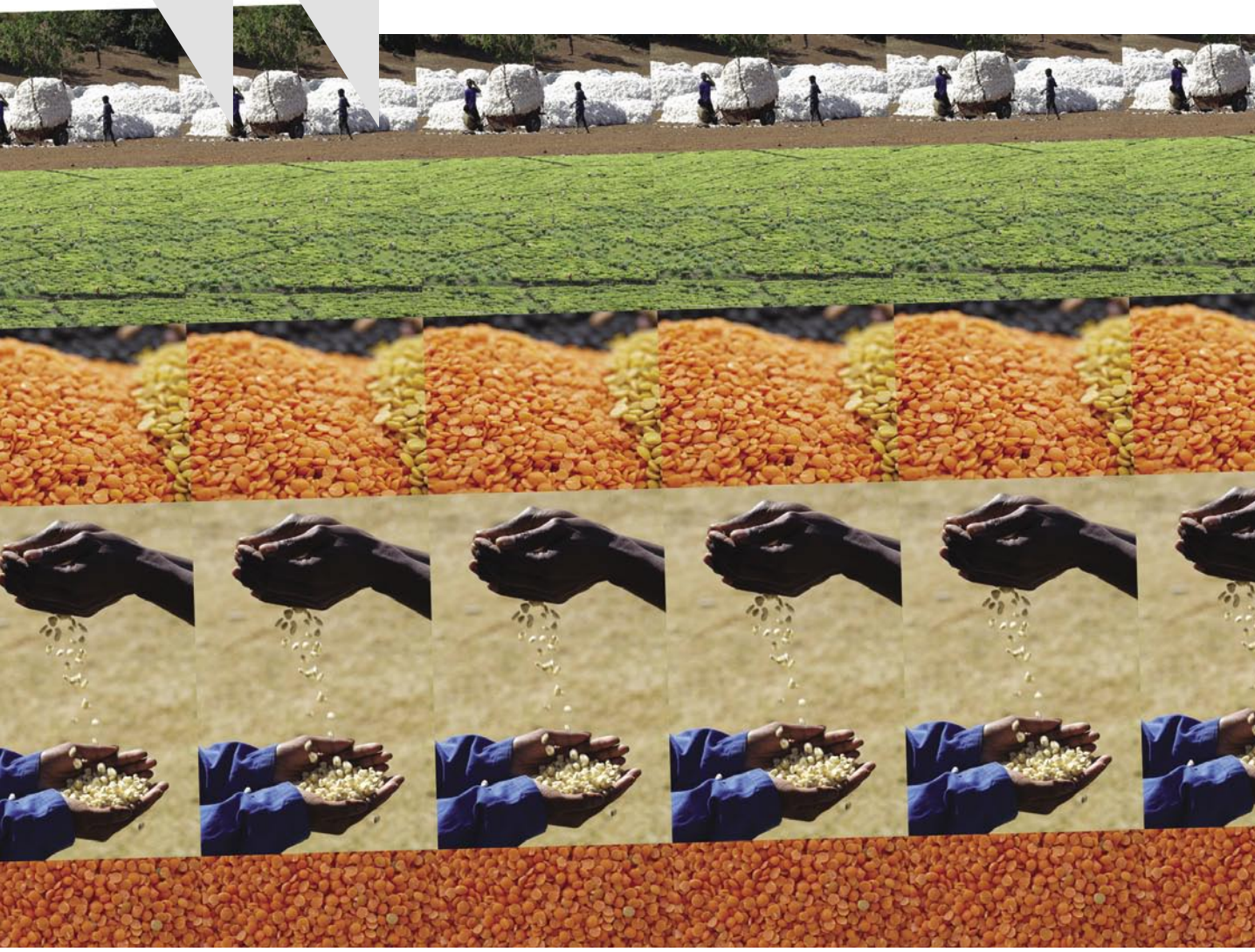
Business for Development 2008

PROMOTING COMMERCIAL AGRICULTURE IN AFRICA

A Development Centre Perspective



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Business for Development

PROMOTING COMMERCIAL AGRICULTURE IN AFRICA

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Chapter 4 of this volume builds upon the main results of five country case studies prepared by Federico Bonaglia (Zambia), Yoshiko Matsumoto-Izadifar (Mali and Senegal) and Denise Wolter (Ghana and Tanzania). The full texts of these country case studies are available at the *Business for Development* website: www.oecd.org/dev/publications/businessfordevelopment.

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Preface

Since the beginning of the new millennium, African governments, donors and the private sector have all stepped up their efforts to revitalise the agricultural sector by mobilising additional resources and putting new business initiatives to work. Through the approval of NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP) in 2003, African leaders agreed to governmental responsibility for providing technical and financial support to the agricultural sector and the development of the agro-based private sector. In addition, trade issues have been increasingly seen as intrinsic to agricultural development strategies.

Governments and business actors agree on the need for better co-ordination of each other's strategies and interventions in the agricultural sector. This places public-private dialogue at the centre stage of Africa's agricultural development process. More emphasis should therefore be placed on policies in favour of market expansion and improved regulatory conditions to underpin private-sector development and redefine the roles of government, donors and business.

Africa is facing new challenges daily caused by market transformations on a global scale. Technological advances, changes in food consumption patterns, the demands of private retail companies and stricter quality and health standards imposed by OECD importing countries have been at the root of some of this change. Meanwhile, African agro-food companies are faced with rising demand for food in Africa due to rapid urbanisation and increased industrial activity. In addition, China and India have provided new outlets for African agricultural exports but have also increased competitive pressures.

To address these challenges, a change of perspective is needed to promote commercial agriculture and the development of rural non-farm activities. More emphasis should be placed on policies that raise agricultural productivity and expand market opportunities at the international, regional and national levels. Private investment in appropriate technology and scientific expertise to support the agricultural sector in Africa requires adequate policies and regulations.

This edition of *Business for Development: Promoting Commercial Agriculture in Africa* looks at recent trends in trade and aid in African agriculture, including an overview of the corporate landscape of the agro-food sector, and takes stock of donor activities aimed at supporting commercial agriculture in the continent. This new publication will make a substantial contribution to what we know and need to do to support private-sector development in Africa.

Javier Santiso,

Director, OECD Development Centre

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Acronyms and Abbreviations

ACP	African-Caribbean-Pacific
AfDB	African Development Bank
AfDF	African Development Fund
AGOA	Africa Growth and Opportunity Act
ANSD	Agence Nationale de la Statistique et de la Démographie
ASDP	Agricultural Sector Development Programme
ASIP	Agricultural Sector Investment Programme
ASTI	Agricultural Science and Technology Indicators
CAADP	Comprehensive Africa Agriculture Development Programme
COMTRADE	Commodity Trade Statistics Database
COMESA	Common Market for Eastern and Southern Africa
CRS	Creditor Reporting System
CTD	Committee on Trade and Development
DAC	Development Assistance Committee
DADP	District Agricultural Development Plan
DCD	Development Co-operation Directorate
DfID	Department for International Development
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything But Arms [Agreement]
EC	European Commission
EIU	Economist Intelligence Unit
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
GSP (-LDC)	Generalised System of Preferences (-for Least Developed Countries)

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IEG	Independent Evaluation Group
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFPRI	International Food Policy Research Institute
ILRI	International Livestock Research Institute
ISSER	Institute of Statistical, Social and Economic Research
ITC	International Trade Centre
WCN	World Conservation Union
JITAP	Joint Integrated Technical Assistance Programme
KTDA	Kenya Tea Development Agency
LDC	Least Developed Countries
MDG	Millennium Development Goals
MFN	Most Favoured Nation
MNC	Multinational Corporation
MTEF	Medium Term Expenditure Framework
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NPC	Nominal Protection Coefficient
NRGP	Northern Rural Growth Programme
OA	Official Aid
ODA	Official Development Assistance
PPP	Purchasing Power Parity
PRSP	Poverty Reduction Strategy Paper
R&D	Research and Development
SHEMP	Smallholder Enterprise and Marketing Programme
SPS	Sanitary and Phytosanitary
SSA	Sub-Saharan Africa
TCBDB	Trade Capacity Building Database
TNC	Transnational Corporations
TSE	Total Support Estimate
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
URT	United Republic of Tanzania
WTO	World Trade Organisation
ZNFU	Zambia National Farmers' Union

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Introduction and Overview

This is the second edition of *Business for Development*, one of three principal thematic areas of the Development Centre's 2007-2008 Programme of Work. While the 2007 volume, *Fostering The Private Sector*, presented a wide-ranging review of the role of the private sector in economic development and poverty reduction and how it can best be encouraged, the 2008 volume, *Promoting Commercial Agriculture in Africa*, looks at African agriculture from a business perspective; it highlights the current status of agriculture and agribusiness as well as the emerging opportunities for developing the sector further in both domestic and export markets.

Agriculture is the dominant sector in most African countries and plays an essential role in rural and overall economic development. More than 60 per cent of Africa's active labour force earns a livelihood in the agricultural sector. Thus, the future of Africa is closely intertwined with the development of its agricultural sector.

However, Africa's potential with respect to commercial agriculture is largely untapped, and the current status of agriculture is a source of major concern. The sector is dominated by poor smallholders, often solely engaged in subsistence agriculture, while the agribusiness sector is in its infancy in most countries. Smallholders face tremendous challenges in accessing input and output markets and find themselves trapped into a vicious cycle of low income, low inputs and low productivity. In 2006, the African average cereal yield was only 40 per cent of the Southeast Asian average.

African agriculture has undergone major market reforms and external liberalisation during the past two decades. All in all, however, these reforms have failed to generate sufficient supply responses to enable agriculture to play a central role as a main driver of growth and poverty reduction. Instead, food availability per capita has declined by 3 per cent in sub-Saharan Africa since 1990, in sharp contrast with increases of more than 30 per cent in Asia and 20 per cent in Latin America. Also, Africa currently imports 25 per cent of its food grains (OECD, 2006, pp. 42-45). The poor performance of African agriculture implies that the continent has been lagging behind in adapting to the structural transformation of the international agro-food market which has opened up new business opportunities for developing-country producers, while at the same time increasing competitive pressures (OECD Development Centre 2007, Chapter 3).

It is in this context that since the turn of the new millennium there has been renewed political interest in supporting agriculture as a sectoral priority. The New Partnership for Africa's Development (NEPAD) has been instrumental in bringing up agriculture on the national and international policy agenda in the 2003 CAADP (Comprehensive Africa Agriculture Development Programme) framework. Given the limited financial resources available to most African governments, it has become critically important to mobilise additional resources, including those coming from bilateral and multilateral donors and the domestic and international private sector.

Additional resources are clearly needed. Over the last two decades, with few exceptions, the allocation of public resources to agriculture has shrunk dramatically. Reversing that trend today is as important as ensuring that scarce resources are efficiently allocated to priority, productivity-enhancing investments.

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Donors have already funded a wide array of projects and programmes in agriculture and agribusiness and increasingly put emphasis on the need to promote agro-based private sector development. The international aid effectiveness agenda highlights the importance of aligning donor activities to the recipient country's priorities and of improving co-ordination among donors, to minimise duplications and reduce the bureaucratic burden on the local administration. In this respect, various aid modalities have been devised, including sector-wide approaches to agricultural development. Given the cross-cutting nature of such aid that is closely connected to aid for trade and private sector development, the formulation and implementation of effective agricultural development programmes will remain a major challenge to many African countries.

The book is structured as follows:

Chapter 1 presents an overview of the evolution of world agricultural trade since the mid-1980s, with a focus on four major product groups (bulk commodities, horticulture, semi-processed and processed products) and highlights major characteristics of African agricultural trade. Chapter 2 makes a first attempt at portraying Africa's corporate landscape in the agro-food sector: who are the major corporate players, both foreign and African, operating in the continent today? Chapter 3 discusses issues related to aid for agriculture in a broader Aid for Trade context. Chapter 4 looks at what governments and donors are actually doing on the ground to promote commercial agriculture in Africa and presents key policy messages emerging from five country case studies. These countries are Ghana, Mali, Senegal, Tanzania and Zambia. The detailed country case studies are available in the Business for Development website: www.oecd.org/dev/publications/businessfordevelopment.

Major questions addressed in the book include: To what extent is African agriculture becoming a business? What are the driving forces to make agriculture more market-oriented and stimulate the development of specialised enterprises for agro-food products? How can the domestic and international private sector become a driver of change? What are African governments and their development partners doing to promote such transformation towards commercialisation?

In what follows, the major messages emerging from the book are highlighted.

Despite its comparative advantage, the share of Africa in world agricultural trade is declining

African countries participate in the expansion of world agricultural trade but their contribution is relatively small. Looking at the evolution since the mid 1980s, the share of African products in world agricultural imports has actually declined from 5.4 per cent in 1985 to 3.2 per cent in 2006. Moreover, agricultural exports are highly concentrated in a small number of countries. Over the 2002-05 period, the largest exporter was South Africa followed by Côte d'Ivoire and Ghana, and these three countries accounted for about 56 per cent of total exports from sub-Saharan Africa. Trade in agricultural products represents less than 20 per cent of Africa's total intra-regional trade, although this figure is likely too low, given the high levels of informal, non-recorded cross-border trade in food products.

Africa's small share in world agricultural exports may be partly explained by the fact that world agricultural trade is no longer dominated by bulk commodities. Trade in processed food and horticulture (e.g. flowers, fruits and vegetables) has grown twice as fast as bulk commodities over the last 25 years, attaining an export growth comparable to the growth of non-agricultural products. In contrast, trade in bulk commodities has been least dynamic and its relative share in total agricultural exports has declined substantially. Such broad patterns of the evolution of world agricultural trade suggests that a significant part of global agro-food trade has become less dependent purely on natural resource endowment and has moved downstream along the value chains. On the other hand, most developing countries that remained commodity-dependent in 2003-05 have been struggling to defend historical positions in the international market. Africa is home to about two-thirds of such commodity-dependent developing countries.

Africa's specialisation in agricultural trade, although slowly changing, is overwhelmingly in bulk and horticulture, i.e. products whose production is related to geographical conditions. Achieving

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vertical diversification towards processed, higher value-added products has proved more difficult for Africa than for other developing countries. None of the countries from sub-Saharan Africa is among the world's leading exporters of processed products. This suggests that Africa today has a competitive disadvantage in agro-processing, since the proportion of transaction costs over total costs is higher in this segment of the agro-food sector because of poor logistics, red tape and the high cost of capital. While this is certainly a problem for Africa, better policies can help solve it through the improvement of the business environment and the creation of the conditions necessary for higher private investment in agri-business.

The rise of China and India represents a new and potentially very significant opportunity for Africa's agricultural exports. In their search for commodities, these countries have already strengthened their trade links with the continent. Rapidly growing incomes in these two giants are likely to fuel a strong surge in their demand for food, including through imports. In fact, their agricultural imports from Africa have increased rapidly over the past ten years, although from a small base. Today they represent one of Africa's most important export markets for agricultural products, accounting for about 7 per cent of its exports.

In assessing the scope for further expanding agricultural and food trade with Asia, it is interesting to note that agriculture accounts for about 10 per cent of India's imports from Africa, but it represents less than 4 per cent of Chinese imports from the continent. The product composition differs too, with bulk commodities dominating China's agricultural imports from Africa, while horticultural products account for roughly two-thirds of India's agricultural imports from the continent.

The trading opportunities in agriculture would increase further if both developed and developing countries were to reduce import tariffs and cut domestic subsidies globally and regionally. Agricultural policies of OECD countries, by supporting their farmers through cash transfers or market price supports, have been blamed for preventing developing countries, including those in Africa, from further developing their agricultural sectors. However, more recent analysis questions this conventional wisdom as many countries in Africa are net food importers. At the same time, there might be dynamic effects, where higher prices arising from trade liberalisation could trigger investment, resulting in more production and competition and lower prices in the longer term. How countries will be affected following a successful conclusion of the Doha Development Agenda depends obviously on how ambitious the final agreement will be, but also on the net trade positions and other supply-side particularities of the individual countries.

At the same time, reducing import tariffs may not result in a strong rise in exports, since non-tariff barriers play a major role in agricultural trade, especially for processed products. In addition, many African countries lack the capacity and infrastructure to meet the international standards required for them. In fact, the most valuable and dynamic segments of the agricultural sector are subject to increasingly stringent scrutiny under both international food and health regulations and private standards imposed by supermarkets. Adjusting to the new trading and regulatory environments governing agriculture poses a major challenge for Africa. This is an area where technical assistance from donors and international agro-food corporations would prove very useful.

Africa is appearing on the radar screens of agro-food multinationals and becoming more involved into global agro-food value chains

The agro-food sector, spanning the range from input supply (e.g. seeds and fertilizers) to retail, has experienced a strong drive towards globalisation, both in terms of the reach of its sourcing — suppliers in many developed and developing countries participate in global value chains, co-ordinated by buyers and supermarkets — and in terms of the degree of internationalisation of major corporations. A relatively small group of very large multinational corporations (MNCs), spreading their reach across the globe, dominate the sector.

To what extent is Africa involved in the global agro-food system? Who are the major corporate players operating in the continent's agricultural sector today? Very little is known about private enterprises in the agro-food sector in Africa. The up-to-date company information based on

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Fortune Global 500 and Jeune Afrique *Les 500*, published in 2007, provides a starting point to map Africa's corporate landscape in this sector.

African countries are gradually appearing on the radar screens of large MNCs in the agro-food sector. Of the 49 corporate giants from this segment listed in the *Fortune Global 500*, 25 have activities on the continent. Activities of these selected firms in the continent include wholly owned subsidiaries or, in the majority of cases, non-equity linkages such as franchises and licensing. These corporate giants are also present through sales offices and marketing representations.

These very large MNCs have entered the most dynamic markets by concentrating their activities in North and Southern Africa but have largely ignored the countries in between. North Africa has been gaining ground thanks to strong ties and proximity to the European Union, progress in economic liberalisation and improvements in infrastructure. Not surprisingly, in 2006 the region received about two-thirds of foreign direct investment (FDI) inflows to Africa. In the Southern region, South Africa accounted for the bulk of investments.

Meanwhile, indigenous African agro-food companies are slowly emerging on the continent as relevant players. Of the 500 companies listed in the Jeune Afrique ranking, 111 are active in at least one segment of the agro-food value chain. The range of income among them is extensive, from revenue of more than $11 billion to a minimum of $90 million.

The beverage sector appears as the most dynamic and developed, with a sizeable presence of both foreign and African companies, sometimes operating in partnership. These collaborative arrangements are mainly based on local licensing and franchise agreements. For instance, the internationally leading beverage company, the Coca-Cola Company, is present in the majority of African states through franchises with local firms which provide bottling and distribution services.

Interestingly, African enterprises have started internationalising themselves. Large companies, in particular retailers, are making inroads in the continent to escape saturated domestic markets. Internationalisation takes place in many forms: firms export their products through partners (e.g. Lesieur Cristal), establish their own sales representation on the spot (e.g. Nigerian Breweries) or even relocate production sites to different countries (e.g. Illovo Sugar). South African companies have been the enterprises pursuing the most proactive internationalisation strategies. Only four of the 24 South African firms present in the Jeune Afrique ranking are not engaged in some kind of international operations. Although they are still small in number, these examples underscore the large business opportunities available in the African agricultural sector.

The emergence of the indigenous agro-food private sector and the interest of non-African multinational corporations in Africa highlight that government efforts to improve the business environment are starting to pay off. Much more remains to be done, however. Private investment in the sector is still small and African producers take part in the agro-food global value chain in a rather passive way, capturing only a small share of the value generated along the chain.

Aid to Agriculture is back on the donor agenda, with a stronger focus on trade and private-sector development

Faced with limited financial resources and an increasingly complex trade negotiation agenda, African countries have shown strong interest in "Aid for Trade" as a mechanism to help build trade negotiation capacities, strengthen productive capacity (particularly, but not exclusively, in the agro-food sector) and improve trade-related infrastructure, thereby realising their export potential.

Total Aid for Trade support to Africa is estimated at $6.1 billion a year (on commitment basis) over the period 2002-05 (the latest year of the OECD/WTO statistics), representing almost one-third of global aid for trade. Support to trade-related infrastructure accounts for over half this amount. Overall, the European Commission and World Bank/International Development Association are by far the largest donors to Africa in all Aid for Trade activities, followed by the

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African Development Bank/African Development Fund in supporting trade-related infrastructure and building productive capacity. Altogether, these three multilateral donors accounted for over half of the total Aid for Trade commitments to Africa during 2002-05.

In Africa, more than half the support for building productive capacity goes to the agricultural sector and covers a wide range of activities. Donor support to this area averaged about $1.4 billion a year in real terms over 2002-05.

However, until recently aid to agriculture in Africa had been on the decline. Over the last 15 years, the volume of aid to agriculture in Africa decreased both in absolute terms (from $2.6 to $2.0 billion), and as share of total official development assistance (ODA) (from 11 to 5.4 per cent). This trend reflected a worldwide pattern. Limited success of aid to agriculture and a shift towards structural adjustment lending (connected with a stronger focus on economic liberalisation), led to a sharp decline in aid to agriculture since the early 1990s.

Also, an increased proportion of ODA has flowed to social infrastructure and services. Assistance to health and education offers development agencies a number of attractions. Aid can be channelled through large public-sector entities, either as programme support to ministries or as general budget support. Transaction costs are therefore minimised. More importantly, assistance can be clearly linked to increased delivery of basic services, which in turn can be relatively easily associated with progress towards achieving internationally agreed development targets such as the Millennium Development Goals (MDGs). On the other hand, aid to agriculture (and indeed to other productive sectors) often has long gestation periods and lacks the same clear relationship between aid expenditure and outcomes.

Since the beginning of this century, there has been a renewed awareness among both African policy makers and donor agencies of the vital contributions of agriculture to long-term growth and poverty reduction. African countries have come to realise that the underperformance of agriculture has been a major drag on their economic and social development. The donor community, too, has begun to refocus policy attention on the vital contribution that trade and private sector development, especially in the agricultural sector, can make to development.

However, aid to agriculture varies considerably across countries in the region in terms of policy focus, the mode of delivery and the nature and degree of donor harmonisation. In order to gain a more accurate picture of aid to African agriculture and to assess what is actually working on the ground in terms of donor-assistance programmes, the OECD Development Centre conducted five country case studies between 2005 and 2007. Ghana, Mali, Senegal, Tanzania and Zambia were selected because of the particular importance of agriculture in their economic development and their governments' commitment to promote agricultural modernisation and diversification. Moreover, they are among the largest recipients of agricultural aid in Africa and offer a wide spectrum of donor-supported programmes (The country case studies can be viewed at: www.oecd.org/dev/publications/businessfordevelopment).

In the five countries the structural transformation of agriculture has yet to occur

Although they have been on the policy agenda of the five countries almost since independence, the transformation of agriculture and the development of agro-based industries have yet to materialise. The agricultural sector is characterised by a dualistic structure, with few commercial farmers and a large majority of smallholders, engaged in subsistence or quasi-subsistence agriculture. Food crop productivity has been stagnating and even countries that could be food secure, such as Ghana and Tanzania, continue to experience food security problems. While the Senegalese agro-processing industry is quite active, it nevertheless generates little value added and is only weakly linked to the rest of the economy because of its high dependence on imported inputs.

On the other hand, horticultural exports have emerged as a new driver of agricultural growth. Contract farming (e.g. outgrower schemes) has proved to be an effective mechanism for involving smallholder farmers in export crop production and achieving economies of scale.

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These interlocking arrangements have proved to be more difficult to set up for staple food crops, mainly because of widespread free-riding on the side of contracted growers.

New approaches to support agricultural commercialisation are delivering encouraging results…

Donors are increasingly adopting a value chain approach to promote private sector development in agriculture and are trying to tackle various bottlenecks simultaneously. Previous interventions mainly focused on production, and did not pay adequate attention to the development of market linkages and the role of support entities. Many new projects now rely on value-chain mapping to identify competitiveness bottlenecks and make sure that all relevant segments are dealt with, including support actors. Some promising examples include projects focusing on demand-driven agricultural services (e.g. veterinary services in Zambia) and other supportive industries (e.g. packaging in Senegal and Mali). This represents a significant improvement on the past, even though projects remain limited to specific export commodities or areas.

Nonetheless, some segments of the agricultural value chain still receive little donor attention. In particular, more consideration needs to be given to the role of input suppliers, the involvement of market intermediaries (including small-scale traders) and the specific needs of agribusiness companies. In this respect, donor efforts seem more advanced in Senegal than in the other four countries. Also key areas for market access, such as marketing and quality standards (e.g. sanitary and phytosanitary standards), receive little attention.

An important lesson emerging from the application of the value-chain approach is that the promotion of private sector development in agriculture goes well beyond the sector itself and cuts across several policy domains. For instance, the promotion of outgrower schemes cannot be separated from the improvement of the overall business environment, in particular contract enforcement, and the development of business service providers.

…the challenge is to scale up these successful projects…

In the five countries, donors still tend to privilege stand-alone, area-based projects, which are often executed outside government structures, through local or international non-governmental organisations (NGOs). These projects have met some success in raising production volumes and facilitating market access, mainly in export-oriented commodities, although their longer term impact and sustainability remain to be assessed. While these projects are important sources of experimentation and innovation, the challenge is to scale them up in terms of both resources and geographical coverage and to mainstream them into government strategies and structures.

Scaling up and mainstreaming require a thorough assessment of local implementing capacities, both within government and in the private sector. Persistent capacity weakness may call for a gradual approach to transferring management responsibilities. Meanwhile, the NGOs executing donor projects (e.g. supporting outgrower schemes) must play a facilitating role and should not become competitors to private providers of business services or undermine the commercial viability of processors.

…and to ensure sustainability

Positive project results can be found in all countries, but their long-term sustainability is at stake. Evaluations suggest that donor interventions have often paid inadequate attention to local capacities. In fact, few projects have an explicit exit strategy to facilitate the handover of the project to local counterparts and to ensure that services continue to be supplied to farmers in a sustainable manner. Where impact assessments have been conducted, the observed results on income levels and business sustainability are mixed. Sustaining achieved benefits at the farm level after the withdrawal of donor support remains a challenge which should already be receiving more consideration during the project design.

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In fairness, governments have not always been coherent with respect to their commitments, both in terms of counterpart financing and in terms of policies to promote private sector development in agriculture.

Governments need to invest more on agriculture and spend more effectively

Despite the political commitment to agricultural development, actual government funding to agriculture has been on a declining trend over the last two decades. Limited and unstable public resources for the sector are undermining the implementation of agricultural strategies. None of the countries, except Mali, is close to achieving the target of 10 per cent set by the CAADP.

However, reversing the trend will not be enough to achieve higher agricultural growth. Governments also need to improve the allocation of resources within the agricultural sector and to set more resources aside for productivity-enhancing investments. For instance, evidence from Zambia suggests that the decline in resources has disproportionately affected capital equipment and recurrent departmental charges, resulting in lack of equipment and personnel to conduct research and provide extensions services and training to farmers.

Strengthening public sector capacity is crucial

Government structures in charge of agriculture suffer from significant capacity weaknesses, which reduce their ability to play a leading role in the sector, co-ordinate with other ministries and effectively oversee donor projects. Outflows of high-qualified staff moving to private sector positions or donor projects is frequent, reflecting not only low salaries but also the absence of proper human resource development policy to keep qualified staff in-house.

Capacities are particularly limited at the local level. All five countries have embraced decentralisation strategies to make public sector interventions more responsive to local needs. But so far the decentralisation of responsibilities has not been matched with a corresponding endowment of financial and human resources at district and village level. Not only national but also local capacity building needs to receive more attention to make demand-driven public service delivery a reality.

Donor co-ordination needs to be improved

Although improving, donor harmonisation and alignment to government priorities in the agricultural sector is less advanced than in the social sectors. The predominance of stand-alone projects and the involvement of several line ministries (e.g. agriculture, infrastructure, land, trade) dealing with agriculture make progress difficult. This holds true even for countries which are considered to be quite advanced with respect to donor harmonisation, such as Ghana and Tanzania.

Donor co-ordination is mainly taking place at the central level, and primarily concerns policy-related issues. Operational co-ordination, especially at field level, occurs only on an ad hoc basis. It is quite common to observe different projects being implemented in the same area within a country, sometimes with the same farmers participating in more than one project. Co-ordination on the ground should be ensured by the government authorities, but they often lack resources and capacity to do so.

A co-ordinated, sectoral approach could help tackle more effectively the multiple constraints that are hindering agricultural commercialisation. However, the experiences of Zambia in the late 1990s and more recently of Tanzania highlight the challenges of setting up multi-donor sectoral programmes. The establishment of sector-wide programmes in agriculture requires significant political will and patience, as well as strengthened government capacity.

Ways forward: setting more balanced action programmes

The over-reaching objective of donor and government assistance to the agricultural sector is to lift smallholders out of poverty and create more off-farm rural employment. In this regard, the market potential of staple foods should not be overlooked. Traditional food crops are often

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better adapted to local agro-ecological conditions, and rising local and regional demand presents a great opportunity to expand production and develop food-processing industries. Currently donors and governments tend to put too strong a focus on export crops and too little on staple foods.

While contract farming schemes have been successfully established for export crops, examples of such commercialisation programmes are still rare for staple foods. Greater involvement of the private sector in designing and implementing commercialisation programmes may be more demanding for food crops, but this is necessary to develop and sustain local food industries. More donor support for innovative approaches to commercialisation programmes in this segment of the agricultural sector is needed.

Increasing the productivity of food crops is a top priority for Africa today, given the strong prospect of world food prices. This requires sizeable investments in irrigation, storage, transport infrastructure, as well as access to input markets (fertilizers, seeds, planting materials and credit). It also requires better functioning markets and stronger linkages to buyers and processors.

