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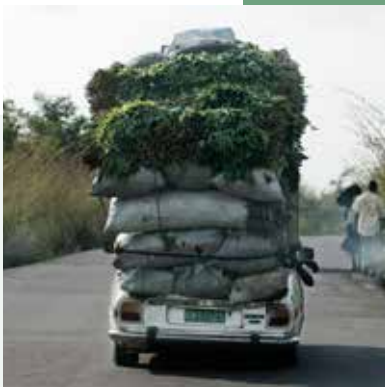


AFRICAN DEVELOPMENT BANK GROUP



# AGRICULTURAL GROWTH IN WEST AFRICA

Market and policy drivers







Food and Agriculture  
Organization of the  
United Nations



AFRICAN DEVELOPMENT BANK GROUP



# AGRICULTURAL GROWTH IN WEST AFRICA

MARKET AND POLICY DRIVERS

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the United Nations)

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# Foreword

West African Agriculture is at a turning point. After long periods of limited attention to the sector, West African countries and their Development Partners now clearly recognize the sector's vital importance for broad-based growth, food security, nutrition and poverty reduction. This renewed attention to Agriculture has crystalized around the Comprehensive African Agriculture Development Programme (CAADP), which in West Africa is implemented by the Economic Community of West African States (ECOWAS) and its member states as part of the ECOWAS Regional Agricultural Policy (ECOWAP). The recognition of agriculture's vital role has coincided with fundamental changes in the regional and global context for agricultural growth, bringing about unprecedented opportunities along with new challenges. The combination of strong demand growth, higher agricultural prices, and an improved macroeconomic and policy environment has generated the most conducive conditions for agricultural growth in over 30 years. At the same time, new challenges ranging from climate change to increased price volatility threaten the ability of West Africans to seize these opportunities.

This study on Agricultural Growth in West Africa (AGWA) is thus very timely. It examines Agriculture in its broader framework of a transforming agrifood system, from input supply to the consumer, for the 15 ECOWAS countries, using the term Agriculture (with a capital "A") to designate this entire system. Based on an analysis of the drivers of past and potential future growth, the study derives implications for the design and implementation of more effective

and inclusive Agricultural policies and investments. As West African Agriculture is responding to the region's demographic, social and economic transformations, policy making has become more complex. The range of stakeholders has broadened, with private sector and civil society organisations playing stronger roles in policy formulation and implementation. Hence, intersectoral coordination is becoming ever more important. Addressing the multiple demands on the Agricultural sector requires going well beyond the traditional mandates of ministries of agriculture. Crafting Agricultural policies now involves understanding the interconnections among issues as diverse as research, transport investments, monetary policies, and nutrition education. This document collates a rich source of empirical information, knowledge and analysis highlighting these interconnections.

Acknowledging the many opportunities and threats emanating from the changing context for West African Agriculture, the African Development Bank (AfDB), ECOWAS and the Food and Agriculture Organisation of the United Nations (FAO) decided to join forces in carrying out this analytical work. The study's aim is to provide a stronger empirical foundation to inform the ongoing policy reform and investment choices at the national and regional levels and to serve as a source of information and analysis to a broad range of stakeholders working to build a more robust, sustainable and inclusive West African Agriculture. The study has a forward-looking perspective and is essential reading for policymakers, development partners, scientists, farmers and other players in the agrifood system alike.



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Director-General  
Food and Agriculture Organization  
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President  
ECOWAS Commission



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In order to strengthen the empirical base for the study, the study team commissioned a number of background papers and notes that provided inputs into this final report. The authors of these background papers included Arlène Alpha (trade policy), Denis Drechsler (value chains), Andrew Lambert (agro-industries), Panos Konandreas (price volatility, trade), Maurice Taondyandé and Mbaye Yade (budget consumption surveys), and Andrea Woolverton (food consumption and retail case studies). Several persons contributed to the fieldwork on food consumption and trends in Accra and Lagos and on agro-industries in Nigeria. These include Anthony Akunzule, Stephan Frimpong, Joan Nimarkoh, James Tefft, Adeniyi Ologunleko, Bolarin Omonona and Andrea Woolverton. The AGWA team carried out interviews in several

West African countries with farmers, agroprocessors, retailers, consumers and other key informants in the agrifood system. The team gratefully thanks them for sharing their knowledge, expertise and insights.

