.4. Water Supply & Sanitation	935	788	698	1,201	732	1,027	1,786	1,279	2,091	2,304
I.5.a. Government & Civil Society-general	1,374	1,651	2,348	1,591	1,735	2,430	2,667	2,661	3,280	3,278
I.5.b. Conflict, Peace & Security	65	188	402	186	534	366	458	463	584	598
I.6. Other Social Infrastructure & Services	417	660	879	821	949	790	956	709	1,038	1,476
II.1. Transport & Storage	2,387	2,503	1,617	1,721	1,302	2,256	2,316	2,441	2,420	3,397
II.2. Communications	93	77	98	103	119	138	109	48	91	250
II.3. Energy	651	301	526	1,461	565	767	721	1,144	808	1,955
II.4. Banking & Financial Services	143	192	172	587	180	343	269	304	237	315
II.5. Business & Other Services	200	358	387	452	309	695	316	367	129	269
III.1.a. Agriculture	1,160	1,176	1,431	1,195	1,075	1,429	1,338	1,187	1,797	2,168
III.1.b. Forestry	100	103	171	178	114	89	73	161	99	57
III.1.c. Fishing	109	84	89	227	177	130	167	148	57	63
III.2.a. Industry	132	116	128	307	86	109	333	344	545	318
III.2.b. Mineral Resources & Mining	15	43	271	109	262	293	238	137	89	16
III.2.c. Construction	6	2	5	4	1	0	1	2	4	4
III.3.a. Trade Policies & Regulations	99	57	37	195	94	57	92	233	476	214
III.3.b. Tourism	38	9	26	11	13	16	4	13	37	11
IV.1. General Environment Protection	337	376	311	371	400	277	323	526	430	541
IV.2. Other Multisector	1,354	1,182	1,397	1,347	1,399	1,170	1,426	1,762	1,613	1,311
<i>of which rural development</i>	325	570	600	469	472	566	605	499	536	520
IX. ADMINISTRATIVE COSTS OF DONORS	28	36	56	140	34	26	68	117	88	91
VI.1. General Budget Support	1,850	1,618	4,880	2,462	3,736	3,069	3,720	3,451	4,199	3,355
VI.2. Dev. Food Aid/Food Security Ass.	491	728	663	746	960	664	581	810	714	724
VI.3. Other Commodity Ass.	375	32	59	0	38	1	8	15	0	137
VII. ACTION RELATING TO DEBT	3,223	2,329	2,077	2,105	5,226	9,430	7,122	12,510	16,423	3,561
VIII.1. Emergency Response	1,121	1,226	1,621	1,186	2,123	3,109	3,214	4,107	3,947	3,592
VIII.2. Reconstruction Relief & Rehabilitation	141	28	426	99	922	358	143	974	259	298
VIII.3. Disaster Prevention & Preparedness	-	-	-	-	-	-	1	6	13	19
X. SUPPORT TO NGO'S	26	23	39	19	65	29	102	83	74	59
XI. REFUGEES IN DONOR COUNTRIES	13	31	14	124	29	188	352	302	239	147
XII. UNALLOCATED/UNSPECIFIED	300	530	388	310	224	196	218	226	94	146
Grand Total	21,001	20,027	26,053	24,269	28,812	36,527	35,980	43,756	50,954	41,397

\*ODA commitments under the Sub-Saharan Africa and Africa, regional geographic classifications.

(In millions of constant 2007 USD)

