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Thematic Session 6

The financing of local and regional schemes to alleviate food insecurity: which innovative instruments and tools should be used now and in the future?

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SUMMARY

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The financing of regional and local initiatives constitutes the cornerstone of regional and local food security governance. There is currently a wide range of funding instruments, but this is insufficient and does not allow the regions to meet the challenges they face each day with regard to food. This problem is due to a lack of coordination, dialogue and clarity about what the regions are really doing on food security. What efforts should be made to encourage the financing and development of local action programmes? How can financial partners be given what they need in order to take decisions and action in terms of investment policies and strategies in the agricultural and rural sector? How do the major donor agencies finance local schemes? What involvement from the private sector? What place for “social business”? Which innovative means of financing can be used for food security? These are just some of the issues that were addressed during this thematic session. Examples were used to illustrate the prerequisites for successful financial partnerships and the causes of failure were examined. The session brought together representatives of regions with development projects and activities in this field, representatives of financial institutions which finance aid schemes and those concerned at grassroots level.

The following summary outlines the various contributions by experts and regional and local representatives, the key points made during the debates and the recommendations made by the session’s participants on how to increase the number of regional initiatives aimed at countering food insecurity.

Following a brief reminder of the terms of reference and expectations regarding the issue of financing local and regional schemes to alleviate food insecurity, various experiences from across the world were shared with the participants thanks to the presentations that were made by the experts.

I. SUMMARY OF THE PRESENTATIONS¹

1.1. Mr Sureh B. Gokhale (Director of Research, BAIF Development Research Foundation, India)

This was a scheme developed in India for family farms with around five agricultural workers.

¹ The full presentations made by the various speakers are available on the Background Documents section of the summit website: <http://www.regionsfoodsummit.org/>

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The experiences of the programme (regarding food security), based on an appropriate evaluation of needs and activities, have led to the development of various model projects, for example on improving beneficiaries' skills in irrigation, animal farming and vegetable production techniques, thus enabling rural households to diversify their efforts to counter food insecurity.

The partnership model developed was based on:

- a cooperative;
- the local authority (south west) in fruit growing (mangos) and the processing of farm products;
- the province and central government;
- the province, central government and NGOs (retrieving goatskins).

Field of activity:

- 76,000 households participated in a reforestation scheme covering 56,000 hectares and affecting seven states. These people thus have access to drinking water.
- Short-term income generating activities, requiring little effort: mushroom growing, silkworms.

Positive impacts achieved by the programme: availability of drinking water all year, 40% increase in farm production, a marked increase in plant coverage, lighter workloads for women, increases in people's incomes.

Lessons learnt from the experience of efforts to alleviate food insecurity in India: (i) priorities should be clearly defined by focusing on food security in planned schemes, (ii) the participation of local people is the most important thing. They provided contributions in kind which were calculated to be more than 50% of the expenditure; (iii) they were extremely enthusiastic and supportive, (iv) raising awareness among groups opposed to individuals, and having them take on responsibilities, (v) improving the collection of data for improved follow-up, (vi) developing a holistic approach (the cluster development model with different economic aspects helping to counter food insecurity).

1.2. Mr Jean-Paul Pélissier, Deputy Director of the International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM), Montpellier (France)

The case of Egypt: local authorities are highly dependent on the central government.

Food security policy is an aspect of social policy and includes programmes for subsidising foodstuffs, and financial transfer schemes.

Some food programmes exist for the poorest in society, involving distribution of rationing cards to give them access to basic foodstuffs (bread, milk, etc) and educational schemes for children from disadvantaged families.

Local authorities act as a conduit for the effective delivery of food security action plans; however, finance is provided by central government.

The Case of Algeria: the commune: there is a shortage of human and financial resources. A programme called Rural Renewal was launched a few years ago.

The case of Morocco: the decentralisation process is the oldest and most advanced in the Maghreb (Communes have the most extensive powers). The recently-created regions are taking on greater importance with greater financial capacity. There is an agricultural development programme that aims to preserve family-sized farms (a national human development initiative and *Maroc vert*).

Lessons learnt:

- A decentralisation process is underway in the Maghreb: its progress determines the capacity of local authorities to fight against food insecurity effectively.
- The (human, financial and organisational) capacity of local and regional authorities needs to be improved: an integrated territorial approach requires effective capacity.
- Links between the outside (diasporas) and local strategies and synergy between different levels of collaboration.
- Pilot projects to be promoted in cases where decentralisation is imperfect.

