The West Africa Monitor is produced by the country economists of the African Development Bank Group’s (AfDB) West Africa Regional Department (ORWA) and Nigeria Department (ORNG). The current issue has been produced in close collaboration with the United Nations Industrial Development Organisation (UNIDO), the Bank’s Agriculture Department (OSAN) and Statistics Department (ESTA).

Part of the Bank’s Knowledge Management Strategy for West Africa, it aims at monitoring key socio-economic developments in the region and provides brief analysis on latest events across the countries. The report is deliberately crafted to be succinct and in non-technical language for wider circulation. Each issue includes special thematic coverage. The current issue has a focus on the agribusiness sector and is composed of (i) a Regional Overview highlighting major political, economic and social development trends; (ii) a set of country updates featuring the latest macroeconomic development and the latest development of the agribusiness sector (iii) a thematic section on the state of agribusiness in the region.

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Political Developments

Political stabilization in the greater Sahel region remains a major challenge. In Mali, the UN Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) has come under a series of attacks in recent months. In July, four Chadian peacekeepers were killed, others wounded. This attack came days after an agreement reiterating commitment to the peace process was signed in Algiers by the armed groups party to the Ouagadougou Preliminary Agreement. On September 2nd another attack also killed four Chadian peacekeepers and wounded others; on October 3, an ambush claimed the lives of 9 Nigerian peacekeepers, and on 7 October a Senegalese peacekeeper also lost his life in an attack on the MINUSMA compound.

In Nigeria, the insurgency in the northeast of the country by the militant group Boko Haram has intensified, further to the notable incidents including the abduction of over 200 school girls in April 2014, and extending to Cameroon. The Nigerian government has thus undertaken consultations with neighbouring countries, including Chad and Cameroon. Concerted efforts are being made by the Federal government to find both a military solution combined with a long term developmental approach as to address the root causes of the social instability, which include poverty and high levels of unemployment. The government has also put in place a “Safe School Initiative”, supported by development partners, to help protect schools across the country with an immediate focus in the north east region of the country.

The region’s political landscape continues to be marked by a number of pre-election moves, such as in Burkina Faso where constitutional debate over the possibility of Blaise Compaore, the incumbent president, to stand for another election has turned into massive demonstration, leading to the abrupt resignation of Mr Campaore, the dissolution of its government, and the appointment of Michael Kafando as civilian transition President.

In Cote d’Ivoire, President Alassane Ouattara scored a notable victory, securing the support of PDCI, the main coalition partner, for his candidacy; nevertheless, the withdrawal of main opposition party FPI from the electoral commission because of disagreements over the commission’s leadership have dealt a blow to his efforts. In Nigeria, outgoing president Goodluck Jonathan seems set to run for reelection, as his party is seeking to build his support base across the country’s states. Nevertheless, this reelection bid has been controversial within his Peoples Democratic Party, with several governors from the northern states switching to the main opposition party.

In Ebola-affected countries, weak political systems are facing increased pressure in the midst of an epidemic that highlights institutional fragility. In Liberia, the President’s declaration of a State of Emergency has faced some questions on the extent of those powers. A teenager was fatally shot by a soldier during a protest following the quarantine of a community in Monrovia, which led to an investigation on the use of force. Mid-term elections scheduled for October have been postponed to December due to the Ebola epidemic.

Economic Developments

Overall growth in the region continues to be strong, but is expected to be lower than earlier forecast. Growth had remained strong in in the first half of the year, but it is unlikely to meet the earlier projections of 7.2% of GDP for 2014. While Nigeria and Cote d’Ivoire are likely to drive the region growth, a drop in oil prices would likely affect Nigeria. Conversely, a rally of cocoa prices is beneficial for Cote d’Ivoire’s outlook.

Growth is slowing down in Ghana, due to deteriorated macroeconomic conditions as well as the commodity prices decrease. Inflation soared to 15.9% in August 2014, driven primarily by non-food inflation; the cedi fell by over 40% from the beginning of 2014 until July. The issuing of a $1 billion Eurobond, compounded with prospects of an IMF program with an assistance package expected as early as January has reduced short-term risk, yet markets remain prudent, as pressures could re-emerge if the IMF program is delayed.

The Ebola outbreak is having a major impact on the countries most affected by disease, leading to an estimated slowdown of the Sierra Leone and Liberia’s growth by over by 3% and of Guinea by over 1%, de facto putting a break to the countries remarkable growth. And while those three countries collectively represent a mere 2% of the regional economy, the effect of Ebola are being felt beyond their borders, by leading to a more pronounces risk aversion by travelers and, to a lesser extent, investors. Countries such as Senegal, the
Gambia, and Cabo Verde, for which tourism represents an important segment of the national income, are already affected with the Gambia, for instance, already reportedly suffering a 60% drop in the number of visitors this year.

Agriculture remains a key driver of growth, accounting for a third of West Africa’s GDP and nearly 60% of its employment. The region has benefited from the rise in commodity prices, most notably a rise in cocoa prices which have increased by more than 22% YTD. Nevertheless, the Ebola crisis is likely to have damaged the agricultural season in the most affected countries, as concerns over contagion have been preventing farmers from planting and harvesting, missing the agricultural schedule and potentially impacting the next agricultural season as well. The good weather conditions and the strong rain have given some optimism about this season, but not without concerns for possible outbreaks of fungal black pod disease.

West Africa has been at the forefront of the rise of Africa’s access to the international sovereign bonds; in the past few months, bonds have been issued by the governments of Cote d’Ivoire ($750 million) and Senegal ($500 million) in July, and Ghana ($1.0 billion) in September. Many of the issuances were highly oversubscribed, signaling strong confidence, yet with notable differences in bond yields, marking diverse level of investor confidence vis-a-vis the respective countries, with Cote d’Ivoire and Ghana at opposite ends of the spectrum. While the former continues its high growth trajectory on the back of macroeconomic stability, the latter is experiencing a slowdown in growth and continuous macroeconomic imbalances.

Table International bond issuance in West Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Cote d’Ivoire</th>
<th>Nigeria</th>
<th>Ghana</th>
<th>Nigeria</th>
<th>Ghana</th>
<th>Cote d’Ivoire</th>
<th>Senegal</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>$2.3 billion</td>
<td>$500 million</td>
<td>$750 million</td>
<td>$500 million</td>
<td>$500 million</td>
<td>$1 billion</td>
<td>$750 million</td>
<td>$500 million</td>
</tr>
<tr>
<td>Maturity</td>
<td>22 years</td>
<td>10 years</td>
<td>10 years</td>
<td>5 years</td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Coupon rate</td>
<td>2.5%</td>
<td>6.75%</td>
<td>8.5%</td>
<td>5.375%</td>
<td>6.625%</td>
<td>7.875%</td>
<td>5.625%</td>
<td>6.25%</td>
</tr>
</tbody>
</table>

The region as a whole continues to attract new interest, and not least in its financial sector. This is evidenced by the announcement by South Africa’s Standard Bank in late August 2013 of its expansion plans in West Africa, particularly in the francophone countries of the region, taking advantage of the growth in the mining and energy sectors and encouraged by the stability of the single currency. This follows the bank’s successful foray into Cote d’Ivoire in November 2013. In July, Barclay’s Bank had publicized its intentions to expand its limited corporate banking business in Nigeria into a fully-fledged business by 2016. And earlier this year, Senegal issued Sub-Saharan Africa’s largest Sukuk (Islamic finance-compliant bonds), at 100 billion CFA (US$208 million). The Sukuk will be earmarked for investment in infrastructure, focusing on improving water and power distribution. The region is therefore experiencing a notable increase of both traditional and non-traditional source of financing.

**Social developments**

The spread of Ebola (EVD) has worsened significantly in the past quarter, as the disease has spread at an accelerating rate. As of October 29th, there had been 13703 cases including 4920 deaths, with most cases still centered in three countries – Guinea, with 1906 cases and 997 deaths; Sierra Leone, 5235 cases and 1500 deaths; and Liberia, which in the past months has overtaken Sierra Leone as the leader in this sordid race, 6535 cases including 2413 deaths.