<b>CRS Sector Classification</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
I.1.a. Education, Level Unspecified	700	635	625	829	686	615	556	583	235	619
I.1.b. Basic Education	177	212	28	369	175	294	297	113	428	326
I.1.c. Secondary Education	147	156	61	167	177	101	82	61	64	41
I.1.d. Post-Secondary Education	135	336	332	254	208	72	83	123	282	169
I.2.a. Health, General	479	497	534	566	517	552	413	445	540	675
I.2.b. Basic Health	317	297	121	206	364	381	320	473	411	306
I.3. Population Pol./Progr. & Reproductive Health	348	212	261	421	313	234	412	472	243	371
I.4. Water Supply & Sanitation	1,005	1,056	1,081	712	834	771	797	878	1,001	831
I.5.a. Government & Civil Society-general	383	742	764	815	756	608	725	707	1,328	1,000
I.5.b. Conflict, Peace & Security	-	39	1	0	6	17	14	39	28	29
I.6. Other Social Infrastructure & Services	203	167	194	323	316	245	308	422	596	370
II.1. Transport & Storage	2,279	2,700	2,412	1,764	1,806	1,743	1,766	734	1,375	1,338
II.2. Communications	641	754	217	295	404	455	188	123	244	196
II.3. Energy	1,227	1,132	912	1,263	707	915	350	953	533	981
II.4. Banking & Financial Services	314	704	406	724	446	572	248	129	136	68
II.5. Business & Other Services	-	8	2	5	19	16	90	355	530	161
III.1.a. Agriculture	3,993	3,267	2,891	1,735	1,816	1,438	1,271	1,721	1,047	1,034
III.1.b. Forestry	356	268	248	271	268	161	100	68	142	84
III.1.c. Fishing	226	198	128	121	90	116	61	54	66	162
III.2.a. Industry	1,009	1,718	547	531	820	157	303	97	245	231
III.2.b. Mineral Resources & Mining	225	237	85	134	179	106	186	170	80	198
III.2.c. Construction	1	16	37	2	53	104	19	0	2	0
III.3.a. Trade Policies & Regulations	95	54	226	20	197	140	114	49	18	24
III.3.b. Tourism	3	19	5	5	5	26	7	8	16	8
IV.1. General Environment Protection	29	104	136	155	271	174	177	217	227	358
IV.2. Other Multisector	1,842	1,769	1,635	1,607	2,089	1,260	1,286	886	987	1,356
<i>of which rural development</i>	<i>1,211</i>	<i>969</i>	<i>485</i>	<i>432</i>	<i>387</i>	<i>442</i>	<i>226</i>	<i>238</i>	<i>291</i>	<i>509</i>
<b>IX. ADMINISTRATIVE COSTS OF DONORS</b>	-	-	-	-	-	-	-	2	6	3
VI.1. General Budget Support	3,941	3,139	2,348	3,358	3,301	2,992	3,000	1,986	1,580	1,627
VI.2. Dev. Food Aid/Food Security Ass.	962	558	545	515	366	133	247	432	419	401
VI.3. Other Commodity Ass.	831	936	577	393	524	313	1,190	175	89	9
<b>VII. ACTION RELATING TO DEBT</b>	535	903	3,184	1,288	1,152	1,380	1,270	1,560	948	1,397
VIII.1. Emergency Response	322	385	296	552	1,187	864	667	872	1,120	1,089
VIII.2. Reconstruction Relief & Rehabilitation	0	3	1	1	23	13	20	330	149	53
VIII.3. Disaster Prevention & Preparedness	-	-	-	-	-	-	-	-	-	-
<b>X. SUPPORT TO NGO'S</b>	22	2	5	30	54	4	9	60	27	42
<b>XI. REFUGEES IN DONOR COUNTRIES</b>	-	-	-	-	-	-	-	11	24	10
<b>XII. UNALLOCATED/UNSPECIFIED</b>	192	314	121	82	172	142	93	43	111	295
<b>Grand Total</b>	<b>22,940</b>	<b>23,539</b>	<b>20,963</b>	<b>19,514</b>	<b>20,303</b>	<b>17,112</b>	<b>16,670</b>	<b>15,354</b>	<b>15,278</b>	<b>15,861</b>



(In millions of constant 2007 USD)