1.3. Mr Philippe Guerin, Vice-President of Midi-Pyrénées Regional Council (France)

The Regional Fund for International Development Aid (*FREDIC - Fonds Régional de Développement International Coopératif*) was set up by Midi Pyrénées Regional Council and ASODIA.

The objective: to facilitate access to credit for producers in Senegal and Vietnam by sharing the risks between stakeholders working together.

A partnership between FREDIC and Crédit Agricole de Toulouse exists, which supports collective economic initiatives. Only collective projects are eligible and the fund does not seek to replace local banks.

Modes of intervention: direct loans tested during the first phase (Vietnam: the milk production campaign). (Direct loans in the Thiès region: cereals and horticulture).

The effective launch of activities in the Saint Louis Region: collaboration between FREDIC, FONSTAB and CNCAS is likely to develop.

The Thiès region in Senegal: prospects for taking over credit activities with local stakeholders (example of Northern Region).

Observation: it is still difficult to obtain support from donor agencies.

Recommendation: building an innovative partnership between local authorities, producers and financial institutions, in particular with acceptable financial conditions for those that are deemed to be the poorest in society and support from international development agencies.

1.4. Jean-Luc Perron (Grameen Crédit Agricole Foundation/France)

The Grameen Crédit Agricole Foundation is an initiative of Crédit Agricole France, which is seeking to develop microcredit, social business, micro-saving and micro-insurance. It is also collaborating with locally-based institutions that offer financial micro-services.

There is strong presence/involvement of women across the world, sub-Saharan Africa is a top priority.

Possible sources of finance: local saving is the main one.

The new concept of social business: the quest the social profitability and not just financial profitability.

Activities in the form of loans, guarantees, supported by own funds and technical assistance.

The example of India (Grameen-Danone): the construction of a factory in India by Danone which is designed to respond to the food shortages observed among local people in the region.

Examples in Senegal: (i) Caurie Micro-finance based in Thiès received a loan of €300,000 over 2 ½ years; (ii) The Laiterie du Berger dairy based in Richard-Toll also received finance: social business, Danone, Sicav.

Conclusion in the form of an equation: ACP = (MF+SB) +CD

- *Action réfléchie, Coopération ciblée, Partenariat réussi* (reflected action, targeted cooperation, successful partnership) (Thierry Cornillet)
- **Micro Finance et Social Business** contribute to food security
- **Coopération Décentralisée** (decentralised cooperation) is a natural partner for Micro Finance et Social Business.

Issues raised: (i) at institutional level, what government decisions are required in order to strengthen this type of collaboration; (ii) what relationships should be encouraged between major financial institutions, such as foundations, and local partners?

1.5. Simona Mari (EuropeAid /European Commission)

EU development policy: the EU is the biggest donor in the world (27 member states at EU level plus a bilateral aid from each one).

Food security is a field of intervention of the European Union.

The need to support countries in order to reduce poverty: (i) to stimulate food availability, (ii) quality of food and (iii) the eradication of malnutrition

Several financing instruments proposed by the EU, including some that are temporary

A budget of €1 billion has been made available by the EU over the 2009-2012 period, of which €240 million is for food security.

Areas of work

1. agricultural research and development;
2. food security information system;
3. exceptional emergencies in countries in difficulty (€168 million);
4. innovative action for food security.

Innovative approach which could interest local authorities (€56 million)

Call for expressions of interest on the following topics:

- Organic farming,
- Rural micro-finance,
- Farm insurance,
- Decentralisation and local development,
- Urban and peri-urban agriculture

Local authorities (regions) and non-profit associations have the possibility to participate in the European Union's thematic programmes via calls for expression of interest (information available on the EU website).

1.6. Dr Harald Jahn, SMEs and Agroindustry, European Investment Bank (EIB)

The European Investment Bank (EIB): the EIB was created in 1958 by the Treaty of Rome.

Strategy: to open existing products to food security, there are no specific products on this theme. The EIB is developing a strategy outside the European Union.

In the framework of Cotonou Agreement, it is intervening to provide direct loans and intermediary loans according to the following sorts:

- Long-term loans

Agri-food processing, agri-forestry, the agricultural sector in R&D, SMEs working to promote food quality

Infrastructure: irrigation, energy and environment, rural education

- Leasing

As a means of innovative financing in the sector of SMEs working in food security

- Equity participation
- Micro finance

Availability and accessibility of financial resources for small producers

1.7. Mr Bruno Vindel, Department of Strategy and Forward Planning, French Development Agency (AFD)

The AFD finances projects with components covering infrastructure and equipment for rural local authorities where food security is therefore an issue.

