HOT, HUNGRY AND STARVED OF INVESTMENT
Supporting smallholders to build a climate-resilient agricultural sector in southern Africa

As the African Development Bank meets in southern Africa, one of the strongest and most sustained El Niño events on record – turbocharged by climate change – is causing severe drought, failed harvests and a hunger crisis across the region. This is being made worse by record high temperatures as a result of global warming. Women farmers are on the front line of climate change, yet are also the region’s first line of defence against food insecurity. With smallholder agriculture being critical to both food security and inclusive growth, governments – supported by donors and international organizations – must urgently implement plans to better support smallholder farmers and increase resilience. This paper outlines the current situation in the region and presents recommendations to help work towards this.
WHAT IS AT STAKE – LESSONS FROM EL NIÑO

One of the strongest and most sustained El Niño events on record – exacerbated by climate change – is causing severe drought, failed harvests and a hunger crisis in southern Africa and Ethiopia. This El Niño is being made worse by record high temperatures as a result of global warming, with 2014 being the hottest year on record until 2015 exceeded it. The trend is continuing, with 2016 set to be the hottest year yet.

The scale of the crisis is overwhelming many governments as they are not receiving the support that they need. In March 2016, the Southern African Development Community (SADC) declared a regional emergency, in addition to disaster declarations from Lesotho, Swaziland, Zimbabwe, Mozambique, Malawi and many provinces of South Africa. Zambia is not likely to declare a state of disaster, despite moving to restrict maize exports in the face of price increases.1 Up to 49 million people could be at risk of hunger by the end of this year2 and the emergency is expected to continue to get worse before the 2017 harvest. The impacts stretch beyond food security to economic and social shocks. In Zambia, for example, the difference in food production between regions is causing migration and price volatility.

The crisis shows what happens when we fail to invest adequately in a strong smallholder-led agricultural sector – starting with women farmers who are on the front line of climate change impacts, yet are also the region’s first line of defence against food insecurity.

THE NEED TO BUILD LONG-TERM RESILIENCE

Right now, the priority must be to respond to the immediate humanitarian crisis in order to save lives and livelihoods – that is imperative. But beyond that, governments, supported by donors, regional and international organizations, must help communities build their own resilience to better prepare for, and cope with these crises. This is important because:

• These types of weather shocks are no longer one-off events that occur every twenty or thirty years – they are starting to happen with much more regularity. Record temperatures, drought and unpredictable growing seasons are becoming the new normal – this is what the future looks like under climate change.6

• The southern Africa region is already chronically vulnerable, with many of the region’s small-scale producers constantly in danger of slipping back into hunger.
Early outside help cannot be relied upon. The El Niño response has demonstrated the challenge of mobilizing the international community to respond in time. The drought and related food crisis were signalled in advance, yet donors dragged their feet, ignoring the call for early intervention despite the evidence that it saves both lives and money. Failure to stem the crisis increases the burden on the world’s humanitarian system which is becoming ever more strained by an unprecedented number of global emergencies.

Box 1: Key facts

Why agriculture is key to food security and inclusive growth

- In sub-Saharan Africa, GDP growth due to agriculture is estimated to be up to 11 times more effective in reducing poverty than growth in any other sector.
- Rain-fed agriculture provides livelihoods for 70 percent of sub-Saharan Africa’s population, and contributes nearly one quarter of GDP.
- Yet agriculture only receives 2 percent of government spending in SADC countries. In addition, the quality of investment is poor as it is heavy on subsidies and light on investment into the key drivers of a resilient agriculture sector such as extension services, sustainable land and water management, market access, and research and development.
- The agricultural sector is most at risk of climate change: it bears over 80 percent of all economic losses caused by drought.

