



# Chapter 13

## Main Findings, Policy Implications and the Way Forward

This chapter summarizes the key findings of the AGWA study, discusses their implications for national and regional policies, and highlights policy priorities along with guiding principles to enhance policy effectiveness.

### *13.1 Main findings and policy implications*

#### 13.1.1 Opportunities for Agricultural growth are unprecedented

*An increasingly dynamic West African food market.* The combination of population growth, urbanization, dietary diversification and higher output prices provides unprecedented growth opportunities for West African Agriculture. Over the past two decades, urbanization and demographic growth have been paralleled by sustained economic growth in most West African countries, resulting in poverty reduction, income growth and the emergence of a growing middle class. Moreover, due to urbanization and the growth of the non-farm economy, an increasing share of the population, urban and rural, relies on markets to meet their food consumption needs. The combination of these trends has resulted in a rapid expansion of domestic and regional food markets that is likely to continue and accelerate in the foreseeable future in view of high income elasticities for most food products. Analysis of marginal food budget shares indicates that 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 thus offer potential for substantial job creation if the demand can be met through local production rather than imports.

*An increasingly diverse food demand.* Domestic and regional food markets are not only growing fast but are also becoming increasingly diverse. On the one hand, population growth rates of 2 to 3% in most countries continue to fuel demand

for basic calories, especially for the 75% of the population still living on less than US\$2 per day. On the other hand, income differentiation and a growing middle class population translate into increased demand for higher value and value-added food products. Food demand is transforming from undifferentiated bulk commodities towards food products with differentiated quality attributes. While price remains a key determinant of demand, other product attributes such as nutritional and health characteristics, presentation and packaging, shelf-life, and ease of preparation are increasingly important in shaping consumer preferences and purchasing decisions. Demand for convenience – food products that are quick and easy to prepare – is a broad trend cutting across all countries and income groups, driven by urbanization, increased female employment outside the home and long commuting times. Demand for health attributes and food safety increases with income but also with better education and access to information. Finally, lifestyle features associated with certain food products are also increasingly influential for consumer purchasing decisions. A predominantly young population will accelerate new lifestyle trends and changing consumption patterns, spreading these from metropolitan areas into the hinterland. These trends are propelled by globalization and fuelled by broader access to media, food imports and the advent of international fast food and supermarket chains.

While these changes are occurring most rapidly in the metropolitan areas, accounting for approximately 40% of the urban population, similar trends are gradually following in intermediate cities and

towns, with closer ties to the rural economy and higher levels of natural protection from imports due to high transport costs, and in rural areas. The analysis of budget-consumption surveys has revealed that income elasticities for many food products are even higher in rural areas. This suggests a further food demand boost as rural incomes increase. Given the limited purchasing power of the majority of rural consumers, rural food markets in most areas are currently not able to generate sufficient demand to lift farmers' income levels on a broader scale (with the exception of zones where mining activities or highly remunerative cash crops dominate). Hence, the main demand pull is coming from burgeoning urban and regional markets. Targeting these markets presents great opportunities for increased rural producer incomes, which in turn would stimulate demand for locally produced products and services.

*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. Prices for agricultural exports have also been strong, and West Africa has potential to expand the volume and diversify the composition of such exports, including to Eastern Europe, India and China. While market entry barriers might be higher than on domestic markets, the advantage of exports is that higher prices for export crops do not necessarily imply higher costs for domestic consumers. Rather, the income generated from agricultural exports translates into increased demand for local farm and non-farm products and services, generating growth linkages.<sup>184</sup>

The bulk of West Africa's agricultural production is sold in domestic and regional markets, and their continued growth will have pull effects if producers manage to respond to evolving consumption trends. From a dynamic perspective, domestic and regional markets can be stepping stones for producers diversifying into value-added products to build their capacity to meet volume and quality

<sup>184</sup> While diversification into export markets might have some short-term effects on domestic food prices if productive resources are shifted from domestic food production into export sub-sectors, there are also frequently positive impacts of export-crop production on domestic food production. These include improved access by farmers to key inputs, such as fertilizer and farm equipment, which can be used for production of both domestic food crops and export crops.

requirements consistently, before venturing into overseas export markets.

*The Agricultural policy and incentive environment has improved* over the past two decades. The level of taxation on agricultural outputs has declined and price transmission from consumers to producers has improved. Moreover, the "rediscovery of Agriculture" in the early 2000s and the CAADP process have strengthened policy processes and frameworks and raised Agriculture's profile at the national, regional and global levels.

*The emergence of more independent, dynamic stakeholder organizations enhances growth prospects.* The growing democratization that began in the 1990s led to the emergence of more independent, grass-roots Agricultural professional organizations, such as producer and trader organizations. These organizations contribute to more rapid Agricultural growth in at least three ways. First, they offer expanded scope for collective action – providing critical goods and services to their members such as primary product assembly, pooling orders for input purchases, and providing advisory services, in the process capturing scale economies for the smaller-scale members. Second, they are increasingly involved in policy debates and design, adding valuable insights about the nature of the constraints and opportunities facing actors in West African Agriculture. Third, through their national organizations and regional federations, they serve as a counterweight to government in defending their members' interests and as a force to pressure for the faithful implementation of announced policies aimed at boosting Agricultural growth.

### 13.1.2 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, and making long-term projections is increasingly difficult.* Factors such as climate change and increased links between financial, energy and agricultural markets add to uncertainties about market trends. While most analysts expect higher world prices for agricultural products to prevail over the medium term, the

longer term outlook remains uncertain. Amongst other factors, the future direction will depend on whether the generation and dissemination of productivity-enhancing technologies and sustainable natural resource management practices will prevail over the negative effects of climate change and a deteriorating natural resource base. Hence, the old Malthusian debate remains open.

*West African Agriculture is facing increased competition, both on the market side and for its natural resources.* A number of large emerging economies such as Brazil, Thailand and Vietnam have developed highly competitive agricultural sectors that play increasing roles on agricultural markets worldwide and in West Africa. Higher agricultural commodity prices combined with expectations of future scarcities of food and natural resources have contributed to the mobilization of large sums of financial capital by traditional and non-traditional actors and to a surge of investments at all levels of the agrifood system worldwide. In the medium term, these investments will lead to production and productivity growth, furthering competition on agrifood markets and in accessing natural resources. Hence, West Africa needs to seize this historic opportunity of high prices and strong demand growth more vigorously by making the necessary investments to address productivity gaps and other structural constraints that currently weaken its competitiveness. Current yield gaps and limited use of improved inputs and technologies are signs of the weak competitive position of West African Agriculture but also of huge potential for improving this position.

In line with the global trends, interest of new private-sector actors, including domestic investors, members of the diaspora and foreign firms, in investing in West African Agriculture is growing quickly. There are also a growing number of investment funds, both fully commercial and so-called impact investors, seeking opportunities in agricultural value chains. More generally, the heightened private-sector interest in investing in West African Agriculture has the potential to bring new capital, technologies and human skills to the region's agrifood system. It also, however, raises sensitive political issues about ownership and control in the

sector and access to natural resources, especially land. Hence, Agricultural policy needs to be closely integrated with legislation dealing with investment codes and land-tenure and be coordinated with internationally agreed-upon guidelines such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security endorsed by the Committee on World Food Security (FAO, 2012c), and the Principles for Responsible Agricultural Investment that Respect Rights, Livelihoods and Resources (PRAI), approved during the CFS Meeting on 15 October 2014 in Rome.

*Increased complexity of agricultural policy development and implementation.* As West African Agriculture has become more commercial and as the structure of its demand and customer base has changed, the performance of the agrifood system has become increasingly dependent on factors and actors outside the traditional policy domain of ministries of agriculture. The challenges discussed below illustrate this increasing complexity and the need to coordinate agricultural policies with policies in other areas.