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CHAPTER ONE

World Agricultural Trade and Africa

ABSTRACT

This chapter presents an overview of the evolution of world agricultural trade since the mid-1980s with a focus on four major product groups of the agro-food sector: bulk commodities, horticulture, semi-processed and processed products. It then turns attention to the export performance of African agriculture on the basis of the mirror trade data (i.e. world agricultural imports from all partner countries). This is followed by brief discussions on recent developments in OECD agricultural policies and their implications for Africa.

Among the four agricultural sub-sectors, the dynamics of world agricultural trade are chiefly about trade in processed products whose export growth has been comparable to the growth of non-agricultural products. In contrast, trade in bulk commodities has been the least dynamic and its relative share in total agricultural exports has declined substantially. Such broad patterns in the evolution of world agricultural trade during the past two decades (1985-2005) suggest that much of the global agro-food trade has become less dependent on purely natural resource endowment and has moved up along the value chains. In Africa, on the other hand, the agro-food sector has remained largely dependent on land and climatic conditions, though the continent's agricultural exports have diversified away from bulk commodities to horticulture.

Export subsidies, domestic supports and tariffs continue to influence the changing landscape of world agricultural trade. Africa's export opportunities would further increase if both developed and more advanced developing countries were to take joint actions to improve market access to African products under the current World Trade Organisation (WTO) negotiations. How developing countries will be affected following a successful conclusion of the Doha Development Agenda obviously depends on how ambitious the final agreement will be, but also on the particularities of individual countries. African countries will also be impacted differently depending on their net agricultural trading positions.

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INTRODUCTION

Agriculture is a contentious issue in the current Doha Development Agenda of the World Trade Organisation (WTO) and the final outcome of its negotiations will have important ramifications for Africa's growth and development[1]. This chapter is intended to provide a comprehensive and factual background to better inform discussions of world agricultural trade and its implications for Africa. It first reviews world agricultural trade patterns and highlights major characteristics of African agricultural trade. It then discusses the recent development of OECD agricultural policies and its implications for Africa. Finally, the chapter makes some concluding remarks.

In this chapter the spotlight is on agriculture as defined by the WTO, i.e. including the whole gamut of produce from the farm gate to the dinner plate. In order to simplify the presentation, the commodity composition of agricultural trade is segregated into four broad sub-sectors following the classification in Regmi *et al.* (2005). These categories are *i)* bulk commodities such as wheat or coffee; *ii)* horticultural commodities such as bananas or cut flowers; *iii)* semi-processed commodities such as animal fat or vegetable oils; and *iv)* processed products, i.e. goods that require extensive transformation before consumption, such as chocolates, beverages and fresh or chilled meats.

This classification is primarily based upon the relative dependence of production upon land and climatic conditions. While products in the first two categories depend disproportionately on land availability, geography and climatic conditions, those in categories *iii)* and *iv)* are less dependent upon those factors and in principle can be produced almost anywhere[2].

All trade statistics presented in this chapter are derived from the United Nations COMTRADE. Two limitations should be noted at the outset. First, the number of reporting countries from sub-Saharan Africa was quite limited in coverage in the mid-1980s and early 1990s[3]. We are therefore obliged to use the "mirror trade data" (i.e. world agricultural imports from all partner countries) to analyse the agricultural export performance of 53 African countries. The results of this analysis will be reported later in this chapter[4]. Second, reference to aggregate European Union (EU) trade data covers members before 2004, that is, EU15 only, because of the timing of the enlargement of the EU to 27 member states and the availability of trade data.

TRENDS IN WORLD AGRICULTURAL TRADE

During the period 1985-2005, world agricultural exports (excluding intra-EU trade) increased almost four-fold from $123 billion to $455 billion, resulting in an annual compound growth rate averaging 6.7 per cent a year (Table 1.1.)[5]. Over the same period, however, total world merchandise exports expanded at an even faster rate, increasing almost seven-fold from $1.1 trillion to $7.5 trillion, revealing an average compound growth rate of 10.2 per cent a year. As a result, the share of agricultural exports to total merchandise exports fell from almost 12 per cent in 1985 to about 6 per cent in 2005.

Members of the EU are formidable traders with a large share between themselves. Data in Table 1.1. indicate that including intra-EU trade augments world agricultural exports by almost $52 billion (42 per cent) in 1985, while by 2005 world agricultural exports are some $231 billion (51 per cent) larger. Although intra-EU trade is also significant in total world merchandise trade, its importance has diminished over time, falling from 38 per cent in 1985 to 29 per cent in 2005. Because much of the intra-EU trade is a reflection of the closer economic and political integration among the members, the rest of the discussion excludes intra-EU trade.

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Table 1.1. Total Merchandise and Agriculture Exports
(with and without intra-EU trade)

	Data excluding intra EU trade			Data including intra EU trade			
	Total Agricultural Exports	Total Merchandise Exports	Agriculture Share of Total	Total Agricultural Exports	Total Merchandise Exports	Agriculture Share of Total	Number of Countries Reporting
Year	$ billion	$ billion	%	$ billion	$ billion	%	
1985	123	1 071	11.5	175	1 477	11.9	88
1986	126	1 137	11.1	194	1 656	11.7	98
1987	134	1 335	10.1	218	1 980	11.0	95
1988	156	1 590	9.8	248	2 307	10.8	96
1989	179	1 858	9.6	274	2 628	10.4	102
1990	189	2 105	9.0	300	3 037	9.9	105
1991	190	2 208	8.6	308	3 137	9.8	103
1992	212	2 093	10.1	341	3 081	11.1	106
1993	212	2 573	8.2	327	3 411	9.6	111
1994	245	2 928	8.4	372	3 908	9.5	118
1995	290	3 464	8.4	438	4 661	9.4	134
1996	313	3 741	8.4	463	4 968	9.3	139
1997	316	3 899	8.1	456	5 124	8.9	146
1998	295	3 832	7.7	435	5 106	8.5	144
1999	277	4 006	6.9	416	5 301	7.9	152
2000	284	4 683	6.1	411	5 955	6.9	164
2001	292	4 425	6.6	423	5 719	7.4	161
2002	300	4 459	6.7	443	5 788	7.6	153
2003	352	5 166	6.8	527	6 742	7.8	149
2004	393	6 140	6.4	594	8 032	7.4	131
2005	455	7 487	6.1	686	9 631	7.1	116
Growth rate	**6.74**	**10.21**		**7.06**	**9.83**		

Source: United Nations/COMTRADE.

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Several OECD and Emerging Economies Dominate World Agricultural Exports

During the 1985-1990 period, the US was the largest agricultural exporter with an average of $36.1 billion in exports (about 23 per cent of the total), followed by the EU15 with almost $32 billion (20 per cent of the total). Australia, with an average of $9.9 billion was the third largest exporter followed by Canada and Brazil (Table 1.2.). The top four exporters (all OECD members) exported, on average, some 54 per cent of the world total in that period. Overall, the aggregated amount of the world's 15 leading agricultural exporting countries (counting the EU as one) reached on average over 80 per cent of the world total during this time[6].

Two decades later, the 15 leading exporting countries remained basically the same, except that Colombia and Hong Kong, China were replaced by Indonesia and Poland. Even though the value of their exports more than doubled, the market share of these leading exporters fell slightly as

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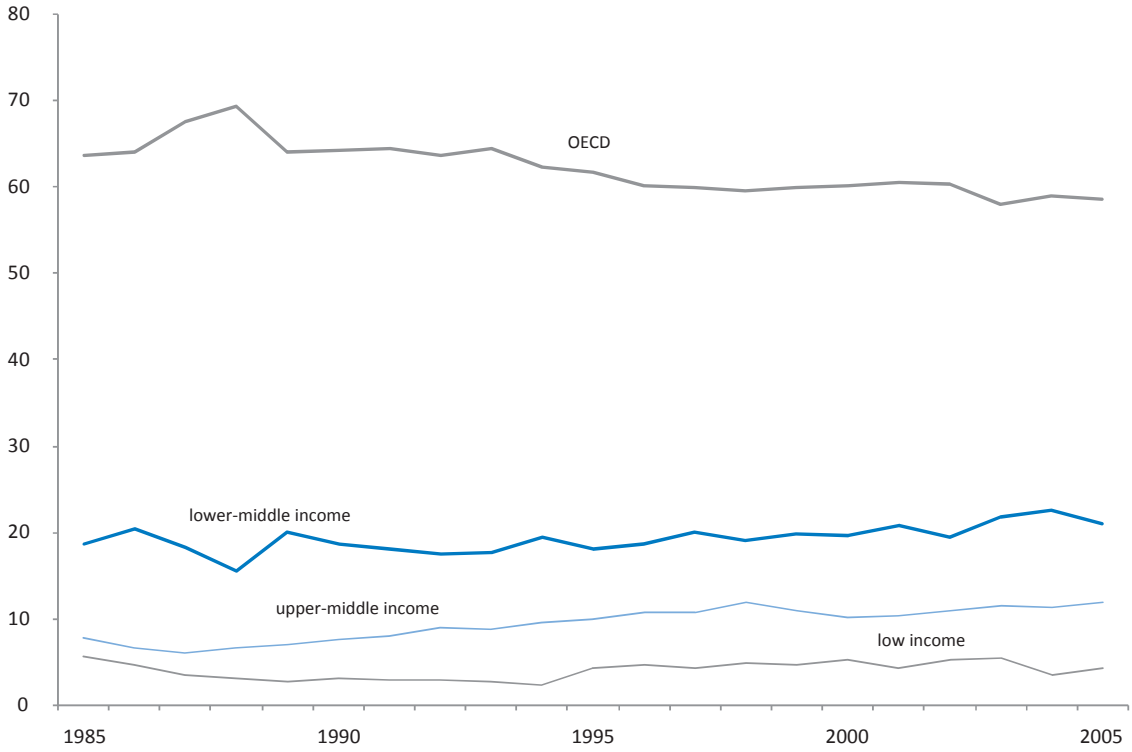
other countries expanded their exports. In addition, individual rankings also changed. The EU15 jumped ahead of the US to become the largest exporter, while Brazil replaced Australia as the third largest exporter. Although most of the leading exporters are OECD countries, developing countries have increased their market share and the top exporting developing countries' share of trade has increased slightly to about 22 per cent of the total.

A more comprehensive representation of the relative dominance of OECD countries in world agricultural trade is shown in Figure 1.1. The figure breaks down world exports based on countries grouped by income and, as a separate reporting group, the 30 OECD countries[7]. Based on this level of aggregation, the share of agricultural exports of OECD countries peaked in 1987-88 at almost 70 per cent of exports but fell to less than 60 per cent in the latter years (Figure 1.1.)[8]. The share of high income non-OECD countries (not shown in graph) also declined somewhat from around 4 per cent in 1985 to 3 per cent in 2005, and that of low income countries from around 6 per cent in 1985 to around 4 per cent in 2005. The declining share from OECD and high income countries has been captured by the middle income countries. The upper- middle income countries increased their share from around 8 per cent in 1985 to around 12 per cent in 2005, while lower-middle income countries increased their share from 19 per cent to 21 per cent of the total during this time.

Figure 1.1. Agriculture Export Share by Income Group (excludes intra-EU trade)



Note: Upper-middle income excludes data from six OECD members

Source: United Nations/COMTRADE.

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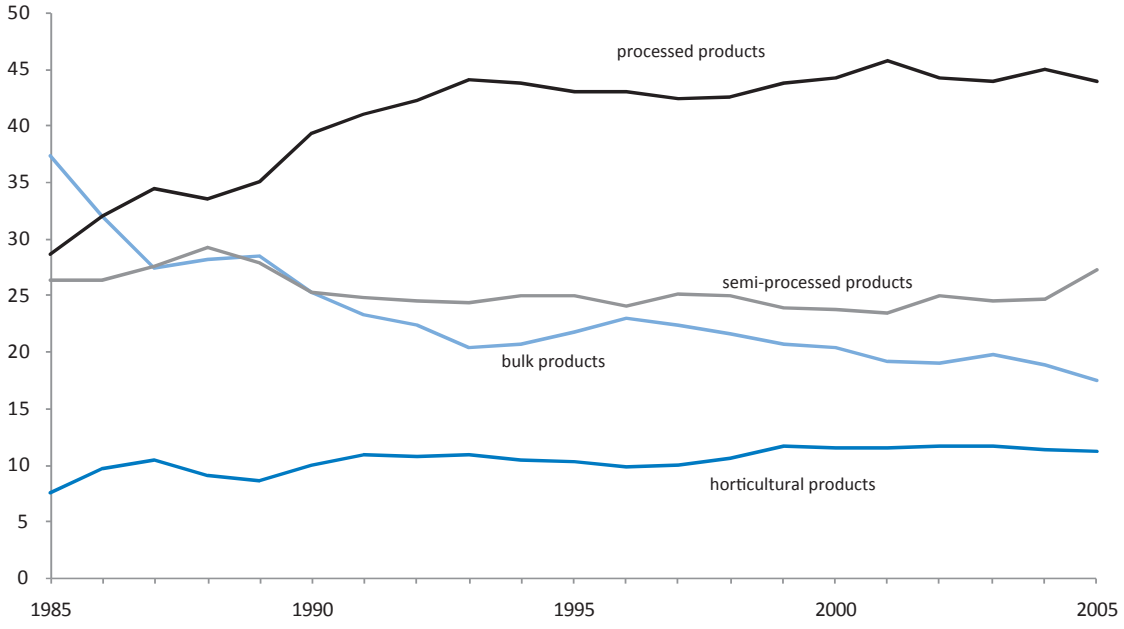
Some agricultural products are doing better than others

Within overall growing agricultural exports during the past two decades, the value of exports in each of the four sub-sectors — bulk, horticultural, semi-processed and processed — also expanded, but at very different growth rates (Figure 1.2.). Although the first two broad groups of commodities, bulk and horticulture, are both heavily dependent upon land and climatic conditions, they showed quite divergent growth trends: exports of bulk commodities increased at an annual growth rate of 2.8 per cent a year, while the growth in exports of horticultural products was much faster at 8.9 per cent a year.

Figure 1.2. Share of Agriculture Exports by Stage (excludes intra-EU trade)



Source: United Nations/COMTRADE.

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Within the group of goods that are less dependent on climatic conditions, exports of semi-processed products grew at 6.9 per cent a year to almost $124 billion in 2005, with a little change in the share of total agricultural exports. On the other hand, exports of processed products increased more than five-fold from $35 billion in 1985 to almost $200 billion in 2005, raising their share in total agricultural exports from 29 per cent to 44 per cent. The average annual growth rate of these products, 9.1 per cent a year, is comparable to the annual average growth rate of total merchandise exports.

OECD countries are the largest exporters of bulk commodities with $39.3 billion in 2005 (Figure 1.3.) but their share of the total declined markedly from 61 per cent in 1985 to 49 per cent in 2005. Lower-middle income countries expanded their exports of bulk products to $24 billion, increasing their share by 7 percentage points to 28 per cent of the total. Exports of bulk products by low and upper-middle income countries also expanded at a faster rate than those from OECD countries with each group providing $9 billion in 2005.

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Table 1.2. Leading Agro-food Exporting Countries

	Data excluding intra EU trade Average 1985-1990#				Data excluding intra EU trade Average 2000-2005#		
	Economy	$ billion	Share (%)		Economy	$ billion	Share (%)
1	United States	36.05	22.95	1	EU-15 of which	65.91	18.55
2	EU-15 of which	31.50	20.03		France	11.64	3.28
	France	7.40	4.70		Germany	10.18	2.87
	Netherlands	4.49	2.86		Netherlands	9.68	2.73
	Germany*	4.23	2.69		Italy	7.31	2.06
	United Kingdom	4.23	2.69		United Kingdom	6.92	1.95
	Italy	2.67	1.70		Denmark	4.83	1.36
	Denmark	2.56	1.63	2	United States	62.03	17.46
3	Australia	9.87	6.27	3	Brazil	20.88	5.88
4	Canada	7.69	4.89	4	Canada	18.86	5.31
5	Brazil	6.89	4.38	5	Australia	16.73	4.71
6	China	6.52	4.14	6	China	15.18	4.27
7	Argentina	4.68	2.98	7	Argentina	13.52	3.81
8	New Zealand	4.54	2.89	8	Mexico	8.89	2.50
9	Thailand	3.71	2.36	9	New Zealand	8.64	2.43
10	Malaysia	2.85	1.81	10	Thailand	7.81	2.20
11	Mexico	2.55	1.62	11	Malaysia	7.80	2.19
12	Colombia	2.54	1.62	12	India	6.42	1.81
13	Hong Kong, China	2.54	1.61	13	Indonesia	5.27	1.48
14	Turkey	2.41	1.53	14	Turkey	4.80	1.35
15	India	2.38	1.51	15	Poland	4.64	1.31
	Total of Above	**126.76**	**80.60**		**Total of Above**	**267.38**	**75.27**

Country average calculated on the basis of years for which data were available.
* Excludes data for the German Democratic Republic.

Source: United Nations/COMTRADE.

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Looking at individual countries (EU15 counting as one), the US, Canada and the EU15 are the top three exporters of bulk commodities with an annual average export value of $17.4 billion, $3.9 billion and $3.4 billion respectively during the 1985-1990 period, representing more than half of average world exports during those years (Table 1.3.). Even though many countries export bulk products, trade is concentrated and the top exporters listed in the table captured on average 92 per cent of the world total. During the 2000-2005 period, Brazil supplanted Canada in second place, while both Argentina and Australia jumped over the EU15. Not only did the relative ranking change, but over time the concentration of the top exporting countries declined with the top three exporters capturing 45 per cent of the total, while the countries listed in the table (including the top three) accounted for 85 per cent of the total. Within this overall trend, the relevance of OECD countries is declining in relative terms with only five OECD countries among the leading 20 exporters of bulk commodities. Thus, unlike the exports of all agricultural products where the OECD countries still dominate, the relative importance of exports of bulk commodities has shifted more toward developing countries.

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Table 1.3. Leading Exporting Countries of Bulk and Horticultural Products

Average bulk 1985-1990#				Average bulk 2000-2005#		
	$ million	Share (%)			$ million	Share (%)
United States	17 407	37.3		United States	20 686	30.0
Canada	3 857	8.3		Brazil	6 356	9.2
EU15 of which	3 352	7.2		Canada	4 221	6.1
France	1 356	2.9		Argentina	4 156	6.0
United Kingdom	547	1.2		Australia	4 078	5.9
Germany*	533	1.1		EU15 of which	3 426	5.0
Australia	2 464	5.3		France	1 241	1.8
Brazil	2 253	4.8		Germany	897	1.3
Colombia	1 917	4.1		China	2 379	3.5
Argentina	1 916	4.1		India	2 344	3.4
China	1 837	3.9		Thailand	2 134	3.1
Thailand	1 376	3.0		Côte d'Ivoire	1 729	2.5
Côte d'Ivoire	1 363	2.9		Viet Nam	1 196	1.7
India	1 139	2.4		Colombia	987	1.4
Pakistan	854	1.8		Russian Federation	837	1.2
Mexico	692	1.5		Pakistan	826	1.2
Indonesia	588	1.3		Indonesia	759	1.1
Kenya	527	1.1		Sri Lanka	718	1.0
Sri Lanka	406	0.9		Ukraine	708	1.0
Paraguay	389	0.8		Ghana	660	1.0
Zimbabwe	377	0.8		Paraguay	603	0.9
Total of Above	**42 714**	**91.6**		**Total of Above**	**58 803**	**85.3**

* Excludes data for the German Democratic Republic.

Average horticulture 1985-1990#				Average horticulture 2000-2005#		
	$ million	Share (%)			$ million	Share (%)
United States	2 444	16.6		United States	6 565	16.1
EU15 of which	1 744	11.8		EU15 of which	5 487	13.5
Netherlands	607	4.1		Netherlands	2 182	5.4
Italy	316	2.1		Spain	928	2.3
Turkey	832	5.6		Italy	777	1.9
Thailand	779	5.3		Mexico	3 311	8.1
Mexico	768	5.2		China	1 854	4.6
Chile	512	3.5		Turkey	1 775	4.4
India	507	3.4		Chile	1 530	3.8
China	477	3.2		Ecuador	1 324	3.3
Israel	441	3.0		Colombia	1 189	2.9
New Zealand	422	2.9		Canada	1 115	2.7
Colombia	421	2.9		India	1 037	2.5
Costa Rica	361	2.4		Costa Rica	1 033	2.5

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Indonesia	305	2.1		South Africa	919	2.3
Singapore	280	1.9		Iran, Islamic Rep.	868	2.1
Ecuador	280	1.9		New Zealand	788	1.9
Brazil	275	1.9		Thailand	661	1.6
Morocco	273	1.8		Argentina	637	1.6
Honduras	253	1.7		Israel	629	1.5
Philippines	251	1.7		Brazil	600	1.5
Total of Above	**11 626**	**78.7**		**Total of Above**	**31 324**	**77.0**

Country average calculated on the basis of years for which data were available.

Source: United Nations/COMTRADE.

StatLink http://dx.doi.org/10.1787/334641730103

There are three countries from sub-Saharan Africa that are among the leading exporting countries of bulk products during the 1985-90 period, but only Côte d'Ivoire remained on the list in the second period. Kenya and Zimbabwe dropped out of the top 20 while Ghana entered the list. Other main sub-Sahara African exporters of bulk products during the second period were Kenya with an average of almost $0.5 billion and Cameroon with an average of $346 million a year.

Production of horticultural commodities is also relatively location-specific, i.e. relatively more dependent on land and climatic conditions. As already stated, trade in this sector has been much more dynamic than trade in bulk products. While the OECD dominates horticultural exports with a total of $28 billion in 2005, the strongest growth was exhibited by the upper-middle income countries, with a growth rate of 10.6 per cent a year to $6.2 billion in 2005 (Figure 1.3.). But this was only 12 per cent of the total, while lower-middle income countries provided more than $12 billion or 24 per cent of the total. Although total horticultural exports by low income countries tripled over time to $2.7 billion, the growth rate was below that of the other groupings, leading to a declining share of world market.

As in the case of bulk commodities, the world's top horticultural exporting country is the US with an average of $2.4 billion a year during the 1985-1990 period and $6.6 billion a year for the 2000-2005 period, representing 16 per cent of the world's total of these products. The rank ordering of the leading horticultural product exporters has changed over time, but overall and in contrast to trade in bulk commodities the importance of OECD countries in horticultural products trade increased with its share of total horticultural exports growing from 46 per cent in 1985 to 55 per cent in 2005.

Horticultural exports by African countries expanded very fast during the period concerned, but only one country, South Africa, is among the leading 20 exporting countries during the 2000-05 period with an average market share of 2.3 per cent. Other important African exporters of horticultural products are Morocco with an average of $511 million (market share of 1.3 per cent), Kenya with an average of $319 million a year (market share of 0.8 per cent) and Côte d'Ivoire with an average of $202 million (0.5 per cent market share).

The third agricultural sub-sector, semi-processed products, includes those that are less dependent on climatic conditions with key inputs into their production process that are importable. This group of products, as mentioned above, is the second largest exported sub-sector. As a group, OECD countries increased their exports in this segment by 6.4 per cent a year to $67.5 billion in 2005 (Figure 1.4.). Exports by upper-middle income countries quintupled to $21.8 billion, reflecting a growth rate of 8.7 per cent a year. Consequently, OECD share of the world total fell by 6 percentage points to 54 per cent as that of upper-middle income developing countries increased by 5 percentage points to 18 per cent of the total in 2005. Lower-middle income countries' exports of semi-processed products more than tripled during the period to $21.5 billion, giving them a 17 per cent market share, while low income countries exported some $5 billion representing a 4 per cent market share.

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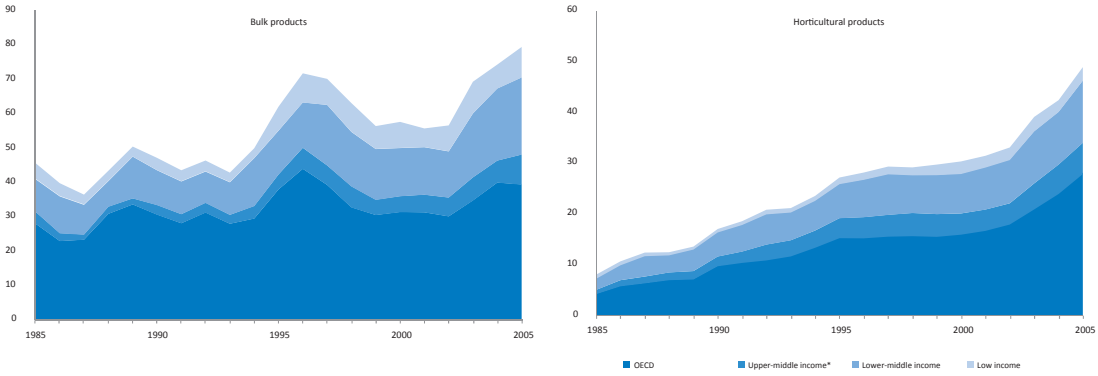
Figure 1.3. Exports of Bulk and Horticultural Products by Various Groups of Countries ($ billion)



* Excludes six OECD members.

Source: United Nations/COMTRADE.

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The EU15 and the US are the world's largest exporters of semi-processed products. On average, the EU15 exported some $15.1 billion a year during 2000-05 and the US $13.6 billion (Table 1.4.). OECD members are important exporters, accounting for 11 of the top 20 during 2000-2005. In contrast, none of the countries from sub-Saharan Africa is among the leading 20 exporting countries. South Africa and Côte d'Ivoire, with $487 billion and $476 billion, are the largest exporters from the region, placed in 36th and 37th places with a market share of 0.5 per cent each.

Table 1.4. Leading Exporting Countries of Semi-processed and Processed Products

Average semi-processed 1985-1990#				Average semi-processed 2000-2005#		
	$ million	Share (%)			$ million	Share (%)
United States	8 192	19.4		United States	6 565	16.1
EU15 of which	6 875	16.3		EU15 of which	5 487	13.5
Germany*	1 408	3.3		Netherlands	2 182	5.4
France	1 096	2.6		Spain	928	2.3
Netherlands	1 051	2.5		Italy	777	1.9
Italy	739	1.8		Mexico	3 311	8.1
United Kingdom	591	1.4		China	1 854	4.6
Australia	4 003	9.5		Turkey	1 775	4.4
China	2 601	6.2		Chile	1 530	3.8
Malaysia	2 232	5.3		Ecuador	1 324	3.3
Brazil	2 151	5.1		Colombia	1 189	2.9
Argentina	1 671	4.0		Canada	1 115	2.7
New Zealand	1 669	4.0		India	1 037	2.5
Canada	1 519	3.6		Costa Rica	1 033	2.5
Hong Kong, China	972	2.3		South Africa	919	2.3
Singapore	905	2.1		Iran, Islamic Rep.	868	2.1
Indonesia	862	2.0		New Zealand	788	1.9

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Turkey	731	1.7		Thailand	661	1.6
Japan	630	1.5		Argentina	637	1.6
Philippines	564	1.3		Israel	629	1.5
Chile	545	1.3		Brazil	600	1.5
Total of Above	**36 122**	**85.6**		**Total of Above**	**31 324**	**77.0**

Average processed 1985-1990#				**Average processed 2000-2005#**		
	$ million	Share (%)			$ million	Share (%)
EU15 of which	19 534	36.3		EU15 of which	41 866	26.6
France	4 720	8.8		France	8 223	5.2
United Kingdom	3 062	5.7		United Kingdom	5 520	3.5
Netherlands	2 774	5.2		Germany	5 237	3.3
Germany*	2 140	4.0		Netherlands	5 106	3.2
Denmark	1 930	3.6		Italy	4 766	3.0
Italy	1 403	2.6		Denmark	3 512	2.2
Ireland	955	1.8		Belgium Luxembourg	2 219	1.4
Spain	834	1.6		United States	21 144	13.5
United States	8 044	15.0		Brazil	9 220	5.9
Australia	3 178	5.9		Canada	9 067	5.8
New Zealand	2 431	4.5		Australia	8 088	5.1
Brazil	2 213	4.1		China	7 268	4.6
Canada	2 092	3.9		New Zealand	6 247	4.0
China	1 600	3.0		Mexico	4 154	2.6
Hong Kong, China	1 256	2.3		Thailand	3 791	2.4
Taiwan, China	1 229	2.3		Poland	3 299	2.1
Thailand	1 178	2.2		Argentina	2 611	1.7
Switzerland	1 158	2.2		Switzerland	2 332	1.5
Argentina	904	1.7		Hong Kong, China	2 158	1.4
Singapore	694	1.3		Singapore	2 040	1.3
Total of Above	**45 513**	**84.7**		**Total of Above**	**123 286**	**78.5**

Country average calculated on the basis of years for which data were available
* Excludes data for the German Democratic Republic

Source: United Nations/COMTRADE.

