



Financing the agroecological transition in the ECOWAS region



Financing remains a crucial lever for transforming agricultural systems and structuring agri-food value chains. Member States and ECOWAS can encourage sustainable agricultural policies and food systems by turning financing and tax instruments into incentives to facilitate the agroecological transition.

The agroecological emergency

Rapidly and significantly increasing agricultural production on the basis of sustainable and competitive production systems remains the primary challenge facing regional agriculture. However, intensification systems based on heavy chemicals inputs are facing major limitations, and even clear impasses, throughout the world. These include the impact on soil fertility, the pollution of water resources, the rapid degradation of biodiversity, threatening ecosystem balance and natural regulation mechanisms, growing resistance to pesticides, and the impact on the health of workers and consumers. Agroecology, far from being an outdated approach, is on the contrary the main way forward for tackling short- and medium-term challenges, without compromising the future of generations to come. Agro-ecology is proving to be a key lever for strengthening the region's food and economic sovereignty, and of adapting farming and livestock systems to climate change.

An ECOWAS-wide community framework

ECOWAS is preparing to adjust its regional agricultural policy to better meet the challenges of the next ten years (ECOWAP@2035). It now has a framework for dialogue and action that will enable governments and all socio-professional stakeholders to scale up the agroecological transition. Initiated in recent years, this transition has the potential to address the challenge of economic and productive performance, protection of natural resources, food safety and protection of the health of producers and consumers. ECOWAS can take action in four areas in particular.

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Integrating the agroecological transition and its financing into ECOWAP to 2035

The adjustment of ECOWAP, designed to set a new agenda for 2035, is therefore a historic opportunity for national and regional public decision-makers. Fully integrating agroecology into agricultural policies means taking it into account at multiple levels: research, training, advisory support, monitoring of diseases, pests and predators, production and distribution of efficient agroecological inputs, development of value chains, food safety and, of course, funding. The crux of the matter, the question of funding, is a central issue both at the level of farms and of all related support services. We are therefore talking about the involvement of banking institutions in financing the ecological transition of family farms and players in value chains, the financing mechanisms for public or public-private services actors these actors, and public incentives to guide investment and finance the costs of the transition. Another major challenge is how to channel international funds towards financing the ecological transition and mitigating and adapting to climate change.

Disseminate and make use of technical and economic references and data to secure financial approaches

In order to direct funding on a large scale, and in particular local funding, towards economic activities that contribute to the agroecological transition, it is essential to establish a precise classification of these activities, and to put in place a relevant monitoring/evaluation framework. The latter must also cover economic performance and profitability,

as indicators of the ability to repay and sustain investments. At the same time, there is a need for “standards” and milestones characterizing the gradual transition to agroecology-based systems, across the full diversity of agro-climatic systems in West Africa.

Establishing such a set of criteria for identifying agroecological projects, adapted to the context of ECOWAS member countries, is a key element for guiding large-scale funding.

An expert consultation framework involving the different types of stakeholders concerned by such a taxonomy should be set up and run at regional level. The establishment of a criteria grid and an associated reporting system are prerequisites for reassuring financial institutions. This will also make it possible to measure the volumes of funding for activities defined as “sustainable”, and the funding requirements for scaling up transition incentive systems.

ECOWAS could then play a role in training and raising awareness among central banks and banking institutions in member countries to facilitate the design and implementation of climate-smart finance strategies.

Developing incentive-based regional regulations

The full integration of agroecology and agroecological transition into the new ECOWAP cycle is essential to lay the foundations for a regulatory architecture conducive to its development.

On this basis, ECOWAS could propose and negotiate with the Member States and stakeholders concerned (banking institutions, climate insurance systems, producer organizations, etc.) a regional directive on dedicating a share of national agricultural budgets to agroecological transition



measures, and also provide guidelines for mobilizing private funding for sustainable agriculture. It would provide a framework for the convergence of national approaches to financing agroecology. Finally, regional regulations should cover areas such as the certification of agroecological inputs, to ensure reliability for producers and consumers, and facilitate the emergence of a regional market.

Accelerating the operationalization of the “Adaptation to climate change” window of the Regional Fund for Agriculture and Food (RFAF)

The operationalization of the climate adaptation window (WAICSA) set up under the RFAF and managed by the ECOWAS Bank for Investment and Development (EBID) is a priority to facilitate private sector access to financial tools tailored to the needs of the agroecological transition. The RFAF/WAICSA should (i) focus on making long-term resources available to financial institutions in the field, which are often excluded from international investments circuits, in particular through an appropriate risk coverage mechanism, (ii) diversify towards financial tools that are suitable for financing innovation in the private sector (repayable or non-repayable grants, long-term equity capital) or for incentivizing transition (Sustainability Linked Loans with agro-ecological objectives), (iii) focus on technical assistance, in support of both demand and supply.

This requires a renewed effort to mobilize heavily subsidized resources, with the ambition of offering targeted but catalytic action.

Guidelines submitted to the Member States

The commitment of ECOWAS member states to the agroecological transition is of crucial importance in improving its financing. Four major orientations should structure the political choices of the States.

Integrate agroecology into public policies and adopt incentive measures

It is essential to establish a clear framework for agroecological transition at national level, as closely aligned as possible with that of ECOWAS. This framework must integrate the modalities of this transition into sectoral and cross-cutting public policies (agriculture/livestock, environment, taxation, trade, etc.).