- » *The majority of West Africans spend a large share of their incomes on food, which has two important policy implications.* On the positive side, given high income elasticities for most food products, income growth will translate into strong increases of food demand. On the negative side, consumers spending large shares of their income on food remain very vulnerable to food price increases. Hence, domestic agrifood systems and related policies face a dual challenge of harnessing the opportunities of urban food market growth for the benefit of broad-based growth while keeping food prices low, especially for basic staples. Therefore, Agricultural policies need to address simultaneously the objectives of expanding food production and improving economic access to food.
- » *Restricting food imports in order to stimulate regional production will likely become politically more difficult* in view of the increasing numbers and political weight of poor consumers in urban areas, who are very sensitive to increases

in food prices. The economic and demographic transformations are gradually altering the political-economy equation towards consumers, especially those in urban areas. Consumers may not be as well organised as farmers in all countries and less visible during multi-stakeholder processes, but their voices are heard by politicians during periods of high prices, and hence there is acute pressure to develop policy tools to deal with periods of high food prices. This was apparent in the recent responses of many West African governments to the food price crisis as well as in the results of the long negotiation on the structure of the ECOWAS Common External Tariff. Since West African countries do not have the financial means for large-scale subsidies to consumers and producers at the same time, trade policy measures need to focus on reducing price volatility through safeguards rather than protecting or taxing producers permanently using fixed rates. Hence, the main impetus for higher farmgate prices has to come through higher agricultural productivity, increased efficiency of marketing systems and value chains, which allow production and marketing at lower unit costs and improved ability to meet consumer demand in terms of quality and consistency of supply.

» *Rapid population growth is fuelling a surge in the number of young people entering the labour market each year.* In an era of globalization, with increasing exposure to digital media, rural youth are becoming more aspirational and mobile, with important implications for job creation and the agricultural labour supply. Given the widespread perception that farming is arduous and offers few pathways out of poverty, a growing share of rural youth prefers to migrate into towns and cities and seek employment in the informal services sector. Although broader agrifood system development offers substantial scope for creating many productive jobs for this youth, capturing that potential will only occur if the educational systems are reformed to provide young people with the skills needed to operate in a dynamic, modernizing, private sector-driven Agricultural economy. Hence, agricultural policies need to be coordinated

closely with policies affecting education and skills development as well as broader economic policies including industrialization and SME development.

» *The spatial patterns of demographic and economic growth have led to an agglomeration of population and purchasing power along the coast,* and migration patterns are shifting consumers farther away from traditional staple-food and livestock production basins in the hinterland. While this demand pull has led to intensification of farming and growing numbers of SMEs engaged in processing, storage, trade and logistics in peri-urban and urban areas, farmers in rural areas and inland countries are less able to respond given market access constraints, especially for bulky and perishable products, due to poor infrastructure and transport systems and inadequate information. Likewise, proximity to ports and major international transport hubs gives imports competitive advantages over domestic production from the hinterland. Hence, the state of the connecting infrastructures – roads, transport systems and marketing facilities, coupled with improved road governance and removal of nontariff barriers to intraregional trade – become crucial for the competitiveness of domestic production vis-à-vis imports. This especially applies to landlocked countries and the rural hinterland. Here, the development of intermediate cities and rural towns is an important interface between local rural and urban economies. Consequently, the nexus between agricultural policies, infrastructure and transport sector policies, spatial development policies, and trade policies – especially concerning regional integration – is becoming increasingly important.

» *While the dietary transition has increased market opportunities for domestic producers and agroprocessors, it also shifts the region towards a “double burden of malnutrition”.* On the one hand, important progress over the last decades notwithstanding, food insecurity and undernutrition remain constant challenges in rural and urban areas, especially in light of high and volatile food prices since 2008. At the same

time, sedentary urban lifestyles and growing consumption of low quality fats, simple carbohydrates and processed foods with low nutrition density, lead to growing obesity, diabetes and cardiovascular diseases. While undernutrition is still by far the dominant problem, experiences from other developing regions show that over-nutrition related problems can increase rapidly. Hence, Agricultural policies need to be linked with policies aimed at improving health and nutrition.

### 13.1.3 West Africa's growth remains highly vulnerable to shocks

*West Africa's strong economic growth has been driven to a significant extent by natural resources and extractive industries* and has been favoured by a period of high international commodity prices. The huge growth in recent years in the region's capacity to rely on imports to help address the burgeoning regional food demand is to a large extent based on exploitation of non-renewable resources and hence may not be sustainable if world prices for these commodities fall. Thus, policies need to focus on how to productively invest earnings from these non-renewable resources in order to increase productivity throughout the economy, including the agrifood system, rather than simply use them to finance growing food imports.

*West Africa's structural transformation has been incomplete.* Labour-intensive manufacturing in the formal sector, which has the potential to be a main driver for employment, productivity and income growth, has shown little dynamism since structural adjustment. There have been some promising trends in the services sector, such as finance, telecommunications and tourism. However, much of the growth in services and manufacturing has been in the informal sector. Hence, West African economic prosperity still depends heavily on primary commodities with little value addition and for which markets have historically been volatile. In order to sustain and increase economic growth rates, growth in agricultural productivity needs to be complemented by growth in the manufacturing sector. Agro-industries play a key role here, as many have relatively low entry barriers, high domestic

market potential, and good access to raw material and labour. Agribusiness SMEs have a strong potential for employment generation, whereas large-scale agribusinesses are strong potential market outlets for domestic raw material. Thus, there is a need for better coordination between agricultural and industrial strategies and programmes in order to foster agro-industrial development.

*Despite overall socio-economic and political progress, the region remains vulnerable to natural and man-made disasters.* For example, the civil war in Côte d'Ivoire destroyed much of the country's livestock production infrastructure and greatly disrupted the economies of Burkina Faso and Mali, which were highly dependent on the Ivorian market for regional exports and port services in Abidjan for their external trade. More recently, terrorist attacks in Mali and northern Nigeria and Ebola outbreaks in several countries have similarly disrupted agricultural production and regional trade. These risks and uncertainties are exacerbated by climate change, price and policy volatility. Moreover, there is growing competition among different actors (farmers, herders, SMEs, large-scale companies, and domestic and foreign investors) for an increasingly stressed natural resource base. In the context of insecure land tenure and water rights this competition is leading to more frequent, often violent, conflicts and discourages productivity-enhancing agricultural investments. Hence, the Agricultural growth agenda needs to be closely linked to the resilience agenda. Moreover, ECOWAS and the African Union have the potential to play important roles in creating a more stable environment for Agricultural growth in the region not only through their support of CAADP but also through their peace-making, peace-keeping and emergency relief roles.

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

While there has been 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 a result, West Africa's competitiveness has been declining for many tradable agricultural products, and an increasing share of the growing demand has been captured by food imports. Likewise, West Africa's market shares in several of its traditional export markets have been eroding. The most striking example is palm oil, for which the region was a major exporter during the 1960s and which now has become a major part of the region's import basket.

Population growth has not yet induced widespread intensification through adoption of improved technologies but rather propelled extensive growth based on area expansion. Intensification has been largely confined to horticultural and livestock production around some major cities and to some export crops. Moreover, where it has happened, it has been frequently associated with unsustainable practices such as over-use of agro-chemicals, reduction of fallow periods, soil mining, and poor waste disposal. On the other hand, the extensive agricultural growth pattern through area expansion has resulted in increased pressure on natural resources, including soil mining. Moreover, in high-potential areas, land fragmentation is undermining smallholder commercialization and income growth.

While there are a number of localized Agricultural success stories (local fast foods, cocoa, shea nuts, growth in maize production), most Agricultural value chains are trapped by 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 – e.g. pasta, bread, bakery products, dairy products and fruit juices – are based on imported raw materials. While for some of these raw materials the region lacks comparative advantages for large-scale import substitution (e.g. wheat and milk), others could be substituted by domestic raw material. Examples such as sorghum or cassava beer or bread illustrate this potential. Moreover, a number of domestic commodities such as cassava and maize

have several potential industrial uses that are far from being exploited.