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The final group of products considered here is that with the highest level of transformation or processing before consumption. Production of this group is not very location-specific, nor concerned with climatic conditions; most of the required inputs can be sourced from practically anywhere and other considerations loom more importantly in firms' decisions such as to where to locate. This group of products has the largest share of agricultural exports and has the highest growth rate. OECD exports of processed products have grown by 8.3 per cent per year since 1985 to reach $132 billion in 2005 (Figure 1.4.). But although from a much lower base, exports in this segment by upper-middle income and lower-middle income countries grew at double digit rates, averaging respectively 14 per cent and 10.9 per cent a year, registering respectively $17.2 billion and $39.2 billion in 2005. Although low income countries also expanded their exports at a double digit rate, averaging 10.2 per cent a year, exports of $3.6 billion represent less than 2 per cent of market share. In general, low income countries have a larger market

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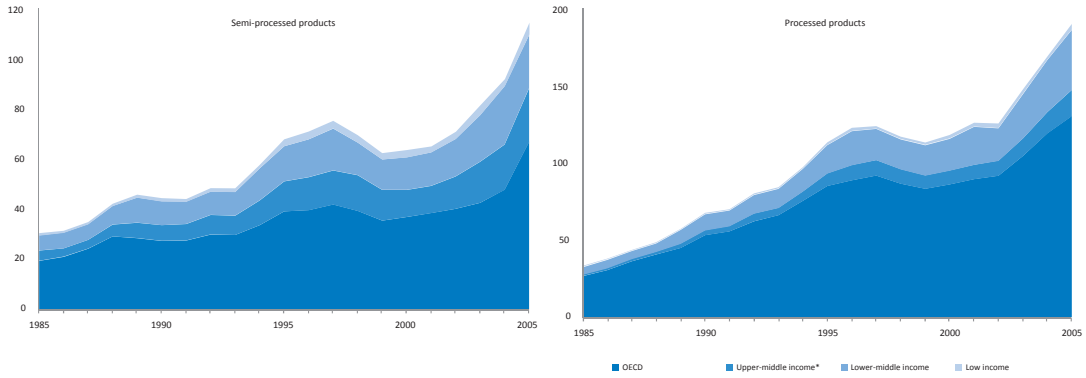
share in land-based bulk and horticultural products compared with products that are further removed from the farm gate but closer to the kitchen plate.

OECD countries dominate trade in processed products, with 13 OECD members among the leading 20 exporters (Table 1.4.). On average OECD members exported more than $104 billion a year, or 68 per cent of the total, during 2000-2005. Nevertheless, reflecting the very high growth rates in processed products, developing countries are increasing their share of the total. For instance, processed products became the most important export segment for the lower-middle income countries, overtaking exports of bulk or semi-processed products.

Figure 1.4. Exports of Semi-processed and Processed Products by Various Groups of Countries ($ billion)



* Excludes six OECD members.

Source: United Nations/COMTRADE.

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None of the countries from sub-Saharan Africa is among the leading exporters of processed products. The largest exporter in this segment is South Africa with an average of $1.4 billion a year during 2000-05, representing a market share of slightly less than 1 per cent of world total. The second largest exporter from the region is Mauritius with an average of $313 million a year placing it 59th with a market share of 0.2 per cent.

What specific agricultural products are exported by countries in sub-Saharan Africa (SSA)?

In 2000, coffee valued at $758 million was the most valuable product, exported by 22 SSA countries (8.6 per cent of total for the year). Cotton was the second most valuable product at $688 million (7.8 per cent), exported by 22 countries. Tobacco, valued at $628 million (7.1 per cent exported by 13 countries), and tea, valued at $614 million (7 per cent exported by 22 countries), round off the top four products for that year. Five years later, fewer countries were engaged in the exports of the top four products, and three of those leading four products from 2000 were no longer at the top. Cocoa beans replaced coffee as the most valuable product with 11 exporting countries getting some $2.5 billion (16.6 per cent of the total). Cotton remained in second place but fewer countries (19) exported it, and although exports increased to $779 million the share of the total fell to 5.2 per cent. Tobacco and tea were replaced by sugar and wine with 17 and 18 countries respectively exporting $726 million and $603 million.

Summing up, the export data reveal the extent of globalisation with the market share of the leading exporting countries declining over time. This illustrates that more countries are contesting agricultural export markets and that more countries have entered the global markets, while existing competitors below the group in the top 20 increased their competitiveness and their share of the market. Overall, the share of exports by OECD countries has declined in three of

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the four broad aggregates discussed (except for horticultural markets). The data also reveal that despite the policy changes that have occurred since the mid-1990s and the implementation of the Uruguay Round Agreement on Agriculture, agricultural trade continues to be dominated by a relatively small number of countries, with the leading 20 exporting countries controlling more than 70 per cent of the exports in each of the four segments examined.

Countries in sub-Saharan Africa have expanded their agricultural exports exhibiting above-average growth rates, but their share of the total is rather small. Among them on average over the 2002-2005 period, the largest exporter was South Africa followed by Côte d'Ivoire and Ghana, and these three countries accounted for about 56 per cent of total exports from sub-Saharan Africa.

TRENDS IN WORLD AGRICULTURAL IMPORTS FROM AFRICA

As was noted in the Introduction, this chapter has used the "mirror trade data" (i.e. world agricultural imports from all partner countries) to analyse the agricultural export performance of 53 African countries. The results of this analysis highlight several salient features of Africa's agricultural trade, which are summarised in this section[9].

First, African countries participate in the expansion of world agricultural trade but their contribution is relatively small, and the share of African products in world agricultural imports declined from 5.4 per cent in 1985 to 3.2 per cent in 2006 (Table 1.5., column D). On the other hand, Africa's export share in world merchandise imports bottomed out in the late 1990s and has turned upward since then. This contrasting trend between exports of total merchandise and agricultural products reflects that Africa's trade has come to concentrate disproportionately on non-agricultural products, particularly oil and other mineral products, during the period 2000-2006 (Table 1.5., column E).

Second, the African agricultural sector has experienced major shifts in export composition, moving away from bulk commodities towards horticulture and, to a lesser extent, processed products (Figure 1.5.). Nonetheless, comparison with Figure 1.2. makes it clear that world agricultural imports from Africa are much more heavily biased towards bulk and horticultural products than what the product composition of world agricultural exports indicates. It suggests that Africa's agricultural export production remains highly dependent upon land and climatic conditions.

Third, Africa's agricultural exports are highly concentrated in a small number of countries (Table 1.6.). Focusing on the data for 2000-2006, South Africa has emerged as the largest supplier of agricultural products from the continent, with an average of $4.5 billion a year, equivalent to 23 per cent of world agricultural imports from all African countries. This is followed by Cote d'Ivoire, Morocco, Kenya, Egypt and Ghana. As Chapter 2 of this publication will show, these are also the countries where the presence of large agro-food corporations is higher. The aggregated share of the ten largest suppliers accounts for more than three-quarters of world agricultural imports from the whole Africa region. Furthermore, Annex Tables also present the relative position of Africa's major exporting countries by product group.

Fourth, China's agricultural imports from Africa have increased rapidly over the past ten years, although from a small base (Table 1.7.). China's annual average of agricultural imports from Africa amounted to nearly $1 billion in 2004-2006. Taking India into account, the world's two most populous countries have become one of Africa's most important export markets for agricultural products, accounting for about 7 per cent of world's agricultural imports from Africa.

Comparing China and India, it is important to note that the share of African products in total agricultural imports of India (10.2 per cent in 2004-2006) was three times larger than that of China (3.4 per cent). While bulk commodities dominated China's agricultural imports from

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Africa, horticultural products accounted for roughly two-thirds of India's agricultural imports from Africa, reflecting the historical ties between India and East Africa (Table 1.8.).

Finally, Table 1.9. makes an assessment of the relative importance of intra-regional agricultural trade for Africa, as well as for four large African countries: Algeria, Egypt, Nigeria and South Africa. The annual value of intra-African agricultural trade was estimated at about 16-17 per cent of Africa's total intra-regional trade, averaging $2.8 billion a year in 2001-2003 (data for the last period are not available). The data for these four large African countries suggest that market diversification has been proceeding rapidly during the past decade, with more trade taking place in processed products among African countries[10].

Table 1.5. Total Merchandise and Agricultural Imports from Africa

	[A]	[B]	[C]	[D]	[E]
	Total Merchandise Imports from Africa ($ billion)	**Share of Africa in World Merchandise Imports** (%)	**Total Agricultural Imports from Africa** ($ billion)	**Share of Africa in World Agricultural Imports** (%)	**Share of Agriculture in Total [C/A]** (%)
1985	80.1	4.5	9.8	5.4	12.2
1986	65.0	3.3	11.1	5.4	17.1
1987	68.1	3.0	10.7	4.5	15.7
1988	71.0	2.7	10.4	3.9	14.6
1989	81.9	2.8	10.6	3.7	12.9
1990	98.9	3.0	11.4	3.7	11.5
1991	94.0	2.8	10.8	3.4	11.5
1992	95.3	2.6	10.5	3.0	11.0
1993	87.3	2.4	10.0	3.1	11.4
1994	92.7	2.3	12.5	3.3	13.5
1995	107.3	2.2	15.3	3.5	14.3
1996	125.5	2.4	16.3	3.4	13.0
1997	129.2	2.4	15.8	3.4	12.2
1998	112.2	2.1	16.6	3.7	14.8
1999	120.2	2.1	15.8	3.6	13.1
2000	154.6	2.4	14.8	3.4	9.6
2001	151.9	2.5	15.3	3.4	10.1
2002	153.7	2.4	16.8	3.5	10.9
2003	187.2	2.5	20.4	3.7	10.9
2004	241.4	2.6	22.8	3.6	9.4
2005	300.3	2.9	23.0	3.4	7.7
2006P	355.4	3.1	22.5	3.2	6.3
Memo item					
Growth rate	**7.35**		**4.03**		

Note: 53 African countries are included in this table. P: provisional data.

Source: United Nations/COMTRADE (accessed through wits.worldbank.org).

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Table 1.6. World Agricultural Imports from Selected African Countries
(All Agricultural Products)

	Average 2000-2006	
	Value ($ million)	**Share*** (%)
South Africa	4 499	23.2
Côte d'Ivoire	3 153	16.3
Morocco	1 370	7.1
Kenya	1 328	6.9
Egypt, Arab Rep.	1 328	6.9
Ghana	999	5.2
Cameroon	636	3.3
Tunisia	511	2.6
Nigeria	484	2.5
Zimbabwe	461	2.4
Ethiopia	458	2.4
Sudan	457	2.4
Mauritius	375	1.9
Tanzania	343	1.8
Madagascar	311	1.6
Uganda	262	1.4
Benin	227	1.2
Swaziland	224	1.2
Burkina Faso	223	1.2
Mali	208	1.1
Togo	168	0.9
Zambia	153	0.8
Senegal	153	0.8
Malawi	139	0.7
Mozambique	122	0.6
Total of Above	**18 593**	**96.0**
All Africa (53)	**19 368**	**100.0**

Note: *Percentage share of 53 African countries. Data for 2006 are provisional.

Source: United Nations/COMTRADE (accessed through wits.worldbank.org).

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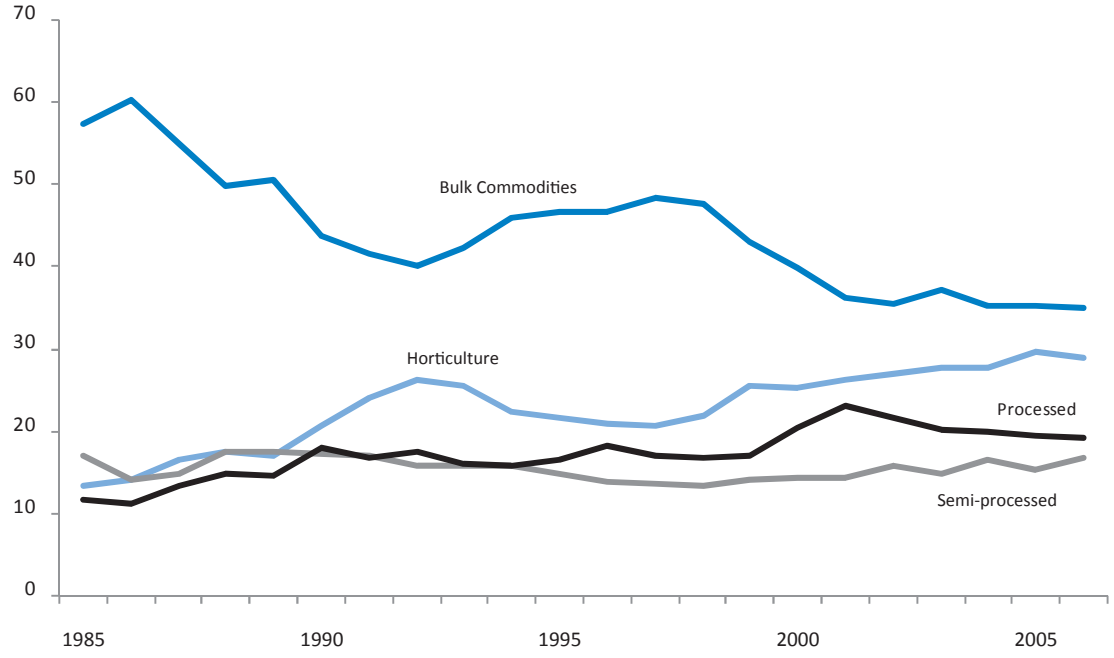
Figure 1.5. World Agricultural Imports from Africa by Product Group



Source: United Nations/COMTRADE.

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Table 1.7. China and India: Agricultural Imports from Africa ($ million and % share)

		1995-97	1998-00	2001-03	2004-06
China	Agricultural imports from Africa	166	57	174	953
	% of world agricultural imports from Africa	1.1	0.4	1.0	4.2
	Merchandise imports from Africa	1 783	3 135	6 193	21 826
	% of world merchandise imports from Africa	1.5	2.4	3.8	7.3
	Share of Africa in Chinese agricultural imports	1.6	0.7	1.2	3.4
India	Agricultural imports from Africa	222	369	403	594
	% of world agricultural imports from Africa	1.4	2.3	2.3	2.6
	Merchandise imports from Africa	2 589	4 180	3 072	4 348
	% of world merchandise imports from Africa	2.1	3.2	1.9	1.5
	Share of Africa in Indian agricultural imports	9.0	10.1	8.8	10.2
World	Agricultural imports from Africa	15 795	15 712	17 535	22 730
	Merchandise imports from Africa	120 645	128 985	164 287	299 007
	Share of Africa in world agricultural imports	3.4	3.5	3.5	3.4

Note: figures are 3-year averages. Data for 2006 are provisional.

Source: UN COMTRADE (accessed through wits.worldbank.org).

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Table 1.8. China and India: Agricultural Imports from Africa by Product Group
(% share)

Africa export to	Product share	1995-1997	1998-2000	2001-2003	2004-2006
China	Bulk commodities	89.4	51.6	51.2	87.7
	Horticulture	1.1	3.6	1.6	0.9
	Processed	2.5	2.7	9.9	1.5
	Semi-processed	7.1	42.1	37.3	9.9
China Total		100.0	100.0	100.0	100.0
India	Bulk commodities	9.3	29.2	37.9	21.7
	Horticulture	76.6	62.2	46.0	64.3
	Processed	1.2	0.8	1.0	3.0
	Semi-processed	13.0	7.8	15.1	11.0
India Total		100.0	100.0	100.0	100.0
World	Bulk commodities	47.3	43.5	36.3	35.2
	Horticulture	21.3	24.3	27.0	28.8
	Processed	17.4	18.2	21.7	19.7
	Semi-processed	14.1	13.9	14.9	16.2
World Total		100.0	100.0	100.0	100.0

Note: Figures are 3-year averages. Data for 2006 are provisional.

Source: UN COMTRADE (accessed through wits.worldbank.org).

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Table 1.9. Intra-African Agricultural Trade

	Value of Agricultural Imports from Africa ($ million)							
Reporting Country	1995-1997		1998-2000		2001-2003		2004-2006	
Algeria	85	(6.5)	128	(7.8)	91	(3.2)	132	(5.4)
Egypt, Arab Rep.	123	(9.4)	135	(8.2)	183	(6.5)	70	(2.8)
Nigeria	25	(1.9)	25	(1.5)	152	(5.4)	..	..
South Africa	181	(13.8)	123	(7.5)	135	(4.8)	197	(8.0)
Total of above	414	(31.6)	411	(25.0)	561	(19.9)	..	..
Africa	1 309	(100)	1 656	(100)	2 820	(100)	2 461	(100)
Number of reporting countries	34		36		40		29	
Product group (% share)								
Bulk	45.8		40.0		29.5		27.0	
Horticulture	6.5		6.2		6.7		7.7	
Semi-processed	20.2		20.5		20.7		20.9	
Processed	27.5		33.3		43.1		44.4	
Total	100.0		100.0		100.0		100.0	
Memo item								
Share of agriculture in Africa's total intra-regional trade	15.4		17.6		16.4		11.5	

Note: Figures are 3-year averages. Data for 2006 are provisional. Data for Nigeria over 2004-2006 are not available.

Source: UN COMTRADE (accessed through wits.worldbank.org).

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OECD AGRICULTURAL POLICIES AND AFRICA

In addition to the domestic and border policies of African countries, their agricultural sector may have been influenced by the policies of other countries through their effects on world prices. Since OECD countries are major agricultural traders, their domestic and border policies can therefore have either positive or negative impacts on the development of Africa's agricultural sector.

Agricultural Support in OECD Countries

What is the level of support for OECD agriculture? Since the mid-1980s the OECD has been monitoring the level of support to agriculture, using various indicators. Among the most frequently used is producer support estimate (PSE). This is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers; it is measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. More specifically, the level of support to agriculture as measured by PSE includes: *i)* the gaps between domestic and world market prices for farm products, i.e. market price support; *ii)* budgetary payments to farmers that appear in government accounts; and *iii)* budgetary revenues forgone through tax or fee reductions that lower farm input costs (e.g. investment credit and use of energy and water).

Latest OECD estimates on PSE indicate that OECD countries as a whole spent $268 billion to support their agricultural producers in 2006 (OECD, 2007*a*). Although the level of support remains high and varies considerably across countries, as a share of farm receipts, the OECD average of PSE declined from 38 per cent in 1986-88 to 29 per cent in 2004-06. It was estimated at 27 per cent in 2006 (Figure 1.7.).

Another important indicator to measure the level of support to agriculture is total support estimate (TSE). This indicator combines PSE and support for general services provided to agriculture, such as research and development, inspection, infrastructure and marketing and promotion[11].

As shown in Figure 1.7. there has also been a declining trend in TSE expressed as a percentage of OECD GDP. It was estimated at 1.0 per cent of OECD GDP in 2006, down from 2.5 per cent in 1986-88.

Furthermore, the share of the forms of support that most distort production and trade — those linked to commodity output — also declined from 82 per cent of producer support in 1986-88 to 60 per cent in 2004-06. In many countries producers have greater flexibility in choosing which commodities to produce in order to be eligible for support, such as with current area payments or support based on historical or fixed production. Nevertheless, the level of support dependent on producing specific commodities still remains the largest component of producer support.

Turning to the level of support to OECD agriculture by commodity, this may be best measured by the producer nominal protection coefficient (Producer NPC). This is the ratio between the average price received by producers (at farm gate), including payments per tonne of output, and the border price (measured at farm gate). A producer NPC of 2, for example, implies that the price received by farmers is twice the border price. This can be interpreted as an estimate of the nominal rate of protection for farmers or the implicit rate of export subsidy for that product when it is indeed supplied to foreign markets.

Figure 1.8. compares producer NPCs across commodities between the two periods 1986-88 and 2004-06. It shows that over these years most of 16 agricultural commodities (with only one exception, wool, whose producer NPC is almost as low as 1.0) have experienced reductions in support, and quite significantly so in several commodities such as rice, milk, sunflowers, wheat, other grains and rapeseed. Nonetheless, the commodities that are most protected through price policies are rice, sugar, milk and meat products.

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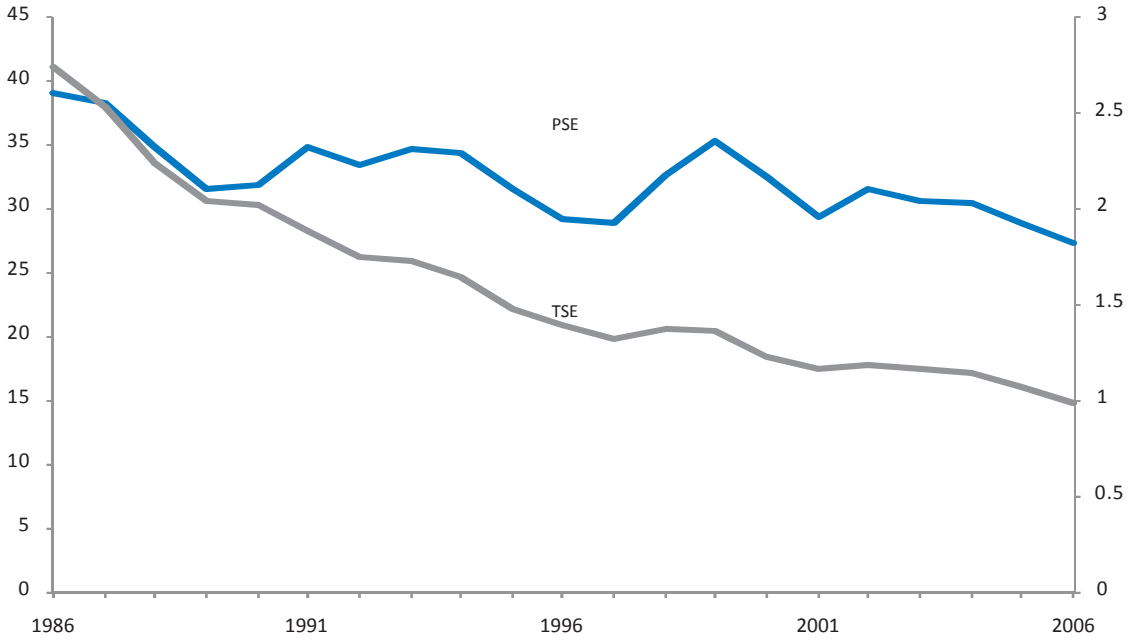
Figure 1.6. Agricultural Support: OECD Countries, Overall.



Notes: Percentage PSE (Producer Support Estimate, left-hand scale): PSE transfers as a share of gross farm receipts; Percentage TSE (Total Support Estimate, right-hand scale): Overall transfers to farming sector as a percentage of GDP.

Source: OECD, PSE/CSE database 2007.

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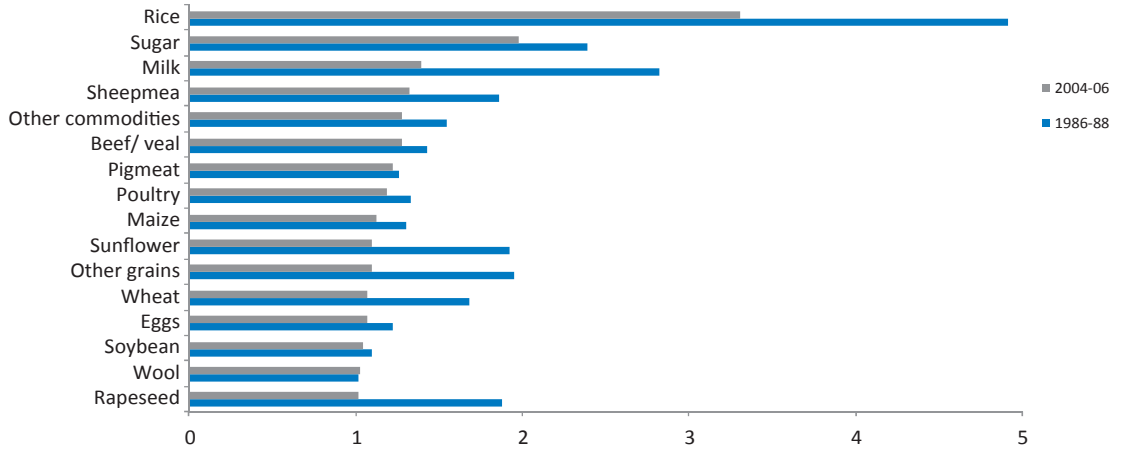
Figure 1.7. Agricultural Support: OECD Countries by Commodity*



Note: *Producer nominal protection coefficient (Producer NPC),

Source: OECD (2007*a*, Table III.2).

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Tariff Protection

Agricultural tariffs have fallen, reflecting the reduction commitments countries undertook in the Uruguay Round Agreement on Agriculture, but they remain relatively high. Table 1.10. shows simple average most favoured nation (MFN) applied rates and the frequency distribution of tariff lines and import shares by duty ranges for agricultural products in the European Union and the United States, the two largest developed import markets of African exports. This table shows that the simple average tariff on agricultural products imposed by the EU is 15.1 per cent, while the rate for the US is 5.3 per cent. The peak tariffs greater than 15 per cent cover 28.6 per cent of tariff lines in the EU and 5.9 per cent in the US. At the same time, duty-free imports cover more than 30 per cent of all agricultural tariff lines in both countries.

Table 1.10. Tariffs and Imports in the EU and US: Agricultural Products

A. European Union										
	Simple	Duty-free	0<=5	5<=10	10<=15	15<=25	25<=50	50<=100	>100	NAV
	Average	Tariff lines* and import values (in %)								in %
MFN Applied, 2006	15.1	31.1	9.2	15.9	12.2	11.2	10.0	6.3	1.1	31.0
Share of Imports, 2005	-	43.2	12.4	13.8	9.2	4.8	9.4	6.6	0.7	24.5
B. United States										
	Simple	Duty-free	0<=5	5<=10	10<=15	15<=25	25<=50	50<=100	>100	NAV
	Average	Tariff lines* and import values (in %)								in %
MFN Applied, 2006	5.3	32.9	42.2	13.0	5.6	2.9	1.7	0.7	0.6	39.9
Share of Imports, 2005	-	41.0	33.9	17.2	2.7	1.8	1.8	0.5	0.3	33.9

Notes: * Number of MFN applied tariff lines (HS) is 3 138 for the EC and 1 619 for the US; NAV – Non-ad valorem duty.

Source: WTO-ITC-UNCTAD (2007).

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African exporters face below-average tariff rates in these two important import markets. This is not simply that African exporters ship products that face below-average tariffs (e.g. non-processed products), rather, it is also a reflection that these OECD members provide preferential access at below-average tariffs to developing countries, including those in Africa, through their non-reciprocal preferential trade agreements. Examples include the Generalised System of Preferences (GSP), the Generalised System of Preference for Least Developed Countries (GSP-LDC also known as the Everything But Arms Agreement (EBA) in the EU), as well as special programmes for selected countries, such as the US Africa Growth and Opportunity Act (AGOA) and the EU's African, Caribbean and Pacific countries (ACP or Cotonou Agreements).

Although these non-reciprocal programmes exclude some products, an OECD study (OECD, 2007*b*) has recently concluded that the US provides an average preference margin of 2 percentage points (14 per cent discount to its average MFN rate) for countries under its GSP programme and 8 percentage points (a 44 per cent discount) for countries under the GSP-LDC and AGOA programmes. The average preference margin for countries eligible to the EU's GSP scheme is 2 percentage points (providing an 8 per cent discount to the average MFN rate). Countries under the ACP scheme are offered an average preference margin of almost 10 percentage points (a 39 per cent discount), while LDCs are granted an average preference margin of almost 24 percentage points (a 94 per cent discount).

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These preferential margins have the potential to generate benefits above and beyond those that accrue through the market, to those eligible and able to utilise them. The OECD estimates that the value of preference margin provided by Canada, Japan, the European Union and the United States averaged $1.4 billion a year between 2001 and 2003 (OECD, 2007*b*). The vast majority (80 per cent) of additional value of preferential access was generated through exploitation of the EU's schemes, primarily the ACP programme. The two leading beneficiaries were Mauritius and Côte d'Ivoire, with an average value of preference margin of $159 million and $81 million a year respectively. The products that generated most of these additional returns were sugar, bananas and tobacco through the EU's ACP scheme. But the value of these benefits will fall in the future as the EU has reformed its domestic sugar policy and its banana import scheme.

CONCLUSIONS

To summarise: between 1985 and 2005 world agricultural exports increased substantially not only because of an expansion in trade by existing countries but also as a result of new countries participating in the globalisation of markets. Yet agricultural trade did not increase as fast as all merchandise trade, resulting in a declining share of agriculture in world trade in recent years. This trend of a falling share of agriculture in total merchandise trade is persistent across all income levels and country groupings, and is consistent with a similar pattern of agriculture capturing a declining share of an economy's income.

The trade data also show that even though there are more and more countries participating in trade, a relatively small number of countries continue to capture most of this trade. The concentration ratio of the top 20 exporting countries still remains high, accounting for 73 per cent of total agricultural exports in 2005. Least developed countries (LDCs), the group receiving special consideration in the Doha Development Agenda, are not large participants in the expansion of agriculture trade, accounting for less than 1 per cent of the total. Members of the OECD continue to dominate agriculture trade although their share of the total has declined somewhat over the 20-year period. Most of the gains have been made by several emerging countries and other developing countries that are not LDCs.

The trade data also suggest that among the four agriculture sub-sectors — bulk, horticulture, semi-processed and processed products — the dynamics of agricultural trade is chiefly about trade in processed products. The growth rate for this sector (9.1 per cent a year) is comparable to the growth rate of non-agricultural products and as a result this group of commodities has steadily increased its share of agriculture trade (44 per cent of total exports in 2005). Trade in bulk products on the other hand has been growing at the lowest rate (2.8 per cent a year) among the agricultural sectors: the share of bulk products in agricultural trade has declined substantially since the mid-1980s (18 per cent in 2005). This observation seems to suggest that much of the global agro-food trade has become less dependent on purely natural resource endowment and moved downward along the value chain.

Turning to Africa, the mirror trade data (i.e. world agricultural imports from African partner countries) indicate that African countries have also participated in the expansion of world agricultural trade, although their share of world total is rather small. In addition, the countries in this region have followed similar patterns to others, with the share of agricultural products in world merchandise imports from Africa falling from 15 per cent in 1985-87 to 7.8 per cent in 2004-2006. Africa has become more dependent on non-agricultural products, especially oil and other mineral products, to generate foreign exchange earnings.