This acceleration in contagion (see figure below) reflects the vulnerability of the three countries, mostly due to a weak health-care system, inadequate medical infrastructure, and limited trained health care personnel to effectively manage the outbreak and slow the vicious chain of EVD transmission. The rapid spread of EVD and efforts to treat affected cases has overwhelmed response measures, requiring a massive intervention by the development community. Sierra Leone’s president issued an urgent appeal, requesting at least 5000 health workers, 200 ambulances, and 200 burial vehicles. Furthermore, the containment of potentially infected individuals is significantly more difficult due to a number of reasons, chief among them the importance of families caring for their ill, which exposes further people to the virus, and the difficulty of and lack of resources to identify people who would have potentially come in contact with every patient.
The global response has been slow, but has recently picked up as the humanitarian crisis and the risk of not containing it has gained attention worldwide. To cite some of the key donors, the African Development Bank has already disbursed $63 million, with a commitment of an additional $150 million. The World Bank pledged a $400 million financial package; the IMF has disbursed $130 million in emergency financial assistance; and the EU is to give €140 million. Bilateral donors are also being increasingly active, such as the US, committing $350 million and deploying 4000 troops, the UK pledging a £125 million and 750 troops and some military equipment. France has pledged up to €70 million, half of which to be disbursed bilaterally and the other half given to multilateral institutions. Norway has pledged $28 million, and Sweden has sent $19.4 million to the three affected countries. Cuba also sent 165 health professionals. Furthermore, a number of non-governmental organizations are pledging major contributions, with the Gates Foundation offering $50 million to UN agencies and the WHO. Oxfam is tripling its budget for three countries to $35 million.

The larger share of the socio-economic impact of Ebola is so far largely limited to the three most affected countries, whose economies are experiencing the worst slowdown and are suffering sporadic breakdowns in service delivery, compounded by the roadblocks and checkpoints instituted by the States to contain the spread of the disease. This has put a large strain on the government finances of the three countries and the agricultural sector, leading to hike of food prices and food insecurity.

The Ebola crisis is quickly revealing how rapidly progress can be undermined, particularly when such progress is not anchored by inclusive development and built on a solid social compact between governments and their citizens.

The attention given to the disease may overshadow and undermine efforts to fight more widespread diseases. The region is still suffering badly from malaria, tuberculosis and HIV/AIDS. According to World Health Organisation, 11 out of 20 countries with the highest incidence of malaria in the world are located in West Africa, with Sierra Leone having the highest mortality rate in the world for both Malaria and Tuberculosis. In the three countries people have been reportedly avoiding seeking medical attentions because of scare of Ebola contamination, leading to often unreported higher incidence for these and other commonly treated diseases. Other diseases may fail to get the necessary attention by donors and media at large. A cholera outbreak in Ghana first reported in July 2014, which killed over 150 people, was nearly unnoticed by most international media. As the Ebola fight intensifies, it would be important not to lose sight of the other health emergencies in the region.
Focus on...

- Benin
- Burkina Faso
- Côte d’Ivoire
- Ghana
- Guinea-Bissau
- Liberia
- Mali
- Nigeria
- Senegal
- Togo
Overview

Economic growth is expected to be 5.7%, despite disruptions noted during the first half of the year which included strikes across different sectors of the economy, as well as delays in the launch of the 2014-2015 cotton season. This growth is driven by the agricultural sector and the port sector, as well as the operationalization of a new cement plant.

However, economic growth remains insufficient to significantly reduce poverty, having to catch up with a population growth rate of 3.5%. According to the 2014 edition of the UNDP Human Development Report, Benin was ranked at 165th out of 187 countries, despite of efforts to improve access to education and health services. Agriculture, which employs about 50% of the workforce suffers from low productivity, with production constrained by the limits of area planted, and is insufficiently attractive to the private sector (see chart).

Focus on Agribusiness

Agribusiness is still underdeveloped in Benin despite the country’s important potential. It is largely concentrated on cotton ginning (representing 30% of the agricultural GDP), and the crushing of cottonseed. Most formerly state-owned food industries, disabled by multiple problems, either had to be liquidated or privatized or soon will. Processing suffers from obsolete equipment and processes. The private sector is also weak, composed primarily (90%) of individual and informal companies.

To overcome these deficiencies and promote agribusiness, the government has, since 2012, undertaken a strategic plan aiming to revitalize the agricultural sector, through developing 13 agricultural clusters including corn, rice, pineapple and cashew. In this framework, the government launched the construction of new plants for agricultural products processing. In addition, the Songhai Centre has been active for more than 20 years in the training and development of agricultural and agribusiness entrepreneurship.

Through the Support Project for agricultural infrastructure in the Oumé valley (PAIA-VO), the Bank will help develop infrastructure to unlock new regions for manufacturing and selling. PAIA-VO will provide support in acquiring modern processing equipment (mills, tomato processing, produce drying, etc.). The project will promote the establishment and development of processing units. It will strengthen the capacity of agricultural training centers, with the aim of training and establishing 2,500 young entrepreneurs, as well as developing agriculture-related businesses (such as equipment maintenance, input distribution, agricultural work mechanization, etc.).
Overview

Driven by agriculture and mining, real GDP growth is expected to increase from 6.6% in 2013 to 7% in 2014. The inflation rate for 2014 is expected to remain low, below the community limit of 3%. As of late June 2014, the 12 months index was 0.8% below the previous period, reflecting a downward trend. However, public finances could suffer from the fall in international gold prices. The level of tax collection in the first seven months of 2014 showed a decrease of nearly 20 billion CFA, 3% below the same period’s revenue in 2013. The main economic risks facing the economy are potential shocks due to a sharp drop in the prices of gold and cotton on the international market, and a surge in oil prices.

Focus on Agribusiness

Agribusiness accounts for only 4% of GDP, and is dominated by small-scale processing, which represents more than 72%. Agribusiness products (sugar, flour, beer, etc.) are mainly sold on the domestic market. Yet the country has many other potential products, including sesame, shea, mango, meat and milk which could be developed by expanding the transformation stream.

The Burkinabe food industry operates in a highly demanding environment. With the weak national competitiveness, some products such as sugar and oil suffer directly from the effects of international competition. In particular, the sector suffers from the lack of regular supplies of raw material. Furthermore, there are also considerable logistical constraints caused by weak infrastructure development and technological implementation as well as unskilled labor.

To overcome those difficulties, Burkina Faso has undertaken a new policy to develop centers of growth and competitiveness, as part of the Accelerated Growth and Sustainable Development strategy (SCADD). Two agro-industrial clusters are underway, including the Bagré cluster with a projected investment of 160 billion FCFA, and Samadeni/Sourou cluster. Both hope to attract private investment in agribusiness, as well as support the development of research and technological innovation.
The economic recovery remains strong for 2014, thanks to domestic demand and an improved fiscal position.

To take advantage of its agribusiness potential, the country must increase access to rural land and encourage SMEs to engage in production support functions.

Overview

The political and security situation which has remained stable throughout 2014 confirms the country’s return to a national reconciliation process. The return of peace was confirmed with the end of the electoral cycle and the consolidation of the country’s security capabilities.

Economic recovery remains steady for a third consecutive year, buoyed by strong domestic and foreign demand. The fiscal situation is experiencing a marked improvement, both in terms of revenue mobilization and expenses control. The 2014 deficit will be fully funded through instruments appropriate to the country’s medium term debt strategy, which entails the diversification of the investor base and lengthening debt terms. With regards to monetary policy, inflation should remain below the WAEMU community standard of 3%.

Focus on Agribusiness

Agribusiness is a key sector for Côte d’Ivoire, which produces numerous agro-industrial products (palm oil, cashew nuts, pineapple, banana ...) with strong regional and global demand. The country is a major global supplier of cocoa, and produces 40% of the world’s coffee production (300,000 tonnes per year) and rubber (256,000 tons in 2012). These products are mostly exported in raw form or after initial processing into intermediate products. Ivory Coast is also the largest palm oil exporter of Africa. Most of the refinery and industrial transformation process of palm oil occurs in the country.