The localized success stories show the potential of what could be achieved. Although these successes cannot be simply “copied and pasted” from one location or value-chain to another, there are frequently important lessons from them that can help inform paths to success in other settings. For example, the achievements of the Francophone countries in expanding cotton production from the 1950s through the early 2000s (see Chapter 10) illustrates the potential payoffs to a focussed regional research programme that develops varieties that can be shared widely across the region and the critical importance of designing medium-term financing tools (e.g. to facilitate purchase of farm equipment) in stimulating increases in productivity and farm-level capital accumulation. Hence, crucial challenges include learning from past successes, adapting key lessons from them to other settings, and scaling up.

### 13.1.5 Policy implementation is a bigger challenge than policy design

Important progress has been made in recent years towards more coherent agricultural frameworks at the national and regional levels. For many of the major policy issues discussed in this study, West African policy makers and analysts have identified at a technical level what needs to be done and have often designed procedures and regulations to try to address the issues. Despite some shortcomings, the ECOWAP/CAADP plans do correctly identify many of the key constraints to Agricultural growth in the region and design approaches to relax them. Yet slow and inconsistent implementation remains a recurrent problem. Announced in 2003, implementation of the CAADP agenda only gained momentum after the 2008 food price crisis in most countries. There is also a tendency towards designing crash programmes with overambitious production targets which are then only partially implemented and subsequently dropped.

At the regional level, for example, ECOWAS has developed region-wide procedures to govern the approval and registration of critical agricultural

inputs, such as improved seeds and pesticides, and drafted model legislation for adoption at the national level. It is working to establish region-wide standards for fertilizer. Yet implementation at the national level lags, as several countries have not modified their national legislation to conform to the regional procedures. Similarly, under the ECOWAS Trade Liberalization Scheme, all member states have officially committed themselves to the free trade of agricultural products within the region; yet in practice, respect of those commitments is variable as policy reversals at the national level with respect to open borders are frequent. Similar issues arise at the national level, where declarations of policy are frequently made, for example, with respect to improving food safety systems, but which remain only partially implemented if at all.

The problem of implementation is often related to three major factors:

- » A tendency to propose solutions that are well beyond the financial and human-resources at the disposal of the implementing entities. For example, all CILSS countries have adopted a uniform certification process for pesticides, yet the national committees charged with enforcing the standards frequently lack the personnel and the laboratory testing facilities to do so. Similar considerations apply to implementing national rules governing food safety inspection systems in most ECOWAS countries. At the regional level, this lack of implementing resources is a particular concern with respect to the limited human resources available to the ECOWAS Department of Agriculture, Environment and Water Resources that is charged with managing the implementation of ECOWAP, while at the national level, many agencies having regulatory authority in the agrifood system lack the personnel and operating budgets to fulfil their mandates.
- » 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 is at the heart of much of the rent-seeking behaviour that still hinders regional trade.

This difficulty in implementation implies a need for (1) greater realism in the goals established in national and regional investment plans and policies, (2) greater investment in the development of human resources to implement these policies and plans, and (3) paying special attention in policy design to aligning incentives of member-states and individual actors to be consistent with the broader policy goals. Each of these issues is discussed in the recommendations below.

### *13.2 The way forward: major design principles for more effective Agricultural policies*

Six broad principles should to guide Agricultural policies in the region:

- » The diversity of West African agrifood systems requires a differentiated set of policies. 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.
- » 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.

- » 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.
- » Enhancing value addition, in its various forms, is key 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.
- » West African Agriculture can only be globally competitive in a wide range of products if there is greater regional integration.
- » Agricultural productivity growth needs to be complemented by measures to enhance resilience given West Africa’s high-risk environment.

### 13.2.1 Develop differentiated policies for a diverse sector

At almost every level, the West African agrifood system is diverse. At the consumer end, three-quarters of the population earns less than US\$2/day and is concerned primarily with expanding its access to inexpensive calories and protein, while the remaining quarter of the population represents a growing middle class that is upgrading and diversifying the quality of its diet.

A similar differentiation occurs in agroprocessing and, to a lesser extent retailing, with a mix of large-scale and small-scale operations, frequently with few mid-sized formal-sector firms (dubbed “the missing middle” by some analysts). Even farming is becoming increasingly diverse. Policies and investments need to acknowledge and respond to this diversity within each segment of the agrifood system and interventions be tailored accordingly. In general, levelling the playing field by supporting micro-, small and medium operators along the value chain should be the main policy priority, but the potential for positive linkages and spillovers

with large operators should not be dismissed. Special support to women and youth is a cross-cutting priority.

*In the case of agroprocessing, a differentiated policy approach should start from the following considerations:*

- » Despite their great potential to contribute to value addition and employment creation, small and medium formal-sector enterprises in agroprocessing face tougher challenges in accessing finance, technology, marketing, distribution networks, acquiring technical and managerial skills, and maintaining a skilled workforce than do their larger counterparts. SMEs are also more vulnerable to a poor business enabling environment and are challenged to improve product quality, safety and presentation in a consistent way in order to gain consumer confidence, especially in middle- and upper market segments. On the other hand, due to their tax and other obligations as part of the formal sector, they have higher costs than their competitors in the informal sector. Policies and programmes for this segment should focus on business and technical skills development, improving food safety and hygiene, upgrading product quality and marketing, and improving access to finance, electricity and raw material.
- » The artisanal sector has great importance as a generator of income and employment, especially for women, and as a provider of diverse and affordable foods for the urban and rural low-income population. Even though only a minority might be able to upgrade and transition into formal enterprises, there is room to improve productivity as well as product quality and safety. They further constitute a pool of micro-enterprises, some of which might be upgraded to target higher-value market segments, including export markets for fair-trade products. Support for this segment should include similar measures to those for the SME segment but be tailored to the specific conditions and capacity of small informal operators. The more growth-oriented of these enterprises also need assistance in transitioning to the formal sector.



» Large-scale processors contribute to food system transformation by introducing new products, skills and technologies, opening new consumer market segments, and forming potential new market outlets for domestic farmers and primary processors. These direct and indirect benefits from large-scale agribusiness investments should be harnessed, e.g. by supporting wholesale modernization or contracting to deal with the raw-product aggregation problems that plague larger processors and modern retailers.

*At the primary production level, small family farms* have an overarching economic and social importance in the region and are therefore naturally the prime target group of agricultural policies. The efficiency of family farms and their ability to respond to market demand and adopt technical change are amply documented in the region and elsewhere. While for most crops there are no clear economies of scale in production, small farms face major disadvantages in accessing markets, inputs and support services due to high transaction costs. Moreover, commercial agriculture is becoming increasingly knowledge-driven as are the more environmentally sustainable techniques for intensification, whereas the majority of smallholder farmers have low levels of functional and technical literacy. Capacity building, collective action, strengthening of farmer organizations and institutional innovations in service provision are necessary to help overcome these diseconomies of scale to some extent and should be a major policy focus.

Although the evolution of farming structures was not the main focus of the AGWA study, many other studies have shown that even among the smallholders, who dominate farming in West Africa, there is tremendous diversity, with roughly a third producing the bulk of the marketed surplus. Another third is made up of households that are net buyers of basic staples and which generally lack the resources to farm their way out of poverty, while the remaining third could go either way, depending on their access to markets, support services, and the agricultural policy environment (Staatz and Dembélé, 2007). On top of this overlay of smallholder agriculture is a small but potentially

growing group of larger-scale farm operations, often linked to agroprocessors.

Enabling the largest possible number of family farmers to increase and stabilize their yields and incomes should be a policy priority due to the various multiplier effects of smallholder-based growth. At the same time, because not everyone currently engaged in farming will be able to farm their way out of poverty, one can envisage policies to promote different pathways to prosperity for the three subgroups described above:

» *A commercial smallholder path*, built upon competitive, market-oriented family business enterprises in agriculture and related value chains. This path, open mainly to better-endowed smallholders in high potential areas with good market access, focuses on improving farming as a business through increasing total factor productivity in farming, strengthening access to higher value product markets and to factor markets, and improving natural resource management (NRM). Commercial smallholders are also most likely to enter contracting relationships with agroprocessors and food retailers successfully.