In Africa, the sectoral composition of exports has evolved somewhat differently from the world total. The mirror trade data suggest that the horticultural sector has exhibited the fastest growth, though from a rather low base, and it has become the second largest export sector. Despite this strong dynamism, Africa remains a minor player in the world horticulture market, compared with Asia and Latin American (see OECD Development Centre 2007, Chapter 3).

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Diversification towards processed and semi-processed products would require a certain mix of logistics, skills (e.g. for quality control and SPS) and infrastructure which is currently lacking in many African countries. This is why "Aid for Trade" has recently emerged as a key policy agenda for Africa (see Chapter 3 of this volume).

The mirror trade data also show that while the share of export earnings from bulk commodities has declined markedly during the period concerned, they continue to provide the biggest share of agricultural export earnings for the continent. According to the latest projection (FAO 2007), the current strong price prospects for food crops will likely continue in 2008, owing to the increased use of food crops for biofuels and greater food demand, coupled with tighter supply conditions. Such market prospects may give a strong boost to African exporters in bulk commodities.

Agricultural market access has improved following the implementation of commitments agreed in the framework of the Uruguay Round Agreement on Agriculture. However, domestic supports, export subsidies and tariffs continue to influence the changing landscape of world agricultural trade. Agricultural policies of OECD countries, by supporting their farmers through cash transfers or market price supports, have been blamed for preventing developing countries, including those in Africa, from further developing their agricultural sectors. While this is certainly true for cotton and some other products, more recent analysis questions this conventional wisdom as many countries in Africa are net food importers. As such, they would probably lose at least in the short term by further trade liberalisation that would increase world prices (Ashraf *et al.*, 2005). Furthermore, developing exporting countries may not necessarily bear the full brunt of relatively high OECD tariffs, because many OECD countries provide preferential access to developing countries, including many in the Africa region[12]. How countries will be affected following a successful conclusion of the Doha Development Agenda obviously depends on how ambitious the final agreement will be, but also on the particularities of individual countries. African countries will also be impacted differently depending on their net agricultural trade positions.

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ANNEX

Table 1.A1. World Agricultural Imports from Selected African Countries by Product Group

A. Bulk Products				B. Horticulture		
	Average 2000-2006				Average 2000-2006	
	Value ($ million)	Share (%)			Value ($ million)	Share (%)
Côte d'Ivoire	1 971	28.1		South Africa	1 798	33.4
Ghana	755	10.8		Morocco	879	16.3
Kenya	577	8.2		Kenya	514	9.6
Egypt, Arab Rep.	395	5.6		Côte d'Ivoire	445	8.3
Nigeria	362	5.2		Egypt, Arab Rep.	419	7.8
Ethiopia	358	5.1		Madagascar	245	4.5
Cameroon	325	4.6		Cameroon	237	4.4
South Africa	285	4.1		Zimbabwe	120	2.2
Uganda	199	2.8		Tunisia	112	2.1
Mali	196	2.8		Ghana	105	1.9
Burkina Faso	188	2.7		Tanzania	87	1.6
Sudan	185	2.6		Guinea-Bissau	48	0.9
Zimbabwe	184	2.6		Uganda	45	0.8
Tanzania	183	2.6		Zambia	35	0.6
Benin	179	2.6		Nigeria	32	0.6
Togo	131	1.9		Senegal	30	0.6
Zambia	83	1.2		Sudan	28	0.5
Malawi	73	1.0		Benin	26	0.5
Chad	67	1.0		Comoros	24	0.4
Mozambique	49	0.7		Mozambique	24	0.4
Burundi	39	0.6		Algeria	22	0.4
Rwanda	37	0.5		Ethiopia	21	0.4
Guinea	36	0.5		Namibia	19	0.4
Madagascar	22	0.3		Swaziland	18	0.3
Senegal	21	0.3		Malawi	10	0.2
Total of Above	6 900	98.5		Total of Above	5 341	99.2
All Africa (53)	**7 003**	**100**		**All Africa (53)**	**5 385**	**100**

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C. Semi-Processed Products				D. Processed Products		
	Average 2000-06				Average 2000-06	
	Value ($ million)	Share (%)			Value ($ million)	Share (%)
Côte d'Ivoire	600	20.0		South Africa	1 818	45.7
South Africa	599	19.9		Mauritius	331	8.3
Tunisia	339	11.3		Egypt, Arab Rep.	330	8.3
Sudan	193	6.4		Morocco	315	7.9
Egypt, Arab Rep.	184	6.1		Swaziland	198	5.0
Morocco	172	5.7		Kenya	145	3.6
Ghana	126	4.2		Côte d'Ivoire	137	3.4
Kenya	91	3.0		Zimbabwe	134	3.4
Senegal	83	2.8		Namibia	61	1.5
Nigeria	75	2.5		Tunisia	57	1.4
Ethiopia	61	2.0		Sudan	52	1.3
Cameroon	60	2.0		Botswana	52	1.3
Tanzania	54	1.8		Malawi	48	1.2
Somalia	52	1.7		Mozambique	31	0.8
Mauritius	35	1.2		Zambia	30	0.8
Madagascar	28	0.9		Congo, Rep.	21	0.5
Zimbabwe	24	0.8		Burkina Faso	21	0.5
Chad	19	0.6		Tanzania	19	0.5
Mozambique	18	0.6		Senegal	19	0.5
Namibia	18	0.6		Ethiopia	17	0.4
Togo	17	0.6		Madagascar	16	0.4
Uganda	16	0.5		Nigeria	16	0.4
Mauritania	14	0.5		Togo	15	0.4
Djibouti	14	0.5		Cameroon	15	0.4
Libya	14	0.5		Ghana	14	0.3
Total of Above	2 909	96.7		Total of Above	3 909	98.4
All Africa (53)	**3 007**	**100.0**		**All Africa (53)**	**3 974**	**100.0**

Source: UN COMTRADE (accessed through wits.worldbank.org).

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NOTES

1. See, for example, OECD (2006, Chapter 1) and World Bank (2007, Chapter 4) for further discussions.
2. See Regmi *et al.* (2005) for more details on the rationale for the product classification scheme. It should be noted, however, that this classification scheme refers only to agro- and agro-food products and excludes fish and fish products.
3. During the period 1985-2005, the number of reporting countries from sub-Saharan Africa varies considerably from six to 35.
4. This necessarily inflates the value of their trade since the value of imports usually includes cost, insurance and freight (c.i.f.) in contrast to the value of exports which are based on free on board (f.o.b.).
5. All values are stated in nominal US dollars ($).
6. Country averages reported in this section are calculated on the basis of the years for which data were available.
7. Country classification by income is from the World Bank and based on per capital gross national income as of 2005; siteresources.worldbank.org/DATASTATISTICS/Resources/CLASS.XLS. Totals for upper-middle income countries exclude data from six OECD members.
8. If intra-EU trade is included, the share of OECD countries in world trade is considerably higher, averaging 74 per cent of the total in the last four years.
9. Analysis of this section is based on the "mirror trade data" (c.i.f.) so that they are not necessarily comparable with the export (f.o.b.) data.
10. It should be noted that Table 1.9. is compiled on the basis of formal trade data reported to UN/COMTRADE. Several survey data reported in a recent OECD study show that agricultural commodities are heavily traded across countries in Eastern and Southern Africa without necessarily going through customs (OECD, 2007*c*). Such informal trade in agriculture is reported to represent a significant proportion of regional cross-border trade. Therefore, the actual importance of agricultural products in Africa's intra-regional trade would be much greater than Table 1.9. would indicate.
11. Net of the associated budgetary receipts (e.g. through producer financial contributions).
12. However, the ability of many African countries to reap the full benefits of trade preferences is limited by domestic supply-side constraints in the agricultural sector and more generally weak business environments. Therefore, improved market access should be complemented by "Aid for Trade", as will be discussed in Chapter 3 of this volume.

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CHAPTER TWO

Mapping Big Business: Agro-Food Enterprises in Africa

ABSTRACT

The global agro-food supply chain is controlled by a small number of large enterprises, fewer than half of which have activities on site in Africa. Within the continent, a greater number of local enterprises shape the agro-food sector.

Based on corporate rankings provided by *Fortune Global 500* and Jeune Afrique *Les 500* published in 2007, this chapter draws a map of the corporate landscape of the major agro-food-related enterprises in Africa, both foreign and domestic, and discusses broad trends.

The corporate behaviour of these large players varies across regions. The majority of firms tend to concentrate their activities in the Northern and Southern regions of the continent. However, several individual countries in other regions also show significant potential in the agro-food sector. Countries attracting the biggest number of companies include South Africa, Morocco and Nigeria. The size of target economies matters.

In some sub-sectors, the integration of African agro-food enterprises into the global supply chain has begun its timid climb. Initial stages of collaboration between foreign and local firms are notable in the beverage and tobacco industries. In other sectors, African enterprises have started to seek opportunities beyond their domestic frontiers and even outside the continent.

This chapter attempts to fill the gap in empirical work on agro-food enterprises in Africa and to provide a picture of the continent's corporate map.

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INTRODUCTION

This chapter presents a snapshot of the corporate landscape in the agro-food system in Africa based on the analysis of its largest private sector actors, both foreign and domestic. It intends to highlight key characteristics of the continent's agro-food sector and to discuss major trends in business relations.

Existing studies of the global agro-food industry and major corporations (e.g. Rama, 2005) provide little analysis of African markets. Empirical literature about the continent's agro-food sector remains mostly silent about private business actors, except for recent reviews of the role of African supermarkets in the continent (Reardon *et al.* 2003, Weatherspoon and Reardon, 2003). Given national and international initiatives to promote agro-based private sector development, improved knowledge about the geography of agro-food enterprises in Africa is essential.

The private sector in agriculture can become a major source of productive employment and improve the availability of food in the continent. In the past two decades, processed food has gained in importance in global agricultural trade while trade in bulk commodities has declined in relative terms (see Chapter 1). This suggests that a large share of global agro-food trade has become less dependent on natural resource endowment and has moved downstream along the value chains.

Understanding the corporate landscape of the African agro-food sector[1] can also facilitate the activities of donors. Despite a significant decline in donor support during the 1980s and 1990s, the agricultural sector has still attracted a substantial amount of official development assistance, as Chapter 3 illustrates. Donors have committed to promoting a value chain approach supporting private sector-led development and productive capacity in African agriculture (see Chapter 4). Against this background, the African agro-food value chains demand closer attention.

The chapter is organised as follows. The first section introduces the global agro-food supply chain. Next, major private actors in the African agro-food market and their geographic preferences are discussed. The subsequent part illustrates that the size of an economy is decisive in attracting agro-food enterprises. Finally, the chapter considers major trends in the African agro-food system, notably its increasing integration into the global food supply chain, the emergence of African multinational companies and the involvement of Asian firms in the continent. The conclusion summarises the main findings and highlights possible ways forward to improve the understanding of the African agro-food sector. The relevant corporate data on foreign and African agro-food related companies are listed in the Annex.

GLOBAL AGRO-FOOD VALUE CHAINS: MAJOR TRENDS

The agro-food sector, spanning the range from input supply (e.g. seeds and fertilizers) to retail, has experienced a strong drive towards globalisation, both in terms of the reach of its sourcing and in terms of the degree of internationalisation of major corporations. Suppliers in many developed and developing countries participate in global value chains which are co-ordinated by buyers and supermarkets.

The global agro-food system keeps evolving for a number of reasons. First, trade liberalisation and changes in regulatory frameworks at both international and national levels have facilitated the rise and strengthening of buyer-driven global value chains (Gibbon and Ponte, 2005). Second, alterations in consumption patterns, requests for higher quality and safety standards and demand for specialised food products have forced companies to innovate and explore new production options. Leading food industry players have consequently moved away from a single-product brand strategy and shifted to product-differentiation and innovation-oriented

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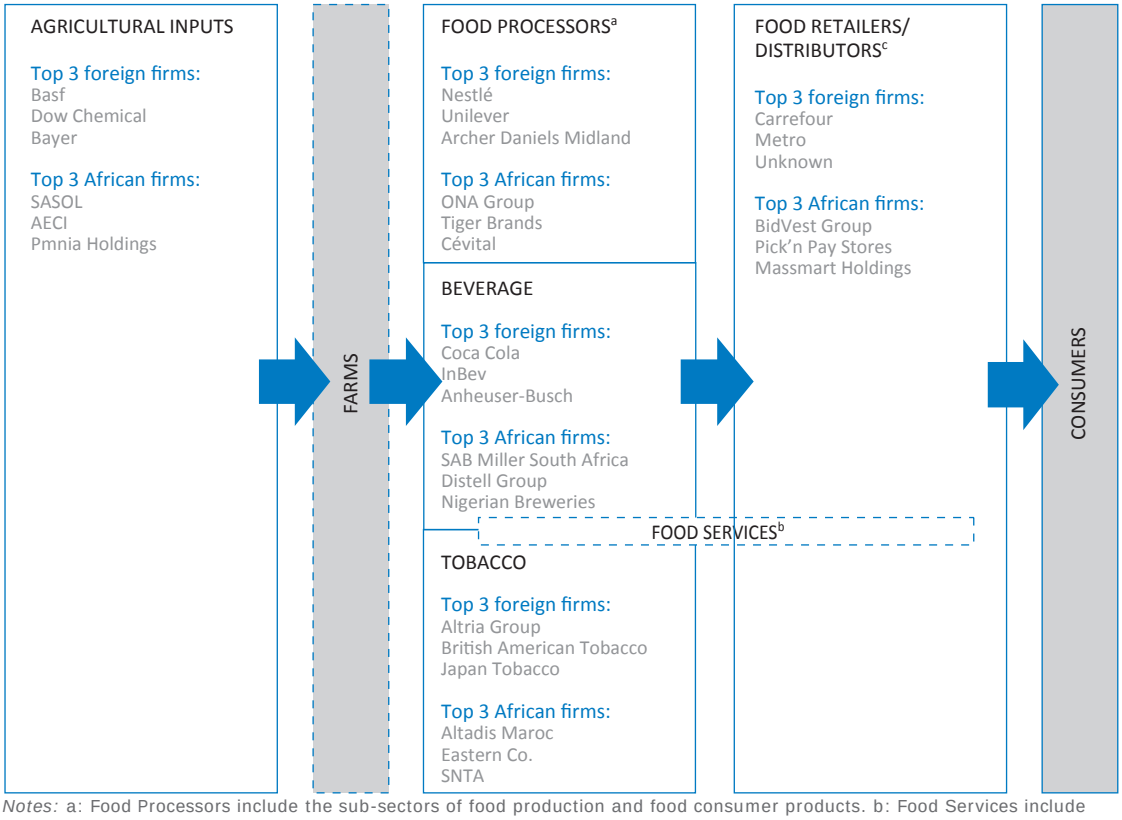
strategies (Wilkinson, 2002; Humphrey and Memedovic, 2006). This type of diversification by agro-food firms has been the natural response to the increasingly globalised food system.

Moreover, higher concentration at all stages of the agro-food value chains has been extensively documented in recent years. As Humphrey and Memedovic (2006) discuss, concentration is clearly evident across the range from input suppliers to producers and processors as well as fast-food and supermarket retailers. Concentration along the value chain has led to increased market power for some enterprises; governance in value chains is associated with co-ordination and market power exercised by these firms (Gibbon and Ponte 2005; Humphrey and Memedovic, 2006). They are often referred to as "lead firms" which control access to value chains. Major retail companies have demonstrated this evolution from dominating their specific markets to controlling entire supply chains, imposing their standards to ensure product quality and competitiveness. By and large, these dynamics have led to increasingly integrated supply chains controlled by a small number of large enterprises.

The global agro-food system is experiencing a market dominance of multinational agribusiness2 corporations. These companies are global in their activities and increasingly integrated horizontally, i.e. spanning across continents. It is in this context that the most important corporate players of the agro-food market in Africa, including indigenous firms, deserve a closer look. Figure 2.1. illustrates specifically the African agro-food supply chain where both foreign and African firms operate.

Figure 2.1. African Agro-Food Supply Chain: Presence of Large Foreign and Local Companies



Notes: a: Food Processors include the sub-sectors of food production and food consumer products. b: Food Services include companies responsible for preparing meals for consumption away from home. The sector includes two catering companies and McDonalds. c: Retailers include only those with physical presence in Africa. Retailers whose activities are based solely on trade transactions with local suppliers and/or importers but lack physical presence in Africa's target markets are not included.

Source: Based on Annex Tables 2.A1 and 2.A2.

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This chapter focuses on the agro-food sector, comprising all the important elements of the supply chain from upstream (agricultural inputs) to downstream (distribution), including tobacco. The special focus on agro-food is due to the importance of the sector in Africa as a strong engine for growth, manifest in the data available on foreign direct investment (FDI) in Africa. In 2006, the primary sector has indeed been the focus of foreign investment; North Africa attracted the majority of these investments, with agriculture accounting for a large share (AfDB/OECD, 2008).

The illustration of the African agro-food sector presented in this chapter is based on two sources. The *Fortune Global 500* and Jeune Afrique *Les 500*, both providing rankings of leading companies by revenue, have been consulted and juxtaposed. This approach is a first attempt at presenting the agro-food corporate landscape in Africa.

A comprehensive picture of the African agro-food market should include small and medium-sized companies that are excluded in the rankings. Complete sources of information about firms of this size are not available at present. By mapping big business in the African agro-food sector, this chapter intends to trigger further research and policy attention aimed at private sector development in the agro-food segment.

THE AFRICAN AGRO-FOOD MARKET: MAPPING THE ACTORS

The presence of large multinational corporations (MNCs) in African agro-food supply chains is extensive. Out of the 49 agro-food corporate giants listed in the *Fortune Global 500*, 25 are physically present and have activities in the continent (see Annex Table 2.A1)[3]. The activities of these MNCs are very diverse and include wholly owned subsidiaries or, in the majority of cases, non-equity linkages such as franchises and licensing. These tend to be the preferred options by firms to overcome obstacles in a foreign country: local counterparts provide good connections as well as knowledge of the local culture and business environment. Also, investments in existing business structures as well as liaison offices for supply, sales and marketing are part of the range of activities conducted on site by these firms.

Even though detailed and complete information on the nature of companies' activities in Africa is difficult to obtain, some examples illustrate the variety of MNCs' involvement in the local economy. While Archer Daniels Midland directly manages a cocoa bean processing facility in Côte d'Ivoire, Carrefour grants franchise licences to North African business partners without further direct involvement of the company. At the same time, Unilever has expanded its engagement from commercial-scale extraction (e.g. of *Allanblackia* oil[4]) to sustainability programmes aimed at encouraging the involvement of smallholder African farmers and small-sized businesses, training suppliers and guaranteeing environmental and minimum sanitary standards.

Foreign MNCs are not the only important players in the African agro-food chain. The largest African agro-food enterprises decisively shape the markets and value chains as well, even though their annual revenues do not reach the levels of the companies featured in the *Fortune Global 500*. The ranking by Jeune Afrique, which classifies the 500 leading African firms by revenue, serves as a starting point to approach the continent's agro-food sector: 111 companies listed are active in the agro-food supply chain.

The relatively high number of agro-food companies among the top 500 underscores the importance of the industry in Africa, especially compared with the presence of the sector in the *Fortune Global 500*. The combined revenue of relevant African companies in all agro-food sub-sectors adds up to 18.5 per cent of the total revenue of all 500 listed companies and places the sector second behind the oil, gas and fuel industry in Africa.

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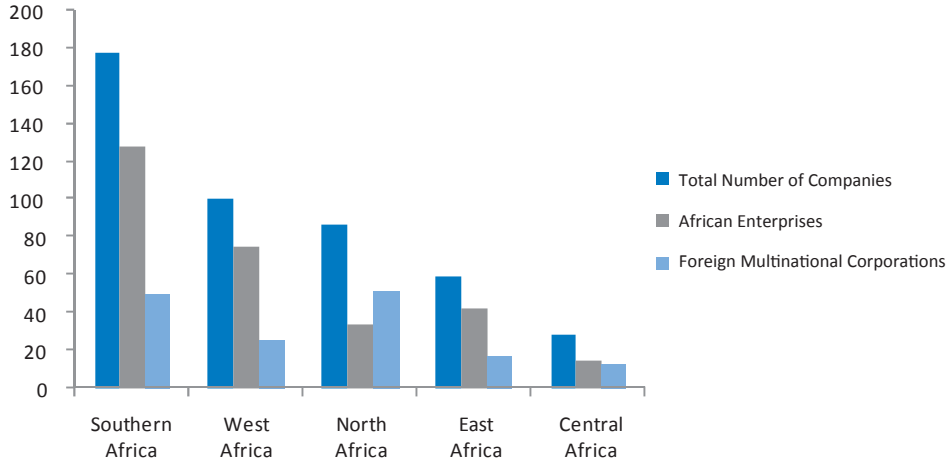
Target Markets: Preferences and Regional Concentration

While some areas on the continent seem to attract intensive business activity, others are completely marginalised from economic dynamism. For both large MNCs and African enterprises, preferences for conducting business are different by region (see Figure 2.2.)[5].

Figure 2.2. Spread of Foreign and Domestic Agro-food Enterprises in Africa



Note: The number of companies present in each region may include multiple subsidiaries of the same company.

Source: Based on Annex Tables 2.A1 and 2.A3.

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Southern Africa clearly leads the list in terms of African firms' presence. This picture is not surprising given that most South African companies conduct business activities beyond their national borders. Plain proximity to neighbouring markets and comparatively well developed infrastructures facilitate access to other countries. Already, Southern African countries rank first among the continent's states in terms of "ease of doing business" (World Bank, 2006)[6]. For large foreign MNCs, Southern Africa ranks of high importance with 50 companies present, thus being the close runner-up to North Africa (52 companies).

West Africa tends to attract more African companies than foreign MNCs in the agro-food sector. In terms of both the number of headquarters and the total number of leading African companies present, the region followed Southern Africa and overtook North Africa in 2007. However, the region was far less attractive to foreign MNCs, which appear to prefer the Northern and Southern regions to do business. Within West Africa, Nigeria is the most important hub of economic activities. The Nigerian agro-food sector is one of the main industries, next to petroleum and oil production, at the level of large domestic firms. Among the leading ten enterprises from all sectors in the country, four are active in food and beverage production compared with five companies in the oil business (Jeune Afrique, 2007).

The relatively high levels of economic growth experienced by North Africa in recent years have positioned this region as the main competitor to South Africa's established business market. The comparably high number of agro-food MNCs present illustrates that the region's attractiveness has increased in particular for foreign businesses. This is partly due to strong ties with the European Union (EU) thanks to the region's proximity to the European single market and the erosion of trade barriers. Recent EU initiatives[7] have contributed to boosting trade and investments between the two areas, leading to the strengthening of North Africa as a vital partner of the EU and to the flow of FDIs in both directions (UNCTAD, 2007*a*). Moreover, progress in economic liberalisation and recent improvements in infrastructure systems have contributed to North Africa's increasing share of the pie. A survey conducted in 2005 among

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transnational corporations (TNCs) ranked Egypt, Morocco and Tunisia next to South Africa as most attractive business locations (UNCTAD, 2005*b*). Not surprisingly, in 2006 North Africa received the highest level of FDI, accounting for 66 per cent of total inflows to Africa according to UNCTAD's estimates[8].

East Africa encounters difficulties in nurturing strong domestic enterprises but excels in attracting companies from other African countries. The region is a favoured destination of FDI partly because of the ongoing regional integration initiative, the East African Community (EAC)[9] of Kenya, Uganda and Tanzania. Following the implementation of the customs union protocol in 2005, intra-regional trade barriers have been largely eradicated with remaining tariffs on goods of Kenyan origin and non-tariff barriers being progressively eliminated as well. Detailed negotiations about the finalisation of the common market, which would rival Nigeria as biggest single market in terms of population size, were launched in October 2007. Moreover, the EAC grants entry to the Common Market for Eastern and Southern Africa (COMESA)[10], of which Kenya and Uganda are also members, and the Southern Africa Development Community (SADC)[11], in which Tanzania takes part.

Agriculture plays a vital role in all three EAC member countries, contributing significantly to their GDP and offering employment to about 80 per cent of the population, mostly in the informal sector. Most private business in agriculture is conducted by smallholders, with the exception of a few larger foreign investors. Indeed, the absence of a rich consumer base as well as limited infrastructure and poor governance are obstacles to further investment. Investment agencies[12] in all three countries aim at attracting more foreign firms to tackle these challenges in the near future (UN/ICC, 2005).

Central Africa is seriously lagging behind in terms of successful domestic agro-food enterprises. Only seven companies are headquartered in this region although agriculture constitutes a major source of GDP for these countries. Nearly 19 per cent of Central Africa's land is used for agriculture; however, the region remains a net importer of food. Large-scale agricultural development has failed to materialise mainly because Central Africa is still a small and fragmented market and its regional integration efforts are among the least developed.

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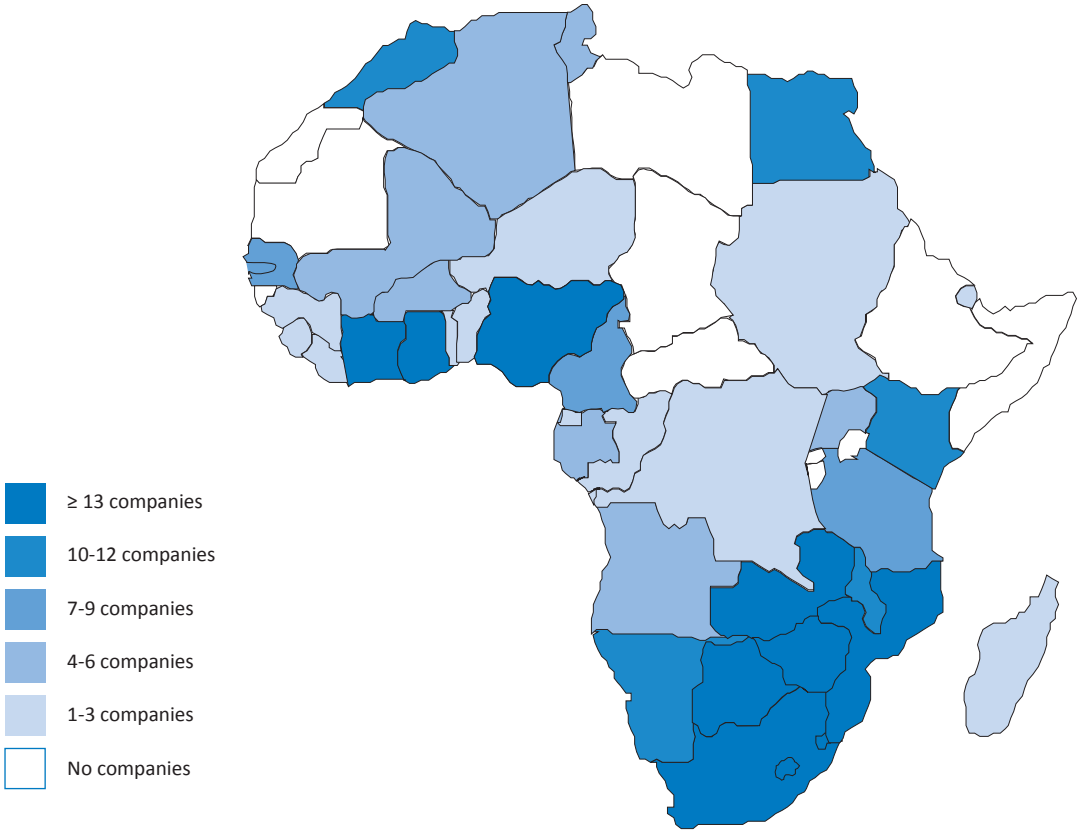
Figure 2.3. Geographic Distribution of African Agro-Food Companies and Their Target Markets



Note: Figures include headquarters and target markets.

Source: Based on Annex Table 2.A3.

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Intra-regional Differences: Market Size Matters

Within regions, countries display clear differences in the degree of companies' concentration (Figure 2.3). The reasons for the intra-regional variation are manifold and include geographic, political and economic considerations. These aspects add to economic constraints linked to infrastructure, the availability and quality of human resources, the regulatory framework, as well as access to and development of financial markets.

The size of an economy could be one of the factors considered by companies when choosing a target market for their operations. This is illustrated by high correlation coefficients between the level of concentration of agro-food-related firms and a country's GDP measured in purchasing power parity (PPP) terms (Annex Table 2.A4.). Four indicators of company concentration – *i)* the total number of companies present in an economy, *ii)* the number of foreign MNCs, *iii)* the number of African companies[13] and *iv)* the number of headquartered companies – are tested against the GDP (size of an economy) and the GDP per capita (proxy to the level of development of a country) of 49 countries (Figure 2.4.). All the coefficients of correlation for the GDP are statistically significant with positive signs. On the other hand, the level of development as measured by the GDP per capita is found to be positively correlated with the level of companies' concentration but not statistically significant (Annex Table 2.A4.).

