



Increasing investments, facilitating trade and strengthening commodity market systems

GAPAD Roundtable: The Contribution of Agricultural Diversification to SDG2

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Approach

- SDG 2 Targets a, b, c a bit different from targets 1-5
- Agricultural Diversification (AD) doesn't really contribute to them
 - But they will affect/interact with diversification
- Broad plus very specific issues covered in the 3 targets:
 - Highlight some of the issues
 - Consider through an AD lens - possible interactions, challenges, needs, opportunities



Agricultural diversification

- What do we mean by AD?
- Can occur at different spatial scales
 - Farm to global
- Will involve/require “innovation” – the application of new knowledge
 - Ongoing discourse on how to facilitate or improve the process
- Diversification involves change – challenges and opportunities



SDG2 Target 2a: Investment

Increase investment, including through enhanced international cooperation, in

- rural infrastructure
- agricultural research and extension services
- technology development
- plant and livestock gene banks

...in order to enhance agricultural productive capacity in developing countries, in particular least developed countries



FINANCING FOR
DEVELOPMENT

10-14 JULY 2015 • ADDIS ABABA • ETHIOPIA

Addis Ababa Action Agenda
of the Third International Conference on
Financing for Development
(Addis Ababa Action Agenda)



United Nations

Investment

- FAO, IFAD & WFP (2015). Achieving zero hunger; the critical role of investments in social protection and agriculture
- To achieve SDG2, US\$265 billion extra needed each year 2016-30 (0.3% of projected world income)
- US\$140bn for rural development and agriculture
- 2015 Addis Ababa conference on financing for development aimed to ensure all countries (esp LDCs) have resources to achieve their development objectives.
- Most LDCs have limited resources, so grants and low-interest loans needed



Investment

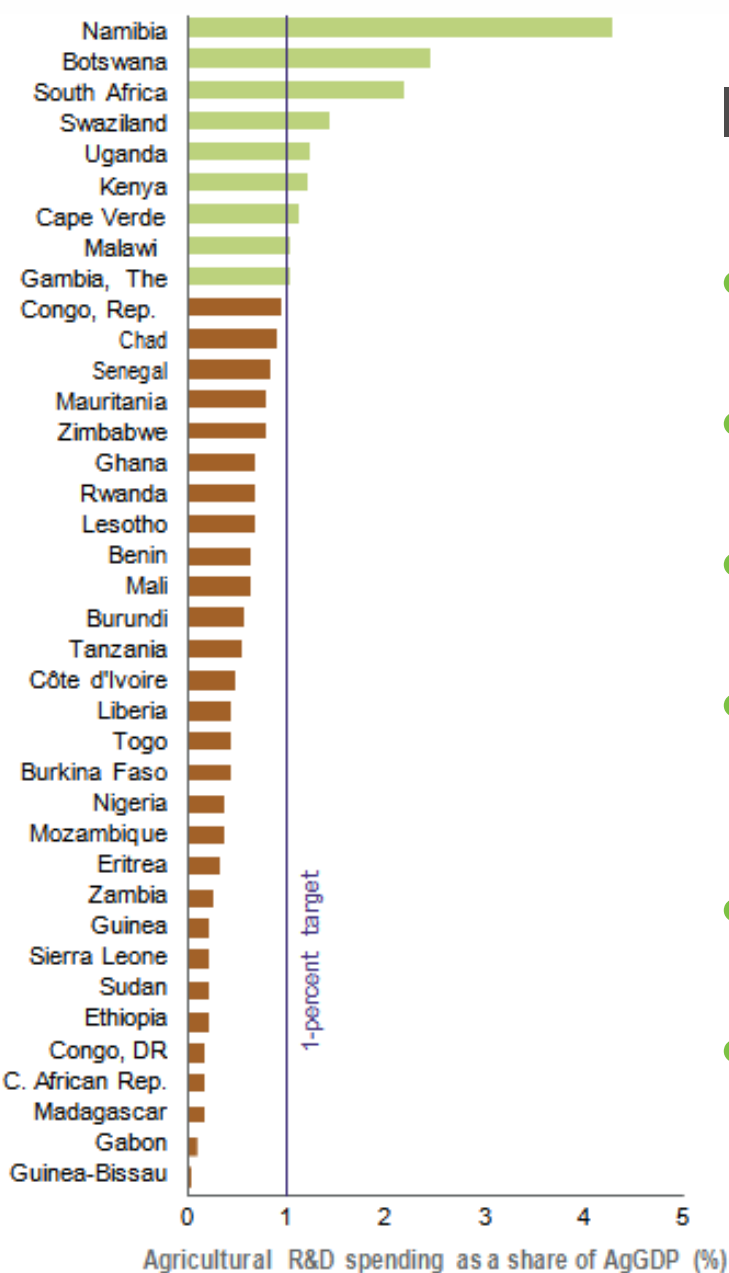
- So more money for agriculture and rural development may become available
- What opportunities to direct the additional investment to AD?
 - Climate change
- What investment is required in AD?
 - Research, development, extension, gene banks, as in target
- What demand is there for AD; can the demand be stimulated or channelled?