» *A strengthened transition path*, which focuses on (1) stabilizing more marginal farm households' production for home consumption through yield-stabilizing technologies, improved productivity (particularly of its small livestock resources), diversification to enhance the availability of nutritious food and improved natural resource management; (2) helping the better-off among them to increase marketable surpluses and transition into more commercial production; and (3) facilitating access to labour markets and non-agricultural opportunities for those who need to supplement their farm incomes and, over time, transition out of farming. This path also focuses on enhancing access to education (to ease the next generation's transition out of farming) and providing social safety nets to avoid loss of assets due to various shocks such as drought, disease, or the death of a family member. For landless households, the focus is on improving access to labour markets, including migration.

» *A widely shared indirect benefits path*, which affects all groups, but is particularly important for marginal farmers, the landless and urban consumers. This path exploits opportunities from two sources. First, demand for products from the non-agricultural sectors (and hence jobs in those sectors) increase because: (i) smallholders' incomes rise from growing production and (ii) consumers experience higher real incomes that result from lower food prices. Second, the rising demand for processed and more convenient foods among the growing urban population and for value-added exports expands employment opportunities in the non-farm segments of the agrifood system.

None of the paths can be pursued independently of the others. For example, actions that are critical to the strengthened transition agriculture path, such as financing the investments in education and improvements in labour markets, depend on capturing and reinvesting some of the agricultural surplus generated by the commercial smallholder path. A productive and growing commercial agriculture is critical to expanding the tax base for local governments, which are increasingly called upon to provide the education and health services needed to promote a generational shift out of poverty agriculture.

### 13.2.2 In increasingly buyer-driven value chains, food-system interventions should start from the consumer end

*Better understanding of the forces driving consumer demand is a prerequisite for the food system to respond and compete successfully with imports.* Consumers are the ultimate financiers of the system; hence a better understanding of their preferences and the determinants of their purchasing decisions is paramount for agrifood system stakeholders, from retailers through processors to farmers. As highlighted before, food demand is evolving from undifferentiated bulk commodities towards specific product attributes. Any producer who can market a product with a set of attributes that responds to consumers' changing circumstances (income levels, time availability, changing knowledge of health and nutrition, etc.) will gain a competitive advantage.

The trend towards an increasingly diverse food demand with a growing emphasis on quality, convenience, and nutrition is a global phenomenon that affects West Africa's current and potential export markets as well as its domestic markets. This trend is especially important since food imports and products from multinationals producing in the region are increasingly becoming benchmarks concerning price, consistency of supply, and various product quality attributes.

This need to be attuned to consumer demands applies particularly in the more dynamic upper-income market segments, where consumers are more quality-conscious, but is also true in the lower-income market segments for attributes such as convenience. This is evidenced by the strong increase of rice and wheat-based products across all income segments in urban and rural areas but also the penetration of lower-income markets by dried and processed food products in small package sizes that are affordable even to poor consumers. The rapid spread of mobile phones throughout all population groups testifies to the willingness even among poor households to allocate money for goods and services deemed highly valuable.

Dependable data on domestic food consumption trends are very limited and usually only available at the bulk commodity level. Conducting market research is expensive and usually beyond the reach of SMEs in farming and processing. Making better information and analysis of food consumption and marketing trends available to agrifood system stakeholders would be a useful support function of the public sector. It would better inform the design of subsector and value chain strategies and help farmers and processors in their investment decisions. In addition, the public sector could assist associations of small farmers or SMEs engaged in agroprocessing, value chain councils and inter-professional bodies to conduct market research, product testing and develop branding strategies, on a cost-sharing basis.

### 13.2.3 Enhancing productivity and market efficiency is paramount

*Responding to market opportunities and increased competition requires productivity growth throughout the agrifood system, increased market efficiency and value-chain coordination.* Increasing productivity to drive down unit costs throughout the agrifood system is the only economically sustainable way to enhance producer incomes and competitiveness while at the same time promoting lower-priced food for consumers. More productive use of land, water and other natural resources also reduces pressure of further expansion of production into environmentally fragile areas. Labour productivity growth increases returns to labour, making agriculture more attractive to the young and helps prevent labour shortages at critical stages of the cropping cycle. Increased market efficiency and value chain coordination lead to lower marketing costs benefiting farmers and consumers alike.

Productivity growth requires a combination of new technologies, inputs and support services; improved infrastructure and market access; more competitive marketing systems; and institutional innovations that reduce risks and transaction costs of specialization and trade.

*At the farm level, sustainable intensification should be the main avenue towards productivity growth.* As discussed in Chapter 2, addressing the problems of agricultural resource degradation and declining land productivity in West Africa will require a more sophisticated approach than simply trying to duplicate the Asian Green Revolution model based on improved seeds, expanded irrigation and greatly increased use of mineral fertilizers. It will require tailoring solutions to local farming systems: shifting from a focus on increasing use of mineral fertilizers to a focus on soil health (built on combining use of mineral fertilizers, organic material and cultivation techniques aimed at enhanced water retention and soil biota); an increased focus on soil and water management rather than just expansion of irrigation; development of improved, locally adapted varieties through a range of breeding techniques; and integrated methods of pest control. These methods are much more management- and

knowledge-intensive than conventional farming techniques, implying a need for their gradual introduction combined with a substantial investment in improving the skill levels of farmers, input dealers, extension personnel and research staff.

*In the downstream parts of the value chain,* increasing productivity of post-harvest, processing and marketing operations requires (1) investments in improved infrastructure and equipment (transport, storage, electricity and communications), (2) reforms in rules that restrict competition (e.g. in the trucking industry), and (3) better management and improved efficiency of marketing systems and value chains. These measures are needed to enable West African producers to respond more effectively to increasing requirements for quality, costs and consistency of supply in order to avoid being squeezed out of growing markets and, within these, from the most lucrative market segments. Enhanced efficiency of marketing systems and value chains also requires better coordination among value chain actors, e.g. through (1) improved grades and standards as incentives for value addition, (2) more effective horizontal and vertical organization of the chain actors (e.g. through producer and interprofessional organizations), and (3) better contracting methods. Improved value chain coordination provides the basis for increased flows of finance and information up the chain and flows of product with larger volumes and more consistent quality down the chain.

Upstream, an enabling legal, regulatory and policy environment is crucial for the development of private-sector-based input supply chains. Such an enabling environment should encourage innovation and cost reduction through competition and economies of scale in procurement and distribution (e.g., through the creation of effective regional markets for inputs), while ensuring quality and consumer protection.

Across the board, capacity development through education, vocational training, research and institutional strengthening is essential.

### 13.2.4 Enhancing value addition

The analysis of production and trade data has shown that domestic producers are losing market shares in the rapidly growing markets for higher value and value added food products. Hence, opportunities to capture a larger share of these growing market segments should be pursued more vigorously. Despite the growing popularity of value chain concepts, in practice, Agricultural policies and resource allocation within investment plans often remain focused on the primary production level.

Value addition can take various forms, including processing, sorting, grading, cleaning, storage, packaging and presentation. The appropriate strategy depends on resource endowments, productive capacity and other location-specific factors in relation to identified market opportunities and market access conditions. Possibilities include:

- » *Expanding production and marketing of higher-value food categories with strong demand prospects*, such as animal products, fruits and vegetables, and fats and oils for domestic markets. In export markets, demand is growing briskly for products like cashews, cocoa powder and shea butter if they meet standards for quality, traceability and compliance with good environmental and labour practices.
- » *Creating greater convenience in the products offered to consumers, in terms of time, space, and form utility*. For example, production of products like instant noodles or gari that can be quickly prepared by those with no access to cooking facilities. Other forms of convenience include making products available in more convenient locations (e.g. along commuting routes), in a range of different serving sizes with clear preparation instructions and in already-prepared forms.
- » *Greater product differentiation within a given food category*. For example, a more differentiated set of grades for rice and meats and broader selection of fruits and vegetables, fruit juices with different degrees of natural fruit content

and (in the export market) cocoa products produced and marketed with a broader range of attributes than just bulk cocoa powder (organic, free-trade, etc.). Packaging, preservation, freshness, and shelf-life are further paths for value addition through quality differentiation.