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## List of Acronyms

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3ADI	African Agribusiness and Agro-industries Development Initiative
ACP	African, Caribbean and Pacific group of countries
AfDB	African Development Bank
AGWA	Agricultural Growth in West Africa study
ALCO	Abidjan Lagos Corridor Organization
AU	African Union
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BT	Bacillus thuringensis
CAADP	Comprehensive Africa Agriculture Development Programme
CCC	Conseil du Café-Cacao (Cote d'Ivoire)
CEDEAO	Communauté Economique Des Etats de l'Afrique de l'Ouest (ECOWAS in English)
CET	Common External Tariff
CIF	Cost, Insurance and Freight
CFDT	Compagnie Française de Développement des Textiles
CGE	Computable General Equilibrium
CILSS	Comité permanent Inter-Etats de Lutte contre la Sécheresse dans le Sahel
CIRAD	Centre International de Recherche Agronomique pour le Développement
CMDT	Compagnie Malienne de Développement des Textiles
COFOG	United Nations' Classification of the Functions of Government
CORAF	Conseil Ouest et Centre Africain pour la Recherche et le Développement
CSSPPA	Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles (Cote d'Ivoire)
DAERE	Department of Agriculture, the Environment and Water Resources (ECOWAS)
DPT	Degressive Protection Tax
EBA	Everything but Arms trade agreement of the European Union
ECL	ECOWAS Compensatory Levy
ECOWADF	ECOWAS Regional Agricultural Development Fund
ECOWAP	ECOWAS Regional Agricultural Policy
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
ETLS	ECOWAS Trade Liberalization Scheme
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FBS	Food Balance Sheet
FIFF	Food Import Financing Facility
FOB	Free on Board
GAFFSP	Global Agriculture and Food Security Programme
GAMA	Greater Accra Metropolitan Area
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GOANA	Grande Offensive Agricole pour la Nourriture et l'Abondance (Senegal)
GSP	General System of Preferences
GSP+	Enhanced General System of Preferences
HAACP	Hazard Analysis and Critical Control Points (a method for designing food safety systems)
HLPE	High Level Panel of Experts on Food Security and Nutrition
HQCF	High Quality Cassava Flour
IFAD	International Fund for Agricultural Development