Allocating a dedicated share of national budgets to agroecological transitions and the sustainable intensification of agricultural production methods would be a strong signal for the operationalization of the action plans underpinning these national policies. These dedicated budget lines could be allocated in the form of partial subsidies for equipment

and inputs, subsidies for small-scale collective actions (such as territorial development, local experimentation of techniques, setting up small storage or processing units or agroecological input production units), payments for ecosystem services, subsidies for agricultural insurance premiums, etc. These subsidies should aim to ensure that all farmers are able to benefit from them. They should serve to provide incentives for agroecological transitions, in particular by making up for temporary income shortfalls and reducing the associated risks. These public interventions are justified in the light of the global challenges facing societies, and in the light of the management of local, national, regional and global public goods. There is no question of subsidizing unprofitable industries in the long term.

The introduction of taxes on polluting equipment, greenhouse gas-emitting activities or carbon taxes at borders could, for example, help to finance these measures. Adding value to emission reductions in the context of Nationally Determined Contributions (NDCs) through bilateral agreements for Internationally Transferred Mitigation Outcomes (ITMOs) under Article 6 of the Paris Agreement could also be a sustainable source of funding to be mobilized. Identifying the right partners on the ground to distribute funding and setting up a system for monitoring funding and actions/impacts on the ground are necessary conditions for effectively managing agroecological transitions.

Pursue efforts for a gradual agroecological transition of value chains and promote market access for agroecological products

Integrating upstream and downstream value chains into the agroecological transition is an essential lever for promoting sustainable intensification of agricultural production.

In the short and medium term, it is essential to create an incentive environment where the growing demand for local, sustainable and healthy products stimulates their production and availability on the market, while ensuring fair compensation for producers. Thus, finding commercial outlets for agroecological products offering better returns than conventional products is a decisive issue in accelerating the widespread adoption sustainable practices. In the short term, the transition entails additional costs that need to be covered by increasing the value of the products marketed. In the long term, however, the objective remains the competitiveness of agroecological products and the possibility for consumers to access them.

Three main demand levers can be activated in the short term by the Member States: (i) Stimulating the demand for agroecological products by guaranteeing outlets for local producers, in particular by facilitating their access to institutional markets (school canteens, hospitals, public establishments, strategic reserves, etc.), (ii) encouraging the establishment of SMEs acting on the upstream segment of production (biopesticides, biofertilizers, adapted seeds, etc.) and on the downstream segment (processing, marketing in short circuits, etc.) and the perpetuation of their activities via the introduction of subsidies, support

for business establishment, tax exemptions, etc., and (iii) promoting the development of agroecological products.) and on the downstream segment (processing, marketing in short circuits, etc.) and the perpetuation of their activities via the introduction of subsidies, facilities for setting up, tax exemptions, etc. and (iii) offering better visibility for agroecological products and the inputs necessary for their production, in particular via the definition and introduction of standards and certification. At the same time, the countries must carry out longer-term work to raise consumer awareness, particularly with a view to capturing emerging markets at national level for high-quality products. All efforts must also aim to facilitate access to markets for agroecological producers, by reducing trade barriers, encouraging short distribution systems and promoting fair marketing channels.

Transform public financial mechanisms to make financing agroecology their priority and enable them to bring the private financial sector on board in the transition

The agroecological transition involves the gradual conversion of existing production systems to agroecology. The same logic can be applied to the agricultural finance sector, whose development must be supported by the public sector through the deployment of incentive instruments designed to make up for market failures: development of guarantee offers, long and concessional credit lines for microfinance, interest rate subsidies, etc. Several ECOWAS countries already have financial mechanisms to distribute incentive

financing for the agricultural sector (national funds, public development banks). It is particularly important to focus these mechanisms proactively on the agroecological transition. These funds can also act as a useful intermediary for raising awareness of the agri-environmental transition among financial institutions and helping rural finance players to develop their capacity to design and manage financial tools aligned with agroecology, so that they are able to develop and monitor financial products specifically for the agri-environmental transition.

Coordinating cross-sector dialogue to ensure that financial and non-financial support is properly coordinated on the ground

Governments have every legitimacy to ensure the coordination of capacity-building strategies for producers and their organizations (POs) with the provision of appropriate resources by financial institutions. Indeed, a combination of awareness-raising/training and access to credit through microfinance institutions, for example, is essential to encourage the emergence of agroecological projects with a manageable level of risk that makes them bankable by private financial institutions. Governments must be able to facilitate the networking of agricultural training players (producers' organizations, extension services, NGOs, etc.) and financial institutions, at both national and more local levels, to encourage the emergence of such partnerships. Within these arenas, identifying the capacity-building needs of each type of stakeholder should help to remove barriers to funding.

To find out more

ECOWAS Commission, Regional Agency for Agriculture and Food, Study on the financing mechanisms for the agroecological transition in the ECOWAS region. Summary report, 2023.
<https://www.araa.org/sites/default/files/2024-12/202312%20-%20Etude%20Meca%20Fin%20-%20Rapport%20Synth%C3%A8se.pdf>

ECOWAS Commission, Regional Agency for Agriculture and Food, Study on the financing mechanisms for the agroecological transition in the ECOWAS region. Inventory report, 2023.
<https://www.araa.org/sites/default/files/2024-12/202302%20-%20Etude%20Meca%20Fin%20-%20Rapport%20inventaire.pdf>

(Documents available in French only)

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