However, before investments in any value-addition strategy are made, it is crucial to ensure that real market demand is being met and that consumers or buyers are willing to pay a premium that is sufficiently high to compensate producers for increased costs. Otherwise, adding value for consumers can result in income losses for producers.

*There are important roles for the public sector to play in supporting this move to greater value addition while balancing producer and consumer interests*

These include:

- » *Nutrition education*. Enhancing awareness of nutritional characteristics, health implications and safety concerns of different fresh and processed food products in order to enable consumers of all income brackets to make better informed purchasing and consumption decisions.
- » *Strengthening national food safety systems* to enhance their effectiveness and consumers' trust in these systems instead of relying on private standards or perceived higher food safety levels of international brands.
- » *Supporting domestic producers along the food value chain in adopting better hygiene and safety standards* through awareness campaigns, capacity development and better access to improved processing technologies. Such support must balance the equally valid policy objectives of ensuring healthy food to consumers with the socio-economic importance of the large informal and SME sector engaged in food production and value chains.
- » *Improving the marketing system for fresh produce*, especially fruits and vegetables, meat and fish, through market infrastructure, transport

and cold chains in order to reduce spoilage and losses and enhance the availability, safety and quality of these products into urban areas, thereby contributing to a more balanced diet.

» *Encouraging the development and modernization of the food wholesaling industry*, which in Asia has played a major role in connecting small producers with processors and retailers through quality differentiation and volume transformation.

### 13.2.5 More effective regional integration is critical to achieving many of the needed productivity gains

*If West African Agriculture is to be competitive with large global actors such as Brazil, China and India, it needs to capture some of the scale economies those countries enjoy.* To do so, West Africa requires more harmonized grades and standards for agricultural inputs and outputs, common procedures for approval and release of improved seed varieties, regionally coordinated systems of agricultural research and higher education, reform of rules limiting competition in transport services across the region, and removal of restrictions that limit agroprocessors from sourcing agricultural products across national borders. Such measures are also critical in attracting increased private investment, as the allure of selling to a regional market of over 300 million customers is infinitely more attractive than trying to set up operations in 15 different countries, most of which have a small customer base.

*The future of regional integration, however, depends critically on the behaviour of the big players, especially Nigeria.* In terms of production, exports, imports, and effective demand, West Africa's Agricultural market is dominated by four big players – Nigeria, Ghana, Côte d'Ivoire and Senegal. These countries account for two-thirds of the population, 80% of the GDP, three-fourths of agricultural imports and over 80% of agricultural exports. These countries also serve as major sources of demand for their neighbours and recipients of large intra-regional labour flows. Policy decisions by these four countries – and especially Nigeria – will condition the

future of ECOWAP. However Nigeria, like most countries in the region, has set its Agricultural policies largely independently of its neighbours, for example, by imposing trade bans for selected products even from fellow ECOWAS countries. Its involvement in the design of ECOWAP has been surprisingly small given Nigeria's importance in the regional market, and the country's Agricultural Transformation Agenda appears to have been designed with little reference to ECOWAP. Similarly, the decisions of Ghana and Côte d'Ivoire to sign interim EPAs with the European Union, while necessary to preserve their preferential access as non LDCs to the EU market, complicated the negotiation of a West Africa-wide EPA. A critical challenge for the future of ECOWAP will be to emphasize areas of strong mutual interest among, on the one hand, the "big four" – and particularly Nigeria – and, on the other hand, the other members of the Community. Without this type of alignment, the regional policy may end up being mainly a tool to help smaller countries adapt to the policies developed independently by Nigeria, Ghana, Côte d'Ivoire and Senegal.

### 13.2.6 Agricultural productivity growth needs to be complemented by measures to enhance resilience in a high-risk environment

The willingness of actors to adopt productivity-enhancing innovations throughout the agrifood system depends on their ability to manage risks in an environment subject to recurrent shocks. Without improved tools to manage these risks, productivity-enhancing investments will either not be made or be tilted towards the better-off actors, with higher capacity to bear risks, with the result that the benefits of growth will go primarily to the rich. Key elements of a resilience agenda that needs to complement an Agricultural growth agenda include:

» Introducing or up-scaling climate-smart agriculture practices that increase the efficiency of resource use while enhancing resilience to climate variability. These include the sustainable intensification approaches discussed in Chapter 2, such as tailoring improved management practices and crop and livestock breeding

to local farming systems in order to increase the efficiency of input use, build soil health and strengthen risk-management. They also focus on promoting techniques that reduce greenhouse gas emissions. These techniques are much more knowledge- and management-intensive than conventional agricultural techniques, implying a need to strengthen skills throughout the agrifood system (FAO, 2013a).

- » Strengthening agricultural research systems to develop plant varieties and animal breeds more tolerant to drought, pests and disease.
- » Improving water and soil management, including improved access to irrigation. Irrigation efforts should include experimentation with a range of scales and institutional arrangements to find the most-cost effective models. In rain-fed areas, the agenda includes improved techniques to manage and conserve water and soil moisture, in part through better soil management. More secure access to a reliable source of water not only reduces production risks but, because of that risk reduction, also increases the willingness of banks and other organizations to extend credit to farmers, further strengthening their resilience.
- » Supporting measures to mitigate and cope with price volatility, such as improved storage, expanded regional integration, and warehouse receipt systems (see Focus Section A for details).
- » Strengthening the security of land and water rights in order to reduce the risks of loss of productive assets, induce productivity-enhancing investments and facilitate labour mobility and hence diversification of income sources (See Focus Section D).
- » Introducing weather-based crop insurance. When this insurance is linked with cell-phone-based payment and automated weather-monitoring systems, costs decrease. In East Africa such insurance is showing increasing promise of becoming commercially viable.<sup>185</sup>

- » Supporting income diversification through both farm and non-farm activities linked to growing market demands.

### *13.3 The way forward: guiding principles to enhance policy effectiveness*

Achieving more rapid, broad-based and sustainable Agricultural growth in West Africa and putting in place the policy priorities outlined in the previous section requires three things:

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

#### 13.3.1 Improved enabling environment and investment climate

Addressing the productivity challenges facing West African agriculture in order to achieve sustainable and broad-based growth requires investments. Given that agriculture is a private-sector activity, the bulk of these investments must come from the private actors at various levels of the agrifood system: farmers, input suppliers, processors, transporters, and providers of support services. Nevertheless, the ability of and incentives for the private sector to make sustainable, productivity-enhancing investments depends to a large extent on the existence of a conducive investment climate. Shaping the incentive framework is a core function of public policies. Governments thus have a key role to play in shaping the enabling environment in consultation with non-state actors.

<sup>185</sup> See the description of the system known as Kilimo Salama (“safe farming” in Swahili), developed with the support of the Syngenta Foundation for Sustainable Agriculture (<http://www.syngentafoundation.org/index.cfm?pageID=562>).

Key elements of an effective policy environment are its *predictability, focus, participation and inclusiveness, coherence, and ability to evolve over time* as the economy and broader society evolves. Predictability is critical to give private-sector actors more reliable expectations upon which to plan their production and investments. Focus deals with the need for policy to address a manageable set of priorities and to balance short-term and long-term needs as well as national versus regional perspectives. Participation and inclusiveness helps ensure that policies build upon the knowledge of diverse stakeholders (including the less vocal ones) regarding challenges and opportunities facing Agriculture and that policy design and implementation lead to broad-based growth. It also fosters buy-in for policy implementation. Coherence across different sectoral policies and countries is essential so that incentives emanating from different policies reinforce each other rather than work at cross-purposes. The capacity of policy to evolve as the economic and social environment changes is critical so that policies do not impede actors from seizing new economic opportunities and responding to new challenges as they arise.