The central role of women

- Women farmers dominate smallholder agriculture across Africa.
- They supply over half of the agricultural labour in Zambia, and make up over 60 percent of the agricultural labour force in Mozambique and Lesotho.
- Yet in many SADC countries, women own or manage less than a quarter of agricultural land and water.
- Women have access to less than 10 percent of the formal agricultural credit offered to small-scale farmers in Africa.
- The FAO estimates that if women had equal access to land and other productive resources, total farm yields would increase by 20–30 percent.

AGRICULTURAL TRANSFORMATION TO DATE – A DECADE OF GOOD INTENTIONS

Governments have made well-meaning commitments at African Union (AU) and SADC level to prioritize the agricultural sector for support and government funding. For example, the AU Malabo Declaration in 2014 reaffirmed an earlier commitment for African governments to spend at least 10 percent of their public budgets on agricultural development. This is based on the recognition that agriculture remains a critical driver of inclusive growth, given the dominance of smallholder producers and the importance of agriculture to GDP in many countries. Central to the transformation of agriculture in the region is the need to urgently reverse the undercapitalization of smallholder farming. Increasing governments’ budgetary allocation to the sector is key – as public spending is recognized as the most direct and effective instruments that governments can use to promote agricultural growth and poverty reduction in the African context.

Despite these commitments, governments have not ‘walked the talk’ – only one SADC country, Malawi, has consistently met the 10 percent budgetary allocation target. A failure by governments to translate high level political commitments into any form of implementation largely explains the failure to tackle the barriers that smallholders and women farmers face. Implementation also depends on smallholder and women producers being organized, engaged and vocal at national and regional level – as unorganized, small-scale producers are a soft target for budget cuts. This has been a challenge with the widely dispersed nature of smallholders in the region.

Box 2: From Maputo to Malabo: timeline of commitments

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2003</td>
<td>AU Maputo Declaration launches the Comprehensive Africa Agriculture Development Programme (CAADP). Each country in Africa commits to invest a minimum of 10 percent of its budget in agriculture by 2015, with the aim of driving agricultural growth rates of 6 percent per year.</td>
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<td>2003</td>
<td>SADC countries reaffirm the AU Maputo Declaration commitments and integrate them into a 15 year SADC Regional Indicative Strategic Development Plan (RISDP). SADC countries also agree complementary measures to address the challenges faced by women and smallholder farmers.</td>
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<tr>
<td>2014</td>
<td>AU Malabo Declaration renews the 10 percent spending commitments and extends the period for achieving them to 2025.</td>
</tr>
<tr>
<td>2015</td>
<td>SADC countries reaffirm the AU Malabo Declaration and extend the RISDP to a 2015–2020 plan.</td>
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THE IMPORTANCE OF QUALITY INVESTMENTS

While Malawi has consistently met the 10 percent target, and other countries like Zambia and Zimbabwe have reported meeting it on occasion, these countries focus a significant amount of their spending on politically popular subsidies for low-value, climate-vulnerable maize. In recent years, Zambia has spent approximately 80 percent of its agricultural budget on subsidies for maize inputs and maize price support. Malawi's Farm Input Subsidy Programme (FISP) has been known to consume roughly 70 percent of Malawi's agricultural budget, squeezing funding for other agricultural departments. The degree to which these subsidies have reached and benefited the most vulnerable has been disputed. Evidence suggests that smallholder farmers – especially women – remain living in poverty and reliant on repeated annual subsidies, becoming locked into producing low-value grains and only a few becoming prosperous. This means that there is slow progress in making farming into a business. While the Malawian FISP has increased access to drought-tolerant maize varieties, there are more effective ways of promoting this important technology.

Lessons suggest that productivity and food security could be boosted further if governments pitch their ambition beyond maize input subsidy schemes and consider diversification and more strategic investments which are specifically targeted at women and smallholders, such as water management, research and development, market access and extension services.