Investment

- Smallholders are the biggest investors. They need appropriate financial services
 - Credit, insurance, warehouse receipts etc
- Such services more likely to be available/established for major crops/systems
 - How to promote micro financial services that support diversification?
- Diversification can reduce risk, encouraging investment
- Diversification as a new enterprise could also increase risk
- Risks and returns of AD different for different actors

Investment in R&D

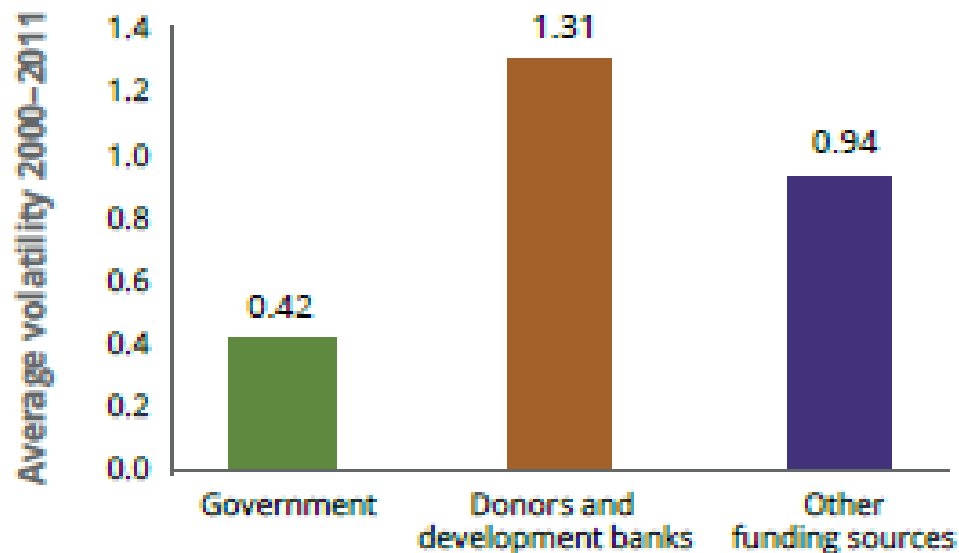


- Investment in agricultural R&D is low and fragmented in most DCs and LDCs
- 2011: most countries in Africa didn't reach target of 1% of AgGDP (public funding)
- If investment is already low, would AD stretch it even further?
- R&D investment usually focuses on priorities; major crops/systems, or those prioritised for expansion
- How to get AD prioritised, written into Agric Dev't and R&D strategies etc?
- Private sector R&D investment still relatively low: what incentives for investment in diversification?

Beintema & Stads 2014

Investment in R&D

- Funding for Ag R&D volatile in Africa (twice as much as in Latin America or Asia-Pacific)
- Dependency on donors and development banks - vulnerability
- Technology development takes time
- Do AD technologies already exist: “technology transfer”?
- Can “new areas” of technology currently attracting funding support AD? Molecular techniques, GM etc?



Beintema & Stads 2014



Investment in Extension Services

- Extension systems are weak in many DCs and LDCs
- AD would likely put additional demands on extension
 - Broader range of advice/information needed
 - How can that be done when extension already stretched?
- Pluralistic systems: Do/can the other sources of information and extension advice support AD?