Lessons learnt further to 15 years of experience on the ground:

1. projects are particularly effective when decentralisation has occurred.
2. the coherence of projects implemented at local level with central administrations.
3. it is important to develop a regional or local development plan before starting.
4. the acquisition of capacities (in being lead contractor)
5. securing land tenure.

Problems encountered:

1. Sustainability of investment (the recurrent problem of maintaining infrastructure, hence the need for local authorities to have resources in order to carry out maintenance);
2. Issuing property deeds could be the beginning of local taxation.

II. QUESTIONS, CONTRIBUTIONS AND RECOMMANDATIONS

Questions raised by the workshop:

- ❖ Limits or relevance of financing tools?
- ❖ Legitimacy of levels of intervention?
- ❖ Which partnerships are the most appropriate?
- ❖ How can stakeholders on the ground, politicians and donors be brought together?
- ❖ Which investment should be given priority?
- ❖ How can the regions capacities' be strengthened?
- ❖ What role should be given to social business?
- ❖ Which tools and which innovative methods need to be invented?

Summary of contributions and recommendations:

It emerged both from case studies and from the ensuing discussions that in the general debate there is a convergence of views between donor agencies, representative of local and regional authorities, farmers' representatives and NGOs acknowledging that regional authorities are relevant and legitimate as stakeholders in efforts to alleviate food insecurity.

The regions are deemed to be a particularly relevant level of mobilising stakeholders, supporting vulnerable social groups and monitoring project delivery.

Regarding finance, through twinning and decentralised cooperation, the regions can work alongside donors in order to prepare financing plans. They can also work alongside project leaders in order to ensure consistency between these projects and even their management, as long as they have sufficient human resources to do this.

The debates heavily emphasised the importance of strengthening regions' capacities so that they can play their full role in efforts to counter food insecurity. External resources must be provided in addition to local authorities own resources: decentralisation of local authorities' tax powers and financial capacities.

Their role during the debate displays several aspects: that of rallying people together in order to provide consistency and continuity in multi-partner projects, the role of chief coordinator organising consultation of funding providers, and lastly the role of manager and sponsor.

The debates illustrated countries' diverse situations regarding decentralisation; the speakers had strong expectations regarding the development of the decentralisation process (which should in no way just be limited to the process of devolution).

Regions are areas for consultation, where projects can be developed, and managed and monitored: this is how the regions appeared during the debate on the financing of projects.

III. ADVANTAGES AND DIFFICULTIES

What is the added value the regions can provide regarding food security, and which financing instruments are needed in order to support them?

- **Identified advantages (the wide variety of approaches)**
- Proximity
- Knowledge of stakeholders
- Continuity
- The region is an area for consultation of stakeholders
- **Difficulties observed**
- Incomplete decentralisation
- The lack of financial and human resources
- Weak support from international aid agencies for the regions' initiatives

IV. EXPECTED IMPACT OF DECENTRALISED COOPERATION SCHEMES

It is expected that the encouragement of decentralised cooperation schemes would have the following positive effects

- Innovation resulting from exchanges between local and regional authorities;
- Stronger capacities;
- The mobilisation of resources;
- Technical support.

V. RECOMMENDATIONS

At the end of the wide-ranging and extensive presentations, discussions, contributions and exchanges, the following recommendations were made. It is necessary:

- to recognize the region as a relevant level that is capable of gathering and implementing finance;
- to strengthen the human and technical capacities required for this task, including those of locally elected officials;
- to build an innovative partnership between local authorities, farmers' organisations and financial institutions in order to develop a shared development strategy;
- to increase regions' own resources and ensure they become a genuine platform for mobilising and coordinating finance;
- to harmonise intervention at local level;
- to identify needs in accordance with available financial instruments: micro-services, leasing, investment loans, subsidies, social business, participation in capital, resources from diasporas;
- to promote and support mixed finance from different local authorities;
- to simplify or streamline procedures for releasing resources aimed at local authorities;
- to have the region as an arena for pooling and monitoring projects aimed at alleviating food insecurity (clusters);
- to create fora for meetings and exchanges between regions;
- to create of a Global Fund of the Regions (GFR) for Food Security.