LARGE-SCALE PRIVATE INVESTMENT CANNOT REPLACE PUBLIC SPENDING

Governments and donor agencies are increasingly turning to the private sector, to provide investment at scale to drive an agricultural transformation. Instead of committing ODA funds to help governments achieve the 10 percent target, donors have shifted their focus, to supporting very large public-private partnerships (PPPs) such as GROW Africa and the New Alliance for Food Security and Nutrition. At best, these mega-PPPs might support large-scale private investment – thereby diverting attention away from much needed public spending on agriculture. At worst, attempts to change policies to favour private investment risk: 1) promoting unsustainable, environmentally and ecologically damaging solutions and results, 2) marginalising smallholders, 3) increasing vulnerability for rural communities and 4) entrenching inequality.
However, this does not mean the private sector does not have a role to play – they do. Governments should incentivize responsible models of private investment that are pro-smallholder, pro-women, and which nurture, rather than undermine smallholder production, local markets and small- and medium-sized enterprises. Supporting investment from smallholders themselves, as well as cooperative groups should be central to this vision.

Box 3: What is needed following COP21 in Paris? A focus on Africa, agriculture and adaptation

- In Paris, the world came together to agree a landmark climate deal, with the goal of limiting global warming to 1.5°C (we are currently on a pathway to 2.7°C).
- The United Nations Environment Programme (UNEP) warns that the developing world will face costs of adapting to climate change of up to $500bn a year by 2050. Oxfam estimates that costs could be as high as $790bn per year.
- Maize, sorghum and millet will become more difficult to grow. One study found that within the next decade many maize-growing areas in southern Africa will be unsuitable for this staple crop on which communities depend.
- COP22 will take place in Morocco in November 2016. The Moroccan environment minister, Hakima El Haite, has indicated that this will be the ‘Triple A’ COP, focusing on Africa, adaptation and agriculture.
- Climate finance to help developing countries adapt to the impacts of climate change was the ‘unfinished business’ of Paris. Question marks remain over how contributing countries will scale up funding to meet escalating needs.
- Total adaptation finance currently only amounts to $3 a year for each poor farmer in the developing world.

THE EL NIÑO FOOD CRISIS MUST MARK A DECISIVE SHIFT

The regional emergency has focused efforts and spurred SADC, national governments and the international community to develop a longer-term resilience strategy for the region as part of the response. It is clear that we cannot continue with business as usual.

Climate change is already forcing a fundamental transformation of agriculture across southern Africa, with the key staple food – maize – at risk. Governments must get out in front of this growing threat and manage the change. This means supporting smallholders to adapt what they farm and the practices and technologies they use. But it also means building their resilience more generally.

If governments are serious about preventing this crisis from happening again, a step change in ambition is needed to address the structural issues which keep women and smallholder farmers in a state of chronic vulnerability. This means a renewed push to tackle barriers to land, water, markets and finance (e.g. insecure tenure regimes and underinvestment in irrigation).

INCLUSIVE AND SUSTAINABLE AGRICULTURAL TRANSFORMATION FROM THE BOTTOM UP

Recommendations for the African Development Bank

1. Invest in infrastructure for small-scale producers and processors, especially women

Reverse the chronic underinvestment to date in small-scale farming. The needs of small-scale producers – the women and men who form the backbone of the sector – have been sidelined, meaning that their substantial potential has not yet been harnessed. The kind of infrastructure that benefits smallholder farmers include public goods like irrigation and water conservation schemes (so that small-scale farmers have access to water without relying on erratic rain); warehouse storage to reduce post-harvest waste, roads, off-grid renewable energy (which can save women’s labour and power agri-business); and appropriate technology for value-addition. Other public goods that the African Development Bank should prioritize are agricultural research and development, extension services and social safety nets. It must ensure meaningful participation from smallholder and women’s groups, so that investments made can be tailored to their needs. This may also require building capacity so that these groups can effectively organize and engage.
2. Resist the attraction of large-scale PPPs

The mega-PPP model represents an unproven and high-risk approach to agricultural development, with the poorest communities – rather than the project partners – often bearing the brunt of the risks associated in relation to land rights, environmental degradation or restricted access to natural resources such as water. Rather than prioritizing mega-PPPs with companies based in rich countries, which tend to promote gender-blind investments in cash crops for export, both donors and national governments should put in place tried and tested policies and investments that are proven to deliver for small-scale women producers and small and medium-sized enterprises.