SDG2 Target 2b : Trade

- Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round



WORLD TRADE
ORGANIZATION

Trade : Export subsidies

- Doha (2001) WTO members committed to negotiations to improve market access, and reduce/phase out export subsidies
- Food security, rural development, environmental protection to be taken into account.
- Special and differential treatment for DCs was to be integral to the negotiations.
- “We recognise that the integration of LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building” (Doha Ministerial Declaration).

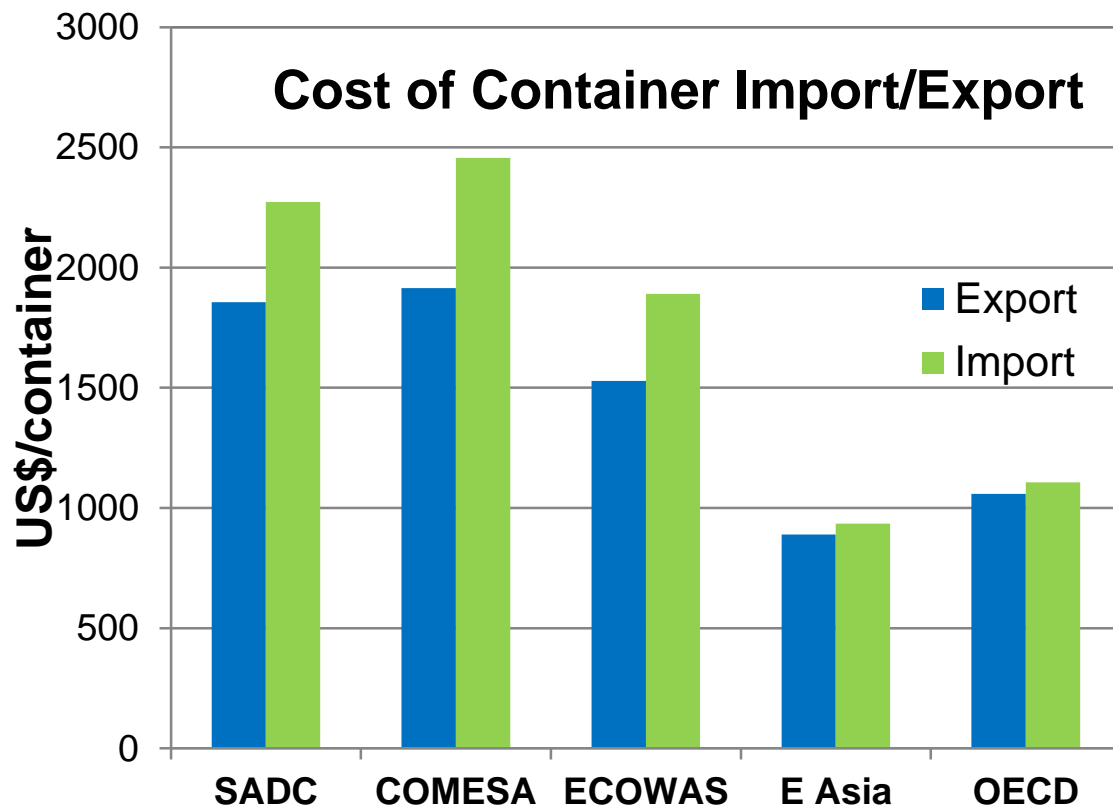
Trade : Export Subsidies

- Nairobi Ministerial Declaration 2015 included agreement to eliminate agricultural export subsidies
 - When prices higher, subsidies are generally reduced anyway
 - DCs to remove subsidies by 2018, or later for a few specific cases
- AD would lead to wider range of exports
 - Reduced export subsidies in developed countries should facilitate that
 - But DCs opportunities to support exports are also limited in time
 - DCs can support marketing and transport costs for agricultural products until the end of 2023