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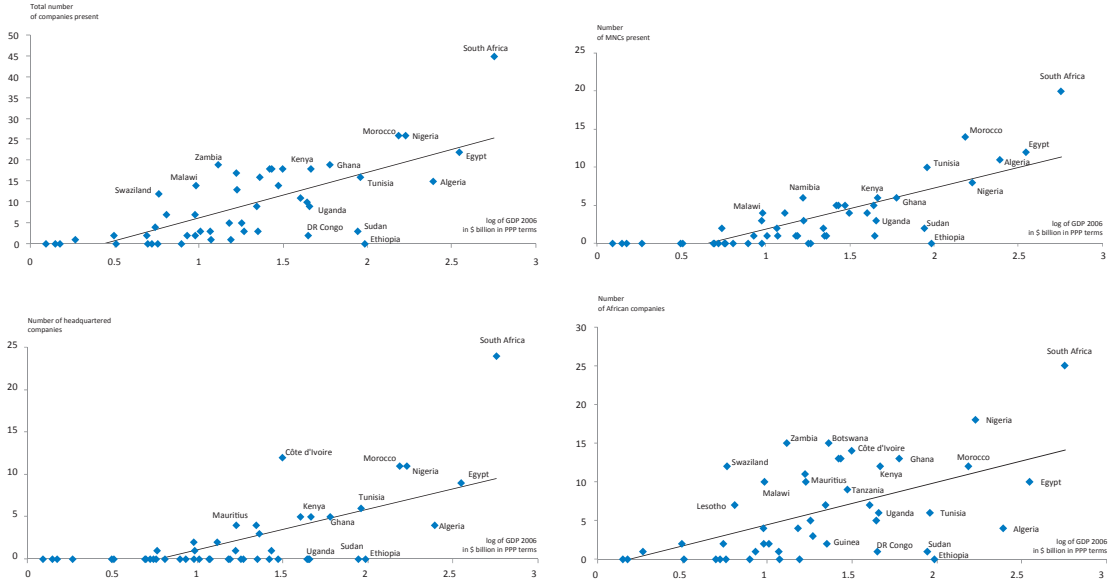
Figure 2.4. Correlations between GDP and Companies' Presence by Country, 2006



Note: Trend lines are calculated using linear regressions.

Source: Based on Annex Table 2.A3.

StatLink http://dx.doi.org/10.1787/334301567840

Several countries stand out in the illustrations (Figure 2.4.):

- South Africa recorded the highest GDP in Africa in 2006 and leads in terms of company presence. Among the 20 leading African enterprises in the agro-food supply chain, 16 have their headquarters in South Africa. Meanwhile, the country itself does not attract too much attention from companies in other African states unlike its neighbours – notably Zimbabwe, Botswana and Mozambique (see Table 2.A3., Annex).
- Nigeria is a preferred target market for agro-food MNCs: the country's population accounts for 47 per cent of West Africa's population and its GDP is more than one-and-a-half times the aggregate GDP of the rest of West Africa. The sheer size of the Nigerian economy explains why almost one-third of the foreign agro-food MNCs active in Africa have chosen this destination to do business.
- Côte d'Ivoire clearly outperforms its West African peers in terms of strong headquartered companies in absolute terms and in relation to its GDP. However, the country is still recovering from political tensions in 2002 and its economy has not yet reached the pre-conflict growth level.
- Morocco is North Africa's preferred destination, attracting the highest number of top foreign firms across the range of agricultural subsectors, although it is not the leading country in terms of market size.
- Egypt and Algeria increased their attractiveness as destinations of foreign MNCs as national regulations underwent significant change in 2006 in order to favour FDI, including measures to reduce corporate income taxes (UNCTAD, 2007*a*).
- Libya[14] and Sudan recorded 2006 GDP clearly above the continent-wide average, yet are missing on the leading companies' playing field. Principally, this result is due to their specialisation in other sectors: both economies have been growing thanks to rising oil prices and increased oil production. The agricultural sector plays only a marginal role in these countries.

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- Kenya is the number one destination for foreign MNCs in East Africa and dominates in terms of the market size. In particular, the export-based tea industry, the second largest foreign exchange earner after tourism, offers investment opportunities all along the supply chain from production to marketing[15]. Unilever, one of the major MNCs in terms of revenue size, has seized this opportunity and turned it into a profitable business (Box 2.1.).

Box 2.1. Unilever in Kenya: A Pioneer in the Tea Business and in Sustainable Agriculture

Unilever, a MNC of Anglo-Dutch parentage, owns a great variety of consumer product brands in food, beverages, home and personal care which are known worldwide. With revenue in 2006 of $51 billion, the company employs over 180 000 people in more than 100 countries.

Present in Africa for over a century, Unilever operates in 18 countries, providing employment for about 40 000 people, half of them in the tea business. Unilever is the world's largest tea company. Its major tea estate in Kericho, Kenya, was acquired in 1984 when Unilever bought Brooke Bond, whose name was consequently changed 20 years later to Unilever Tea Kenya (UTK).

Today, UTK is one of the largest commercial enterprises in the country. Currently listed on the Nairobi Stock Exchange, UTK is majority owned (88 per cent) by Unilever plc, while the remaining 12 per cent are controlled by local shareholders. The company owns several subsidiaries which include Mabroukie Tea and Coffee Estates, Kenya Tea Blenders, Brooke Bond Mombasa, the Buret Tea Company and Kitco Limited. The company's 20 tea estates and eight factories produced nearly 30 000 tons of tea in 2006, which were primarily exported to three markets, United Kingdom (UK), Pakistan and Egypt, giving it the biggest world's market share of nearly 10 per cent.

Kenya has been a significant source of growth for Unilever which has been able to capture opportunities in the region before other competitors and turn them into profitable business. At the same time, through its subsidiary, Unilever has also pioneered major advances in sustainable agriculture by creating guidelines for sustainable farming practices, e.g. for tea cultivation in 2002. In 2007 the company entered a partnership with the UK's Department for International Development and the Kenya Tea Development Agency to carry out a programme aimed at communicating such guidelines to all small-scale farmers supplying tea to UTK.

The involvement of a MNC such as Unilever in sustainable development projects is of no surprise since the enterprise has a strong interest in preserving the long-term supply of natural resources used for its business.

Source: CCS Financial Solutions; company website; The East African; the World Business Council for Sustainable Development.

NEW DEVELOPMENTS IN THE AFRICAN AGRO-FOOD SECTOR

Africa's Integration into the Global Food Supply Chain

The company analysis conducted so far highlights that the African agro-food sector is a target industry for both domestic companies and foreign MNCs alike. Ties between the two groups are visible as companies listed in the *Fortune Global 500* also appear in the Jeune Afrique ranking via their affiliates, namely Nestlé (Nigeria, Côte d'Ivoire, Ghana), British American Tobacco (Kenya, Mauritius), Unilever (Nigeria, Côte d'Ivoire, Ghana) and Archer Daniels Midland (Côte d'Ivoire).

The agricultural input sector seems to be the least integrated between foreign MNCs and African companies. Of the 11 companies featured by Fortune 500, seven are present in the continent. This relatively big proportion portrays the importance acquired by foreign chemical companies in the continent. The sector requires a considerable level of technological input, combined with

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a corresponding quality of human resources, which place large MNCs from developed countries at the forefront of the business.

African countries still struggle to compete in research and development. Indeed, the commercial interest in input supply in Africa is quite low, which may be attributable to inadequate investment in public goods such as roads and irrigation which would provide greater incentives for the private sector to expand agricultural input use (Adesina *et al.*, 2003). Africa plays only a marginal role in the rise of global fertilizer consumption, projected to increase by 3 per cent in 2007-2008 with most demand (about 70 per cent) coming from East and South Asia as well as North America (Heffer and Prud'homme, 2007).

In the case of retail, the global dynamism of the segment is not reflected in Africa. Just two of the 19 global retailers, Carrefour and Metro, are active in the continent. Both have concentrated their activities in North Africa. Carrefour operates in Egypt, Tunisia and Algeria through franchise partners; Metro is present only in Morocco with seven Cash & Carry supermarkets. Carrefour's annual report does not provide separate data for the African operations while Metro reports Moroccan sales in aggregate with sales from the Asian market, together accounting for a mere 2.4 per cent of the total. Both cases display the minimal role played by the African market in the groups' activities.

Moreover, the race for retail leadership positions is presently taking place elsewhere. Retail giants appear to be more attracted by faster growing economies where the rate of diffusion of supermarkets is very rapid and reaching unprecedented levels. First on their list is Asia; India, China and Viet Nam offer some of the most appealing growth opportunities for large food retailers. Then, countries in Eastern Europe, particularly Russia and Ukraine, represent attractive destinations for global entrants (A.T. Kearney, 2007). Strong GDP growth, eagerness for a Western lifestyle, more literate populations and a growing middle class are some of the advantages that the aforementioned countries display over many regions of Africa.

Although Africa appears to be somewhat marginalised, a recent study reveals the potential of the Northern region of this continent in the global retail market. Indeed, only countries from this region, including Tunisia, Egypt and Morocco in that order, are listed as target markets "to consider" by the Global Retail Development Index[16] (A.T. Kearney, 2007). Overall, these countries have gained importance throughout the last years of the evaluation, following Asia and Eastern Europe, while surpassing South Africa, a saturated market which was last mentioned in 2003. In conformity, as previously highlighted, neither Carrefour nor Metro is active in South Africa; on the contrary, the two firms have concentrated their activities through franchises and outlets in the North of the continent.

Within Africa, the segment with the most developed network between foreign MNCs and African partner companies is the beverage sector. All global beverage companies, with the exception of Coca-Cola Enterprises, are present in Africa. At the same time, only three beverage companies[17] from the Jeune Afrique list are not associated with at least one of the dominant multinationals.

The types of collaboration which draw local companies closer to MNCs in this sector are mainly local licensing and franchise agreements. For instance, the internationally leading beverage company, The Coca-Cola Company, is present in the majority of African states through franchises with local companies (e.g. SABMiller) which provide bottling and distribution services. For Coca-Cola, Africa constitutes a major market with an average 5 per cent growth throughout the last five years. In 2006 the regional headquarters were moved from the UK to Johannesburg; today about 16 per cent of the group's labour force is active in Africa (11 500 employees) (The Coca-Cola Company, 2007). Coca-Cola's main competitor, PepsiCo, has also re-launched its beverage products through a franchise partnership with Pioneer Foods in South Africa in 2006 but remains far behind in terms of market share.

Among the African beverage companies, SABMiller leads the list and registers an annual revenue which is more than four times the revenue of the beverage company which ranks second, the

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fellow South African Distell Group. SABMiller holds a minority share of almost 30 per cent in the Distell Group and clings on to it despite repeated takeover bids from competitors.

In contrast, the majority of African beverage companies focus on their respective domestic markets with revenues remaining mediocre. Yet most of the enterprises are well connected with the international production and distribution systems. For reasons of separate management and accounting the listed beverage companies appear less relevant than they are in reality where they play key roles in the beverage supply chain. Four large beverage companies are headquartered in Nigeria (among them Guinness's local subsidiary) reflecting the business opportunities in a highly populated market.

A similar picture of business collaboration characterises the alcoholic beverages segment. Belgian InBev, even though the firm currently focuses on developed and high growth emerging markets outside Africa, conducts licence production in Algeria, Tunisia, Nigeria, Tanzania and South Africa and works with distributors in other countries, most notably Ghana, Angola, Benin and Libya[18]. South African MNC SABMiller and the French Groupe Castel have been allied in a strategic partnership since 2001, which leaves SABMiller to control the Southern African market while Castel concentrates on the Central and Western regions. At the same time, both partner with Coca-Cola in bottling soft drinks in several African markets under licencing agreements. Beer producer Guinness does not enter the *Fortune Global 500* but plays an important role in Africa, following a strategy of partnering with local brewers and bottlers through licencing agreements to ensure broad dissemination and market coverage.

The tobacco business is long established in Africa, counting Zimbabwe and Malawi among the largest producers of this commodity (FAO, 2003). All corporate giants in this segment have activities in the continent, relying mainly on production and manufacturing plants as well as logistics. Two subsidiaries of British American Tobacco, which is present in 15 countries of the continent, record revenue figures sufficient to enter the Jeune Afrique listing. The Spanish-French conglomerate Altadis bought an 80 per cent share in the Régie des Tabacs from the Moroccan government in 2003 and acquired the remaining 20 per cent in January 2006, thereby completing the privatisation process but yet retaining a legally protected monopoly in the country. In comparison, the leading African, formerly state-owned tobacco companies from Morocco, Algeria, Egypt and Tunisia dominate their respective national markets but have not yet ventured beyond borders.

African Business Beyond Borders

Large African companies increasingly spread their activities across borders to escape saturated domestic markets and seek opportunities abroad within the continent. Expansion strategies adopted by the companies listed by Jeune Afrique are impressively diverse. Firms export their products through partners (e.g. Lesieur Cristal), establish their own sales representation on the spot (Nigerian Breweries) or even relocate production sites to different countries (Illovo Sugar).

Especially in South Africa, leading domestic companies have started to search for new markets beyond borders: only four of the 24 listed South African enterprises are currently not demonstrating any interest in extending their operations to neighbouring countries. Striking examples such as brewer SABMiller have successfully sought opportunities abroad by establishing brewing and bottling facilities, sales and marketing representations as well as distribution partnerships.

Illovo Sugar is the only sugar company out of ten listed by Jeune Afrique which operates in different regions of the African continent simultaneously. In addition to its home market – South Africa – the company is also involved in Malawi, Mozambique, Swaziland, Tanzania, Zambia and soon in Mali (see Box 2.2). Its subsidiary Zambia Sugar is even profitable enough to be listed separately from the mother company by Jeune Afrique.

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Box 2.2. Illovo Sugar: An African Multinational

The Illovo Sugar group is Africa's largest sugar producer in terms of output. Its operations include cultivation, refinery and the production of a variety of alcohols and other downstream products. Since September 2006, Associated British Foods plc holds 51 per cent of Illovo's shares. Illovo Sugar operates through majority share control in local sugar companies in Malawi, Swaziland, Zambia, Tanzania and Mozambique. As the home country of Illovo Sugar, South Africa remains the main source of the company's revenue while Malawi and Zambia contribute the greatest share in the enterprise's sugar cane output.

The group has continuously diversified its production and marketing and sought opportunities from privatisation processes in neighbouring countries, most notably in Zambia, Malawi and Tanzania. Moreover, Illovo has major outgrowers' programmes in these countries to source substantial sugar cane input for trade and processing. In South Africa, Illovo increasingly sells cane land to farmer co-operatives which then ensure cane supply to the factories. Consequently, smallholder farmers gain a reliable customer for their sugar cane yield and profit from microeconomic stability.

In 2001, Illovo Sugar acquired a majority share in Zambia Sugar. The local sugar company had been involved in a sugar fortification initiative, adding vital vitamin A to its cane yields. Illovo continued the project born from a three-way partnership between the Zambian Government, USAID and the private sector. The ongoing expansion process began in 2007 and aims at increasing annual sugar production. Recently, Illovo announced the construction of a new factory and sugar mill complex in Mali. The investment is backed by the government through an agricultural development fund. Production will be launched in 2009 and is projected to reach a peak of 200 000 tons annually.

Source: UNCTAD (2005*a*) and company website

The distribution segment especially shows the emergent internationalisation of African enterprises. The share of supermarkets in food retail in Africa is estimated to be between 10 and 25 per cent (Ruben *et al.*, 2006). Indeed, while independent small-owner operated shops have been slowly disappearing, large supermarket chains have been extending their geographic reach. Market liberalisation and, to a greater extent, urbanisation have been the driving forces of this radical change.

Not only do supermarket chains spread at a rapid pace throughout Africa, they also impose their product and quality standards on suppliers. Among the major African retailers, South African firms overwhelmingly lead the field and shield their domestic markets from foreign distributors. After a perceived saturation of the domestic market, South African distribution companies, such as ShopRite, Massmart and Woolworths, have speedily spread to neighbouring countries where they either invest in new supermarkets themselves or license their brand to franchise partners in competition with local informal market places.

Meanwhile, Kenyan supermarket Nakumatt, a newcomer in the Jeune Afrique list from 2007, is pursuing investment interests in Rwanda, Tanzania and Uganda. The company is not the first regional retailer to aim outside Kenya's domestic borders; former market leader Uchumi stumbled over ambitious but ill-prepared expansion to Uganda and declared insolvency in summer 2006. Nakumatt intends to avoid this fate by backing its new operations with domestic profit, strategic financing partners and organisational restructuring. The innovation and growth strategy will include the entry into the Nairobi stock market in 2009.

Internationalisation need not remain within continental borders. SABMiller has established its brand across the globe and several food-processing companies, e.g. Cameroon's Société Nouvelle des Plantations du Haut-Penja and Cairo Poultry Ltd., readily export their products worldwide, demonstrating the flexibility which marks the emergence of successful food business in Africa. A new entrant into the Jeune Afrique ranking, Nigeria's Dangote Sugar Refinery, imports raw sugar from Brazil to be refined in Nigeria for domestic and industrial consumption. Moreover, co-operation with companies from outside Africa is increasingly sought as illustrated by Morocco's ONA group partnering with Lesieur France, and the Tunisian Régie Nationale des Tabacs et des Allumettes working together with British American Tobacco.

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Lastly, additional proof of the fact that some African enterprises have started their path towards internationalisation is provided both by the higher outflows of investments recorded recently as well as by increasing quotations in local stock exchanges and top global rankings. FDI outflows surged in 2006 to $8 billion, quadrupling from the year before, and pointing to the increasing role played by African corporations (AfDB/OECD, 2008). In 2006, South Africa[19] was on top of the league with over $3 billion in outflows across sectors, accounting for four-fifths of the total[20]. Nigeria, Liberia and Morocco followed with outflows ranging from $0.2 to $0.4 billion (UNCTAD, 2007*a*). This indicates that Africa is becoming a source of FDI. In addition, more than half the African agro-food enterprises listed in Jeune Afrique are quoted in local stock exchanges (see Annex Table 2.A5.) and thus illustrate their commitment to transparency and growth, including beyond national borders.

Moreover, some African firms have entered top global rankings. Forbes's list of the top 2000 global enterprises[21] indeed reveals the rise of African multinationals. Seventeen South African, four North African and one West African companies across industries were on that list from February 2008. Examples included BidVest, a South African supplier of food services now competing in the same league as France's SODEXO and United Kingdom's Compass Group, and South African SASOL, a global player in the chemicals and fuels industry which is currently being placed in international rankings as a competitor to American Chevron and Dutch Royal Dutch Shell (Hoover's, 2008).

Asia Venturing in African Fields

Besides the major multinational and African enterprises featured by *Fortune Global 500* and Jeune Afrique, a variety of smaller players, many of them from Asia, influence the agro-food sector in Africa. Only two companies, Olam and Currimjee, have generated sufficient revenue to be featured by Jeune Afrique. The Olam group is a good illustration of Asian companies' involvement in Africa – three of its subsidiaries are independently listed by Jeune Afrique for its economic strength (see Box 2.3). Having started exclusively with international commerce, the enterprise subsequently ventured into related business activities including farming and production. A similar strategy has been adopted by the Currimjee group, based in Mauritius. Its founder arrived from India in 1884 and built a food trading company within a few years. Only its beverage segment is included in the ranking of leading agro-food companies, but Currimjee also diversified into retail in the 1950s and later into the services sector, now spanning across various African countries.

Box 2.3. Olam International Ltd.: From Exporter to Investor

Olam International Limited is one of the major actors in the import and export of African Agricultural products. Having originated in Asia, the enterprise now spreads across four continents, including 19 countries in Africa. Not only does the company span a global market, it also integrates entire supply chains into its management strategy. Hence, Olam taps into sourcing, processing and distribution of a variety of products, such as cocoa, sugar, beans and nuts.

Originally, Olam was founded in Singapore by the Indian diaspora – the Kewalram Chanrai group. This company had already been truly multinational in the 1950s, reaching throughout Asia and to Latin America and Africa. From the very beginning, an integrated supply chain approach marked its business philosophy. The International Finance Corporation (IFC) has identified Olam as a potential partner in community development and the training of local suppliers, since the company sources directly from small-scale farmers.

Nevertheless, Olam International Ltd. is an illustrative case of longstanding integration of the African agro-food sector into international commerce. Besides, the enterprise exemplifies the role played by Indian investors in the continent and the African agro-food industry in particular.

Source: Based on companies' websites

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African trade relations with Asia have experienced a strong boost largely because of the increasing demand for petroleum and metals in the rapidly expanding Asian economies. Yet, as Chapter 1 illustrates, agro-related products are slowly taking an increasing share in the trade flows. In 2006, more than 20 per cent of African exports flowed into Asia. In conformity with their respective comparative advantages at present, Asia currently supplies manufactured goods while importing raw materials from the African continent. The importation of bulk products represented more than half of the agricultural imports from Africa to Asia throughout the last ten years (UN Statistical Division, 2007). For the major emerging economies, China and India, agricultural products have taken an increasing share of their imports from Africa since 2000. While China imports mainly bulk commodities from Africa, India has leant towards horticultural products (see Table 1.8. in Chapter 1).

However, the amount of FDI from Asian firms to Africa and the number of cross-border mergers and acquisitions in the framework of Asian-African business co-operation remain surprisingly low against the background of dynamism in the regional markets. In particular, investment in agriculture and food production is virtually absent (UNCTAD, 2007*b*). Asia's rising demand for food and raw materials could be satisfied by African imports in the long run because of the complementarities between the two regions (Goldstein *et al.*, 2006). A variety of initiatives have been launched to promote business relations and private sector investment between the two continents. Having emerged from the Tokyo International Conference on African Development (TICAD), the Sub-Saharan Africa-Asia Business Directory illustrates the trend to encourage the exchange of market information, enhancing the opportunities for private sector collaboration. While this database is still being developed, most reporting companies are from China and India. Their operations comprise a wide range of segments in the agro-food sector including fishery, farming, food processing and beverage production (World Bank – Africa PSD Group, 2007).

CONCLUSIONS

This chapter provides insight into the agro-food private sector in Africa. Due to the scarcity of data on corporations and on their activities in the region, the enterprise rankings by Fortune and Jeune Afrique have been used as a starting point to identify major actors in this business sector throughout the continent. A closer look at the lists also yields information about corporate behaviour exemplified by the featured firms in the African context:

- The geographical concentration of large agro-food enterprises in major regions and countries of Africa highlights the link between the size of the target economies and the number of companies present. Southern Africa is relatively well populated by agro-food companies thanks to the driving force of South Africa's business. Countries such as Nigeria, Kenya and Côte d'Ivoire, also stand out for attracting many companies to their agro-food sectors.
- While large foreign MNCs are hardly present in the distribution segment in Africa, African firms demonstrate great potential. Retail companies from South Africa lead the list of the continent's agro-food firms measured by revenue. They are also among the first and most aggressive to seek opportunities abroad, giving rise to a new wave of multinational companies from the African agro-food sector. East African supermarkets follow the example as Nakumatt demonstrates. Meanwhile, foreign multinationals in the distribution segment are focusing on more dynamic consumer markets in Asia and Eastern Europe.

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- The integration of the African agro-food sector into the global supply chain is achieved through strategic links with large foreign companies operating on site through their subsidiaries and franchises. The degree of collaboration between MNCs, major African companies and regional or local suppliers varies across the sub-sectors of the agro-food supply chain. The data collected in this chapter highlight examples of successful co-operation between foreign firms and African partner companies, notably in the beverage sector. Also, examples of inclusion of the continent's markets into the global business are visible in the tobacco sector.
- African firms have started to internationalise their operations. The expansion of the playing field of these enterprises, progressively away from home, provides a lens through which to assess the progress of the continent's opening up to the global economy. Several domestic agro-food firms, not just from the retail segment, have recently started to venture into neighbouring countries primarily thanks to new opportunities arising from liberalisation measures, under-explored niches or the proximity to vibrant markets. The transition of domestic firms such as SASOL, SABMiller and CFAO Nigeria, from mere traders into active investors, are concrete examples of how such opportunities are being realised at present.

The results presented in this chapter also pose some questions which deserve special attention and require further research:

- The size of a target economy matters in a company's decision to establish a physical presence through subsidiaries or franchises. The relationship between regional integration and private sector development in Africa requires further research as causal links between free trade agreements and the increasing presence of leading companies in a region cannot be established just from the data analysed in this chapter.
- The nature and functioning of linkages between large foreign and African companies and the economies in which they operate bear implications for local and regional development. These linkages deserve further investigation in order better to inform policy discussions. As Chapter 4 of this volume and the five country case studies (see www.oecd.org/dev/publications/businessfordevelopment) highlight, both government policies and donor programmes have supported local capacity building in the agro-food sector. Major bottlenecks regarding infrastructure, financial markets and human resource development in these countries still require great attention from governments and donors to promote private sector development.

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ANNEX

Table 2.A1. Foreign Multinational Corporations Present in the Agro-Food Supply Chain, 2007

	Company[a]	Sector	Ranking (Fortune Global 500)	Revenue[b] $ million	Head quarters	Target Markets in Africa
1	Carrefour	Retailer	32	99 014	France	Algeria, Egypt, Tunisia
2	Tesco	Retailer	55	79 978	UK	
3	Nestlé	Food Consumer Products	56	79 872	Switzerland	Angola, Cameroon, Côte d'Ivoire, Egypt, Gabon, Ghana, Guinea, Kenya, Mauritius, Morocco, Mozambique, Niger, Nigeria, Senegal, South Africa, Tunisia, Zimbabwe
4	Metro	Retailer	62	75 131	Germany	Morocco
5	Altria Group	Tobacco	71	70 324	USA	Algeria, Egypt, South Africa
6	Kroger	Retailer	80	66 111	USA	
7	BASF	Chemicals	81	66 006	Germany	Algeria, Egypt, Libya, Morocco, South Africa, Tunisia
8	Royal Ahold	Retailer	104	56 944	Netherlands	
9	Unilever	Food Consumer Products	120	51 032	UK/ Netherlands	Algeria, Cameroon, Côte d'Ivoire, DR Congo, Egypt, Ghana, Kenya, Malawi, Morocco, Mozambique, Namibia, Niger, Nigeria, Senegal South Africa, Sudan, Tanzania, Tunisia, Uganda, Zambia, Zimbabwe
10	Dow Chemical	Chemicals	123	49 124	USA	Egypt, Morocco, South Africa
11	Walgreen	Retailer	129	47 409	USA	
12	Seven & I Holdings	Retailer	134	45 635	Japan	
13	Group Auchan	Retailer	141	43 900	France	
14	AEON	Retailer	152	41 249	Japan	
15	Safeway	Retailer	155	40 185	USA	
16	Bayer	Chemicals	158	39 899	Germany	Maghreb (headquarters in Morocco), East Africa (Kenya), Southern Africa (South Africa)
17	Supervalu	Retailer	167	37 406	USA	
18	Archer Daniels Midland	Food Production	174	36 596	USA	Côte d'Ivoire
19	PepsiCo	Food Consumer Products	184	35 137	USA	Namibia, South Africa
20	J. Sainsbury	Retailer	200	32 438	UK	
21	DuPont	Chemicals	225	28 982	USA	South Africa, Zimbabwe
22	George Weston	Retailer	234	28 350	Canada	
23	Woolworths limited	Retailer	235	28 275	Australia	
24	Coles Group	Retailer	241	27 516	Australia	
25	Bunge	Food Production	255	26 274	USA	Algeria, Egypt, Morocco, Tunisia
26	Tyson Foods	Food Production	264	25 559	USA	

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27	Delhaize Group	Retailer	276	24 481	Belgium	
28	Coca-Cola	Beverages	285	24 088	USA	Algeria, Angola, Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, South Africa, Tanzania, Tunisia, Uganda
29	William Morrison Supermarkets	Retailer	298	23 125	UK	
30	Sabic	Chemicals	301	23 019	Saudi Arabia	Egypt, Morocco, South Africa
31	Mitsubishi Chemical Holding	Chemicals	317	22 424	Japan	
32	Lyondell Chemical	Chemicals	320	22 228	USA	
33	Compass Group	Food services	322	22 053	USA	Algeria, Angola, Botswana, Egypt, Gabon, Ghana, Malawi, Mali, Mozambique, Namibia, Nigeria, South Africa, Sudan, Zambia
34	Publix Super Markets	Retailer	326	21 819	USA	
35	McDonalds	Food services	329	21 586	USA	Egypt, Morocco, South Africa
36	Coca-Cola Enterprises	Beverages	354	19 804	USA	
37	Hanwha	Chemicals	374	19 085	South Korea	
38	Sara Lee	Food Consumer Products	389	18 539	USA	
39	British American Tobacco	Tobacco	404	17 960	UK	Cameroon, Congo, Egypt, Ghana, Kenya, Malawi, Mauritius, Mozambique, Nigeria, Rwanda, South Africa, Uganda, Zambia, Zimbabwe
40	Groupe Danone	Food Consumer Products	412	17 656	France	Algeria, Morocco, South Africa, Tunisia
41	Japan Tobacco	Tobacco	415	17 536	Japan	Morocco, South Africa, Tanzania, Tunisia
42	Akzo Nobel	Chemicals	424	17 235	Netherlands	
43	InBev	Beverages	439	16 696	Belgium	Algeria, Angola, Benin, Ghana, Libya, Nigeria, Tanzania, Tunisia, South Africa
44	Migros	Retailer	451	16 466	Switzerland	
45	Anheuser-Busch	Beverages	478	15 717	USA	South Africa
46	Altadis	Tobacco	482	15 687	Spain	Morocco
47	Sodexho Alliance (now Sodexo)	Food services	483	15 683	France	Algeria, Angola, Cameroon, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Libya, Morocco, Namibia, Nigeria, South Africa, Tanzania, Tunisia (planned operations in Senegal, Sudan, Mauritania, Ghana, Mozambique)
48	Linde Group	Chemicals	485	15 606	Germany	Algeria, Kenya, Malawi, Mauritius, Mozambique, Namibia, Nigeria, South Africa, Zambia, Zimbabwe
49	Sumitomo Chemical	Chemicals	489	15 304	Japan	South Africa

Notes: a: Companies with activities in Africa are highlighted in blue. Companies that do not have target markets mentioned in the list are not present physically in Africa but possibly maintain trade relations through their intermediaries. *b:* The data include the results of all business units worldwide of each company.

Source: Based on *Fortune Global 500* (2007) and companies' annual reports.