#### *Policy stability and predictability*

*A stable and predictable policy environment is paramount in order to instil confidence of agrifood system operators of all scales to make substantial long-term investments.* A key element of a stable and predictable policy environment is that government interventions in input and output markets (e.g. through trade policy measures, subsidies and efforts to stabilize domestic prices) are rule-based rather than ad hoc. Earlier chapters of this report have revealed that the region is replete with ad hoc and short-lived agricultural policy initiatives, often weakly coordinated with other policy frameworks, inconsistently implemented and frequently reversed (e.g. the Presidential Initiatives in Ghana and Nigeria on several crops in the early 2000s). Such policy volatility instils mistrust in the private sector and is often associated with rent seeking of specific actors to shape policies and programmes in favour of their particular interests (e.g. the use and lifting of import bans in Nigeria).

Important measures to enhance policy predictability include, for example, clearly spelling out the rules under which the state will restrict exports or imports to protect domestic producers or consumers and the conditions under which inventories from national food security stocks will be released. Specific actions needed to improve the predictability of policy include the development of transparent codes for management of national and regional food reserves and clear rules about when governments will undertake trade interventions. ECOWAS could play a key role by highlighting exemplary practices by member states and developing model legislation and management codes in these areas. Another important measure would be to improve data and information about levels and trends of critical indicators of agrifood system performance. Areas where data problems are particularly acute include the levels of intraregional trade flows of Agricultural products and inventory levels for key staples, particularly cereals, at the farm and trader levels. Lack of reliable data about these core parameters often induces governments – fearing shortages – to impose export bans or release stocks.

*A predictable policy environment requires a broadly shared consensus about the public sector's roles and priorities in Agriculture.* Policy volatility is in part a function of an unclear definition of the respective roles of the public and private sectors. Despite recent rhetoric about the need for public-private partnerships, there is still a deeply rooted mistrust between the public and the private sector. Historically the public sector played a strong role in agricultural input and output markets and the provision of support services in West Africa, albeit frequently with low efficiency and high budgetary cost. Structural adjustment led to a marked reduction in government provision of these services and left farmers in a void after the abrupt withdrawal of the state from many of these marketing and support functions. The private sector's entry into marketing, input supply and finance was frequently slow and uneven due to a number of structural problems related to underdeveloped infrastructure, poorly functioning institutions, weak regulatory frameworks, and high risks and transaction costs in dealing with a dispersed and fragmented

farming sector. The slow response of the private sector then led to a new round of government interventions, often erratic, which, in turn, created further perverse incentives and uncertainties, further undermining the private sector's willingness to invest.

These vicious circles can be observed in various input and output markets as well as in rural and agricultural finance. Examples include:

- » Buffer stocks with unclear rules regarding stocking levels and trigger prices for purchases, sales, and trade, which discourage investments in private storage and the development of warehouse receipt systems and financing.
- » Input and credit subsidies, which undermine the development of sustainable, private-sector supply chains and service providers.
- » Debt forgiveness programmes prior to elections, which undermine repayment culture, leading to higher interest rates and increased reluctance of banks to finance Agriculture.

Breaking these vicious circles requires developing a broadly shared consensus about the role and priorities of public policies and investments in Agriculture among key stakeholders and disciplined governments sticking to their defined roles despite lobby pressures and short-term political priorities. Promoting broad-based stakeholder consultations and involvement in the very early stages of policy development can help develop a shared understanding of public- and private-sector roles. Challenges in making such discussions productive include (1) ensuring a broad enough representation of stakeholders that the process does not become hijacked by the narrow interests of a single group and (2) identifying stakeholder representatives who are acknowledged industry leaders and "broad thinkers" and are open to exploring possibilities for working with other value-chain participants to promote system-wide improvements. It is also important that a representative of the Ministry of Finance participate in such discussions to inject words of caution about what measures the state can realistically finance on a sustainable basis.

### *Policy focus*

*Focus on the main building blocks rather than just on quick wins.* Relaxing the key constraints to broad-based Agricultural growth takes time. Agricultural research, a key public good with high returns, requires a long time horizon to generate improved technologies adapted to the variety of local conditions. The same applies to developing input and rural financial markets, addressing infrastructure constraints, and strengthening human and institutional capital, such as building more effective interprofessional organizations. Countries that managed to develop competitive agricultural sectors and agro-industries such as Brazil, Thailand and Chile strengthened their infrastructures, invested in a constant stream of technologies and built strong institutions over several decades, rooted in a long-term vision. Successful agricultural subsectors in West Africa, such as cotton in Francophone countries (until the early 2000s) and cocoa in Ghana and Côte d'Ivoire (see Chapter 10) share similar characteristics. Even though the role of the public sector and the structure of the private sector differ in these examples, a common denominator is a gradual evolution of policies backed by consistent investments in public goods over long time horizons. On the other hand, crash programmes with overambitious short-term targets and based heavily on subsidies have little chance of leading towards long-term, self-sustained growth. Most strategy and policy documents clearly identify the key long-term structural constraints and related regulatory reform and investment priorities; however, in practice, West African countries have placed too much emphasis on short-term measures and subsidies. This was exacerbated during the 2008 food price crisis and is reflected in some of the CAADP National Agricultural Investment Plans. However, it is now time to refocus on longer-term priorities.

*Balancing national and regional focus.* Enhancing the use of inputs, especially fertilizer, has been a priority across the region and many governments have spent considerable resources on fertilizer subsidies. Maintaining these subsidy levels in the longer term will be challenging in view of other competing priorities. As discussed in Focus



Section C (p.315), a critical step in reducing the cost to producers of inputs such as fertilizer and veterinary medicines is the harmonization of national regulations including grades and standards for these products to create a regional market capable of capturing substantial economies of scale. While regional organizations such as ECOWAS, WAEMU and CILSS have made considerable progress in proposing regional reforms to create the regional market, implementation at national level is lagging. Thus, the national focus on these regional initiatives needs to be strengthened, in part through addressing constraints to policy implementation discussed later in this chapter.

### *Participation*

*Broad stakeholder participation and empowerment are essential to improving the quality of policies and policy processes.* The CAADP process calls for strengthening broad multi-stakeholder engagement in policy formulation, implementation, and monitoring and evaluation to enhance policy effectiveness and accountability and increase pressure on governments to continue successful policies beyond electoral periods. Success to date in translating this inclusiveness into practice has been mixed (see Focus Section B, p.311). Key challenges include organising and promoting collaboration among the very diverse agrifood system stakeholders, especially in the private sector beyond the farm (agribusinesses ranging from artisanal processors and small traders to multinationals). The level of organization and organizational capacity among many of the actors remains uneven within countries and even more so at the regional level. Key actions needed include capacity building of different professional and interprofessional organizations and strengthening the platforms for them to participate in policy formulation, implementation, monitoring and evaluation. Central to success is involving these actors in the initial stages of policy formulation, giving them specific responsibilities throughout these processes and requiring them to account for their performance.

### *Inclusiveness*

As mentioned before, while broad stakeholder participation is important to ensure coherence and accountability, specific efforts are needed to

level the playing field and empower small and less-organised actors' participation in the economic and political arenas (e.g. small farmers, traders, artisanal processors and food services providers, and among these, especially women and youth). Economic empowerment includes specific measures aimed at (1) enhancing access to productive assets, inputs, support services, training and skills development; (2) supporting collective action to engage more effectively with markets and other food system stakeholders; and (3) strengthening resilience and the capacity to manage risks. Political empowerment includes the legal (civil) recognition as citizens and economic actors, along with capacity development and organisational strengthening for more effective participation in policy processes.