IFDC	International Fertilizer Development Center
IFPRI	International Food Policy Institute
IITA	International Institute for Tropical Agriculture
IMF	International Monetary Fund
INSAH	Institute of the Sahel
IPC	Inter-professional Committee
IPCC	Intergovernmental Panel on Climate Change
IRCT	Institut de Recherche Cotonnière et des Fibres Textiles Exotiques
ISF	Inverse Safeguard Tax
ISIC	International Standard Industrial Classification
LBC	Licensed Buying Companies (Ghana)
LDC	Least Developed Countries
LDN	Loi sur le Domaine National (Senegal)
LOA	Loi d'Orientation Agricole (Mali)
LOASP	Loi d'orientation agro-sylvo-pastorale (Senegal)
MBS	Marginal Budget Share
MDG	Millennium Development Goal
MFBS	Marginal Food Budget Share
MFN	Most Favoured Nation
MIR	Marketing Inputs Regionally (a joint project of the International Fertilizer Development Center and ECOWAS)
MTBF	Mid-Term Budget Framework (Nigeria)
MTSS	Mid-Term Sector Strategy (Nigeria)
MVA	Manufacturing Value Added
NAIP	National Agricultural Investment Plan
NBS	Nigerian Bureau of Statistics
NCB	Nigerian Cocoa Board
NEPAD	The New Partnership for Africa's Development
NGO	Non-governmental organisation
NRA	Nominal Rate of Assistance
ODA	Official Development Assistance
OECD	Organization of Economic Cooperation and Development
ON	Office du Niger (Mali)
PAPED	EPA development programme of the European Union
PAU	Politique Agricole de l'UEMOA
PDDAA	Programme Détaillé de Développement de l'Agriculture Africaine (known in English as CAADP)
PNIP-SA	Plan National d'Investissement Prioritaire dans le Secteur Agricole (Mali)
PNISA	Plan National d'Investissement du Secteur Agricole (Mali)
QSR	Quick Service Restaurant
RAIP	Regional Agricultural Investment Plan
REC	Regional Economic Community
ReSAKSS	Regional Strategic Analysis and Knowledge Support System
RESOGEST	Réseau des Structures Publiques en charge de la Gestion des stocks nationaux de sécurité alimentaire au Sahel et en Afrique de l'Ouest
ROPPA	Réseau des Organisations Paysannes et de Producteurs de l'Afrique de l'Ouest (Network of Peasant Organisations and Producers in West Africa)
RRA	Relative Rate of Assistance
SAP	Structural Adjustment Programme
SME	Small and Medium Enterprises
SOFITEX	Société Burkinabé des Fibres Textiles (Burkina Faso)

SPS	Sanitary and Phytosanitary Measures
SSR	Self-Sufficiency Ratio
STI	Safeguard Tax on Imports
SWAC	Sahel and West Africa Club of the OECD
TBT	Technical Barriers to Trade
UEMOA	Union Economique et Monétaire Ouest Africaine (WAEMU in English)
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNECA	United Nations Economic Commission for Africa
UNFPA	United Nations Population Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
USD	United States Dollar
USDA	United States Department of Agriculture
VAT	Value Added Tax
WAEMU	West African Economic and Monetary Union (known in French as UEMOA)
WAMZ	West African Monetary Zone
WAQP	West Africa Quality Programme
WECARD	West and Central African Council for Agricultural Research and Development
WTO	World Trade Organization



The AGWA study examines, for the ECOWAS region, the opportunities and challenges facing the agrifood system (referred to in the study as Agriculture, with a capital A) emanating from a rapidly changing context for Agricultural growth. It analyses more closely the drivers and trends affecting the demand for and supply of agrifood products, the performance of the Agricultural sector and related policies, and the implications for future policy priorities. Major findings and key messages about the way forward include the following:

## Major Findings

*Opportunities for West African Agricultural growth are unprecedented*

- » Market opportunities for West African food producers are increasingly dynamic due to population growth, urbanisation, income growth, dietary diversification and higher output prices. The strongest market growth potential exists for animal products, followed by rice, fish, and fruits and vegetables. Producing and marketing such products are labour-intensive and offer potential for substantial job creation.
- » Food demand is transforming from undifferentiated bulk commodities towards food products with differentiated quality attributes such as nutritional and health characteristics, packaging, and ease of preparation, offering important opportunities for value addition. Much of this growing demand is currently captured by imports.
- » Global demand for Agricultural products is also expanding, especially in fast-growing emerging economies, providing increased opportunities for West Africa's traditional and non-traditional agricultural exports.
- » The Agricultural policy and incentive environment has improved over the past two decades and raised Agriculture's profile at the national, regional and global levels, most recently through the ECOWAP/CAADP process.
- » The emergence of more independent, dynamic stakeholder organisations enhances growth prospects.