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Table 2.A2. Major African Companies Present in the Agro-Food Supply Chain, 2007

	Company[b]	Sector	Ranking (Jeune Afrique)	Revenue[a] $ million	Headquarters	Target Markets in Africa
1	BidVest Group	Distribution	3	11 127	South Africa	Botswana, Mozambique, Namibia, Zambia, Zimbabwe
2	SASOL	Chemicals	5	9 176	South Africa	Botswana, Egypt, Equatorial Guinea, Gabon, Mozambique, Namibia, Nigeria, Zambia, Zimbabwe
3	Pick'n Pay Stores	Distribution	12	5 910	South Africa	Botswana, Namibia, Swaziland, Zimbabwe
4	Massmart Holdings	Distribution	15	5 024	South Africa	Botswana, Lesotho, Namibia, Swaziland
5	SABMiller South Africa	Beverages	20	4 274	South Africa	Angola, Botswana, Ghana, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
6	ShopRite Holdings	Distribution	21	4 269	South Africa	Angola, Botswana, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
7	ONA group	Food Processing (Diversified)	26	3 431	Morocco	
8	Spar Group	Distribution	37	2 468	South Africa	
9	Tiger Brands	Food Processing	39	2 400	South Africa	
10	Woolworths Holdings	Distribution	45	2 176	South Africa	Botswana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
11	Altadis Maroc (Ex-Régie des Tabacs)	Tobacco	64	1 581	Morocco	
12	AECI	Chemicals	67	1 467	South Africa	Botswana, Burkina Faso, DR Congo, Ghana, Malawi, Mali, Mauritius, Mozambique, Nigeria, Swaziland, Tanzania, Zambia
13	Cévital	Food Processing	70	1 406	Algeria	
14	Tongaat-Hulett	Food Processing	82	1 127	South Africa	Mozambique, Swaziland, Zimbabwe
15	Distell Group	Beverages	97	965	South Africa	Ghana, Kenya, Mauritius, Namibia, Tanzania, Zimbabwe
16	AFGRI	Food Processing	98	924	South Africa	Malawi, Zambia
17	Illovo Sugar	Food Processing	102	900	South Africa	Malawi, Mozambique, Swaziland, Tanzania, Zambia
18	Flour Mills Nigeria	Food Processing	106	856	Nigeria	
19	Omnia Holdings	Chemicals	112	795	South Africa	Angola, Malawi, Zambia, Zimbabwe

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20	Anglovaal Industries	Food Processing	114	777	South Africa	
21	Astral Foods	Food Processing	117	744	South Africa	Botswana, Mauritius, Swaziland, Zambia
22	Groupe Chimique Tunisien (GCT)*	Chemicals	122	719	Tunisia	
23	Nigerian Breweries	Beverages	127	699	Nigeria	
24	Rainbow Chicken	Food Processing	130	679	South Africa	Namibia
25	Chemical Services	Chemicals	131	679	South Africa	Botswana
26	Dangote Sugar Refinery	Food Processing	132	678	Nigeria	
27	Marjane Holding	Distribution	137	659	Morocco	
28	Eastern Co.	Tobacco	143	619	Egypt	Zimbabwe
29	Compagnie Sucrière Marocaine de Raffinage (COSUMAR)	Food Processing	146	608	Morocco	
30	Clover Holdings	Food Processing	147	607	South Africa	Angola, Botswana, Mozambique, Zambia, Zimbabwe
31	Sugar and Integrated Industries Co. (SIIC)	Food Processing	153	570	Egypt	
32	Nigerian Bottling Co.	Beverages	172	483	Nigeria	
33	Centrale Laitière	Food Processing	179	462	Morocco	
34	Rebserve Holdings	Distribution	183	445	South Africa	Lesotho, Mozambique, Namibia, Swaziland
35	Guinness Nigeria	Beverages	186	434	Nigeria	
36	Lesieur Cristal	Food Processing	189	427	Morocco	Burkina Faso, Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Nigeria, Senegal, South Africa
37	Oceana Group	Food Processing	205	365	South Africa	Morocco, Namibia, (worldwide)
38	SA des Brasseries du Cameroun (SABC)	Beverages	214	342	Cameroon	
39	Americana Group for Food	Food Processing	215	340	Egypt	
40	Société Nationale des Tabacs et des Allumettes (SNTA)	Tobacco	217	336	Algeria	
41	SIFCA Group	Food Processing	218	336	Côte d'Ivoire	Ghana, Nigeria
42	Cairo Poultry Ltd.	Food Processing	226	320	Egypt	(worldwide)
43	Société Frigorifique et Brasserie de Tunis	Beverages	228	319	Tunisia	
44	Nestlé Nigeria	Food Processing	231	311	Nigeria	

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45	East African Breweries	Beverages	238	302	Kenya	Djibouti, Kenya, Uganda
46	OLAM Nigeria*	Import-Export	243	297	Nigeria	
47	Dangote Flour Mills	Food Processing	248	289	Nigeria	
48	Nakumatt Holdings	Distribution	249	289	Kenya	
49	Holding CY Makro Morocco (Metro Group)	Distribution	251	286	Morocco	
50	Produce Buying	Distribution	255	281	Ghana	
51	Abu Qir Fertilizers & Chemicals Industries	Chemicals	260	272	Egypt	
52	Industrial Promotion Services West Africa (IPS WA)	Food Processing (Diversified)	281	238	Côte d'Ivoire	Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal
53	Cadbury Nigeria	Food Processing	283	238	Nigeria	
54	Compagnie d'Exploitation Commerciale Africaine et Société Gabonaise de Distribution CECAGADIS	Distribution	291	226	Gabon	
55	Outspan Ivoire	Import-Export	296	220	Côte d'Ivoire	
56	Groupe Industriel ONAB	Food Processing	300	215	Algeria	
57	Unilever Nigeria	Chemicals	309	207	Nigeria	
58	Mumias Sugar Co.	Food Processing	310	206	Kenya	(worldwide)
59	ADM Cocoa Sifca	Food Processing	312	206	Côte d'Ivoire	
60	Unilever Côte d'Ivoire	Chemicals	318	198	Côte d'Ivoire	
61	Groupe Industriel des Productions Laitières (GIPLAIT)	Food Processing	321	197	Algeria	
62	Food and Allied Group of Companies	Food Processing (Diversified)	330	189	Mauritius	Kenya, Madagascar, Mozambique, Tanzania, Uganda
63	Groupe CFAO Nigeria	Beverages (Diversified)	331	189	Nigeria	Congo
64	SUNEOR (ex-Sonacos)	Food Processing	332	189	Senegal	
65	ACIMA Groupe	Distribution	334	186	Morocco	
66	Sechaba Brewery Holding	Beverages	337	184	Botswana	
67	BAT - British American Tobacco	Tobacco	339	183	Kenya	
68	Press Corporation Ltd.	Beverages (Diversified)	340	182	Malawi	

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69	Société de Limonaderies et Brasseries d'Afrique (SOLIBRA)	Beverages	343	179	Côte d'Ivoire	
70	Sefalana Cash & Carry	Distribution	344	179	Botswana	
71	Nestlé Côte d'Ivoire	Food Processing	346	178	Côte d'Ivoire	
72	Sefalana Holding Co.	Food Processing	350	174	Botswana	
73	OLAM Ghana	Import-Export	352	173	Ghana	
74	KWV	Beverages	355	170	South Africa	Ghana, Kenya, Lesotho, Malawi, Mauritius, Tanzania, Uganda, Zimbabwe
75	Harel Mallac Group	Distribution (Diversified)	358	168	Mauritius	Madagascar, Malawi, Zambia
76	Royal Swaziland Sugar Corporation	Food Processing	365	164	Swaziland	
77	Société Ivoirienne de Promotion de Supermarchés PROSUMA	Distribution	367	164	Côte d'Ivoire	
78	Brasseries du Maroc	Beverages	371	159	Morocco	
79	SNMVT Monoprix	Distribution	374	159	Tunisia	
80	Nestlé Ghana	Food Processing	391	151	Ghana	
81	Société des Brasseries du Gabon (SOBRAGA)	Beverages	392	148	Gabon	
82	Zambia Sugar*	Food Processing	399	142	Zambia	
83	Delta Sugar	Food Processing	406	135	Egypt	
84	Namibia Breweries	Beverages	407	135	Namibia	Angola, Botswana, Kenya, Lesotho, Malawi, Mozambique, Sudan, Swaziland, Tanzania, Zambia, Zimbabwe
85	Régie Nationale des Tabacs et des Allumettes	Tobacco	408	135	Tunisia	
86	Unilever Ghana	Chemicals	409	134	Ghana	
87	Société Magasin Général	Distribution	414	133	Tunisia	
88	Middle & West Delta Flour Mills	Food Processing	423	125	Egypt	
89	Compagnie Sucrière Sénégalaise	Food Processing	429	123	Senegal	
90	Currimjee Group	Beverages (Diversified)	431	122	Mauritius	
91	Zambian Breweries	Beverages	432	122	Zambia	
92	Société Ivoirienne des Tabacs (SITAB)	Tobacco	433	120	Côte d'Ivoire	Cameroon, Kenya, Liberia, Nigeria
93	Unicao*	Food Processing	435	120	Côte d'Ivoire	
94	Guinness Ghana	Beverages	439	118	Ghana	

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95	Upper Egypt Flour Mills	Food Processing	440	118	Egypt	
96	Cosmivoire	Food Processing	452	110	Côte d'Ivoire	Benin, Burkina Faso, Congo, Ghana, Guinea, Mali, Senegal, Sierra Leone, Togo
97	Cervejas de Moçambique*	Beverages	456	108	Mozambique	
98	Cameroon Development Corporation*	Food Processing	457	107	Cameroon	(worldwide)
99	Les Grands Moulins de Dakar (GMD)	Food Processing	459	107	Senegal	
100	Palm-Ci	Food Processing	460	107	Côte d'Ivoire	
101	UNGA group (flour milling)	Food Processing	466	105	Kenya	
102	Société Marocaine des Fertilisants (FERTIMA)	Chemicals	470	104	Morocco	
103	ADER Cameroun	Chemicals	475	100	Cameroon	
104	British American Tobacco Mauritius	Tobacco	478	98	Mauritius	
105	Middle Egypt Flour Mills	Food Processing	479	98	Egypt	
106	Société Nouvelle des Plantations du Haut-Penja (PHP)*	Food Processing	480	98	Cameroon	(worldwide)
107	Société Sucrière du Cameroun	Food Processing	485	96	Cameroon	
108	Clover Danone Beverages	Beverages	488	95	South Africa	
109	Les Eaux Minérales d'Oulmès	Beverages	492	92	Morocco	Gambia, Liberia, Sierra Leone
110	Industries Chimiques du Sénégal	Chemicals	494	91	Senegal	Mali, Benin, Burkina Faso, Cameroon, Togo
111	Société Chimique Alkimia	Chemicals	496	91	Tunisia	

Notes: * Data from 2005. a: The data include the results of all business units worldwide of each company. b: Companies that do not have target markets mentioned in the list are not present physically in other African markets but possibly maintain trade relations with other countries through their intermediaries.

Source: Based on "Les 500 premières entreprises africaines" (Jeune Afrique, 2007) and companies' annual reports.

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Table 2.A3. Major Companies in the Agro-Food Supply Chain: Geographical Distribution of Headquarters and Target Markets in Africa, 2007

Country	Region[a]	GDP 2006 $ billion PPP terms	GDP 2006 per capita in $ PPP terms	Number of company	Total number of African companies[b]	Number of MNCs[c]	Total Number of companies
	Southern Africa	237.648	3 160.89	33	126	50	176
	West Africa	1 830.893	3 457.67	32	74	25	99
	East Africa	103.012	1 359.44	9	41	17	58
	North Africa	171.322	1 210.66	30	33	52	85
	Central Africa	124.636	1 243.10	7	15	13	28
South Africa	Southern	566.805	11 960.18	24	25	20	45
Nigeria	West	168.820	1 166.29	11	18	8	26
Morocco	North	153.351	5 028.40	11	12	14	26
Egypt	North	351.627	4 663.67	9	10	12	22
Zambia	Southern	13.025	1 098.04	2	15	4	19
Ghana	West	59.935	2 659.88	5	13	6	19
Côte d'Ivoire	West	31.425	1 701.59	12	14	4	18
Mozambique	Southern	27.089	1 344.77	1	13	5	18
Zimbabwe	Southern	26.322	2 011.46	0	13	5	18
Kenya	East	46.244	1 315.88	5	12	6	18
Namibia	Southern	16.698	8 141.39	1	11	6	17
Botswana	Southern	23.009	13 088.17	3	15	1	16
Tunisia	North	90.944	8 975.92	6	6	10	16
Algeria	North	245.980	7 376.24	4	4	11	15
Malawi	Southern	9.616	730.53	1	10	4	14
Tanzania	East	29.66	751.48	0	9	5	14
Mauritius	East	16.854	13 450.92	4	10	3	13
Swaziland	Southern	5.785	5 137.66	1	12	0	12
Cameroon	Central	40.135	2 405.74	5	7	4	11
Angola	Southern	43.890	2 677.69	0	5	5	10
Senegal	West	22.062	1 849.60	4	7	2	9
Uganda	East	45.375	1 518.88	0	6	3	9
Lesotho	Southern	6.426	3 591.95	0	7	0	7
Gabon	Central	9.490	6 749.64	2	4	3	7
Burkina Faso	West	17.965	1 322.32	0	5	0	5
Mali	West	15.161	1 089.86	0	4	1	5
Congo	Central	5.507	1 341.53	0	2	2	4
Madagascar	East	18.553	972.02	0	3	0	3
Benin	West	10.218	1 175.43	0	2	1	3
Guinea	West	22.434	2 438.74	0	2	1	3
Niger	West	11.680	807.13	0	1	2	3
Sudan	North	87.769	2 371.94	0	1	2	3
Libya	North	--	12 847.57	0	0	3	3
Gambia	West	3.135	2 018.67	0	2	0	2
Liberia	West	--	17.34	0	2	0	2
Sierra Leone	West	4.911	870.59	0	2	0	2

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Togo	West	9.523	1 511.11	0	2	0	2
DR Congo	Central	44.540	750.62	0	1	1	2
Equatorial Guinea	Central	8.522	16 547.57	0	1	1	2
Djibouti	East	1.848	2 292.80	0	1	0	1
Chad	Central	15.491	1 551.12	0	0	1	1
Rwanda	Central	11.815	1 278.13	0	0	1	1
Cape Verde	West	3.227	6 229.73	0	0	0	0
Guinea-Bissau	West	1.407	861.60	0	0	0	0
Mauritania	North	7.884	2 499.68	0	0	0	0
Comoros	East	1.238	2 016.29	0	0	0	0
Eritrea	East	4.973	1 095.86	0	0	0	0
Ethiopia	East	96.661	1 329.37	0	0	0	0
Seychelles	East	1.499	17 430.23	0	0	0	0
Somalia	East	--	--	0	0	0	0
Burundi	Central	5.708	728.71	0	0	0	0
Central African Republic	Central	5.266	4 809.13	0	0	0	0
São Tomé & Príncipe	Central	--	3 289.70	0	0	0	0

Notes: a: regional groupings are based on definitions provided by the African Development Bank; *b:* includes headquartered companies and hosted affiliates of firms from other African countries; *c:* includes affiliates of foreign MNCs as listed by Jeune Afrique but excludes further investment of the holding company in Africa.

Source: Based on Annex Table 2.A2.; GDP data provided by World Bank and IMF.

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Table 2.A4. Correlation[a] between Economic Indicators and Companies' Presence in African Economies[b]

	GDP 2006 in $ billion in PPP terms	GDP 2006 per capita in $ in PPP terms
Total number of companies present	0.71*[c]	0.20
Number of MNCs	0.85*	0.24
Number of African companies	0.52*	0.14
Number of headquartered companies	0.82*	0.24

Notes: a: Pair-wise partial correlation. Coefficients close to 1 (-1) indicate strong correlations. b: The sample size is 49 countries. Data on the GDP in PPP terms were not available for Libya, Liberia, Somalia and São Tomé & Principe. c: Correlation coefficients marked by asterisk (*) are statistically significant at the 5 % level.

Source: Based on Annex Table 2.A3.

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Table 2.A5. African Agro-Food-Related Companies Present in the Agro-Food Supply Chain: Traded in African Stock Markets

	Total African Companies		Chemicals	Food		Tobacco	
JSE (South Africa)	17		3	7	2		5
Nigeria	9		1	4	4		
Cairo & Alexandria (Egypt)	7			6		1	
Casablanca (Morocco)	6		1	4	1		
Abidjan (Côte d'Ivoire)	4		1	1	1	1	
Nairobi (Kenya)	4			2	1	1	
BRVM (Union Monétaire Ouest Africaine)	4			2	1	1	
Namibia	3			1	1		1
Botswana	3			1	1		1
Tunis (Tunisia)	3		1		1		1
Ghana	2		1		1		
Dar Es Salaam (Tanzania)	1				1		
Uganda	1				1		
Lusaka (Zambia)	1			1			
Malawi	1				1		
Mauritius	1						1
Mozambique	1				1		
Swaziland	1			1			
TOTAL	**69**		**8**	**30**	**18**	**4**	**9**
-- included number of companies	62		8	28	15	3	8
-- included number of cross-quotations*	7		0	2	3	1	1

Note: * Six companies are cross-listed in two stock exchanges; one beverage company is quoted in three stock exchanges.

Source: Based on company listings provided by stock exchanges.

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NOTES

1. Broadly defined to include agriculture, agro and forestry industries, and rural development.

2. Agribusiness refers to a wide spectrum of enterprises and activities, both on- and off-farm, ranging across production, post-harvest handling, processing, transportation, marketing, distribution and other agro-based commercial activities. Agro-enterprises specialise in off-farm value-adding activities, such as processing, packaging, distribution and marketing. Although they develop close relationships with farmers and often provide material inputs to the farming sector, they seldom directly engage in primary production. See OECD Development Centre (2007, Chapter 3) for further details.

3. Companies whose activities are based solely on trade transactions with local suppliers and/or importers but lack physical presence in the continent are not included in this analysis.

4. Seeds from Allanblackia trees, native to the tropical rainforest belt which extends across West, Central and East Africa, contain an oil that can be used in the production of margarine, soaps and ointments. A partnership – Novella Africa – has been developed by Unilever to generate sustainable commercial-scale extraction (World Agroforestry Centre, 2005). Others have joined this venture, such as the Netherlands Development Organisation (SNV), the World Conservation Union (IUCN), the World Agroforestry Centre and a broad network of African organisations and governments.

5. The classification used to create regional groupings within Africa follows that of the African Development Bank (for the entire list, see Annex Table 2.A3.).

6. The leading five African countries in the "Doing Business 2007" report are (overall rank in brackets): South Africa (29), Mauritius (32), Namibia (42), Botswana (48) and Swaziland (76).

7. Initiatives include proposed agreements such as the Euro-Mediterranean Partnership and the Euro-Mediterranean Free-Trade Area, which aim respectively at constructing a free trade zone and supporting private sector development.

8. These estimates are not limited to agriculture but include FDI to all sectors.

9. The East African Community is an inter-governmental organisation founded in 2000 by Kenya, Uganda and Tanzania. Rwanda and Burundi joined in 2007. With regard to economic integration, the Community plans to develop from a customs union towards a common market by 2010, a monetary union by 2012 and eventually a political federation.

10. The Common Market for Eastern and Southern Africa (COMESA) was founded in 1994 and unites 20 member countries in a progressively liberalised preferential trade area.

11. SADC was founded in 1980 and has grown from a loose community of nine states in the beginning to an institutionalised partnership community with 14 members working on a variety of specific sectoral policy programmes. SADC aims to create a free trade zone by 2008.

12. These are the Investment Promotion Centre (Kenya), Tanzania Investment Centre and the Uganda Investment Authority.

13. The number of African companies includes headquarters and local affiliates of companies from other African countries.

14. Data on the GDP in purchasing power parity are not available for Libya. Yet the country recorded a GDP at current prices of $50.30 billion in 2006, far above the continent-wide average.

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15. The tea industry in Kenya is completely liberalised and marketing of the product is carried out by each producer independently. About 80 per cent of tea production in the country is based on small-scale farmers, whose tea production, management and marketing are supported by the Kenya Tea Development Agency (KTDA), an umbrella organisation of tea grower co-operatives. The rest is in the hands of large-scale producers, both foreign and domestic, including Unilever (Brooke Bond), Williamson and Eastern Produce (Teauction.com, 2007).

16. The Global Retail Development Index evaluates and projects geographic target markets for development in the retail industry based on criteria of market conditions, saturation and country risk.

17. These companies are spirit distiller KWV, the South African Distell Group, and Clover Danone Beverages Ltd. (now Clover Beverages Ltd. since Clover S.A. (Pty) Ltd. acquired all shares held by Compagnie Gervais Danone in the beverage branch on 31 March 2007).

18. Information on countries where the company is located has been provided directly by InBev.

19. A survey conducted by UNCTAD in 2005 already pointed out that South Africa was among the top 15 sources of FDI (UNCTAD, 2005*b*).

20. In total, outflows from Africa reached $8 billion in 2006, four times the level recorded in 2005.

21. Forbes, an American publishing and media company, ranks firms listed on the world's stock exchanges according to their market value, turnover, profit and assets.

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CHAPTER THREE

Aid for Trade and African Agriculture

ABSTRACT

In October 2006 the General Council of the World Trade Organisation (WTO) endorsed the recommendations of the Aid for Trade Task Force which was established at the WTO Hong Kong Ministerial Conference in 2005. One of the Task Force recommendations was to set up a monitoring and evaluation function in the WTO. In line with the Aid for Trade Roadmap in 2007, the WTO has recently hosted the first Global Aid for Trade Review. Its report analyses the self-assessments of Aid for Trade activities based on submissions from bilateral donors, international agencies and recipient countries. Global monitoring of Aid for Trade activities and in-country assessments are complementary and must go hand in hand with the greater participation of individual African countries.

Against this backdrop, this chapter first presents a snapshot of Aid for Trade activities in Africa. Based on the OECD aid activity database, it highlights "who is doing what and how" in terms of institutions involved, volumes committed and instruments used to provide trade-related assistance in Africa. Second, this chapter takes a close look at the recent experience of donor support for productive capacity in African agriculture. Despite the fall of donor support during the 1980s and 1990s, aid to agriculture has remained among the top priority areas of assistance to building productive capacity in Africa; the agricultural sector, as broadly defined, attracted about $2 billion per annum during the period 2002-05.

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INTRODUCTION

As shown in Chapter 1, world agricultural trade is no longer dominated by bulk commodities. Trade in processed food and horticulture (e.g. flowers, fruits and vegetables) grew twice as fast as bulk commodities between 1985-90 and 2000-05, although from a smaller base in the case of horticulture. The trading opportunities in agriculture would increase further if both developed and developing countries were to reduce import tariffs and cut domestic subsidies globally and regionally. At the same time, these growing segments of the agricultural sector are subject to increasingly stringent scrutiny under international food and health regulations. Adjusting to the new trading and regulatory environments governing agriculture poses a major challenge for many low-income developing countries.

Gibbon (2007) reviewed the agricultural trade performance of developing countries between 1993-95 and 2003-05 and found two contrasting trends. On the one hand, countries such as Brazil, Colombia, Indonesia, Thailand and Viet Nam have emerged as the "winners" of agro-commodity trade over the last decade. They have proactively responded to new market opportunities, generated agricultural trade surpluses and reinvested such surpluses into wider economic development. This process has actually made them less commodity-dependent during the period. On the other hand, most developing countries that remained commodity-dependent in 2003-05 were struggling to defend historical positions in the international market. Africa is home to about two-thirds of such commodity-dependent developing countries[1].

Indeed, many African countries have had difficulties adjusting to the new competitive international environment (OECD 2007, Chapter 3). While there are some important successes of diversification towards non-traditional exports, including non-agricultural products such as clothing, they still rely heavily on a narrow range of traditional commodity exports. Given the relative land abundance per worker, poor transport infrastructure and underdeveloped logistic services, they will likely remain, at least in the foreseeable future, net exporters of primary, rather than manufactured, products. Agricultural commodities, mostly unprocessed, will continue to have a considerable weight in their export profiles.

This is the context in which many African countries have shown strong interest in "Aid for Trade" as a mechanism to help build domestic supply capacity (particularly, but not exclusively, in the agro-food sector) and improve trade-related infrastructure, thereby realising their export potential[2]. Aid for Trade initiatives explicitly recognise that aid and trade policies are complements; a judicious mix of multilateral trade liberalisation which leads to improved market access for African countries and aid spending by developed countries would be more effective than either policy in isolation[3].

Against this background, this chapter has two objectives. First, it presents a snapshot of Aid for Trade activities in Africa. Based on the OECD aid activity database, it highlights "who is doing what and how" in terms of institutions involved, volumes committed and instruments used to provide trade-related assistance in Africa.

Second, this chapter takes a close look at the recent experience of donor support for productive capacity in African agriculture. Since the beginning of this century, there has been a renewed awareness among both African policy makers and donor agencies of the vital contributions of agriculture to long-term growth and poverty reduction. The latest aid statistics provided by the OECD/DAC indicate that despite the fall in donor support during the 1980s and 1990s, aid to agriculture has remained among the top priority areas of assistance to building productive capacity in Africa; the agricultural sector, as broadly defined, attracted about $2 billion per annum during the period 2002-05.

However, aid to agriculture varies considerably across countries in the region in terms of policy focus, the mode of delivery and the nature and degree of donor harmonisation. Understanding a more accurate picture of aid to African agriculture requires well-targeted case studies. Chapter 4 of this volume reports the main results of five country case studies (Ghana, Mali, Senegal,

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Tanzania and Zambia)[4]. Our premise is that in-country assessments and global monitoring of Aid for Trade activities are complementary and must go hand in hand on a regular basis. The chapter concludes by drawing some lessons for the WTO-led Aid for Trade Agenda.

AID FOR TRADE IN AFRICA: OVERVIEW[5]

Since the Uruguay Round there has been an increasing awareness of the potential of trade-related assistance[6] to help developing countries build their trade capacity. In 2001 at the launch of the Doha Round, the OECD and WTO also started a new database on trade-related assistance to encourage and help co-ordinate assistance. Trade-related assistance was then defined as technical assistance to support developing countries formulate policy, participate in negotiations and implement trade agreements and capacity building for trade-development specific activities. In the run up to the Hong Kong Ministerial Conference there was increased awareness that this was missing the picture by ignoring the crucial role that trade-related infrastructure and other supply-side characteristics have on trade capacity building. To be sure, donors have always provided substantial support to productive sectors and infrastructure, albeit to varying degrees, across developing regions and countries, long before the Uruguay Round and the emergence of the Aid for Trade concept.

Aid for Trade in an Evolving Context

Now the issue of trade-related assistance has evolved from one of narrowly defined technical assistance to one recognising that *i)* trade is part of the overall development strategies of developing countries; and *ii)* it is enterprises that trade, and their capacities are often frustrated by supply-side constraints. These constraints hamper the ability of developing-country enterprises to reap the full benefits of globalisation.

The Doha Development Agenda adopted at the 2001 WTO Ministerial meetings reaffirmed this commitment, stressing that the successful trade integration of least developed countries (LDCs) "requires meaningful market access, support for the diversification of their production and export base, and trade-related technical assistance and capacity building" (paragraph 42).

Following the launch of the Doha Round, the WTO and the OECD have worked together to improve the monitoring of aid flows to strengthen trade capacities, or "Aid for Trade" (http://tcbdb.wto.org). The creation of the WTO/OECD database on trade-related technical assistance and capacity building in 2002 has made an important contribution to monitoring and assessing Aid for Trade activities at global, regional and national levels.

In October 2006 the WTO General Council endorsed the recommendations of the Aid for Trade Task Force which was established at the WTO Hong Kong Ministerial Conference in 2005 (WTO 2006). This marks a milestone in the current international debate on Aid for Trade. The recommendations make a number of proposals to make Aid for Trade more relevant and effective. The Task Force asserts that poorer countries need to take the lead if they wish to take advantage of expanding international trading opportunities but that they need effective external financial and technical support to be able to do so. This is particularly the case for many African countries. At the same time, the recommendations pose new challenges to the international community, because the actual implementation of the recommendations will require well co-ordinated, collective actions on the part of various stakeholders concerned.

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Broadening the Scope

One of the key recommendations of the WTO Task Force was to broaden the scope of Aid for Trade. This implies adding to the "traditional categories" of trade-related technical assistance (trade policy and regulations and trade development) four new categories: *i)* trade-related infrastructure; *ii)* building productive capacity; *iii)* trade-related adjustment; and *iv)* other trade-related needs. However, the Aid for Trade Task Force limits the types of interventions that it would like to see included, by stating that: "Projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies." (WTO, 2006, p.2). This actually means that Aid for Trade is defined by recipient countries according to the needs identified in their national development strategies.

Furthermore, the WTO and OECD proposed to adapt the DAC Creditor Reporting System (CRS) database to track all Aid for Trade categories, instead of broadening the scope of the WTO/OECD specific database and incurring the risk of data inconsistencies by running two different reporting systems for the same data. However, that meant that some of the nuanced categories on Trade Policy and Regulations would be lost. To compensate for the loss of the trade development category in trade-related technical assistance and capacity building, a new "trade development" marker has been introduced to identify trade-related aid activities within the Building Productive Capacity category of the CRS. In addition, a new category dedicated to Trade-related Adjustment has been established under the CRS. There are no plans to introduce an Other Trade-related Needs category.

Box 3.1. offers a brief comparison of the DAC/CRS aid activity database and the joint WTO/OECD trade capacity building database.

Establishing the Monitoring Mechanism

Another important recommendation of the WTO Task Force was to establish a monitoring and evaluation function in the WTO; the focal point of this initiative was annual Aid for Trade debates in the General Council, the first of which was held in November 2007.