### *Policy coherence*

*Intersectoral coherence: agricultural policies alone cannot do the trick.* As discussed above, many of the key components in creating an enabling environment for rapid, inclusive Agricultural growth involve elements beyond the traditional mandates of ministries of agriculture. Policies regarding trade, the transport sector, industrial development, the financial sector, education and health are all critical. Improved policy coordination and coherence across ministries is therefore paramount. For example, to what extent do investments in roads and rural electrification target the same areas that agricultural research and extension are targeting for increased production of key commodities? Strengthening arrangements to improve inter-ministerial coordination, such as the intersectoral coordination committees in Ghana discussed Chapter 11 and, at the regional level, the ECOWAS Inter-departmental Committee on Food and Agriculture, will be important in improving intersectoral policy coherence. Critical to the success of these efforts is having a high-level champion for such coordination (for example, the Prime Minister or President) and vesting the coordinating structures with enough authority to induce cooperation across ministries and line agencies. Providing specific budget lines that can only be used in such interministerial efforts may be another way of helping induce better coordination.

*Geographic coherence: avoiding conflicts between national and regional approaches.* Incoherence between regional and national policies undermines efforts to build a regional West African market capable of capturing major scale economies. For example, in 2005, West African countries adopted the regional agricultural policy ECOWAP, which has a stated aim of increasing food sovereignty at regional level. In the aftermath of the 2008 food price crisis, however, several countries pursued self-sufficiency at the national level and responded with export bans for cereals and waivers of import duties. While these measures are understandable from a political economy perspective, they clearly undermine trust in regional integration and solidarity as a main avenue towards growth, food security and greater market stability. Efforts by ECOWAS, as part of the ECOWAP/regional CAADP plan, to monitor member states' compliance with their commitments to the regional Community and to make funding for regional ECOWAP efforts conditional in part upon meeting those commitments are examples of actions that can help improve the coherence between national and regional policies.

#### *Ability of policies to evolve*

The need for stability does not imply that policies should remain static. Indeed, in an environment of constantly changing consumer demand, market conditions, technologies and agro-ecologic conditions, stagnation is a recipe for failure (as illustrated by the difficulties of the cotton value chain in the Francophone countries in recent years, as discussed in Chapter 10). Policies need to be consistently adapted to changing environments but large, abrupt changes, typified by some of the policy shifts in Nigeria in the past, may create more harm than good. Developing an on-going approach to policy evolution requires more consistent monitoring of policy implementation, strong market information systems and capable policy analysis units so that important changes in the agrifood system can be detected when they first occur and their policy implications be identified. This process should be enhanced by developing close links between policy-making agencies and broad stakeholder groups (e.g. through the platforms discussed above). It is also important that

key policy measures not be ensconced in laws or administrative decrees that are difficult to change in a timely way if circumstances warrant.

### 13.3.2 Critical public investments

*Increasing the level of public investments in and for Agriculture is important, but a better investment mix is even more important.* The legacy of under-investment in Agriculture and rural development and its consequences for overall economic growth and poverty reduction are now widely recognised. Nevertheless, the consensus about the need to increase investments in Agriculture, embedded in the CAADP 10% target, has been slow to materialize in the region. Only a few countries have reached the target and several Sahelian countries that already had high spending levels on agriculture prior to CAADP now show declining shares of the government budget going to the sector. Moreover, 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. Concerning infrastructure, the bulk of the resources are dedicated to irrigation, which, while understandable in light of the challenges of climate change, raises questions about cost and long-term management of such facilities. In contrast, rural roads or market infrastructure receive comparatively little funding. Although the bias towards farm-level investments and unsustainable subsidies was accentuated by the 2008 food price crisis, it started much earlier in most countries and is also reflected in many of the NAIPs. 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 the provision of the goods being subsidised.

*In view of the limited public funds, 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.* While all governments need some short-term measures with quick wins and visible benefits, not least of all for political-economy reasons, a better balance is needed between such measures and long-term investments

and reforms that address crosscutting constraints and establish the key building blocks for sustained growth. The analysis in the AGWA study, in line with an ample body of literature, suggests the following key areas in this regard:

- » *Agricultural research, extension and development and related human capital development.* Agricultural research and extension, particularly efforts aimed at production of open pollinated crop varieties and improved natural resource management, have important public-good characteristics and are critical to boosting agricultural production, environmental sustainability and food security in the region. As noted in Chapter 4, research and extension in the region has been generally underfunded and is faced with aging personnel, many of whom will soon move on to retirement. Given the small size of most national research systems in the region and the fact that major production basins for key commodities frequently transcend national boundaries, there are also major scale economies that could be captured through more effective regional coordination of national research and extension efforts.
- » *Infrastructure, especially, rural roads, market infrastructure, irrigation and a reliable supply of electricity.* Rural feeder roads are a weak link in the region's transportation system, and improved market infrastructure is critical for improving product aggregation, grading, and public health conditions for the marketing of Agricultural products. Irrigation of various types, as discussed above, is a critical element in both boosting production and boosting resilience. Chapter 9 has highlighted the central importance of reliable electricity supplies in determining the competitiveness of the region's agroprocessors. Rural electrification is also a critical element in stimulating rural manufacturing of agricultural implements and consumer products, which can result in expanded employment opportunities as a result of growing Agricultural incomes.
- » *Building the skill base for Agriculture in the twenty-first century.* Transforming West African

Agriculture into a modern driver of economic growth will require a profoundly different set of skills at all levels in the agrifood system than currently exists in most ECOWAS countries. Needed actions include strengthening basic literacy, particularly at the farm level; linking curricula (e.g. in mathematics and biology) in primary and secondary schools to applications in farming and agro-industry; expanding vocational education programmes in the large range of technical skills needed by workers in a modern agrifood system; attracting more girls into the sciences, given the important role that women play in West African Agriculture; and broadening undergraduate university education in faculties of agriculture to include fields critical in downstream areas of the agrifood system, such as food science, packaging and logistics.

- » *Supporting collective action and institutional innovations for managing risks and reducing transaction costs.* Chapter 10 highlighted the recurrent problems in many West African value chains in vertical coordination, including high costs of product aggregation at the farm level and ensuring reliable supplies of products of consistent quality to processors and retailers. Strengthened collective action, both at the farm level (through producer organizations) and among different actors within the value chains (through value chain councils or inter-professional organizations) is needed if Agricultural growth in the region is to be broad based. An alternative to such collective action is for individual large firms to vertically integrate, handling all these tasks internally, but such a model excludes many of the smaller actors from participating in the system in any role other than that of hired labourers.
- » *Efforts to improve food safety and quality.* Improving food safety has a clear public health justification. Food safety and quality improvements, however, are also traits increasingly important to West African consumers, particularly among the growing urban middle class, and firms that fail to deliver these are at a competitive disadvantage with imports. Supporting industry-wide efforts to strengthen

safety and quality therefore need to be a central part of public and private investments and policies in the food system. In strengthening food safety standards over time, a balance needs to be struck between the desire to impose very high standards immediately to protect public health and the equally valid concern of giving the informal food marketing and processing systems time to adjust, given their important role in employment generation and ensuring accessibility of low-income urbanites to convenient food.

*Investment in hardware need to be complemented by policy and regulatory reforms*

In most cases, investments in “hardware” such as infrastructure alone are not sufficient and need to be complemented by policy and regulatory reforms and investments in “software”, such as institutional and human resource capacity to ensure their effective implementation. For example:

- » Important investments have been made in recent years to improve road quality on major transport corridors. Nevertheless, the region faces the highest transport costs in the world. The main reasons for this are problems related to road governance and the structure of the trucking industry. Unless reforms in these critical areas are implemented, the potential benefits of large road infrastructure investments will not materialize.
- » To complement and induce greater private-sector investments in storage and equipment throughout the agrifood system, legal and regulatory frameworks for enhancing agricultural finance are needed, such as for leasing, warehouse receipt financing, collateral registries, and credit bureaus.
- » To reap the full benefits of public investments in infrastructure, capacity development and collective action in terms of stimulating private investments, further improvements are needed to increase 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.); without improvement in these conditions, it is unlikely that West African Agriculture can become competitive globally for anything other than a few tropical products where the region has a strong geographic advantage.