*But these opportunities are combined with new challenges for West Africa's agrifood systems, rendering policy making more complex*

- » The international market environment has become increasingly volatile, making long-term projections increasingly difficult.
- » West African Agriculture is facing growing competition, both on the market side and for its natural resources, including land and water.
- » Agricultural policy development and implementation is increasingly complex because of the greater number of stakeholders involved and the multiple demands placed on Agricultural policy, ranging from broad-based income growth through job creation to provision of increasingly nutritious and safe food to environmental protection.
- » Restricting food imports to raise prices in order to stimulate regional production will become politically more difficult in view of the increasing numbers and political weight of poor consumers in urban areas and because the majority of West Africans spent a large share of their incomes on food.
- » The growing importance of regional integration requires increased policy coordination across ECOWAS member states.
- » Achieving the broad set of objectives that West Africans want their agrifood system to accomplish requires actions well beyond the

traditional mandates of ministries of agriculture, requiring better coordination among a range of ministries (e.g., agriculture, health, transport, energy, education) and among levels of government (national, provincial, and local).

- » The dietary transition underway, particularly in urban areas, is resulting in a double burden of malnutrition, where undernutrition coexists with increasing levels of overweight and obesity and their attendant problems such as heart disease, hypertension and diabetes.

*West Africa's growth remains highly vulnerable to shocks*

- » West Africa's strong economic growth has been driven to a significant extent by a natural resource boom and extractive industries. As many of these resources are non-renewable, policies need to focus on productively investing earnings from them in order to increase productivity throughout the economy, including the agrifood system, rather than simply using them to finance growing food imports.
- » The region remains vulnerable to natural and man-made disasters, as exemplified most recently by the Ebola crisis. Hence, the agricultural growth agenda needs to be closely linked to the resilience agenda.

*West Africa's response thus far to these opportunities and challenges has been mixed*

- » Despite strong output growth over the past 30 years, especially in many food staples, supply response in some of the more dynamic markets has not kept up with demand growth (e.g., for rice, livestock products, and processed products). Furthermore, there has been an inconsistent record in increasing productivity and hence lowering per-unit production costs, as output expansion has often involved environmentally unsustainable extensification. As a result, West Africa's competitiveness has been declining for many tradable agricultural products, as evidenced by growing food imports and the region's declining share in several of its traditional export markets.

- » While there are a number of West African Agricultural success stories, most Agricultural value chains suffer problems of poor coordination and limited trust among actors, associated with high costs and limited transmission of information and incentives. Given these weaknesses of domestic supply chains, many of the most dynamic domestic market segments for processed food products are based on imported raw materials. The success stories show the potential of what could be achieved. Crucial challenges include learning from past successes, adapting key lessons from them to other settings, and scaling up.

*Policy implementation is a bigger challenge than policy design. Problems of implementation are often related to three factors:*

- » A tendency to propose solutions that are well beyond the financial and human-resources at the disposal of the implementing entities.
- » Frequent policy reversals and ad hoc government interventions creating mistrust between private actors and the government, undermining policy effectiveness and investment incentives.
- » Diverging interests and the poor alignment of incentives, either at the national or at the individual level, to implement the proposed policies. Divergent national interests explain some of the difficulty in reaching agreement on regional trade regulations and the lacklustre enforcement of them once they are officially adopted. The lack of alignment of individual incentives with regional and national interests coupled with poor governance and institutional capacity are at the heart of much of the rent-seeking behaviour that still hinders regional trade and the effectiveness of regional and national Agricultural policies.

## *The Way Forward: Key Messages*

### *Six broad principles should guide Agricultural policies in the region:*

1. The diversity of West African agrifood systems requires a differentiated set of policies for and within each segment of the system, from farming through agroprocessing to retailing. A one-size-fits-all approach to policy is likely to fail. Levelling the playing field between food system actors of different sizes, and special support to women and youth are cross-cutting policy priorities, while linkage opportunities with larger food systems stakeholders with transformational potential should not be dismissed.
2. Agrifood system interventions need to be based on a firm understanding of the rapidly evolving nature of consumer demand to identify investment opportunities for different food system stakeholders and guide priorities for supporting public policies and investments.
3. Improving productivity throughout the agrifood system is the only sustainable way to meet both consumer and producer needs simultaneously. Rather than a simple replication of a “Green Revolution”, a combination of sustainable intensification, climate-smart agriculture and inclusive-value chain development is needed.
4. Enhancing value addition is essential to capturing more lucrative markets and raising incomes in the agrifood system. This requires an enabling investment environment, improved market and transport infrastructure, and strengthened stakeholder organizations from farmers to consumers.
5. If West African Agriculture is to be competitive in a wide range of products with large global actors such as Brazil, China and India, it needs to capture some of the scale economies those countries enjoy in agricultural research, input markets and technology development, amongst others. *This is only possible if there is greater regional integration.* The future of