In the lead-up to this event, the Committee on Trade and Development (CTD) of the WTO had been tasked with carrying out periodic reviews of Aid for Trade. It was recognised that "[t]he challenge was not to invent a new mechanism, but rather to get the many existing mechanisms to work together more effectively" (WT/GC/M/106, 1 March 2007, p. 31). A recent background note by the WTO Secretariat also stated: "Improved monitoring and evaluation was essential for building confidence that increased Aid for Trade would be delivered and used effectively — and for enhancing the credibility of donors' commitments. Greater transparency was needed to provide incentives for donors and recipients to work together more effectively to advance the Aid for Trade agenda" (WT/AFT/W/26, 29 May 2007, p.4).

Monitoring and evaluation in the WTO have been set up at three levels: *i)* a global review of Aid for Trade flows based on data compiled by the DAC/CRS aid activity database; *ii)* evaluations of national, regional and multilateral donors' Aid for Trade activities on the basis of donor self-assessments; and *iii)* in-country assessments by aid recipients (OECD-WTO 2007). Meanwhile, in consultation with three regional development banks, the WTO/CTD set up a timetable for its periodic reviews, including three regional reviews for Latin America and the Caribbean, Asia and the Pacific, and Africa, during the months of September and October 2007.

It appears that the three Regional Reviews of Aid for Trade have made an important contribution to raising the awareness of both donor and recipient countries. Yet more collective effort must be made to increase the relevance and usefulness of the WTO-led monitoring and evaluation mechanism.

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Box 3.1. The DAC/CRS Aid Activity Database and the Joint WTO/OECD Trade Capacity Building Database

CRS Aid Activity Database

The Creditor Reporting System (CRS) of the OECD Development Co-operation Directorate (DCD) is a major source of information on sectoral and geographical distribution and conditions of official development assistance (ODA) and official aid (OA). The CRS was established in 1967 with the aim of supplying the participants with a regular flow of data on indebtedness and capital flows.

The CRS Aid Activity Database comprises data on ODA/OA activities in developing countries and countries in transition. Data are provided both on commitments and, more recently, on disbursements. DAC members' reporting covers bilateral ODA/OA. The CRS sector classification contains the following broad categories:

- social infrastructure and services (covering the sectors of education, health, population, water, government and civil society);
- economic infrastructure and services (covering transport, communications, energy, banking and finance, business services);
- production (covering agriculture, forestry, fishing, industry, mining, construction, trade, tourism);
- multi-sector/cross-cutting (covering general environmental protection, women in development, other multi-sector including urban and rural development); and
- non-sector allocable (for contributions not susceptible to allocation by sector such as general budget support, balance of payments support, actions relating to debt, emergency assistance and internal transactions in the donor country).

The CRS Aid Activity Database excludes private grants from DAC member countries and aid from non-DAC bilateral donors. Bilateral aid administered by non-governmental organisations on behalf of the official sector is included. The list of CRS purpose codes was revised and CRS datasets amended in 2005-06.

Joint WTO/OECD Trade Capacity Building Database

The joint WTO/OECD Trade Capacity Building Database (TCBDB) was launched in November 2002 to track the commitments made in the Doha Declaration. The TCBDB aims to assist the development and trade policy communities to achieve higher degrees of co-ordination and coherence, avoid duplication, share information, and monitor the implementation of commitments registered in the Doha Ministerial Declaration.

The TCBDB covers trade-related activities in 2001-2004 and part of 2005 and beyond. It is updated annually. The database is built on individual transactions reported by 26 bilateral donors and 19 multilateral agencies. In contrast to the CRS, not only DAC member countries but almost all main providers of trade-related assistance report to the TCBDB.

The TCBDB contains detailed information on almost 15 000 activities in the field of trade policy and regulations, trade development and trade-related infrastructure, for which commitments have been reported between 2001 and 2006. Data for 2001 to 2004 are complete, which permits production of aggregate statistics and calculation of breakdowns by category, donor, recipient, income groups, type of flow, etc. Twenty-six countries and agencies reported some information for 2005, and seven their planned commitments for 2006.

The TCBDB will no longer be operational after completion of 2007 reporting on 2006 activities.

Source: Andersson *et al.* (2007).

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MAPPING AID FOR TRADE ACTIVITIES

Total Aid for Trade support to Africa is estimated at $6.1 billion a year (on commitment basis) over the period of 2002-05 (Table 3.1.). This amount is equivalent to 30 per cent of global aid for trade during the same period[7]. It is important to note at the outset that the Aid for Trade figure should be used as a proxy, since the amount probably includes non-trade related activities as well.

Only 4 per cent of African aid for trade is dedicated to trade policy and regulations, with trade-related infrastructure accounting for about half of total aid for trade to Africa and building productive capacity the rest. The fact that support to trade policy and regulations is so small compared to trade-related infrastructure and building productive capacity is not surprising. This is because support for the first category mainly involves technical assistance, which is less capital intensive than support for the other two categories. Despite its small size, ensuring effective delivery of assistance in this category matters a lot for mainstreaming trade into infrastructure and productive capacity development, in order to increase the overall impact of Aid for Trade.

Overall, the EC and IDA are by far the largest donors to Africa in all Aid for Trade categories. AfDB is the third largest contributor by providing support to trade-related infrastructure and building productive capacity. The fact that major OECD countries are the most dominant funding source of Aid for Trade, and at the same time they are most important trading partners and negotiation counterparts for African countries, deserves special attention. This raises the question of neutrality of Aid for Trade interventions (Solignac-Lecomte, 2003). It is of fundamental importance that such support is designed with the needs and priorities of the African countries in mind, rather than with those of their trading partners. This could also be an argument for more engagement from regional organisations in support of trade policy and regulations.

The aid statistics used to compile Table 3.1 refer only to Official Development Assistance (ODA), as defined by the DAC. Non-concessional loans are excluded. The data on trade policy and regulations are derived from the WTO/OECD Trade Capacity Building database[8] and those on trade-related infrastructure and building productive capacity are derived from the OECD/DAC Creditor Reporting System (CRS)[9]. Furthermore, Table 3.1. refers to aid commitments, expressed in constant 2004 US dollars and averaged over four years (2002-05) to smooth out annual variations[10]. The data cover both DAC and non-DAC reporting donors to the WTO/OECD database[11].

Mapping Aid for Trade activities is not limited to explicitly trade-related ones. At the same time, from an analytical point of view it can be argued that all support to productive sectors and physical infrastructure is trade-related directly or indirectly by addressing supply-side constraints to trade development. In addition, the key issue of domestic trade may be overlooked, since what is explicitly defined as trade-related activities mostly focuses on international trade.

Finally, the Aid for Trade data reported in this section are based on funding data. While this is the right approach to take from the accounting point of view in assessing the size and scope of Aid for Trade flows, it does not show the full range of Aid for Trade activities committed by donor agencies. To do so, it would be necessary to put major international organisations in proper perspective if they are engaged in Aid for Trade activities as implementing agencies. There are currently 18 international and regional agencies reporting to the WTO/OECD database with respect to Africa. The major ones are WTO, the International Trade Centre (ITC), the United Nations Industrial Development Organisation (UNIDO) and the Food and Agriculture Organisation (FAO). The WTO and UNIDO are important implementing agencies in the area of trade policy and regulations, while ITC and FAO are major agencies in trade development.

The rest of this section summarises the main features of Aid for Trade activities in three respective categories.

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Table 3.1. Top Ten Donors of Aid for Trade in Africa by Volume
($ million in constant 2004 prices, 2002-05 average, commitments)

	Volume	Share of total (%)	Trade policy and regulations	Trade-related infrastructure	Building productive capacity
EC	1 495	24	129	919	447
IDA	1 297	21	26	767	504
AfDB/AfDF	520	9	0	235	284
France	385	6	5	227	153
Germany	351	6	6	145	200
Japan	350	6	1	228	122
United States	348	6	47	56	245
United Kingdom	226	4	13	101	112
Denmark	225	4	0.2	130	95
Italy	121	2	0.2	102	19
Others	792	13	14	247	531
Total	**6 110**	**100**	**242**	**3 157**	**2 711**

Source: WTO/OECD database and OECD/DAC CRS database.

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Trade Policy and Regulation

Africa is the destination of one-third of global support for trade policy and regulations. Regional trade agreements receive 38 per cent of that support, followed by about a third of the total to trade facilitation and a fifth to trade policy and administrative management (Figure 3.1.).

The EC is by far the largest donor, followed by the United States and IDA as distant second and third respectively. The only other major bilateral donor is the United Kingdom. Other bilateral donors are overall very small, smaller than the implementing agency such as WTO. The breakdown by sub-category shows that the various donors are quite specialised. The United States totally dominates multilateral trade negotiation, and is the largest donor in trade education. The EC is the main donor in the other three sub-categories and by far the largest donor in regional trade agreements. IDA focuses almost exclusively only on trade facilitation.

Trade policy and regulations are also an important area of support for the United Kingdom, France and Germany. UNIDO is a significant implementing agency in trade policy and administrative management. On the other hand, WTO plays a major role in providing support to multilateral trade negotiations, as expected. Support to trade education is more scattered than to the other categories with many active donors, including Canada, Switzerland and Sweden. Quite naturally, WTO is a key player in this category as well.

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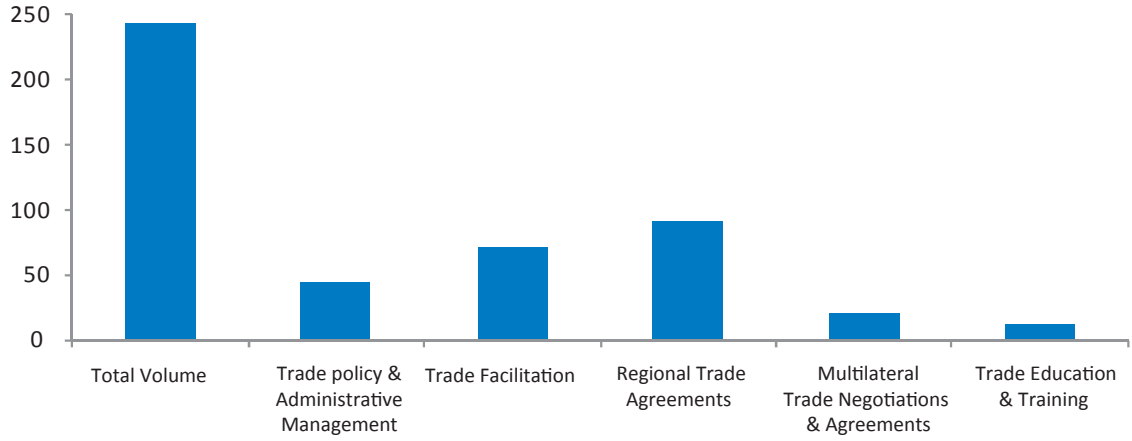
Figure 3.1. Support to Trade Policy and Regulations in Africa
($ million in constant 2004 prices, 2002-2005 average, commitments)



Source: See Table 3.1.

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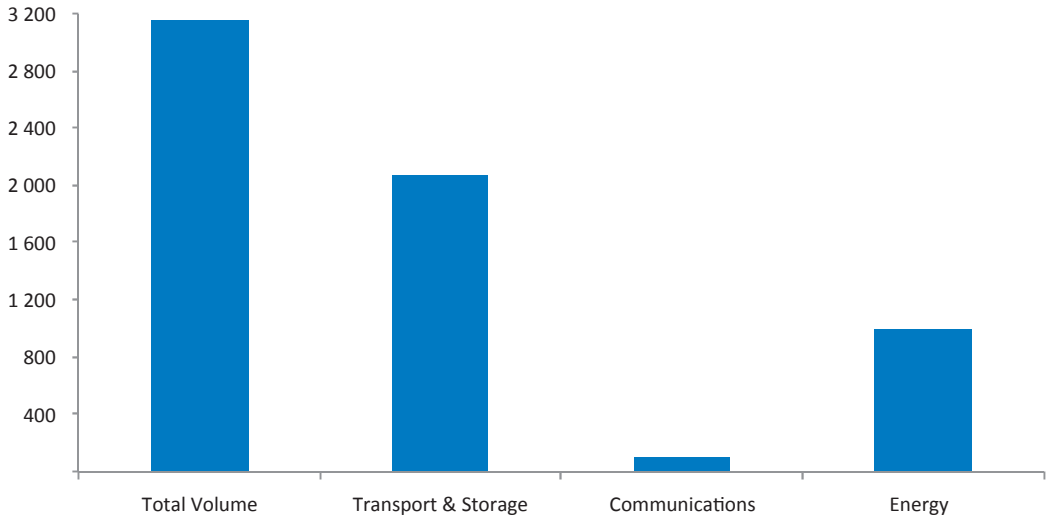
Trade-related Infrastructure

Two-thirds of the activities in this category in Africa are related to transport and storage (Figure 3.2.). A third is dedicated to energy, while communications receive only 3 per cent.

The largest donors for infrastructure are the EC and IDA. The shares of both Japan and in particular the United States are much smaller in Africa than their global shares (Andersson *et al.*, 2007). Instead, AfDB, France and Germany are the third, fifth and sixth largest donors, respectively. This is also more or less the ranking for the sub-category "Transport and storage". In the other sub-categories the support is quite scattered, in particular in "Communications", where Canada emerges as one of the main donors. Even so, IDA is easily the largest donor in energy, funding about a third of the volume.

Figure 3.2. Support to Trade-related Infrastructure in Africa
($ million in constant 2004 prices, 2002-2005 average, commitments)



Source: See Table 3.1.

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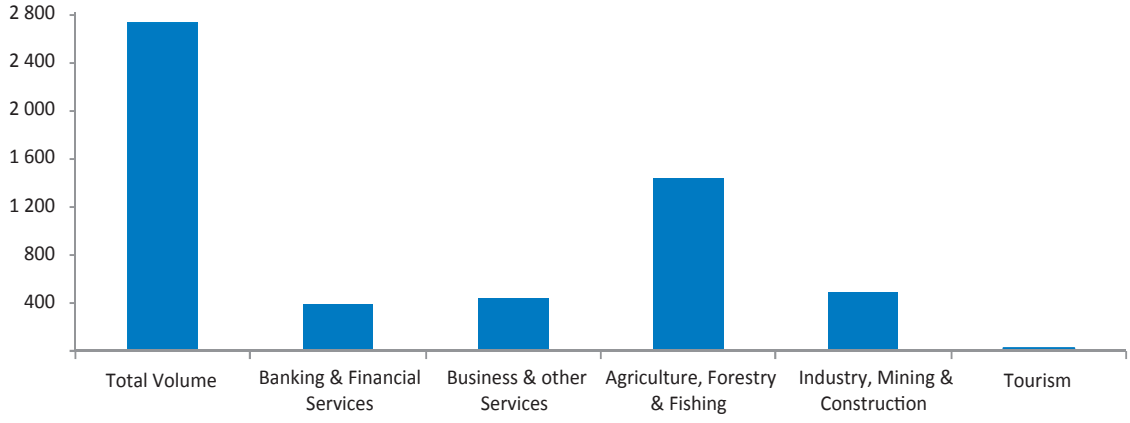
Building Productive Capacity

About 30 per cent of global support to building productive capacity is directed to Africa. With a 53 per cent share, agriculture is by far the largest sub-sector, as in Asia and America. Tourism receives only 0.4 per cent of the total and the other sub-sectors are sharing the rest quite equally (Figure 3.3.).

Four large donors — IDA, EC, AfDB and the United States — together account for more than half of the support to building productive capacity. The United States focuses mainly on finance and agriculture, with Germany as the second largest donor in finance. IDA dominates support to business services and industry, together with the EC.

Many donors have important activities in agriculture, which is also the only area of aid for trade where AfDB is the largest donor. It is also worth highlighting the presence of IFAD among the top ten donors for this category and the existence of a number of organisations focusing on agriculture in Africa, although on a very small scale in terms of volume, including FAO, ILRI (International Livestock Research Institute), ITC and IUCN (World Conservation Union).

Figure 3.3. Support to Building Productive Capacity in Africa
($ million in constant 2004 prices, 2002-2005 average, commitments)



Source: See Table 3.1.

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AID TO AFRICAN AGRICULTURE

As shown in the previous section, agriculture stands out as the largest beneficiary of aid to building productive capacity in Africa. Donors have committed $1.4 billion a year over the period 2002-05 (at 2004 constant prices) to support Africa's productive capacity in agriculture, in addition to the commitment of $3.2 billion to support trade-related infrastructure. What are the main characteristics of Aid for Trade programmes committed to helping agricultural producers improve their productive and trade capacity? Who are major donors, bilateral and multilateral, to provide aid to African agriculture? Who are major beneficiary countries in the region? What are the main purposes of such aid? This section aims to address these questions.

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What OECD Statistics Tell Us

First of all, we need to define clearly what constitutes "aid to agriculture". The statistical definition of "aid to agriculture" by OECD/DAC is summarised in the Annex Table 3.A1. This table lists CRS purpose codes for agriculture (including forestry and fishing) and three related activities, i.e. agro-industries, forest industries and rural development.

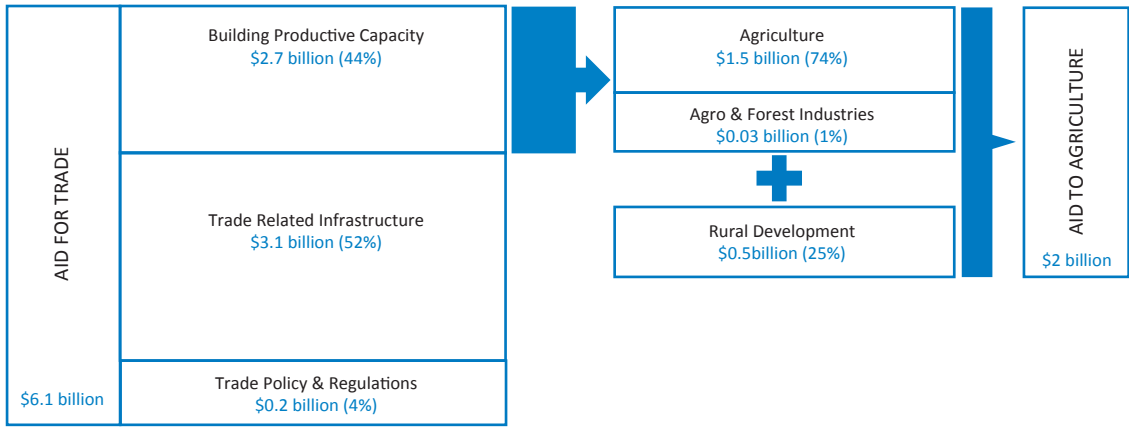
In a narrow sense "aid to agriculture" can be defined as all ODA (grants, concessional loans and technical assistance) commitments to the agricultural sector. They include, among others, agricultural sector policy, planning and programmes, agricultural land and water resources (e.g. irrigation), supply of seeds, fertilizers and agricultural machinery/equipment, crops and livestock production, agricultural services, education/training and research, as well as institutional capacity building and advice. Forestry and fishing are identified separately under CRS purpose codes but included here as part of "aid to agriculture" in statistical presentations.

"Aid to agriculture" may be defined more broadly as also involving ODA activities in agro-industries[12], forest industries and rural development, in addition to those in the agricultural sector *per se*.

In this regard, two considerations may deserve special attention. First, the inclusion of the first two industrial activities seems to be more appropriate when one considers the importance of fostering agro-based industrial activities and diversification in a country's development strategy, as discussed in the Introduction. Second, statistically speaking "rural development" falls under the "multi-sector aid" category. While this CRS category can not delineate the agricultural component of multi-sector aid programmes, activities such as agricultural land and water resource management and agrarian reform are often closely related to or subsumed within broader regional development programmes.

Inclusion of rural development into the broad definition of aid to agriculture can be justified by the fact that the two overlap widely in Africa as well as in many other low-income countries. This overlap occurs because farming is the dominant form of land use and economic activity in rural areas. Needless to say, this relationship evolves over time; as an economy develops, so does the degree or nature of policy interactions between the two[13].

Figure 3.4. Mapping Aid for Trade and Aid to Agriculture in Africa



Note: Annual average of 2002-2005 at 2004 constant prices.

Source: OECD, DAC/CRS.

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Figure 3.4. depicts how the Aid for Trade classification is linked to Aid to Agriculture categories in both narrow and broad terms. It shows that the total amount of donor commitments to support African agriculture amounted to $2 billion a year at 2004 constant prices between 2002 and 2005, of which three-quarters were targeted at the agricultural sector as such. Support to agro- and forest industries was very small in volume.

Recent trends in aid to agriculture

The total volume of aid commitments to agriculture in Africa had increased strongly in real terms in the 1970s but peaked in the mid-1980s and then declined significantly throughout the 1990s (OECD/DAC, 2001). Most recent data presented in Table 3.2. indicate the downward trend in aid to agriculture both globally and with respect to Africa. The question of why aid to agriculture has declined so much until quite recently has been a topic of much debate, which will be discussed later in this section.

The world total of ODA provided to agriculture (defined broadly) decreased from $6.7 billion in 1991-93 to $5.7 billion in 2003-05. In Africa, the volume of aid to agriculture also declined in real terms during the same period (from $2.6 to $2.0 billion), but its share of total ODA fell even more drastically. Africa accounted for roughly a third of the world total of ODA commitments to agriculture in 2003-05.

Table 3.2. Aid to Agriculture
(Broad Definition, three-year average, $ million, constant 2005 prices, commitments)

ODA to Agriculture in	1991-93	1994-96	1997-99	2000-02	2003-05
All Africa	2 612	2 100	2 004	2 085	2 017
(as % of total ODA to all Africa)	10.9	12.0	9.9	7.8	5.4
(as % of ODA to Agriculture in World)	39.2	34.7	33.3	35.3	35.4
Sub-Saharan Africa	2 228	1 552	1 591	1 848	1 804
(as % of total ODA to SSA)	13.4	11.3	9.8	8.1	5.4
(as % of ODA to Agriculture in World)	33.4	25.6	26.4	31.3	31.6
Total ODA to					
All Africa	23 864	17 519	20 314	26 901	37 530
Sub-Saharan Africa (SSA)	16 572	13 769	16 299	22 828	33 400
Memo item					
ODA to Agriculture in World	6 666	6 060	6 023	5 910	5 699

Note: "Broad definition": Agriculture, Agro-industry and Rural Development.

Source: OECD/DAC CRS database online.

StatLink http://dx.doi.org/10.1787/335165336076

Figures 3.5. and 3.6. trace the changes in the volume of aid to agriculture (in real terms) by sub-category in Africa total and sub-Saharan Africa respectively. While aid to agro-industries (including forest industries) has been almost negligible, aid to rural development has partly compensated for the decline in aid to agriculture. In the case of sub-Saharan Africa, the downward trend in aid to agriculture appears to have been arrested in the second half of the 1990s and thereafter.

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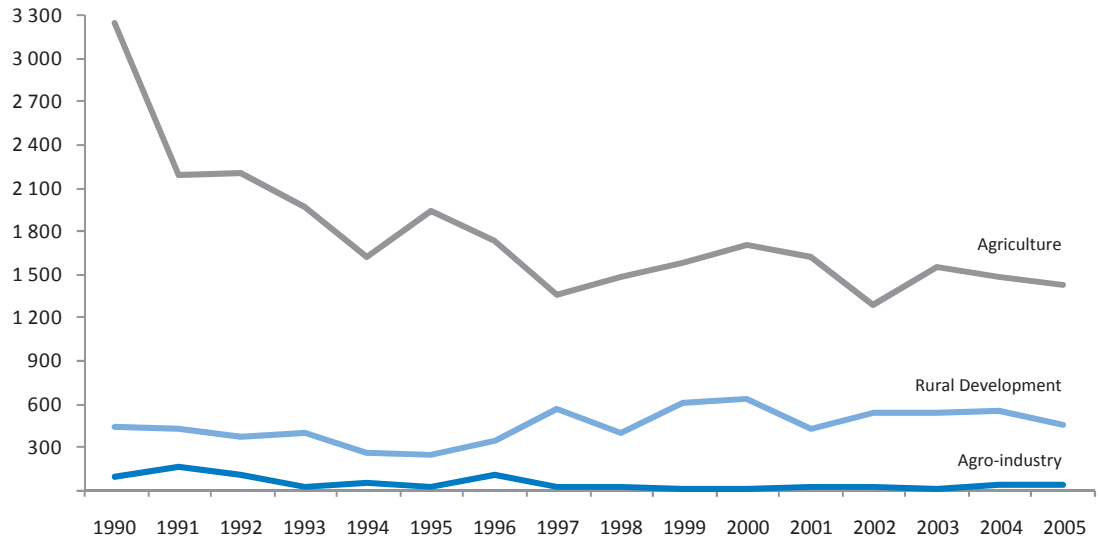
Figure 3.5. Aid to Agriculture in Africa



Source: OECD/DAC CRS database online.

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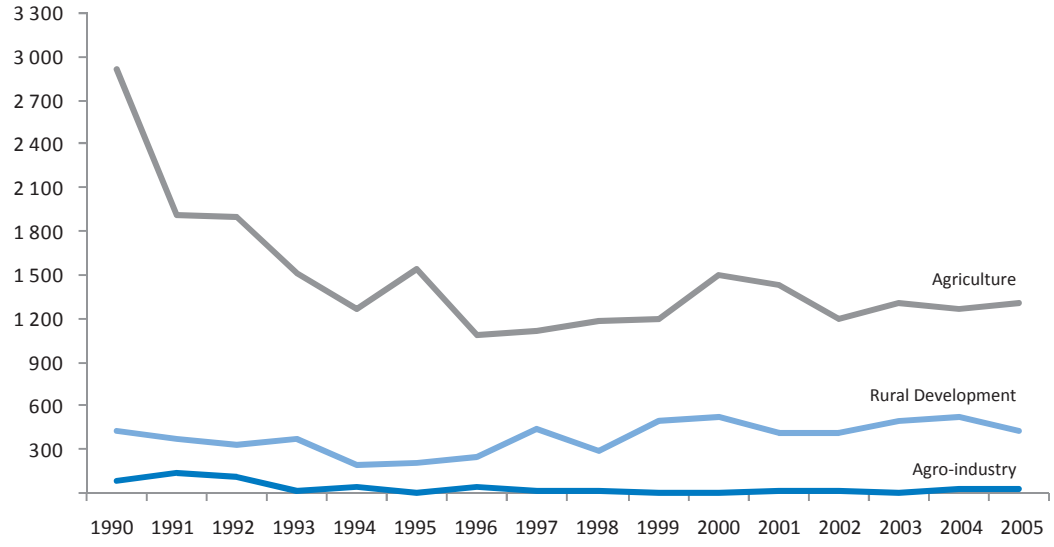
Figure 3.6. Aid to Agriculture in Sub-Saharan Africa



Source: OECD/DAC CRS database online.

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The volume of aid to agriculture in Africa shown in Table 3.3. combines the commitments of bilateral donors with those of multilateral agencies. As shown in Figure 3.7., the downward trend in aid to agriculture by bilateral donors has been prominent almost throughout the period. On the other hand, the financial support from multilateral agencies rebounded during the late 1990s to fill the gap created by the withdrawal of bilateral donors from agriculture. Table 3.3.

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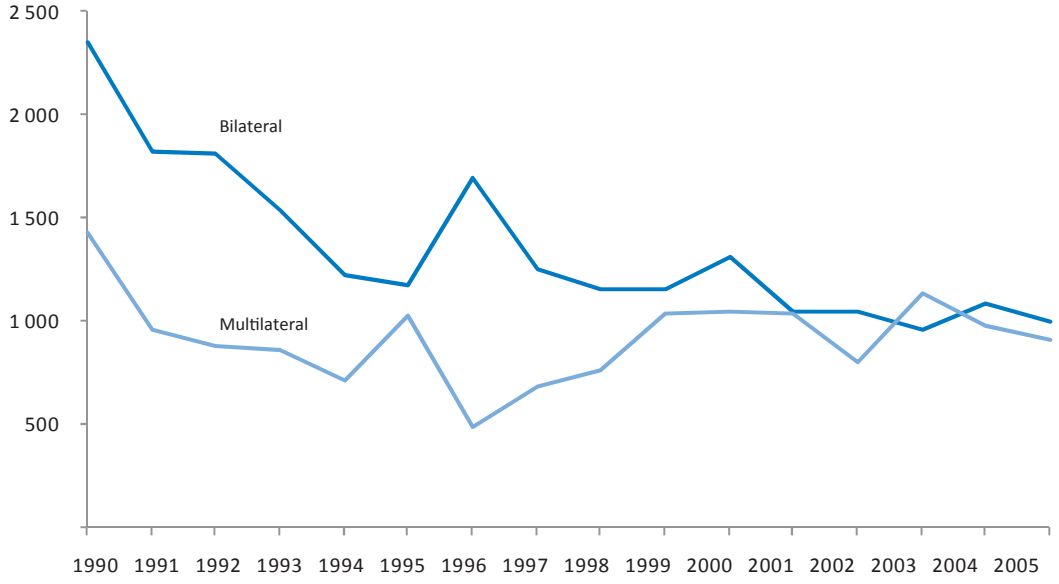
shows the relative importance of multilateral agencies, such as AfDB, IDA, EC and IFAD, in support of African agriculture, in comparison with top individual donors.

Figure 3.7. Aid to Agriculture in Africa by Type of Donors (Broad Definition)



Source: OECD/DAC CRS database online.