- » A critical element in improving the regulatory environment is strengthening contract enforcement systems – e.g. through the establishment and strengthening of commercial courts and arbitration systems. Without reliable contract enforcement and commercial dispute resolution processes, transaction costs and risks of undertaking any sort of specialization and trade increase sharply and make it very difficult for the agroprocessors and modern retailers to ensure reliable supplies of agricultural products at consistent quality levels. Contract enforcement, however, needs to be coupled with improved arrangements for risk sharing and resilience within the agrifood system. In a risky environment, such as that which characterises West African Agriculture, a single-minded focus on contract enforcement without a concern for risk sharing among value-chain actors is a recipe for concentration of resources, as only the better-off will be able to absorb the risks inherent in contracting. Thus, the contract-enforcement agenda needs to go hand-in-hand with an agenda to help build resilience throughout the agrifood system through measures discussed earlier.
- » Enhancing access to finance is another policy area that requires a combination of investments in infrastructure and an enabling business and regulatory environment. Investments in roads, electricity, marketing infrastructure, and irrigation reduce risks and transaction costs for both financial institutions and their clients. Telecommunication infrastructure enables the use of point-of-sale devices and mobile phone banking in order to expand access to financial services into remote rural areas. Political and economic stability is not only critical to expand lending but also savings mobilization, which tends to be even more important than

loan services for the majority of rural households. Well-functioning value chains reduce some of the risks and transaction costs in agricultural finance and may partially substitute for conventional loan collateral. An enabling legal, regulatory and institutional framework for leasing and warehouse receipt finance and the establishment of collateral registries and credit bureaus can further unlock agricultural finance. Finally, risk management instruments are critical to enable financial institutions to invest a larger share of their loan portfolio in the sector.

### 13.3.3 Strengthening policy implementation

Improving policy implementation requires (1) strengthening the implementation, analytic, and monitoring and evaluation capacities of key agencies and organizations charged with implementation; (2) improving the data base upon which policy decisions are made, and (3) working to strengthen the alignment between the interests of the different countries, individual actors, and the region as a whole.

#### *Strengthening implementation, analytic and M&E capacity*

Given the ambitious scope of the national and regional CAADP programmes, there is need to upgrade sharply the implementation, analytic and M&E capacity within ministries of agriculture and trade and among private stakeholders that will be counted on to implement the programmes. Such upgrading has several dimensions:

- » At the level of national and local governments, many of those charged with implementing policies (e.g. customs officers at the border) frequently lack information about the content of regional and national policies, such as the ETLS. Moreover, even if they know about the policies, they often lack the operating budget and physical facilities to translate the rules into reality, as is the case with the food safety regulations discussed above.
- » Local governments, particularly at the district and sub-district levels, are increasingly called upon to implement policies to manage natural resources and local agricultural support services, but have a very weak knowledge of many of these policies, managerial capacity and operating budgets to implement them, and lack training in M&E to evaluate their impact.
- » CAADP programmes call for joint implementation of programmes by governments and stakeholders, such as producer organizations. Improving the managerial and organizational capacity of farmer and inter-professional organizations and of agro-input dealers is an important component of the regional and most national ECOWAP/CAADP plans. Such efforts need to be broadened to include consumer organizations and local governments, which are also key stakeholders in Agricultural development, and to strengthen analytic (e.g. M&E) as well as managerial and organizational skills.
- » Improved analytic capacity among a broader range of stakeholders will also contribute to improved and more democratic policy design and implementation, allowing these stakeholders to go beyond just demanding “a seat at the table” when Agricultural policies are formulated and bring their own analysis to bear in policy formulation, implementation, and monitoring and evaluation.
- » It is unrealistic for all these organizations to develop their own in-house M&E and analytic capacity. ECOWAS and national governments, however, through co-funding programmes, could help them develop arrangements to mobilize West African technical expertise (for example, from universities in the region, local consulting firms, and NGOs) to help raise their level of understanding of key issues and their skills in helping implement, monitor, and evaluate them.
- » In terms of strengthening policy analytic capacity within national ministries, it would be very helpful if ECOWAS could continue to sponsor the types of training programmes and networking among the national CAADP

design teams begun under ECOWAP to help build a stronger community of practice among such analysts. This would provide very useful opportunities for cross-country learning during the process of ECOWAP implementation.

» Within the ECOWAS Commission, strong capacity upgrading is needed in the Department of Agriculture, Water Resources and Environment (DAERE) charged with overall management of ECOWAP, the new Regional Agency for Food and Agriculture, the ECOWAS Agricultural Development Fund, and the ECOWAS Monitoring and Evaluation (M&E) Unit, which is charged with not only coordinating the M&E of the regional programme but also helping to frame a common approach to M&E for the national programmes. The regional ECOWAS investment plan recognises the capacity-building needs of the DAERE, but given the scope of the proposed programmes, these efforts need to stress not only building in-house capacity but also increased capacity to strengthen and mobilize regional expertise in West Africa's specialized agencies (e.g. within CILSS), universities, and independent think tanks.

In addition to strengthening capacity within national and regional agencies charged with policy design, implementation, and M&E, there is a need to build regional centres of excellence that can engage in broader, more long-term policy analysis than can national ministries of agriculture or ECOWAS. Such centres would capture scale economies unavailable to the smaller countries in data compilation and analysis, such as carrying out analysis of intraregional trade flows and comparing the effectiveness of input distribution systems across countries. Such centres could also synthesize information to share with national stakeholders on the evolution of the world food system and its implications for West Africa. Currently within ECOWAS, this analytic role is carried out largely by ReSAKSS, but under the ECOWAP regional investment plan, it appears that eventually ECO-AGRIS will increasingly

play this role.<sup>186</sup> There is, however, a need to foster, e.g. through co-funding from ECOWAS, the creation of additional centres of excellence in, for example, key universities in the region, linked to the growing number of independent think tanks and other specialized agencies in West Africa. Linking such centres to lead West African universities would also help ensure that current concerns about agrifood system development are incorporated in the curricula used to educate the next generation of West African policy makers and implementers.

#### *Data needs*

In carrying out the AGWA study, the authors confronted major data problems concerning almost every level of the agrifood system in West Africa. Lack of comprehensive and reliable data was particularly daunting on the downstream segments of the agrifood system, such as agroprocessing, wholesaling, logistics and retail (numbers of firms, levels of investments, production, turnover, etc.). Such data and information gaps are a huge impediment to building more empirically based Agricultural policies in the region and the monitoring and evaluating of their impact, as well as the creation of a more conducive environment for private investment. It also raises the probability of misallocation of public investments in the agricultural sector.

Efforts are currently underway with the support of the Bill and Melinda Gates foundation and the World Bank to improve the quality of household-level data on production, income, and expenditure levels through expansion of the Living Standards Measurement Surveys in a number of West African countries. A comparable level of data upgrading is strongly needed for the off-farm parts of the agrifood system.

#### *Incentive alignment*

In the final analysis, the main challenge in policy implementation is the alignment of individual and group incentives. In ECOWAS, this involves two levels: (1) alignment of the incentives facing individual member states versus the region as a

<sup>186</sup> The regional plan is unclear about the eventual sharing of analytic responsibilities between ECO-AGRIS and ReSAKSS.

whole and (2) incentives facing individual agents for enforcement of regional or national policies.

In terms of aligning national and regional incentives, the decision in the regional CAADP programme to make some of the regional programme funding conditional upon national governments harmonising their policies and respecting their commitments to open trade is an important step forward. It should be recognised, however, that on some matters, the economic interests of the ECOWAS member states will differ so much that reaching a regional consensus will be very difficult. Regional policy thus needs to be modest, focusing first on the “low-hanging fruit” where national interests largely converge, as there is already plenty of policy work to do in these areas.

The alignment of individual and group interests in policy implementation is particularly linked to the problems of bureaucratic red tape and rent-seeking by those charged with policy implementation. In this regard, increasing salaries of government agents, such as customs and police officials, may help reduce their incentives for such behaviour, as would linking the funding of their agencies to performance on independently monitored indicators of ease of doing business. 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.