Côte d’Ivoire enjoys a great food industry capacity, particularly in the processing and packaging of tropical fruits and cashew, of which Côte d’Ivoire produces and exports 450,000 tons per year, making it the African leader. To fully take advantage of this potential, structural hurdles need to be addressed: (i) limited access to rural land, which is a major obstacle to increased production, and (ii) the ability of SMEs to fulfill support tasks to producers (packaging, marketing, management of distribution channels), or to expand into new processing and export markets.

Along with the creation of a guarantee fund for access to finance and the establishment of an agency for SME development, Côte d’Ivoire must make export activities and subcontracting more attractive, by simplifying procedures and offering incentives to SMEs. Finally, better localization, with a carefully designed geographical proximity between agricultural industries and the services they need, would also be an important attractiveness factor.
• Ghana’s macroeconomic conditions continue to deteriorate as inflation soared to 15.9% in August 2014, coupled with continued depreciation of the domestic currency, the Cedi
• In an effort to complement government budgetary finances, a 10 year Eurobond of US$1.0 billion was raised in September 2014.
• Agro-processing in Ghana is on the rise, benefiting from decisive government policies to promote value addition in agricultural exports.

Overview
Ghana’s macroeconomic conditions continue to deteriorate, as manifested by the rising inflation and deteriorating purchasing power of its domestic currency. Inflation rose to 15.9% in August up from 13.8% in January 2014, driven largely by non-food inflation. Most consumer goods’ prices have gone up by the rate of depreciation, among which petroleum prices that have undergone automatic adjustments leading to a rise in price by 53% (y-on-y) by August 2014.

The domestic currency (cedi) has depreciated by over 40% against major foreign currencies between January and July 2014. Declining export receipts and increasing government debt service are driving the depreciation. The government is discussing with the International Monetary Fund for a possible Fund supported-program. The government has also issued a 10-year Eurobond of US$ 1.0 billion (which was over-subscribed to around US$ 3.0 billion). The funds are earmarked for capital expenditure, refinancing of short-term domestic debt, payment of counterpart-funding for infrastructure projects and seed capital for the Ghana Infrastructure Investment Fund. This has already led to a slight recovery of the Cedi.

Focus on Agribusiness
Agro-processing has been of high priority in Ghana. Taking advantage of irrigable land (346,000 ha) and incentive packages to promote agro-processing, Ghana is an important exporter of agro-processing products. Ghana is also the second largest cocoa-growing country in the world and is currently exporting processed cocoa products to the tune of 25% of the total export volume. In 2013, processed cocoa was valued at US$655.23 million out of total cocoa exports of US$2,267.29 million. Other leading processed agricultural export (largely fish and seafood, horticulture and oil and seed nuts) earned the country US$275.6 million in 2012; with oil seed and nuts, fish and seafood, and horticulture accounting for 53%, 22%, and 19% of this sum respectively.

Regarding horticulture, pineapples, papayas, banana and citrus fruits form the bulk of exports with over 70,000 tons exported annually. In addition, there is an emerging trend in using locally produced food crops as raw material for production of manufactured goods, such as cassava in beer production. Ghana is thus poised to spur agro-processing industry through use of investment incentive packages as provided by the Ghana Investment Promotion Centre, the Ghana Free Zone Board, and grants and concessional loans provided by the Ghana Export Development and Agricultural Investment Fund.
In its first three months of power, the newly elected government has made several achievements including settling wage arrears after having secured cash in the markets with a FCFA 15 billion T-bill issuance.

There are high expectations for the last quarter of 2014, as the government has announced that it will undertake bold reforms in the areas of public financial management, anti-corruption, and the public sector at large.

Agribusiness in Guinea-Bissau has tremendous potential. Being in its infancy however, it will require careful grooming to maturity in order to contribute to the economy in a sustainable manner.

Overview

The newly-elected government was sworn in in early July amidst a very difficult financial situation for the country. Wage arrears amounted to approximately six months, and the cashew campaign was rather slow to begin. Since then, the government made a bold move by going to the markets and issuing a FCFA 15 billion T-bill. The issuance was oversubscribed, allowing for the wage arrears to be cleared. Meanwhile, the cashew export campaign has picked up with prices over $1000 compared to $800 last year, providing over FCFA 6 billion of revenues in July and August.

There are high expectations for the last quarter of the year. Considering the country's pressing needs, the government has vowed to take bold actions, especially in the areas of public financial management, anti-corruption, and the public sector at large. It intends to ensure that in the future, at the very least salaries should be paid by internal revenues rather than resorting to external aid.

In the coming months, the country will face some diverse risks. First are the changes in army leadership. The change in the army's top command in September can been seen as a short term risk given past experience and the influence of the army on civilian matters. A second risk relates to the Ebola outbreak, which Guinea-Bissau monitors closely for possible risk of contagion from Guinea.

Focus on Agribusiness

Guinea-Bissau has built a largely untapped comparative advantage in cashew related agro-business as it currently is the 4th largest world producer. However, its current installed capacity for processing is less than 15% of total production, and not all plants are currently operating. Similarly, with great land quality and abundant rainfall (1 500 to 1 900 mm on average over 112 days), the country has high potential for other crops such as rice, or for horticulture. However, only a handful of private companies or organized large scale producers have engaged into agribusiness production, largely due to a poor business environment and lack of key infrastructure.

For agribusiness to flourish and contribute to the economy in a sustainable manner, there are several challenges to tackle. First, the country needs to enhance is capacities in environmental and social certification. Second, clarity is needed over land right. Recent NGO have reported conflicts over the use of 600 hectares of land by a foreign rice-growing company. Third, by the business environment and key backbone infrastructure such as roads need to improve.
The Ebola epidemic shows no sign of slowing in Liberia, and is hitting the economy hard. GDP growth in 2014 is expected to fall from 5.9% to 2.5%.

Government finances are being substantially revised, with initial estimates of a US$93 million fiscal gap. Revenue collection is falling, while health and social security spending will increase by about US$ 50 million.

Agricultural production in the worst affected areas of Lofa County is dropping by 10% to 25%, with limited cash and savings creating hardship for households.

Overview

Liberia is the hardest hit country by the Ebola epidemic, with more than 6535 cases and 2413 deaths as of 29 October. The highest number of new cases and total deaths is in and around Monrovia, where the situation continues to deteriorate and case numbers accelerate. Case numbers are generally underreported. At least 95 deaths have been amongst healthcare workers. The closure of much of the medical system has increased mortality from diarrhea, malaria, and childbirth, especially for the poor.

The epidemic is slowing economic activity, with GDP growth in 2014 projected to drop from 5.9% to 2.5%. The agriculture and services sectors, and the modest manufacturing base, are the hardest hit. The commercial activity slowdown is further exacerbated travel restrictions and worsened road quality during the heavy rainy season. Travel costs have reportedly increased by 56%. Production has largely continued from the Arcelor Mittal iron ore mine, although expansion plans have been suspended. China Union has halted production at the country’s second producing mine. Palm oil expansion by Sime Darby has slowed. The departure of skilled workers could further slow output.

Government finances are being substantially revised, with initial estimates of a US$93 million fiscal gap. Revenues for the current fiscal year are expected to be about US$ 46 million below the initial forecast. Expenditure is increasing by about US$ 50 million due to increased demands for health and social protection spending. Some US$ 20 million is being reallocated from capital to current expenditure.

Focus on Agribusiness

Agriculture exports have been Liberia’s second leading export earner after iron ore, with $68 million of exports comprising just under 25% of total exports in the first half of 2014. This is led by rubber exports (18%), followed by round logs (5%), and a small portion of cocoa beans (0.7%). Large investments in palm oil by Sime Darby and Golden Veroleum have been gradually expanding their planting. Both timber and palm oil have faced significant land access issues, which have slowed expansion. Investment has slowed with the Ebola epidemic and the evacuation of managerial and supervisory personnel, although companies in Liberia’s southeast including Golden Veroleum and the timber sector, where there have been few cases, could experience less of a slowdown.
The political context is characterized by the pursuit of peace negotiations between the Government and armed groups which began on July 16, 2014 in Algiers.

The security situation has deteriorated since May 2014 following the Prime Minister’s visit in Kidal, with attacks against the Malian army and MINUSMA.

