



4.15 Change relationships of power in ways that ensure a fair share of resources through the MAC Protocol (Mining, Agriculture, and Construction) Protocol

1. What, in brief, is the solution?

The MAC Protocol (Mining, Agriculture, and Construction) to the 2001 Cape Town Convention improves access to and costs of finance for companies/family farms/collectives to purchase/lease modern MAC equipment in countries that adopt the Protocol. Collective advocacy for accelerated adoption by national governments would accelerate large-scale economic benefits (an estimated \$30 billion in GDP gains per year), mostly in developing countries where access to affordable capital is constrained (an estimated \$23 billion in GDP gains per year), per a 2018 economic assessment: <https://www.unidroit.org/english/documents/2018/study72k/1808-final-mac-protocol-ea.pdf>.

2. What was/were the source(s) from which this solution emerged?

Member of AT4 Working Group, Multi-dimensional Welfare and Access, representing UN member state (United States). The Cape Town Convention is overseen by UNIDROIT (International Institute for the Unification of Private Law), an independent, intergovernmental organization based in Rome.

3. What problem is it trying to address within food systems?

Inequality and power imbalances – at household, community, national and global levels – are consistently constraining the ability of food systems to deliver poverty reduction and sustainable, equitable livelihoods.

4. Why is addressing that problem important for achieving the goal of your working group?

Address the legal, institutional and market constraints to the realization of equity within food systems, such as ensuring that the laws, norms and regulatory mechanisms coupled with the capacity of institutions and communities to implement them are adequate. Ensuring that international convention and treaty obligations related to equity and rights are enshrined in national legal frameworks and that mechanisms for application of the law or dispute settlement are functioning, accountable and accessible to marginalized groups.

5. How can this solution address that problem (theory of change)?

The Protocol will apply to MAC equipment accounting for approximately \$100 billion a year of international trade. The MAC sectors tend to operate with less capital equipment in countries with poorer access to credit. This constrains productivity, profits and economic growth. The MAC Protocol will improve access to finance and reduce credit risk by removing some of the key uncertainties around asset recovery in the event of default or insolvency, as well as providing clear priority rules. It should enable more buyers to access credit and/or to borrow on better terms, whether that means lower interest rates, longer loan duration or higher loan-to-value ratios. (MAC Protocol Economic Assessment: <https://www.unidroit.org/english/documents/2018/study72k/1808-final-mac-protocol-ea.pdf>). Theory of Change depicted on page 9: <https://www.unidroit.org/english/documents/2018/study72k/1808-final-mac-protocol-ea.pdf>):

Immediate Actions: Ten additional states should sign on and ratify the agreement in each of the next five years. As of January 20, 2021, five states have signed the MAC Protocol (Nigeria, Gambia, Paraguay, Congo



(Republic of), and the United States); none have ratified it. The MAC Protocol will come into force once five states have ratified it. As a comparator, 82 states and the European Union have adopted the 2001 Cape Town Convention on International Interests in Mobile Equipment (<https://www.unidroit.org/status-2001capetown>), which forms the legal basis of the MAC Protocol. 79 states and the EU have already adopted the Aircraft Protocol to the Cape Town Convention (<https://www.unidroit.org/status-2001capetown-aircraft>).

Near-term Inputs: The most immediate and direct effects of the policy change will be in the credit market for MAC equipment. In countries that undertake to reform their secured transactions laws and where equipment needs

currently exceed availability due to financial constraints, the anticipated effects of the policy change are (Economic Assessment, page 41):

- an increase in the overall volume of credit available;
- a reduction in the cost of secured debt relative to unsecured debt and in absolute terms; and
- a switch from unsecured credit to lower cost secured credit.

Mid-term Outcomes: An increase in both the stock and quality of equipment in countries that have implemented the MAC Protocol should help to boost productivity and output in their MAC sectors as well as creating new business and employment opportunities both directly and indirectly in domestic supply chains (Economic Assessment, page 41). Financial institutions may gain confidence to lend to underserved populations and agricultural enterprises, including family farmers and cooperatives, that seek increased efficiencies by integrating modern agriculture equipment valued at \$20,000 or more. Increased data generated by modern MAC equipment can help farmers plant, harvest, market, and sell their products, while operation and maintenance of modern MAC equipment can generate new “off-the-farm” employment in rural areas (see Scientific Group paper pages 6-7).

Risks: If deployed towards unsustainable ends, more efficient equipment for use in the mining, agricultural, and construction sectors could accelerate depletion of natural resources. This could be exacerbated through a possible crowding out of available loans to other sectors and non-registrants.

6. Why does this solution align to the definition and criteria for a ‘game changing solution’ developed by the Summit?

Access to credit is a key constraint to agriculture-led economic development. Access to credit will be more crucial than ever as the world strives to “build back better” from COVID-19. Widespread adoption of the MAC Protocol, according to the 2018 Economic Assessment, would generate \$30 billion or more in annual development gains. The 2006 Aircraft Protocol to the Cape Town Convention, although covering a smaller and far less diversified class of moveable assets, generates far more per year. In addition, much MAC equipment can be used across MAC sectors, contributing to improved sustainability through data-driven operations in the agricultural, construction, and mining sectors. This scalable solution therefore offers ample benefits against the non-financial costs (the bureaucratic and legal work required to accede to an international commercial treaty) to UN member states. The MAC Protocol improves access to the best available agriculture equipment; it does not impose new obligations on food systems actors that do not wish to acquire new MAC equipment. Promotion of the MAC Protocol can be combined with other Summit outcomes targeting women or youth, family farms or cooperatives, or other populations and/or enterprises, to ensure that gains are equitably distributed.