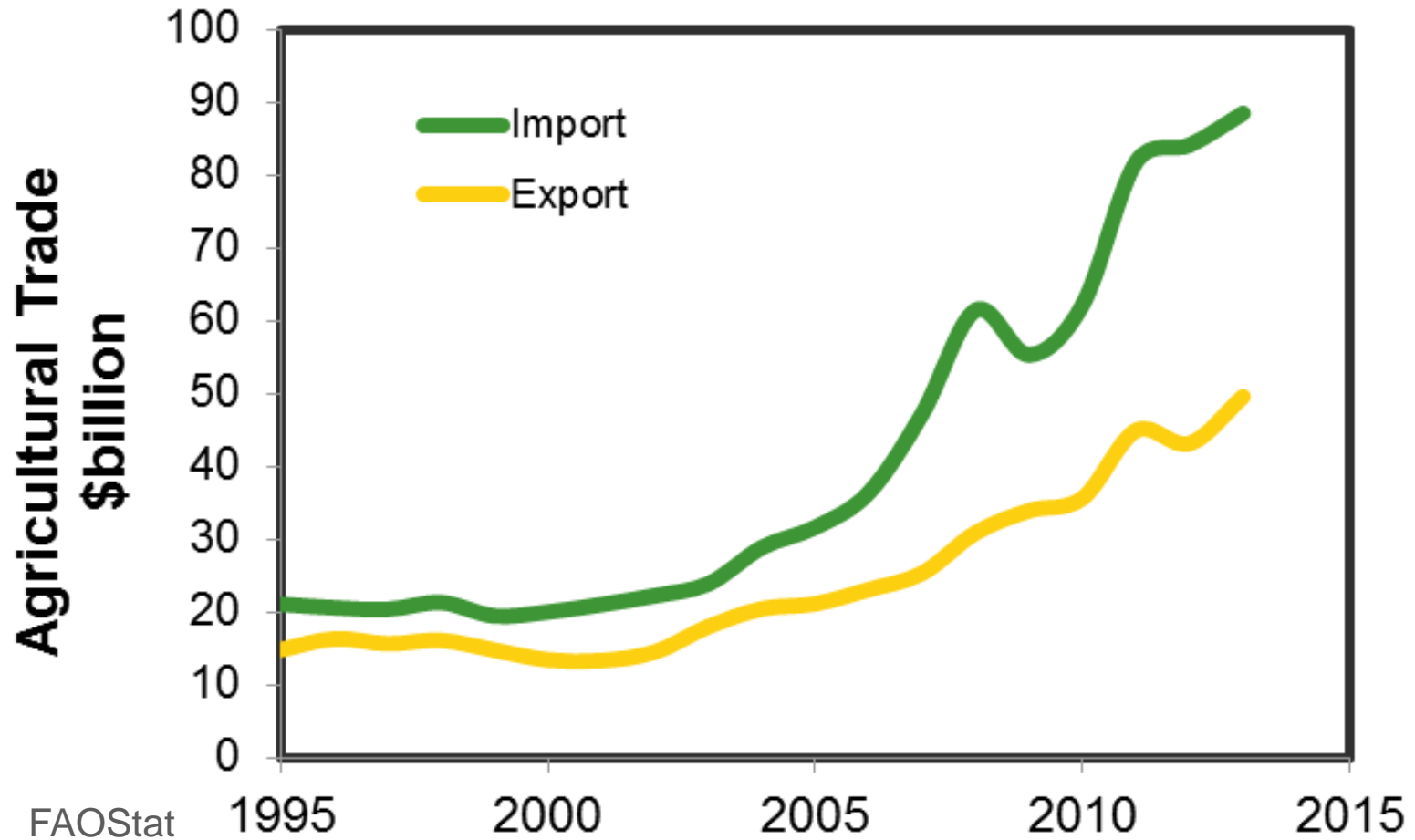
Intra-Regional Trade

- Intra regional trade in Africa could reduce food insecurity, but still low
 - High transport costs
 - Non-tariff barriers
 - Some protectionism
- AD could provide
 - Wider opportunities for intraregional trade, if other constraints can be removed
 - Opportunities for import substitution (from outside the region)