Growth is expected to be more robust in 2014, with a growth rate of real GDP of 6.5% against 1.7% in 2013.

Overview

The security situation has deteriorated since May 2014 following the visit of the Prime Minister to Kidal. Despite a cease-fire agreement signed in May 2014, attacks against the Malian army and the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA) are becoming more frequent. In order to reach an inclusive agreement and sustainable peace, the Government and armed groups continue peace talks which started on July 16, 2014 in Algiers.

On the economic front, economic recovery should be more robust in 2014, after a modest 1.7% growth in 2013. The growth rate was revised to 5.5% for this year, under the assumption of strong performances in the agriculture and gold sectors, of renewed activity in the services sector, as well as the successful implementation of the IMF program under the extended Credit Facility (ECF), which determines budget support from partners.

Focus on Agribusiness

Mali’s industrial sector contributes only 18.3% of GDP, and agroindustry remains limited (2% of GDP). Agribusiness accounts for about 42% of the industrial activity excluding mining. Reasons of its underdevelopment include the absence of an industrial culture, irregular supplies, competition from the informal sector, and the lack of equipment for food conservation. Nevertheless, agroindustry is growing in Mali, particularly the processing of particular products (shea butter, gum arabic, sesame, mango, jatropha), of consumer goods (sugar, onions, tomatoes, corn, potatoes land, green beans), as well as livestock.

Mali should encourage formal enterprises to have deeper inroads in the domestic and regional markets, and ultimately the international market through organic and fair trade. In 2011, the Government adopted a Strategy for the Development of Food Industry; in addition, the new policy of creating agricultural clusters is an element in favour of intensification and processing of agribusiness, forestry, pastoral and fishery products. The African Development Bank supports Mali in the development of agribusiness through multiple operations.

Real GDP Growth, 2014
Key Messages

- Inflation is slowly rising despite a tight monetary policy.
- The economy is showing its third quarter of GDP growth over 5%, with a 6.5% growth rate in the second quarter of 2014.
- Value Chain development is at the core of Agribusiness in Nigeria, with economic transformation taking place gradually, as services and industry drive economic growth.

Overview

Nigeria appears to be maintaining high economic growth, with GDP growth of 6.5% in the second quarter 2014. This outpaces the 5.4% recorded in the second quarter of 2013 and 6.2% in the first quarter of 2014. Services and industry are the largest contributors to the economy, accounting for 53.1% and 25.9%, respectively, and agriculture accounts for 20.9% of total economic activity.

More recently, despite the interest rate being maintained at 12% since 2011, headline inflation has been gradually rising from 8% at end-2013 to reach 8.5% in August 2014. Inflationary pressures are due to food production and distribution challenges as a result of the insurgency in the North-East. The excess crude account build up to around $4 billion amounts to an increased fiscal buffer. The external reserves position has improved, rising to US$40.7 billion by September 2014 (equivalent to 7 months of imports).

Focus on Agribusiness

As part of the Federal Government of Nigeria's transformation Agenda (2011-2015), the agricultural transformation agenda (ATA) was developed to transform Nigeria’s agriculture into a business and attract private investments and skills needed to rebuild the agricultural sector, taking advantage of new opportunities in the region and globally.

Thanks to the ATA, a total of 2.7 million jobs have been created over 2011-2012. Value chain improvement activities have been launched in the major commodities of rice, cassava, sorghum, cocoa, cotton, aquaculture and livestock. One main achievement has been the improved access to agro-inputs through the Growth Enhancement Support (GES) programme introduced in 2012, which aimed at addressing the inefficiencies of a government-dominated fertiliser and seed procurement and distribution system. Under the GES, the fertilizer and seed industry has been liberalized and handed over to the private sector. The GES focuses on innovative technological, institutional, financial solutions, for example, an electronic wallet system has been developed using mobile phones, to deliver seeds at no cost and fertilisers with a 50% subsidy rate, using electronic vouchers which were sent to farmers on their mobile phones. Nigeria is now working with other countries in the region that want to replicate this programme.

![Inflationary trend in Nigeria](attachment:image1)

![Jobs created, per sector, July 2011 to July 2012 (in thousands)](attachment:image2)
**Overview**

Following a review in September 2014, economic growth is now projected at 4.9% in 2014, a decrease compared to the previous projection due to the Ebola epidemic’s impact and the delayed rains this year. Public debt continues to increase while remaining below the 70% limit of the WAEMU convergence criteria. Externally, the current account deficit (including grants) is projected to stabilize at 10.2% mainly due to the sharp decline in imports relative to exports. Inflation has been very low, around 0.7% in 2013, well below the communitarian threshold of 3%. On the social front, only one case of Ebola was detected in Senegal, one of a Guinean student, who was successfully treated.

**Focus on Agribusiness**

As part of the Accelerated Growth Strategy (AGS), growth clusters were selected based on their potential contribution to employment and revival of exports. Five clusters were selected, including agriculture and agribusiness. This has led to the identification of several promising agricultural products, which included horticultural, processed, and grain products. The AGS aims to better connect all stakeholders involved at different levels of the value chain, including production, transport, processing and export. This is done using: (i) a sector approach to identify clusters with a high potential for growth and added value, export competitiveness, and job creation, and (ii) a regional logic to better organize and connect the geographical areas involved in the value chain, dubbed ‘territorial competitiveness’.

Challenges to the development of agribusiness in Senegal include: access to land, lack of small producers’ technical capacities, poor logistical capacity (storage, transport, etc.) and weak supply. Addressing those should enable Senegal to fully take advantage of its revealed comparative advantage (RCA), thus improving its specialization on an international level. The Specialization is more advanced if the indicator’s value is greater than 1. The graph shows a downward trend over the past 10 years for fruits, even though the values remain high.

**Evolution of fruits RCA, 2001 - 2011**

Source: ADB (2013), based on Trademap data
The country is witnessing a sustained growth, mostly driven by the service sector, primarily transport, telecommunications, and financial services.

Access to energy remains limited in Togo, with the upkeep of large state subsidies to the sector.

Overview

Economic growth remains strong, but has been revised downwards by the IMF from 6.0% to 5.4% for 2014. These new estimates are justified by the fact that the investments, up until September 2014, were lower than projected. However, risks remain regarding the management of public finances. For 2014, a 2.1% primary deficit and a 50% debt ratio are below the WAEMU countries’ average.

An IMF mission visited Lomé from 10 to 17 September 2014 but did not manage to agree on a program with Togo under the Extended Credit Facility, despite repeated attempts over the past 2 years. That is causing concerns among Togo’s partners, which had programmed budget support as of the 3rd quarter of 2014. The new Togolese Revenue Authority, which entered into action in February 2014, has launched reforms by introducing the use of the single desk. As such, the collection of state revenues and the payment of all taxes and duties is done through banks.

Focus on Agribusiness

The 22 largest companies in agribusiness command a local market share of less than 5% compared to imported products. Few agribusiness companies can obtain raw materials without going through state companies or mixed ownership ventures. The government ensures the availability of raw materials by working closely with producers, providing equipment, fertilizer, bridge loans, and help with marketing.

In 2013, Togo’s trade balance for agribusiness products had a 66% surplus in trade with countries in the ECOWAS zone, yet a 44% deficit outside of it. 60% of Togo’s imports are finished products, but 90% of its exports are raw materials - mainly cotton, coffee and cocoa. ECOWAS is currently negotiating an Economic Partnership Agreement (EPA) with the European Union, scheduled to enter into effect in 2015 and which would eliminate tariffs between the concerned countries. Given the deficit of the trade balance with respect to agribusiness products, the EPA may further weaken the processing of local agricultural products, which has been in decline for more than three decades.