3. Champion funds for adapting to climate change

An urgent debate is needed on how agriculture in sub-Saharan Africa can adapt to the changing climate and its associated impacts on food and water. These are huge issues that require thought leadership to drive debates and policy shifts, as well as significant levels of funding. The African Development Bank can help to mobilize this funding and champion the adaptation finance agenda. Its commitment last year to triple its climate finance by 2020 – with half dedicated to adaptation – is a good start, and the bank should encourage others to follow its lead.

Recommendations for national governments:

1. Tailor public spending to help women and smallholder farmers diversify away from maize and enter high-value chains

Adopt national budgets that are responsive to the needs of smallholders, especially women. Beyond input subsidy programmes for maize, governments should look at how they can provide opportunities for smallholders, especially women, to invest in more diverse, rewarding, less land-intensive enterprises such as irrigated horticulture, dairy and small livestock (e.g. goat and poultry production). This will enable smallholders to diversify away from producing staple grains like maize, which offer low returns due to their vulnerability to climate change and government market interference.

2. Strengthen land tenure rights for smallholders and women

Secure land tenure rights, particularly under customary tenure systems, remain essential for smallholder farmers to invest in land with confidence. It also makes it easier for smallholders – particularly women – to access the finance that they need to invest, as they can use their land to seek a loan from banks. In addition, lack of secure tenure places farmers at risk of dispossession of land in the name of large-scale investment schemes.

While the specifics of such tenure arrangements should be left to individual countries, the SADC bloc should develop tenure guidelines and implement measures to fully protect customary and women’s rights to land and other productive resources, such as water. The internationally agreed Voluntary Guidelines on the Responsible Governance of Tenure
of Land, Fisheries and Forests (VGGTs), the African Union Land Policy Framework and the principles espoused in Free, Prior and Informed Consent (FPIC) adopted by the World Bank, among others, offer useful examples to guide these policies.

3. **Promote responsible private sector investment in smallholder and women farmers**

Smallholder agriculture is usually rated as a high-risk investment by the private sector. This is due to the high cost of dealing with numerous small farms, limited participation by smallholders in formal markets, and uncertain land tenure arrangements. Governments should work with smallholder groups to make them ‘investment ready’ and promote the right kind of investment – i.e. models that do not displace smallholder producers from their land and encourage partnership and empowerment. Steps to ensure this can include:

- Supporting the formation of cooperatives;
- Removing additional taxation on smallholder activities or sales; and
- Providing loan guarantees or co-financing for smallholder-led enterprises.

Governments can also incentivize sourcing locally from smallholder women farmers. In Ghana, local sourcing partnerships between the private sector, government and smallholder farmers have transformed the livelihoods of farmers producing crops such as sorghum and cassava, used in beer brewing. However, when linking smallholders into private sector supply chains, care should be taken to avoid new forms of dependency or exploitation. A strong government role in regulating contracts and effectively monitoring the conduct of agribusiness can help in this regard.

4. **Invest in sustainable agriculture that is resilient to climate change**

Sub-Saharan Africa is one of the most vulnerable regions to climate change due to a low capacity to anticipate and manage shocks and a high dependency on rain-fed agriculture. Climate change threatens to derail and even reverse the gains made so far in supporting women and smallholder farmers.

Governments should invest and build capacity to manage climate risks. Providing services like climate information systems to disseminate weather forecasts to farmers and investing in climate risk insurance are critical to help smallholders become more resilient to climate change. Governments should make the most of international climate funds like the Green Climate Fund to improve the resilience of smallholder farmers – especially women – by prioritizing their access to funds. Given the interdependency in the region, governments should be encouraged to work through SADC to take a regional approach to shoring up food production in the face of climate shocks.
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