Barka, 2012

Africa's Agricultural Trade

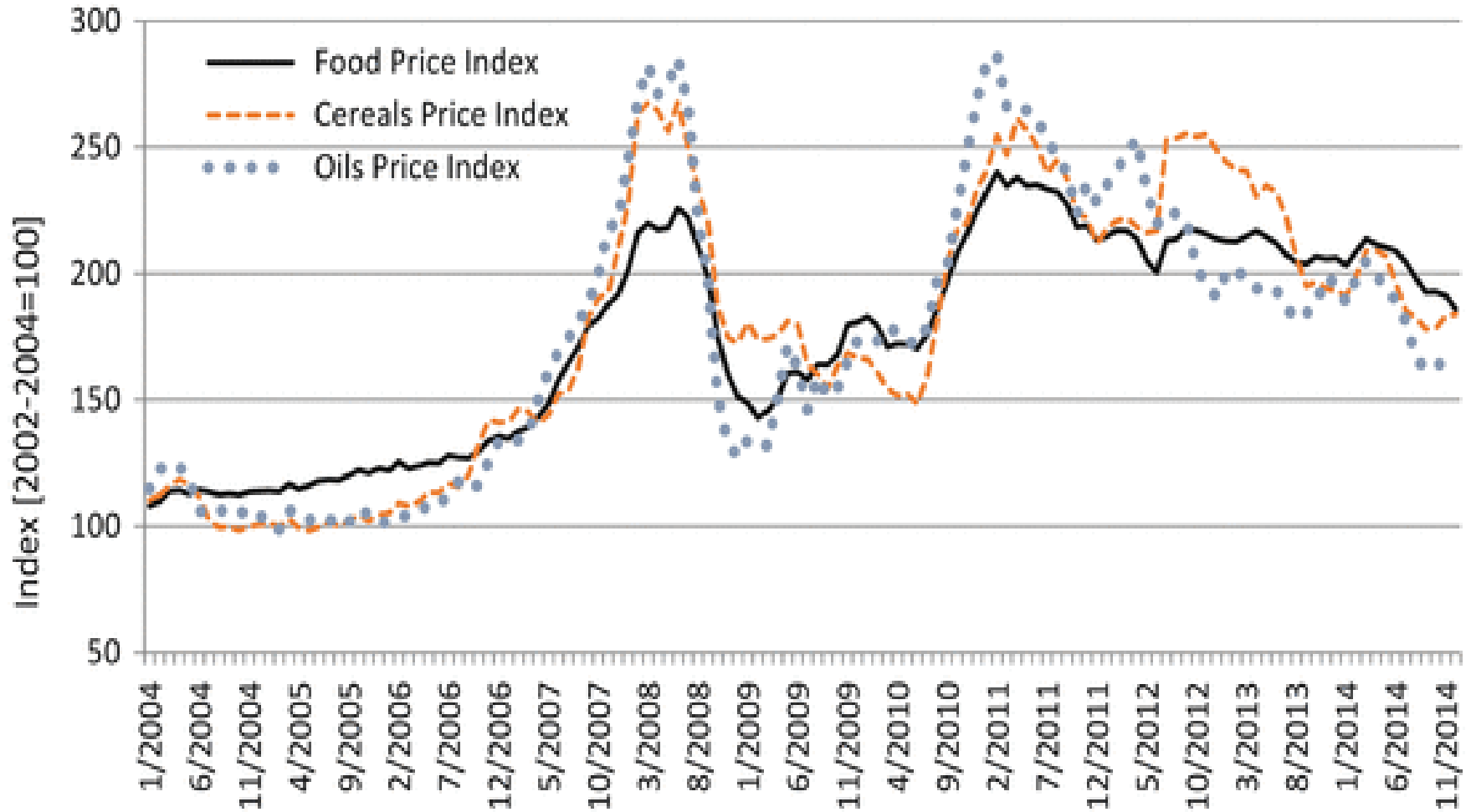




SDG2 Target 2c

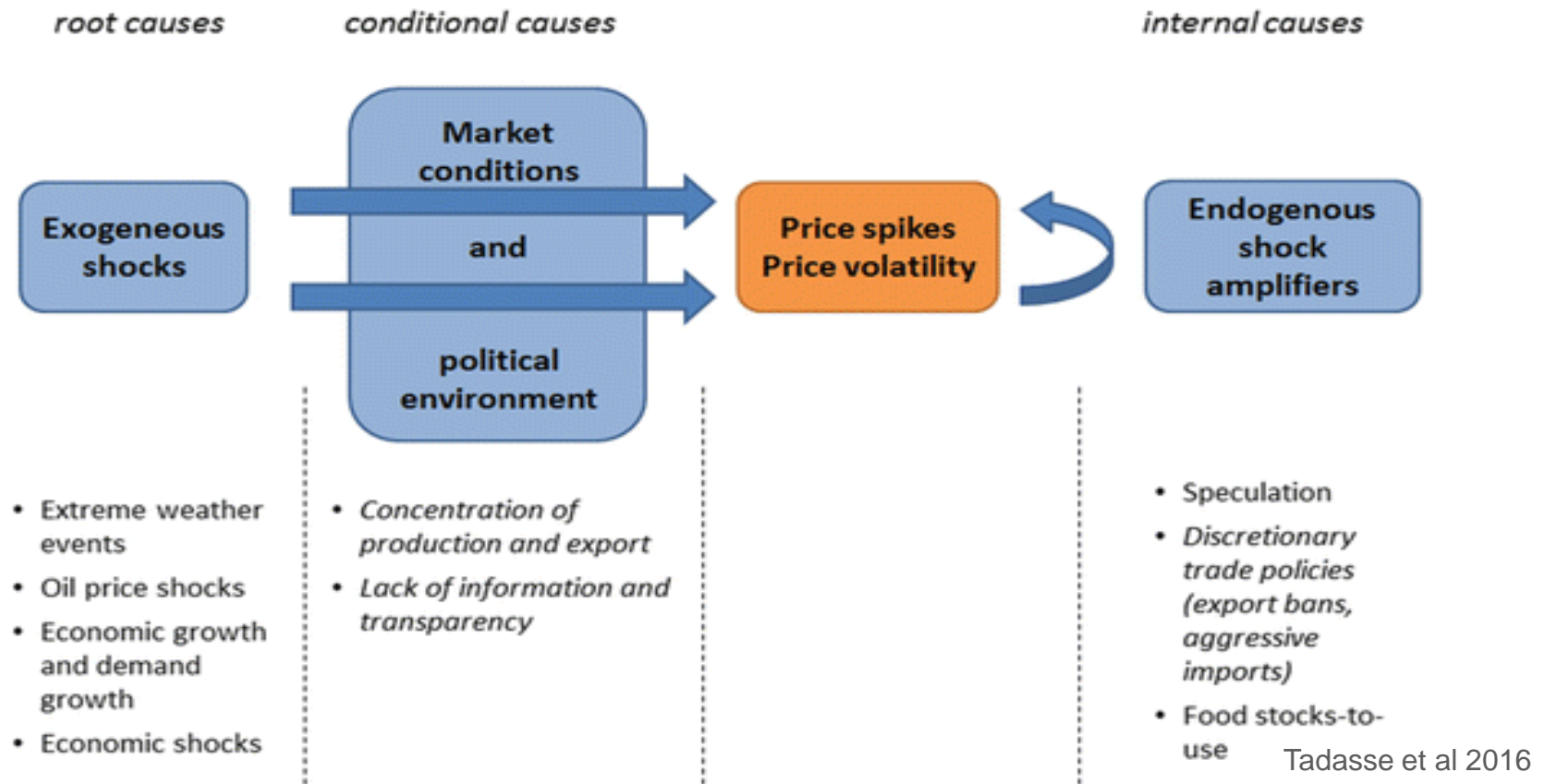
- Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility

Food price volatility : affects poor the most



Tadasse et al 2016, FAO data

Food price volatility : various causes



- For wheat, maize, soya, exogenous shocks important, and links between food, energy and financial markets. Speculation also important.



Food price volatility

- AD might reduce impacts of price volatility on poor (if diets are diversified) – scale issues
- Interaction of AD with food prices could be complex
 - eg biofuels could be seen as AD, but biofuel policies can aggravate volatility
- Africa – endogenous amplifiers important
- Reducing discretionary state interventions; move to rule based interventions - predictability
- Local commodity exchanges not very successful
- Information systems
 - Production, price
 - Global AMIS (G20): wheat, maize, soya, rice



Summary

- Targets 2a, 2b, 2c are more about means to achieve the other targets
- So agricultural diversification doesn't "contribute" to achieving them; but activities in pursuit of the targets interact with issues of AD in multiple ways
- Possible opportunities and benefits of AD in these areas
- Also challenges and potential risks of AD
- ICSU, ISSC (2015): Review of Target for the Sustainable Development Goals suggested merging 2a and 2b. Also pointed out that monitoring market function and information systems is difficult
- SDG17 has more on investment, trade, technology



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