<table>
<thead>
<tr>
<th>Macroeconomic Indicators (Revised, September 2014)</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Gross capital formation (%) GDP</td>
<td>18.4%</td>
<td>20.6%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Budget balance (%) GDP</td>
<td>-1.8%</td>
<td>-2.1%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Total public debt (%) GDP</td>
<td>49.2%</td>
<td>50.4%</td>
<td>49.6%</td>
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Source: IMF, September 2014

<table>
<thead>
<tr>
<th>Agribusiness products trade balance, Togo (2013, billion FCFA)</th>
<th>Ecowas</th>
<th>Others</th>
<th>Total</th>
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</thead>
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<tr>
<td>Export</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Agribusiness</td>
<td>24</td>
<td>124</td>
<td>148</td>
</tr>
<tr>
<td>Others</td>
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<tr>
<td>Total</td>
<td>474</td>
<td>191</td>
<td>665</td>
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<tr>
<td>Import</td>
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<tr>
<td>Agribusiness</td>
<td>14</td>
<td>223</td>
<td>237</td>
</tr>
<tr>
<td>Others</td>
<td>201</td>
<td>871</td>
<td>1072</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>1094</td>
<td>1309</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ratio = (Export-import)/import</th>
<th>66%</th>
<th>-44%</th>
<th>-38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global ratio</td>
<td>120%</td>
<td>-83%</td>
<td>-49%</td>
</tr>
</tbody>
</table>

Source: ECOWAS & BCEAO statistics, 2013
SPECIAL THEME: “AGRIBUSINESS IN WEST AFRICA

I Introduction
II Overview
III Key Constraints
IV Opportunities for West African Agribusiness
Introduction

West Africa’s countries are increasingly looking to their agribusiness potential as a source of economic diversification, employment, and economic growth, buoyed by the increased demand for agricultural and particularly processed products, and their rising value. In some countries, unsuccessful experiences with development models which had focused predominantly on the primary agriculture or on mining resources exploitation have prompted them to further explore models putting processed value added agriculture, as a primary source of income. The momentum for agriculture and agroindustry development is further sustained through the high demand for agricultural commodities and food products, increasing commercialization of formerly subsistence based rural agriculture, changing demand patterns and modes of selling, and increasing opportunities for regional trade.

The agricultural sector continues to be the backbone of the region’s economies: it accounts for up to 35% of the region’s GDP, and, more crucially, 65% of West Africans live in rural areas and depend primarily on agriculture. Agricultural exports generate nearly 6 billion dollars, or 16.3% of all products and services exported from the region. The leading sub-sectors in the region, making the greatest contribution to agricultural growth, are roots and tubers, livestock, rice, cereals, fruits and vegetables, oil seeds and bulk export crops (cotton, coffee, cocoa).

One of the region’s major challenges is the need to increase agricultural production to satisfy the food needs of their growing populations. Despite 236 million hectares of available cultivable land in West Africa, representing 17.1% of the region’s total land being arable (2012), 119 million hectares of pasture, and a large workforce (which includes a growing number of women), the region remains a net importer of food.

Yields have grown slower in West Africa than in many parts of the developing world. The yield of rice, for instance, grew by 1% over the period of 1961 to 2007 – merely half of its growth pace in Southern Asia, thus showing that there is room for growth by introducing improved and yield-increasing technologies.

The agribusiness sector has the potential of ensuring that a sufficiently large part of the society can participate in a more inclusive growth. Transformation of agricultural products and agro-processing in West Africa is a sector still in its infancy, despite existing capacities in agricultural production and the demand for value-added products originating with an increasingly commercialized rural households and a rising middle class. Value addition in agriculture is one of the single largest sources for generating income and employment for a large part of the population in West Africa with enormous poverty alleviation and growth acceleration potential.

Modernizing agriculture and moving up the agribusiness value chain is not a new model for productive development in less developed countries; in the region however, it experiences renewed relevance and comes with enormous opportunities. The region’s countries face the necessity to use existing resources and human capacities bound to satisfy the food needs of their growing populations, while ensuring adequate and increasing remuneration of such resources and human capacities.

This paper hence provides an overview of the current status of agricultural and agribusiness development in West Africa, analyzes the causes of its underdevelopment, identifies entry points for its accelerated development, and suggests policy actions to make that happen.

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3 ECOWAS, “Regional Agricultural Policy for West Africa: ECOWAP at a glance”, op.cit.
II Overview

a Defining agribusiness

Agribusiness is a term used to refer to the activities of business-oriented farming and related industries and services, both upstream and downstream. The concept thus covers producers of agricultural machinery, input suppliers (seeds, fertilisers, agrochemicals, etc), agricultural producers that run farms as businesses, agro-processors, traders, exporters and retailers. Agribusiness can be broken down into five complementary streams of activity: (i) Inputs to increase agricultural productivity, and which would include seeds; agricultural machinery, equipment and tools; fertilizers, pesticides, insecticides; irrigation systems and other equipment; (ii) Agricultural production and farm management on a commercial scale where the operations are taken rather as a commercial enterprise than for family subsistence; (iii) Agro-industrial processing, which includes transforming agricultural products into food and beverages; tobacco products, leather and leather products; textile, footwear and garment; wood and wood products; etc. (iv) Equipment used for processing agricultural raw materials, such machinery, tools, and storage facilities; (v) Supporting services such as financing, marketing and distribution firms, transport, packaging, etc.

b A sector lagging behind with great growth potential

Despite the importance of agriculture in the region’s economies and societies, West Africa still lags behind in tapping its potential. Only 36% of the arable land is actually cultivated. Land pressure, defined by the ratio of agricultural population to arable land, remains significantly below the average for developing countries – 1.4 people per hectare compared to 2.3 Africa wide, indicating that much more arable land could be exploited. West Africa also lags behind in increasing productivity in agriculture; from 2003 to 2010 its Agricultural Productivity index only increased by 2.6% whereas other regions reached a productivity growth of around 3%. Meanwhile, it is suggested that the growth rates should be at least 6 to 7% in order to get poor African farmers out of poverty. The slow yield increase over the past decades further hints at a clear potential for improvements in efficient exploitation of agricultural land and farm management.

The region often lingers in processing its primary agricultural products and adding value to it. Both in West Africa and globally, the trend has been to shift away from the consumption of basic, staple crops and further towards the consumption of a more diversified diet including fruits, vegetables and vegetable oil, fish, meat, and dairy products. West African consumers are increasingly buying further processed food products. Changing consumption patterns and new modes of selling, with the supermarketization in urban centers of the region, are part of this development. However, West Africa’s agro-industries appear to be insufficiently developed, in comparison to other industries. For example, Senegal’s share of value added agriculture as of total value added in manufacturing is 45% in 2010, indicating that value addition in agriculture is disproportional with regard to the population engaged in agriculture. Furthermore, the same data suggests that the share of manufacturing has declined from 60% in 2003. In other countries, data tells a similar story, offering for the Gambia the share of 56% (2003, and excluding rubber and plastic sector) and for Ghana, 60% (2004).

Finally West Africa is yet to unleash its full export potential for agricultural products. Although high-value and non-traditional agro-industrial production for export could provide excellent market opportunities, the main demand for West Africa’s agricultural products remains local, with the domestic market for food staples representing 74% of the total market value. West African countries miss targeting markets for foods in neighboring countries and thus counterbalance imports from other regions such as Europe and North America. Largely due to prohibitive logistical costs, intra-African trade is only a mere 1%. The rest is exports, of traditional and non-traditional agribusiness products outside of the continent. Meanwhile exporting specialized agricultural products, crude and
Consequently, West Africa’s food import dependency is growing in spite of its agricultural potential. The combination of low production, insufficient processing and value addition, and export of raw materials means that West Africa is losing out on its agricultural potential and becoming a net-importer of food. In 2011 for example, sub-Saharan Africa imported USD 43 billion worth of agricultural commodities while only exporting USD 34 billion, with obvious consequences in terms of ability to generate foreign exchange and vulnerability to global prices. Semi-refined and processed food products are often imported indicating that the region misses out on opportunities to move up the value chains.