<b>CRS Sector Classification</b>	<b>1979</b>	<b>1980</b>	<b>1981</b>	<b>1982</b>	<b>1983</b>	<b>1984</b>	<b>1985</b>	<b>1986</b>	<b>1987</b>
I.1.a. Education, Level Unspecified	221	165	503	421	664	536	236	348	751
I.1.b. Basic Education	6	45	59	33	109	35	130	107	207
I.1.c. Secondary Education	89	152	150	219	90	108	90	66	152
I.1.d. Post-Secondary Education	79	34	93	106	115	88	206	60	219
I.2.a. Health, General	56	83	127	175	146	187	282	309	455
I.2.b. Basic Health	95	72	204	310	292	194	231	161	202
I.3. Population Pol./Progr. & Reproductive Health	2	9	17	41	34	26	53	118	109
I.4. Water Supply & Sanitation	559	474	955	1,476	1,013	977	914	740	1,023
I.5.a. Government & Civil Society-general	63	70	100	135	146	255	271	217	357
I.5.b. Conflict, Peace & Security	-	-	-	-	-	-	-	-	-
I.6. Other Social Infrastructure & Services	20	49	59	56	16	38	93	50	146
II.1. Transport & Storage	1,936	1,806	1,851	2,112	2,504	2,709	1,910	1,768	2,653
II.2. Communications	124	324	190	449	526	452	319	529	379
II.3. Energy	495	1,011	610	713	975	1,446	892	985	1,316
II.4. Banking & Financial Services	119	67	23	129	72	264	55	181	95
II.5. Business & Other Services	-	-	-	-	-	-	-	-	-
III.1.a. Agriculture	1,719	1,999	2,498	2,853	2,334	2,692	2,652	2,247	3,135
III.1.b. Forestry	83	161	209	263	241	195	160	337	313
III.1.c. Fishing	44	182	168	156	82	232	179	118	360
III.2.a. Industry	473	523	428	701	638	779	1,031	1,034	829
III.2.b. Mineral Resources & Mining	60	254	119	334	335	285	88	45	69
III.2.c. Construction	1	1	0	1	8	4	5	-	0
III.3.a. Trade Policies & Regulations	6	20	30	42	9	282	4	55	37
III.3.b. Tourism	45	10	3	25	29	3	23	29	19
IV.1. General Environment Protection	-	0	5	7	35	9	6	8	6
IV.2. Other Multisector	493	713	998	1,127	1,394	901	554	936	2,559
<i>of which rural development</i>	389	439	896	814	967	490	377	349	1,851
<b>IX. ADMINISTRATIVE COSTS OF DONORS</b>	-	-	-	-	-	-	-	-	9
VI.1. General Budget Support	103	361	359	314	423	591	438	1,788	2,883
VI.2. Dev. Food Aid/Food Security Ass.	748	925	1,181	1,103	1,175	1,990	1,637	1,345	945
VI.3. Other Commodity Ass.	653	818	1,094	1,142	869	862	1,362	941	702
<b>VII. ACTION RELATING TO DEBT</b>	956	1,267	381	157	285	789	738	281	1,821
VIII.1. Emergency Response	110	172	267	303	183	1,017	624	826	211
VIII.2. Reconstruction Relief & Rehabilitation	5	55	27	23	15	48	6	6	4
VIII.3. Disaster Prevention & Preparedness	-	-	-	-	-	-	-	-	-
<b>X. SUPPORT TO NGO'S</b>	3	14	12	1	57	11	20	54	19
<b>XI. REFUGEES IN DONOR COUNTRIES</b>	-	-	-	-	-	-	-	-	-
<b>XII. UNALLOCATED/UNSPECIFIED</b>	83	85	176	254	111	252	107	84	859
<b>Grand Total</b>	<b>9,451</b>	<b>11,921</b>	<b>12,895</b>	<b>15,179</b>	<b>14,927</b>	<b>18,257</b>	<b>15,316</b>	<b>15,772</b>	<b>22,843</b>

## Annex 2: Estimated Disbursements from DAC and non-DAC Members to the Agriculture Sector

<b>Donor</b>	<b>2006</b> (millions of USD)
<b><i>Bilateral donors</i></b>	
Australia	2.2
Austria	12.4
Belgium	57.2
Canada	47.4
Denmark	36.8
Finland	14.6
France	125.3
Germany	151.0
Greece	1.0
Ireland	26.3
Italy	0.0
Japan	105.1
Luxembourg	7.9
Netherlands	44.3
New Zealand	0.1
Norway	45.3
Portugal	1.5
Spain	29.9
Sweden	66.1
Switzerland	25.9
United Kingdom	102.4
United States of America	106.6
Sub-total Bilaterals	1,009.3
<b><i>Multilateral Donors</i></b>	
European Communities (European Commission)	110.0
African Development Bank (AfDB) and African Development Fund (AfDF)	242.0
International Fund For Agricultural Development (IFAD)	205.2
Islamic Development Bank (IsDB)	35.0
World Bank	393.2
Others	
Sub-total Multilaterals	875.4
<b><i>Foundations</i></b>	
Bill & Melinda Gates Foundation (includes AGRA financing)	122.9
Rockefeller Foundation (includes AGRA financing)	55
Sub-total Foundations	177.9
Grand Total	2,062.6

*Source: Institution self reporting and OECD CRS database*