regional integration, however, depends critically on the behaviour of the big players, especially Nigeria. In the past, Nigeria and other large players, such as Ghana, Côte d’Ivoire and Senegal, have often taken policy actions that have hindered greater regional integration.

6. Agricultural productivity growth needs to be complemented by measures to enhance resilience.

Achieving more rapid, broad-based and sustainable Agricultural growth in West Africa requires an improved policy environment, critical public-sector investments and strengthened policy implementation.

» *An improved policy environment* is needed to induce greater Agricultural investment in productivity-enhancing technologies and institutional innovations by private-sector actors (including farmers); enhances quality and improves risk management throughout the agrifood system; and provides a more predictable and effective set of tools for improving the poor’s access to food. Key elements of an effective policy environment are its predictability, focus, participation and inclusiveness (including gender inclusiveness), coherence, and ability to evolve over time as the economy and broader society evolves.

» *Critical public-sector investments* should complement and “crowd-in” additional private investment and address critical food policy objectives, such as improved risk management.

Increasing the level of public investments in and for Agriculture (e.g. up to the CAADP target of 10% of the government budget) is important, but a better investment mix is even more important. Much of the recent increase in agricultural spending has been used for subsidies for private goods, mainly fertilizer and other inputs, as well as farm equipment. The danger is that heavy spending on subsidies may crowd out other public investments in key public goods, which are critical to long-term growth, while at the same time discouraging private investments in input provision.

The public sector should focus its investments in areas with the highest returns for long-term, broad-based growth, and in which the private sector has limited ability or incentives to invest. Key elements include:

- Agricultural research, extension, strengthening stakeholder organizations and promoting development and related human capital development.
  - Infrastructure, especially rural roads, market infrastructure, irrigation and a reliable supply of electricity.
  - Building the skill base for Agriculture in the twenty-first century, through a transformation of Agricultural education systems, from the primary schools through universities. Transforming West African Agriculture will require a profoundly different set of skills at all levels in the agrifood system than currently exists in most ECOWAS countries.
  - Supporting collective action, strengthening stakeholder organizations and promoting institutional innovations for managing risks and reducing transaction costs.
  - Working with the private sector to improve food safety and quality.
- » Investment in hardware needs to be complemented by policy and regulatory reforms, such as reform of rules that restrict competition in the trucking industry and thus reduce the returns to improved roads and policy reforms in agricultural finance that are needed to induce greater private grain storage and hence increase returns to investments in storage infrastructure.
- » To reap the full benefits of public investments in infrastructure, capacity development and collective action in terms of stimulating complementary private investments, further improvements are needed in the ease of doing business. ECOWAS countries generally rank in the bottom third of all countries in the world in terms of the World Bank's indicators of ease of doing business (licensing requirements, time to register a business, corruption, etc.).
- » Improving policy implementation requires (1) strengthening the implementation, analytic, and monitoring and evaluation capacities of key agencies and organisations charged with implementation; (2) improving the data base upon which policy decisions are made, and (3) strengthening the alignment between the interests of the different countries, individual actors, and the region as a whole. Perhaps the strongest incentives for transparent and effective policy implementation will result from encouraging strong national and regional private-sector and civil-society stakeholder groups and a free press that can act as counterweights to inefficient and/or corrupt policy implementation.