Public agribusiness policies can make a difference

To meet the challenge and to make use of these opportunities, governments have devised policies to develop the agribusiness sector but those remain underfunded and less effective. Many government and donor efforts are under-way to facilitate farmers’ access to inputs and encouraging investments; regional and international organisations have focused their attention on improving the ecosystem of the agriculture and agribusiness sector. Most notably, The African Union’s New Partnership for Africa’s Development (NEPAD) Initiative calls for 3 percent annual growth in agricultural productivity through technology generation and dissemination and 6 percent growth in agricultural GDP to reach the Millennium Development Goals by 2020. To achieve this, it has launched the Comprehensive Africa Agricultural Development Programme (CAADP), a programme with four pillars land and water management, market access, food supply and hunger, and agricultural research – the last pillar aiming at improving “agricultural research and systems in order to disseminate appropriate new technologies”11. ECOWAS has launched its Agricultural Policy (ECOWAP), which sets out a vision of “a modern and sustainable agriculture based on effective and efficient family farms and the promotion of agricultural enterprises through the involvement of the private sector. Once productivity and competitiveness on the intra-community and international markets are achieved, the policy should be able to guarantee food security and secure decent incomes for agricultural workers”. The policy thus aims at increasing the productivity of West African agriculture, implementing a trade regime in the region, and adapting the trade regime vis-à-vis the rest of the world12. However, many of these initiatives focus on primary agricultural production, research and extension while the agribusiness part only presents a small portion of the resulting efforts.

The case for agribusiness development is a central tenet of many national development strategies, and is also made by several bilateral and multilateral development agencies. However, these efforts are not well-linked to other policies in the areas of agriculture, industry, economic, social and environmental development. A good example has been provided by Nigeria’s Agriculture Transformation Agenda (see box 1).

Box 1 Nigeria’s Agricultural Transformation Agenda (ATA), an ambitious plan

The Nigerian government launched, in 2011, its Agricultural Transformation Agenda (ATA) with the goal of promoting agribusiness, attracting private sector investment in agriculture, reducing post-harvest losses, adding value to local agricultural produce, developing rural infrastructure, and enhancing farmers’ access to financial services and markets – thus diversifying the national economy away from reliance on oil, assuring food security, and promoting youth employment. The ATA sets out to create over 3.5 million jobs for Nigeria’s youths and women, in particular, and adding an additional 20 million metric tonnes (MT) of food to the domestic food supply by 2015. So far, Nigeria has, according to its ministry of agriculture, already added 21 million MT to the national food production and created over 3 million farm jobs, and the agriculture sector attracted over $6.6 billion of private sector investments, all between 2011 and 2014. The country’s food import bill has declined from $6.9 billion in 2009 to $4.3 billion by the end of 2013, reducing foreign exchange deficits and helping Nigeria to meet the Millennium Development Goal on hunger and malnutrition two years ahead of the 2015 target set by the United Nations. Agricultural lending as a share of total bank lending has grown from less than one percent to five percent in the past two years. In 2013, the African Development Bank approved the Nigeria Agricultural Transformation Agenda Support Programme, with the goal of developing commodity value chains through increasing, on a sustainable basis, the income of smallholder farmers and rural entrepreneurs engaged in the production, processing, storage and marketing of the selected commodity value chains.

11 NEPAD, Comprehensive Africa Agriculture Development Programme (CAADP), Pillar 4, http://www.caadp.net/pillar-4.php
Policies and programs are most successful when access to finance and the transfer of skills and knowledge are combined. A good example in this regard is the Accelerated Agribusiness and Agro-industries Development Initiative (3ADI), launched in 2010 by UNIDO in partnership with the AfDB, FAO and IFAD. The initiative aims at bringing technical expertise and financial investment into the Agribusiness sector, to enhance its productivity and profitability. The focus is on designing and implementing action-oriented technical assistance programs and providing integral policy support. Its interventions concentrate on the several key pillars of agribusiness development, notably upgrading value chains, strengthening technology, promoting innovative sources of financing, stimulating private sector participation, improving infrastructure and facilitating market access.\(^{13}\)

### III Key Constraints

Constraints to agribusiness development in West Africa occur at various levels of the process – from the farm to the market. The following typology follows those constraints across the stages of production.

i **Lack of technological know-how and management skills:** In primary agricultural production, existing ways of cultivation and processing remain rather traditional. Similarly, small-scale producers and entrepreneurs who want to venture into businesses in other parts of the value chain also face a number of challenges such as (i) lack of business skills (ii) inadequate planning of inputs and outputs, (iii) failure of financial planning. This often lead to waste in financial and physical resources, which most can hardly afford in a market with already thin margins. It prevents such producers from engaging with international buyers as it usually brings about reduced margins for local producers. Yet a diverse mix of public and private agricultural advisory service nowadays exists in most West African countries, in combination with technology financing facilities and subsidies they bring knowledge and technology to smallholders. International buyers are however reluctant to bear the sometimes substantial costs of helping local producers improve production, lower costs and extend their margins.

ii **Limited access to finance.** Access to finance is a critical constraint for agribusinesses throughout West Africa. Agricultural and agribusiness lending receive an extremely low share of commercial lending compared to their value in the national GDP; in Nigeria it is a barely above 1%, 3% in Sierra Leone, and 4% in Ghana. Hurdles to developing financing for this sector include high transaction costs, due to the geographical spreading and positioning of borrowers, the lag between investment needs and expected revenues, as well as agriculture-specific risks such as pests and diseases, weather, prices, etc.\(^{14}\)

As a result credit is usually too expensive for the given profit margins, bound to non-agricultural collateral and accessible only to a privileged few. A further issue is that the existing finance products do not often reflect the cyclicality of agricultural production and processing and the short term, medium-term and long term capital needs. In the short to medium term, farmers need to pre-finance inputs, cultivation, harvesting and transport and primarily do so through credit schemes (micro-credits for small producers) and or through buyers via

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**Box 2 Elements of market evolution**

The main market requirement factors that producers need to follow and meet in order to attract international consumers are: i Greater convenience and ease of use, ii Improved quality and eco-awareness, iii Standardized health and safety certification, iv Consumer disinterest in differentiation and product labels, v Delayed payment on the part of supermarkets and wholesalers.

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13 UNIDO, “3ADI Agribusiness development for food security and poverty reduction” www.3adi.org/ll_files/3ADIDocuments/AGR_3ADI.pdf
contract farming, which entails high risks of side-selling. Furthermore, additional financial needs include investments in equipment and technology, for which usually no credit schemes exist.

iii Quality constraints. There is often a lack of understanding among producers on the expectations that local, regional and international buyers have with regard to product quality and food safety. For exports, particular regulations regarding agricultural and manufacturing processes, product characteristics and residues have to be complied with.

Further regulations exist with respect to fair trade, organic, or sustainability certifications. Aside from a few exceptions such as the fresh fruit and vegetable export sector, the region’s capacity to adhere to such quality criteria is still incipient. Regional producers should ensure they keep abreast of trends with regard to international market requirements. Box 2 lists some of those key requirements.

iv Narrow-sighted institutional support. At a policy level, institutional support for the agribusiness sector is lacking in most countries; and even when available, it is often narrow-sighted, focusing on primary agricultural production and consequently fails to expand to the necessary support functions for the sector to benefit. A disregard for the strategic role of skills and education for instance translates into failure of education institutions to understand and cater for the needs of agribusiness. Rural banking and extension services are also key support resources which are often disregarded.

v Market constraints. From the lack of available information on the markets (and prices, trends, and key players) to the limited purchasing power of most internal markets in West Africa, all are market factors which reduce the profitability of agribusiness. Market constraints also lead to high production costs, and so at the various stages of production. This is compounded by weak business environment conditions, including inappropriate taxation and poor administration. There is also little capacity to develop new products and engage new markets.

vi Land titling and registration. Land tenure policies in West Africa are key constraint to the proper allocation and utilization of land resources that form the basis for both primary agricultural production and agribusiness. A small share of land in the West African region as a whole was held by written title, this being largely confined to a few major cities and development areas. Lack of land registration and tenure insecurity limits incentive to invest in the land, consolidation of land into larger holdings; as well as use of the land as collateral (also important for financing of operations further downstream in the value chain). For the government lack of registration leads to lower tax collection. Conversely, the impact of land regulation has been seen in Ghana, where land registration led to increased land-related revenue 11 times over from 2003 to 2010. As for common areas, which include grazing areas and fisheries, for instance, mechanisms must be identified.

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Demand for agricultural commodities remains high: West Africa produces many tropical products including cocoa, coffee, cashew nuts, rice, maize, palm oil, sugar, cotton, oilseeds, roots and tubers and many others that sell at good value on international markets and can be exported in bulk or semi-refined to the world market giving local farmers substantial options for income generation. Transport costs to nearby high purchasing-power markets are low and trade relations are well established. West Africa has established itself as the EU’s main partner in the ACP (African, Caribbean, and Pacific region), accounting for 40% of all EU-ACP trade. But those figures are largely dominated by raw commodities, most notably oil; cocoa; bananas; other agricultural commodities, and some metals and diamond. Over the years 2009-2013, West African exports to the EU have grown by a yearly average of 22.7%, while imports have grown over the same period by 11.9% - clearly displaying that much potential remains. The US market, accessed by West African goods thanks to African Growth and Opportunity Act (AGOA), also presents large potential. Africa’s exports under AGOA, however, are largely concentrated in the oil and gas sector, which dominates 59.8% of the entirety of the region’s exports to the US; agricultural products only represent 3.5% of those exports.

Crucially, demand for commodities does not come solely from the export market after all, four fifths of the agricultural products in West Africa are consumed locally. The national and regional demand for agricultural commodities remains high and the supply can currently not been met out of the local production. The region's biofuel market is also growing. Raising the volume and value of traded agricultural goods will require knocking off intra-regional barriers, be they physical or regulatory. This will require enhancing linkages between the different stages of the value chain across countries, improving transnational transactions and regional trade, and improving information flows across the regional market.

The local and regional markets are all the more interesting when considering the ongoing shift to more processed products: With increased urbanization, population increase, changing consumption habits, and rise in middle class income, the demand for more processed food products with higher added value will rise. The increase of the price of commodities globally and the reduction of food prices volatility, apart from acceptable seasonal fluctuations, is an additional incentive for countries to develop their own production and agro-

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**IV. OPPORTUNITIES FOR WEST AFRICAN AGRIBUSINESS**

**a. Rising and changing demand, locally and globally**

**b. Opportunities for West African Agribusiness**

**US imports from AGOA beneficiary countries, 2013**

Source: US Government trade statistics, Department of Commerce.
industries. While some barriers to entry - largely based on pre-existing dominant situations or long-term concessions – remain, there is a decrease in strong monopolistic positions and control of large firms\(^\text{17}\).

The majority of agro-food chains in Africa have become increasingly ‘buyer-driven’ over the last two decades, keeping in line with global trends. And buyers have become increasingly sophisticated, thus hastening the need for agricultural producers to move upwards on the value chain. This comes with increasing pressure on West African producers to comply with the exceeding quality requirements and the costs for control systems but provides opportunities to upgrade into higher quality and value added production, sometimes also orienting to socially and environmentally more sustainable processes. While this bears the risk of increasing compliance costs and lower margins in production and of some producers being left out of the race due to incompliance with quality criteria it also presents an opportunity to have local producers upgrading their operations and become internationally competitive with the support of international lead buyers. Regional initiatives such as the West Africa Grains Network (WAGN) and the regional association for livestock and meat (COFENABVI) can be useful to help companies in these particular sectors meet product requirements, negotiate contracts, and access financial services\(^\text{18}\).

### Improved access to international markets

Alongside the changes occurring in the consumer market, much is going on widening the reach of this consumer market and modifying its characteristics. To adapt to those, many changes occurring globally have meant that the trade opportunities for West African value-added agricultural commodities are increasing: rising incomes, faster urbanization, trade liberalization, foreign and domestic investment, etc. Developing countries are particularly interesting, with the rapid growth in many parts of the world, which back estimated that two thirds of the demand for food until 2030 will come from developing countries\(^\text{19}\). In parallel, as the region takes stock of its performance under its international trade agreements, it becomes apparent that large possibilities exist.

For textile and apparel, a sector of particular relevance here, Africa only exports a mere fraction of the quota allotted to it through preferential access agreements such as the United States’ African Growth and Opportunity Act (AGOA), where primary goods dominate African imports. Moving up the value chain of such commodities as cotton into fabric would allow West African countries to export goods of higher value than it currently does, as it is largely exported today as lint.

Other regional markets are opening up to West African exports, namely in Asia. The rise in rural wages across the world, and particularly in rapidly industrializing countries where manufacturing draws labour from the agricultural sector, represent an opportunity for African potentially cheaper agricultural exports and import substitutions. In China, a traditional rice producer, the price of production has increased by 70% between 2005 and 2010, 40% of which was due to increase in wages. The region can therefore revert its import dependency from Asian rise, by taking advantage of its lower labour costs\(^\text{20}\) and increasing mechanization of its agricultural production.

### Encouraging smallholder agribusiness

Noting that 70% of the agricultural output in West Africa comes from smallholders, they should be at the heart of any agribusiness-support policy. Developing smallholder agriculture is key given the predominance of small farms and their efficiency when taking all inputs into account. Agribusiness companies increasingly partner with smallholders for the benefit of both. In other

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\(^\text{17}\) “Agribusiness for Africa’s Prosperity”, op. cit., p.90.
cases it is also possible that smallholders engage in value addition on their own, for instance via the building of processor groups. The latest World Development Report on agriculture showed that small-agriculture can be very efficient in terms of resource use and social and environmental sustainability and further support in its development have to be pursued. Opportunities therefore exist to integrate small producers in the larger value chain and socio-economic system. There are large gains for both large companies and smallholders alike, at the various steps of the agri-food value chain (see for instance box 2). Smallholders in particular can explore options to become suppliers, as well as become engaged in value addition via functional upgrading, rather than remaining limited to primary production functions. At production, smallholders will benefit from access to the inputs and finance they need; the large company’s involvement from the onset will allow it to guarantee the product’s quality. Formalising the trading system between companies will create better equity in the producer-trader relationship, minimize production, and reduce waste; and so on. Annex 1 elaborates on the gains for both large and small production units at the various segments of the value chain. The majority of agro-food chains in Africa have become increasingly ‘buyer-driven’ over the last two decades, keeping in line with global trends. And buyers have become increasingly sophisticated, thus hastening the need for agricultural producers to move upwards on the value chain. This comes with increasing pressure on West African producers to comply with the exceeding quality requirements and the costs for control systems but provides opportunities to upgrade into higher quality and value added production, sometimes also orienting to socially and environmentally more sustainable processes. While this bears the risk of increasing compliance costs and lower margins in production and of some producers being left out of the race due to incompliance with quality criteria it also presents an opportunity to have local producers upgrading their operations and becoming internationally competitive with the support of international lead buyers. Regional initiatives such as the West Africa Grains Network (WAGN) and the regional association for livestock and meat (COFENABVI) can be useful to help companies in these particular sectors meet product requirements, negotiate contracts, and access financial services.

d  **Value chain financing and other innovations in financing tools**

Innovations in financing present a new opportunity for agribusiness entrepreneurs, as financial institutions are increasingly integrating their value chain finance concept in its products, by linking stakeholders operating within the value chains and lending institutions, thus reducing lending risk. It allows agroprocessors to obtain access to finance which they give in part to outgrowers and suppliers. Warehouse receipt financing offers capital or term loans for investment in storage facilities, transportation, or testing/certification equipment. The development of commodity exchanges can also encourage banks to fill the gap of agricultural lending that exists between microfinance and large-scale lending. Asset leasing can also fill a gap in the agribusiness sector, as the use of movable assets (such as farming equipment) as collateral can also unlock a key constraint to lending.

e  **Faster adoption of ICT technologies in Agribusiness**

With 67% mobile phone penetration in West Africa, and 25% mobile internet penetration— and higher in some countries—it was natural that innovations in agribusiness turn mobile, particularly for one-way information dissemination or limited two-way interactions with the beneficiaries. The opportunities to use new technologies in support of agribusinesses are only rising. Nigeria successfully experimented mobile vouchers for farmers, to acquire seeds and fertilisers. Between 2012 and 2014, this “e-wallet” scheme allowed a total of 14 million farmers to receive their subsidies, avoiding leakages in often corrupt distribution networks. In Ghana, a private sector initiative, channelled through the UN-led “Business call to action” seeks to give access to 500,000 farmers to a mobile messaging platform that would allow farmers to receive crop management.

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updates faster and at low cost, and mobile surveys to ensure that they receive the right knowledge for increasing yields\textsuperscript{25}. Mobile technologies are likely to play an ever increasing role in agribusiness in West Africa.

IV Conclusions and policy recommendations

While there are indeed many commendable efforts in the region to improve primary agricultural production and productivity, such as the aforementioned Comprehensive African Agricultural Development Programme (CADPP), West African Agricultural Policy (ECOWAP), the West African Agricultural Productivity Programme (WAAPP) and many others, there remains a large need to support the latter phase of adding value to agricultural products through moving up the quality ladder and indeed the entire agricultural value chain. The region is yet to make its best of the existing potential for producing primary and particularly processed agricultural products, depriving it from substantial poverty alleviation and income and employment generation in rural areas. A more nuanced approach is therefore required to continue and accelerate the modernization process to upgrade farms to become agribusinesses and to help creating more and more economically, socially and environmentally sustainable agribusinesses along the value chain. Part of such an accelerated agribusiness development agenda for West Africa should include the following:

i. Promoting innovation and broadening access to finance would be key to encouraged private investors to invest in the country’s agribusiness sector, as demonstrated by the earlier mentioned Nigeria’s Agriculture Transformation Agenda (ATA), which has broadened the availability of affordable financing options to agricultural producers (See Box 1), thereby encouraging the establishment of multiple processing plants for such crops as rice, oranges, tomatoes, and pineapples, among others\textsuperscript{26}. The region has lately witnessed a number of financial innovations, with some interest from regional and international banks,


\textsuperscript{26} “Nigeria: Agriculture Lending in Nigeria Is Growing”. AllAfrica, 6 June 2014. allafrica.com/stories/201406060419.html
supporting the development of value adding businesses specifically by providing financial products that correspond to the short, medium and long term needs at each segment of the value chain. While advocating for proper financing institutions be put in place, it is important to make sure that the regulatory framework be cognizant of the specificity of agriculture finance, and consequently design appropriate financing and insurance regimes, which are rare in the region.

ii. Countries should also encourage strategies which put emphasis on smallholders and small entrepreneurs: This process is already underway with broad based support through governments and development agencies, but requires continued coaching and support in terms of basically proven farming support packages, which include (i) improved input supply (fertilizer and plant protection), (ii) plant genetic improvement (improved seeds and animal races), (iii) effective agricultural advisory service to farmers. Small holders also often need support to help offset the expenses and opportunity costs of long-term adjustments or reform, support in compliance with production and quality protocols and SPSP standards, as well as building administrative and sales and marketing, branding and packaging capacities while facilitating access to markets. Agro-industry should indeed not be seen as the sole realm of large companies. Rubber, fruits and vegetables, and other crops may perform better under intensive productive with a large manual input. Economies of scale can be achieved in packing and transport does not preclude small producers of aggregating their products together. To this effect, the experience with contract farming has already proven to be successful in the region, namely in horticulture, and cotton. Farmers and agribusiness entrepreneurs need to be given access to skill-building and managerial training and educational assistance, which may take a multitude of forms, from formal training to ‘mentorship’ and peer-learning programmes, all the way to information dissemination services such as text message-based information on harvesting, for instance. From a policy standpoint, policymakers should endeavour to create an enabling environment that would allow for the optimal use of land, while integrating small farms in its outlook when devising reforms to enhance productivity.

iii. Establish agriculture value capture programs and business linkages: Both small producers, individuals or groups, and entrepreneurs from outside the farming community need to get access to new packages of technical and financial support that allows them to source larger quantities of locally produced primary products, process them and put these on local, regional and international markets. Concrete measures towards an “agricultural value capture” programme should be: (i) Facilitate the creation of new businesses through the establishment of one-stop-shops and single window clearance systems, to ease the process of setting up companies and assist in interfacing with various government institutions; (ii) Developing and giving entrepreneurs and investors access national and regional databases of information on agroindustrial production, which would offer detailed data and accurate statistics on prices, imports, exports, and production; (iii) Trialing and piloting of value adding solutions applied elsewhere (including South-South collaboration and technology transfer) and using those for training and capacity strengthening purposes. Such technology pilots can become the nucleus of agroindustrial parks in which enterprises would find preferential access to public infrastructure. Nigeria’s Staple Crops Processing Zones (SCPZ) are an interesting example of this. However, such industrial zoning makes only sense at appropriate locations and with a comprehensive program that helps existing entrepreneurs to set up and run their businesses successfully. (iv) Support to technology upgrading and product development of existing value adding businesses paired with an intensive training and coaching program to build local entrepreneurial capacities in technology utilization, administration, business planning and marketing. Link value adding producers to local, regional and international markets via matchmaking, partnerships with global value chain actors and building of marketing and export consortia.

28 “Agribusiness for Africa’s Prosperity”, op.cit., p. 287.
iv. Building appropriate infrastructure will remain key to improve competitiveness. The link between infrastructure, agricultural production and industry is proven, particularly in helping reduce transportation time and costs\(^{29}\), but it is also crucial when dealing with perishables, as is the case for a significant part of the agro industrial production. Financing key infrastructure such as roads, railroads and other transportation, connectivity to the electric grid, etc. are expensive endeavors and often require massive interventions.

To this effect, collaboration of national governments, regional and international organizations, as well as the private sector through the creation of public-private partnerships would be necessary.

v. Governments should also tackle the various market failures at systemic level to reduce risk and uncertainties. This includes the acceleration of land titling and land registration, but also supported initiatives which provide greater price transparency and access to information.

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### Annex 1 Gains to large and small companies from integrating smallholders in various segments of the value chain

<table>
<thead>
<tr>
<th>Inclusive Business Strategy</th>
<th>Company Can Gain</th>
<th>Smallholder Can Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td></td>
<td></td>
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<tr>
<td>• Facilitate access to inputs and other production needs and extension services</td>
<td>• Engaging with the smallholder as early as the production level helps guarantee the volume and quality of produce available to the buyer, increasing the potential for higher profit margins and reducing risk</td>
<td>• Improved access to inputs and finance, which are essential to the production process</td>
</tr>
<tr>
<td>• Provide support services to smallholders such as formalization, access to information and financing</td>
<td>• Working directly with smallholders allows the purchasing company to guarantee the produce’s quality.</td>
<td>• Access to support services improves the long term competitiveness of the smallholder</td>
</tr>
<tr>
<td>• Provide advanced written commitments to purchase crops</td>
<td>• Improved flow of services helps deliver better quality produce</td>
<td>• Meeting quality specifications opens up new markets for higher margin produce</td>
</tr>
<tr>
<td><strong>Trading</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Improve trading services &amp; infrastructure: fair scales, transport, finance and information</td>
<td>• More efficient trading lowers transaction costs and reduces wastage</td>
<td>• A formal trading system gives equity to producer-trader relationships, improving producer bargaining power and helping to ensure fair prices for produce by minimizing corruption</td>
</tr>
<tr>
<td>• Formalize the trading system</td>
<td>• Improved flow of services helps deliver better quality produce</td>
<td></td>
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<tr>
<td><strong>Processing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Integrate smallholders, either fully or partially, at the processing stage of the value chain</td>
<td>• A cost-effective approach to improving the quality of the final product.</td>
<td>• Selling processed products gives greater economic returns to the smallholder, improve her skill base, and can remove market dependence</td>
</tr>
<tr>
<td><strong>Export/Retail</strong></td>
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<tr>
<td>• Work closely with smallholders to target niche markets such as Fair Trade</td>
<td>• Selling to a niche market can improve exporter profits and boost brand image</td>
<td>• Smallholders receive a ‘premium’ that can boost both economic and social well-being</td>
</tr>
<tr>
<td>• Exploit potential sales to local base of pyramid (BOP) market</td>
<td>• BOP offers new market possibilities that can improve sales volumes</td>
<td>• BOP marketing can extend product range and add value</td>
</tr>
</tbody>
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\(^{29}\) See: AfDB - West Africa Monitor, April 2014.