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Table 3.3. Aid to Agriculture by Major Donors
(Broad Definition, $ million at constant 2004 prices)

Donor	Sum of commitments 2002-2005	Share (%)
Multilateral donors		
AfDF	1 238	14.8
IDA	954	11.4
EC	844	10.1
IFAD	802	9.6
IBRD	321	3.8
AfDB	155	1.9
Total of above	4 314	51.7
Bilateral donors		
Germany	500	6.0
United States	475	5.7
Japan	408	4.9
Belgium	339	4.1
France	329	3.9
United Kingdom	297	3.6
Denmark	272	3.3
Canada	271	3.2
Netherlands	263	3.2
Sweden	182	2.2
Total of above	3 337	40.0
All Multilateral Donors	4 314	51.7
All Bilateral Donors	4 037	48.3
Grand Total	**8 351**	**100.0**

Source: OECD/DAC CRS database online.

StatLink http://dx.doi.org/10.1787/335234184773

Looking at the beneficiary side, Table 3.4. enumerates the top 20 recipient countries that accounted for more than three-quarters of total aid commitments to agriculture in Africa (excluding regional or multi-country programmes). Chapter 4 of this book will look closely at five African country cases, namely Ghana, Mali, Senegal, Tanzania and Zambia. All these five countries are listed in the table, and their aggregate share amounts to 21 per cent.

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Table 3.4. Aid to African Agriculture by Major Recipient Country
(Broad Definition, $ million at constant 2004 prices)

Country	Sum of commitments 2002-2005	Share (%)
Ethiopia	582	7.7
Tanzania	515	6.8
Kenya	495	6.5
Uganda	380	5.0
Mali	354	4.7
Egypt	340	4.5
Mozambique	340	4.5
Burkina Faso	274	3.6
Senegal	271	3.6
Malawi	251	3.3
Ghana	244	3.2
Rwanda	229	3.0
Niger	229	3.0
Algeria	227	3.0
Cameroon	216	2.8
Madagascar	213	2.8
Chad	204	2.7
Mauritania	188	2.5
Zambia	187	2.5
Benin	180	2.4
Total of the above	5 917	78.0
Sub-total of individual countries	**7 588**	**100.0**
Regional/multi-country programmes	763	
Grand Total	**8 351**	

Source: OECD/DAC CRS database online.

StatLink http://dx.doi.org/10.1787/335236127367

Table 3.5. identifies key target areas of donor intervention. While the statistics used here do not provide detailed information on forestry and fishing, they do show some interesting features of aid to agriculture at sub-sectoral level. First, a fifth of the aid commitments are classified as agricultural policy and administrative management, which comprises financial support to agricultural ministries, institutional capacity building, advice and so on.

Second, support to agricultural development (e.g. integrated agricultural sector programmes and farm development projects) is the second largest sub-sector, followed by agricultural water resources (e.g. irrigation programmes), food crop production (including grains and horticultural) and agricultural land resources (e.g. controlling soil degradation and improving soil conditions).

Third, support to agricultural education and training is very small in size. But its relative importance in Africa may be substantially underestimated, partly because support to agricultural extension (i.e. non-formal training), research and services are listed separately, and some forms of technical co-operation may be incorporated or subsumed into other sub-sector programmes and projects.

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Table 3.5. Sub-sector Breakdown of Aid to Agriculture

CRS Category	Sum 1999-2005	Share (%)	Sum 2002-2005	Share (%)
Agriculture (III.1.a)	9 213	84.4	4 555	83.0
Agrarian reform	24	0.2	16	0.3
Agricultural alternative development	1	0.0	1	0.0
Agricultural co-operatives	140	1.3	89	1.6
Agricultural development	1 825	16.7	879	16.0
Agricultural education/training	116	1.1	41	0.8
Agricultural extension	98	0.9	57	1.0
Agricultural financial services	296	2.7	146	2.7
Agricultural inputs	388	3.6	144	2.6
Agricultural land resources	434	4.0	274	5.0
Agricultural policy & admin. mgmt	2 984	27.3	1 149	20.9
Agricultural research	268	2.5	214	3.9
Agricultural services	314	2.9	199	3.6
Agricultural water resources	1 176	10.8	593	10.8
Food crop production	515	4.7	364	6.6
Industrial crops/export crops	122	1.1	79	1.4
Livestock	410	3.8	253	4.6
Livestock/veterinary services	33	0.3	16	0.3
Plant/post-harvest prot. & pest ctrl	68	0.6	43	0.8
Forestry (III.1.b)	820	7.5	423	7.7
Fishing (III.1.c)	889	8.1	509	9.3
Grand Total	**10 922**	**100**	**5 486**	**100**

Source: OECD/DAC CRS database online.

StatLink http://dx.doi.org/10.1787/335242506538

Finally, it is important to note that the use of CRS codes is appropriate for accounting purposes but has serious shortcomings in identifying key programmes and projects and important inter-linkages among them. For instance, support activities promoting new technologies in agriculture, such as high-yield varieties and drought-tolerant and pest-resistant seeds, are categorised as aid to agricultural research and education and training. However, the adoption and diffusion of new technologies depend critically upon many factors, including availability of fertilizer, plant protection and extension services as well as credit schemes to smallholder farmers. The recent debate on the relevance of the Asian experience for the Green Revolution in Africa suggests that it would require a lot more than simply adopting a "package of technology" (Djurfeldt *et al.*, 2006, p. 253).

Donor support to African agriculture varies considerably from one country to another, involving a wide range of interventions in different policy areas. Understanding a more accurate picture of aid to agriculture in Africa would require an in-depth analysis of individual country cases, which will be the theme of Chapter 4 of this publication.

Why has aid to agriculture declined so much?

Why has aid to agriculture in Africa declined so significantly until quite recently, while two-thirds of the people depend on this sector for their livelihoods?

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The rapid rise in assistance to agriculture in Africa in the 1970s may reflect the very favourable situation in which ODA to agriculture seemed to be a sound investment given the rapid agricultural development in Asia during the 1960s and 1970s. This was a result of the adoption of new technologies, improved productivity and increased provision of support services (DFID, 2004). Another possible explanation is that the involvement of public institutions in beneficiary countries provided development agencies with core counterparts with whom to work. This means that the cost of delivering assistance to agriculture — the transaction costs — were relatively low.

The 1980s and 1990s were very different. There was a fundamental change in the policy approach to agricultural development in Africa. Economy-wide policy reforms under the so-called structural adjustment programmes implemented during this period often entailed the dismantling of public institutions engaged in the agricultural sector in favour of more market-led approaches. Some argue that this policy shift was largely responsible for the decline in aid to agriculture; it reduced the apparent need for assistance and the institutions (e.g. parastatals) through which assistance had been channelled were no longer there (ibid.).

Moreover, the development assistance to agriculture has moved away from the comparatively simple technical fix or resource transfers to integrated rural development projects, so that transaction costs have inevitably increased for the development agencies involved. For many development agencies, particularly in an era of declining real aid flows and pressure to increase effectiveness, agriculture may be seen as a risky, expensive and complex area. In addition, there are no "simple" routes through which to channel resources.

An increased proportion of ODA has now flowed to "social infrastructure and services". Assistance to health and education offers development agencies a number of attractions. It can be channelled through large public sector entities, either as programme support to ministries or as general budget support. Transaction costs are therefore minimised. More importantly, assistance can be clearly connected to increased delivery of basic services, which in turn can be relatively easily linked with progress towards achieving internationally agreed development targets such as the Millennium Development Goals (MDGs). On the other hand, aid to agriculture (and indeed to other productive sectors) often has long gestation periods and lacks the same clarity of linkages between aid expenditure and outcomes.

Refocusing on African Agriculture

Despite the improved growth performance in many parts of Africa, the continent's efforts to alleviate poverty have met with largely disappointing results (AfDB/OECD, 2007). There is growing recognition that the underperformance of agriculture has been a major drag on economic and social developments in the continent[14]. As discussed above, both African governments and the donor community had largely neglected the agricultural sector during the 1980s and 1990s. It is only quite recently that they have begun to refocus policy attention on the vital contribution agriculture can make to African development.

The NEPAD initiative

The importance of agriculture for Africa's long-term growth and poverty reduction has come to the fore as an international development agenda in the context of the Comprehensive Africa Agriculture Development Programme (CAADP) under the New Partnership for Africa's Development (NEPAD). This programme is a key NEPAD initiative that was endorsed by African Heads of State at the July 2003 Maputo Summit (NEPAD, 2003).

CAADP was designed to focus on long-term investment in the four priority areas that were considered mutually reinforcing. These were *i)* land and water management; *ii)* rural infrastructure and trade-related capacities for improved market access; *iii)* increasing food supply and reducing hunger; *iv)* and agricultural research, technology dissemination and adoption. The following are the main principles and targets that define the CAADP framework:

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- the principle of agriculture-led growth as a main strategy to achieve the MDG of poverty reduction;
- the pursuit of a 6 per cent average annual growth rate at the national level in the agricultural sector;
- the allocation of 10 per cent of national budgets to the agricultural sector;
- the exploitation of regional complementarities and co-operation to boost growth;
- the principles of policy efficiency, dialogue, review and accountability;
- the principles of partnerships and alliances to include farmers, agribusiness and civil society communities;
- the principles assigning the roles and responsibility of programme implementation to individual countries; that of co-ordination to designated regional economic communities; and that of facilitation to the NEPAD Secretariat.

All in all, the total amount of investment requirements over the period 2002-15 was estimated at some $251 billion, including operations and maintenance costs. This implies that the annual gross investment requirement for the above four pillars would be roughly $18 billion during the period up to 2015. In order to improve Africa's unfavourable production and trade environments and raise the competitiveness of local farmers and agro-enterprises, more than three-quarters of the total investment requirements would come from investments in land and water management and rural infrastructure, as well as their operational and maintenance expenditures.

It was envisaged that an important part of the required funding under the CAADP framework should come from investments by African countries themselves through domestic resource mobilisation. NEPAD (2003) suggested that Africa should progressively increase its domestic contribution (both public and private) to investment in agriculture from a current base of around 35 per cent to some 55 per cent by 2015. Under this scenario, Africa would also need to solicit external funds of $8-9 billion per annum from both public and private sources. It is therefore critical for African countries to adopt the policies that can "make agricultural investments attractive to both the region's own private sector and to international capital" (ibid., p. 4).

The World Bank appraisal

The *2008 World Development Report* argues that the agriculture sector can play the leading role in the growth strategies of many African countries whose agricultural production is mainly by smallholder farmers, the majority of whom are women (World Bank, 2007*b*). In fact, the African agro-food system has two main characteristics. First, food remains imperfectly tradable, owing to high transaction costs, and many staple crops, such as roots and tubers and local cereals, are only lightly traded. Second, African countries continue to have comparative advantage in exporting unprocessed agricultural and other primary products to generate foreign exchange. The growth strategies for most agriculture-based African economies must be "anchored on getting agriculture moving", as recently experienced in China, India and Viet Nam in which rapid agricultural growth was the precursor to the rise of industry (p. 9). The sustained growth of agriculture — both staple and export crops — can induce strong growth in other sectors of the economy through multiplier effects.

The World Bank's Independent Evaluation Group (IAG) has also released a report on the Bank's assistance to agriculture in sub-Saharan Africa (World Bank, 2007*a*). This report provides us with "food for thought" in reconsidering the role of aid for agricultural development in Africa. It acknowledges that the Bank's limited support for tackling the supply-side constraints facing African producers has not been used strategically to meet their diverse needs in an adequate manner.

In terms of the link between analytical work and operations, this report states that:

> The Bank's activities in support of agricultural development in Africa have comprised lending, analytical work and policy advice. Until very recently, the analytical work — necessary for

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> the diagnosis of issues and actions and to help shape the policy advice and lending — has been limited, scattered, of variable quality, and not easily available. …[T]here are no specific procedures in place to ensure that the findings of analytical work are systematically reflected in lending and policy dialogue (p. xxv).

Agricultural activities would require an array of public interventions, including research, extension, marketing reform, drought relief, seed development, transport and so on. The IAG report is critical of the Bank's lending policy stance that did not reflect the interconnected nature of these agricultural activities, so that it failed to undertake a systematic approach needed to contribute more effectively to agricultural development. To be sure, the Bank's support has helped improve macroeconomic environment and fiscal discipline and boosted production of non-traditional export crops in several countries. Yet this was not enough to stimulate private sector investment in several critical areas, such as fertilizers, seed development, transport service and supply of credit, as identified by the CAADP.

CONCLUSIONS

This chapter presented a broad picture of Aid for Trade activities and discussed the major trends in donor support to African agriculture. A recent renewal of interest in the role of agriculture for African development reflects the view that new growth opportunities are emerging for agriculture, thanks to changing consumer demands and new uses (e.g. biofuels), technological and organisational innovations (e.g. value chains and supermarket revolutions) and regional market integration.

Africa's trade strategies also need to be reconsidered in the light of increasing competition from China, India and other Asian countries in clothing and other labour-intensive manufacturing industries (Goldstein *et al.*, 2006). According to the latest WTO statistics, the share of Africa in the clothing imports of the EU and the United States decreased in the two consecutive years following the phase-out of the Agreement on Textiles and Clothing in January 2005 (Finger, 2007).

Furthermore, greater competition from China has become apparent in the African market as well. For instance, South Africa has recently introduced import quotas on products originating from China. From January 2007, the growth of 31 textiles and clothing categories has been brought under quantitative restrictions for the next two years (ibid.). The results of estimation of a gravity trade model reported by Brenton and Hoppe (2007) suggest that potential African exporters would need to overcome a strong bias against sourcing clothing products from Africa, which is only partially offset by trade preferences.

These considerations have thus recently led to refocusing on agro based industrialisation and diversification into higher value-added food products as an alternative route to development[15]. Even if the development of non-traditional agricultural exports represents a promising opportunity for African countries, the potential gains from traditional export crops remain sizeable, as well as the gains from food products targeting domestic and regional markets.

Mayer and Fajarnes (2005) argue that growing world trade, fuelled by further trade liberalisation and rising incomes in the developing world, could provide Africa with an ample opportunity to expand these traditional exports and break into new dynamic markets, including several rapidly expanding developing-country markets. Exporters of traditional agricultural products can also benefit from product differentiation, targeting higher-value market niches. This is the case, for instance, of specialty coffee in Tanzania, where initiatives to accomplish certification and improve marketing have increased incomes for coffee growers. Likewise, by raising the average quality of traditional products and establishing grading systems, many countries in the region could secure better rewards for their exports.

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Promoting food crops for local or regional consumption may be more challenging, however. The interlocking arrangements between marketing companies and farmers, such as outgrower schemes which have contributed to the development of export crops, would be more difficult to establish for these kind of crops, because of the nature of these products and the different market structure; for instance, the presence of many competing buyers could lead growers to free riding or side-selling in breach of their contracts (Dorward *et al.*, 1998).

Finally, the expansion of agricultural exports is not without obstacles[16]. Many products face tariff peaks (i.e. a single tariff or a small group of tariffs that are particularly high). Moreover, the tariff schedules of countries where current and potential markets lie are often marked by tariff escalation, i.e. the tendency for tariffs to be higher on processed goods than on the raw materials from which they are produced. These tariff-related factors discourage the development of higher value-added lines of production linked to traditional primary commodity exports. These bottlenecks are compounded by complex not-tariff trade measures, including sanitary and phytosanitary (SPS) measures and standards.

African countries thus need to raise their capacity to participate in global and regional trade negotiations, improve market access for their export products and meet the increasingly stringent food and health regulations governing world agricultural trade. “Aid for Trade” should be mobilised to tackle these common challenges.

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ANNEX

Table 3.A1. The List of CRS Purpose Codes for Agriculture

CRS Purpose Code	Sector	Description of activities
Narrow Definition (311, 312, 313)		
311	**AGRICULTURE**	
31110	Agricultural policy and administrative management	Agricultural sector policy, planning and programmes; aid to agricultural ministries; institution capacity building and advice; unspecified agriculture.
31120	Agricultural development	Integrated projects; farm development.
31130	Agricultural land resources	Including soil degradation control; soil improvement; drainage of waterlogged areas; soil desalination; agricultural land surveys; land reclamation; erosion control, desertification control.
31140	Agricultural water resources	Irrigation, reservoirs, hydraulic structures, ground water exploitation for agricultural use.
31150	Agricultural inputs	Supply of seeds, fertilizers, agricultural machinery/ equipment.
31161	Food crop production	Including grains (wheat, rice, barley, maize, rye, oats, millet, sorghum); horticulture; vegetables; fruit and berries; other annual and perennial crops. [Use code 32161 for agro-industries.]
31162	Industrial crops/export crops	Including sugar; coffee, cocoa, tea; oil seeds, nuts, kernels; fibre crops; tobacco; rubber. [Use code 32161 for agro-industries.]
31163	Livestock	Animal husbandry; animal feed aid.
31164	Agrarian reform	Including agricultural sector adjustment.
31165	Agricultural alternative development	Projects to reduce illicit drug cultivation through other agricultural marketing and production opportunities (see code 43050 for non-agricultural alternative development).
31166	Agricultural extension	Non-formal training in agriculture.
31181	Agricultural education/ training	
31182	Agricultural research	Plant breeding, physiology, genetic resources, ecology, taxonomy, disease control, agricultural bio-technology; including livestock research (animal health, breeding and genetics, nutrition, physiology).
31191	Agricultural services	Marketing policies and organisation; storage and transportation, creation of strategic reserves.
31192	Plant and post-harvest protection and pest control	Including integrated plant protection, biological plant protection activities, supply and management of agrochemicals, supply of pesticides, plant protection policy and legislation.
31193	Agricultural financial services	Financial intermediaries for the agricultural sector including credit schemes; crop insurance.
31194	Agricultural co-operatives	Including farmers' organisations.
31195	Livestock/veterinary services	Animal health and management, genetic resources, feed resources.

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312	**FORESTRY**	
31210	Forestry policy and administrative management	Forestry sector policy, planning and programmes; institution capacity building and advice; forest surveys; unspecified forestry and agro-forestry activities.
31220	Forestry development	Afforestation for industrial and rural consumption; exploitation and utilisation; erosion control, desertification control; integrated forestry projects.
31261	Wood fuel/charcoal	Forestry development whose primary purpose is production of wood fuel and charcoal.
31281	Forestry education/training	
31282	Forestry research	Including artificial regeneration, genetic improvement, production methods, fertilizer, harvesting.
31291	Forestry services	
313	**FISHING**	
31310	Fishing policy and administrative management	Fishing sector policy, planning and programmes; institution capacity building and advice; ocean and coastal fishing; marine and freshwater fish surveys and prospecting; fishing boats/equipment; unspecified fishing activities.
31320	Fishery development	Exploitation and utilisation of fisheries; fish stock protection; aquaculture; integrated fishery projects.
31381	Fishery education/training	
31382	Fishery research	Pilot fish culture; marine/freshwater biological research.
31391	Fishery services	Fishing harbours; fish markets; fishery transport and cold storage.
Broad Definition (311, 312, 313, 32161, 32162 and 43040)		
32161	Agro-industries	Staple food processing, dairy products, slaughterhouses and equipment, meat and fish processing and preserving, oils/fats, sugar refineries, beverages/tobacco, animal feeds production.
32162	Forest industries	Wood production, pulp/paper production.
43040	Rural development	Integrated rural development projects; e.g. regional development planning; promotion of decentralised and multi-sectoral competence for planning, co-ordination and management; implementation of regional development and measures (including natural reserve management); land management; land use planning; land settlement and resettlement activities [excluding resettlement of refugees and internally displaced persons (72010)]; functional integration of rural and urban areas; geographical information systems.

Source: OECD/DAC CRS Database.

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NOTES

1. Gibbon (2007) defines commodity-dependent developing countries as those for which 50 per cent or more of all merchandise exports (by value) were made up of non-oil commodities in either or both the periods 1993-95 and 2003-05. In the latter period 43 developing countries that reported data to UN/COMTRADE were classified as commodity-dependent.
2. See Bonaglia and Fukasaku (2002 and 2003) and OECD (2003 and 2006*a*) for further discussion.
3. See Dayton-Johnson and Fukasaku (2008) for the inter-linkage between trade and aid policies in the African context. See also Page (2006) for this discussion in a wider context.
4. The full reports of five country case studies are available at: www.oecd.org/dev/publications/businessfordevelopment.
5. This section draws from Andersson *et al.* (2007).
6. In this chapter trade-related assistance and "aid for trade" are used interchangeably.
7. Total Aid for Trade support to Africa accounts for about 35 per cent of total ODA that went to Africa during the same period.
8. The use of this database for Trade Policies and Regulations allows us to identify the activities of non-DAC reporting agencies in the Trade Development category. Then these activities of non-DAC reporting agencies are added to the activities of DAC reporting donors and agencies in the Building Productive Capacity category under the OECD/DAC CRS.
9. Andersson *et al.* (2007) provides a full account of the methodology used for the mapping exercise of Aid for Trade activities and statistical limitations involved in such an exercise.
10. Aid for Trade data were extracted during the month of July-August 2007.
11. Note that the Aid for Trade data reported in Table 2.1. are based on *funding* data, i.e. seen from a financing point of view. However, in order to grasp the full range of activities undertaken by major specialised international organisations, such as WTO and UN Agencies, these organisations have to be treated separately (as implementing agencies) in order to avoid possible double-counting in statistical reporting.
12. CRS purpose codes classify fish processing and preserving into agro-industries.
13. See OECD (2006*b*) for a further discussion on agricultural and rural development policies in different country settings.
14. Haggblade (2004) provides an interesting review of the development of African agriculture.
15. See, for example, Jaffee *et al.* (2003), Matsumoto-Izadifar (2007) and OECD (2007*b*).
16. See, for example, Regmi *et al.* (2005) for market access issues for high-value food and other agricultural products.

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CHAPTER FOUR

Unleashing the Potential of Agriculture: Lessons Emerging from Five Countries

ABSTRACT

This chapter summarises the major lessons learned from five country case studies (Ghana, Mali, Senegal, Tanzania and Zambia), which the OECD Development Centre conducted during 2006 and 2007. The aim of the country studies was to examine donor and government efforts to promote agro-based private sector development.

In the five countries, the transformation of agriculture and the development of agro-based industries have yet to materialise. The agricultural potential of the five countries is largely untapped and the sector is characterised by a dualistic structure, with few commercial farmers and a large majority of smallholders, the latter mostly engaged in subsistence agriculture. Yields for cereals, roots and tubers have actually stagnated, mirroring similar trends in other African countries.

However, while food crop productivity has been stagnating, horticultural exports have emerged as a new driver of agricultural growth. Donors have played an important role in the promotion of the horticultural sector, especially in Senegal and more recently in Ghana. Contract farming (e.g. outgrower schemes) has proved to be an effective mechanism for involving smallholder farmers in export crop production and achieving economies of scale. Also donors are increasingly adopting a value chain approach and trying to tackle various bottlenecks at once.

Yet, harmonisation and alignment is less advanced in the agricultural sector than in the social sectors. The predominance of stand-alone projects and the involvement of several line ministries (e.g. agriculture, infrastructure, land, trade) dealing with agriculture make progress difficult.

Furthermore, the market potential of staple foods should not be overlooked. Traditional food crops are often better adapted to local agro-ecological conditions, and rising local and regional demand presents an opportunity to expand production and develop food-processing industries. Currently donors and governments tend to put too strong a focus on export crops and too little on staple foods.

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INTRODUCTION

After a long period of neglect, agriculture is regaining the centre stage in the international development agenda and attracting new donor funding. Not only donors but also African governments have committed to increase spending on agriculture significantly in coming years in the framework of the Comprehensive Africa Agriculture Development Programme (CAADP) (see Chapter 3 of this volume). Furthermore, by acknowledging the interlinkages between trade, agriculture and private sector development, governments and donors agree on the necessity to improve integration between agriculture, trade and private sector development strategies and interventions.

In order to contribute to the ongoing discussion on how to better unleash the potential of African agriculture, the OECD Development Centre conducted five case studies during 2006 and 2007. The aim of the country studies was to shed light on donor-supported programmes to promote private sector development in agriculture and to analyse how far agriculture is becoming a business in the five countries. Recently, donor support to the agricultural sector has shifted from a prevalent focus on food security and production, to paying more attention to entrepreneurship, marketing and the development of linkages to input and output markets.

The selected countries include three in West Africa (Ghana, Mali and Senegal), one in East Africa (Tanzania) and one in Southern Africa (Zambia). Country selection reflected the relevance of agriculture in each country's economy, as well as the presence of innovative donor programmes in the sector. Ghana and Senegal have decisively embraced a strategy of agro-based industrialisation and have fairly developed agribusiness sectors. In this respect, the other countries are less advanced, but they are all committed to promoting agro-based private sector development to diversify their economies.

All five countries have received significant amounts of aid for agriculture (see Chapter 3 of this volume) and take part in the aid effectiveness partnership which donors set out in the Paris Declaration in 2005. Zambia was a pioneer in developing a sector investment programme for agriculture in the late 1990s. However, the programme met with limited success and today donors are mostly implementing stand-alone projects. Tanzania is one of the few countries moving towards a sector-wide approach in agriculture and therefore deserves particular attention. In Ghana, Mali and Senegal aid to agriculture remains mostly project-based; however, the countries exhibit interesting examples of agribusiness promotion (particularly with respect to export crops) and donors are trying to link their interventions in the sector.

This chapter highlights major lessons learned from the five country cases. The individual country studies can be found on the Business for Development website at www.oecd.org/dev/publications/businessfordevelopment. The chapter begins by explaining briefly the meaning of "unleashing agricultural potential" and then gives a short overview of the relevance and current status of agriculture in the five countries. Afterwards it identifies and discusses the areas where governments and donors could improve their efforts to promote the commercialisation of agriculture. The chapter ends with conclusions pointing to ways forward.

UNLEASHING THE POTENTIAL OF AGRICULTURE — WHAT DOES IT MEAN?

Unleashing the potential of agriculture means moving away from traditional smallholder subsistence farming, which is currently still the predominant form of production in the five countries. This in turn requires two closely intertwined processes - the diversification and commercialisation of agriculture.

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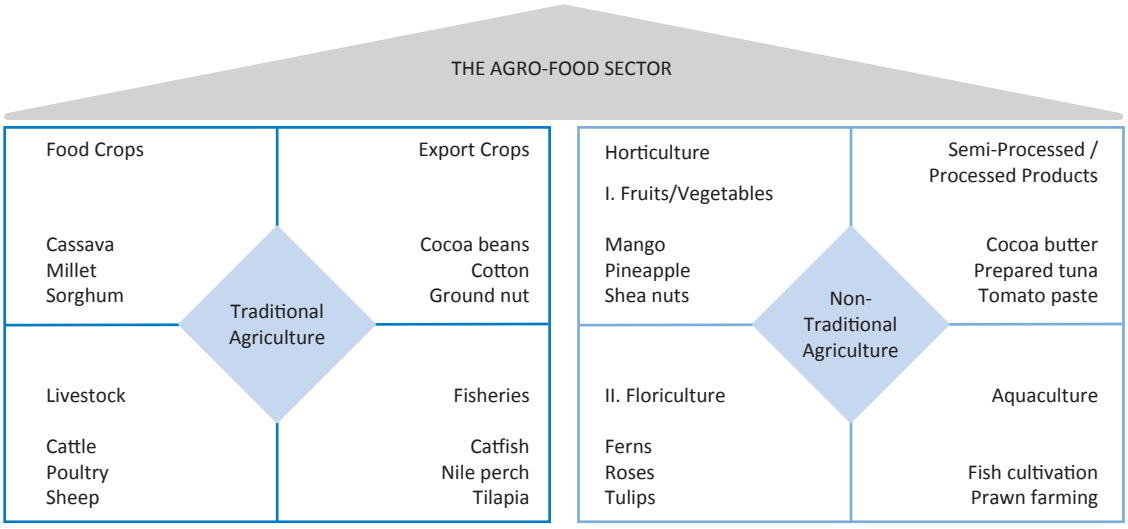
Agricultural commercialisation refers to a process whereby agriculture becomes more market-driven, including a greater reliance on purchased food products and purchased inputs. Parallel to this greater market orientation, traditional integrated production systems (e.g. crop-livestock) are gradually replaced by specialised enterprises for crop, livestock and aquaculture products (Pingali, 1997; Timmer, 1997).

Diversification can take two forms; on the one hand, a country starts to venture into new crops such as horticultural products, which is defined as horizontal diversification; on the other hand, vertical diversification refers to a process whereby the country tries to move down the value chain, e.g. to processing. Both vertical and horizontal diversification lead to the emergence of new non-traditional agricultural sub-sectors which in general have a greater business orientation than the traditional agricultural sectors (Barghouti *et al.*, 2004).

However, while the commercialisation of agriculture is generally linked to the development of non-traditional and especially export-oriented agriculture, the business potential of traditional agriculture should not be forgotten. Figure 4.1. provides an overview of the agro-food sector and shows which sub-sectors are considered as traditional and non-traditional in this chapter.

Figure 4.1. The Agro-Food Sector in the Five Countries



Source: Authors' presentation based on the Five Country Case Studies.

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All five countries have tried to promote the commercialisation and diversification of their agricultural sectors, albeit with varying success, as the following discussion will show.

STATUS OF AGRICULTURE AND AGRIBUSINESS IN THE FIVE COUNTRIES

While the contribution of agriculture to GDP (Gross Domestic Product) varies between 14 and 45 per cent, the sector is a major driver of economic and social development in all five countries (Table 4.1.). The importance of agriculture for their development is twofold. First, the majority of the labour force remains (mostly self-) employed in agriculture (in Mali up to 80 per cent). Since poverty is highly concentrated in rural areas, progress in reducing poverty is closely linked to the performance of the agricultural sector. Second, the agricultural sector is an important

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source of export revenue, although exports remain very concentrated in a narrow range of commodities; for example, cocoa accounted for 32 per cent of Ghana's exports in 2006, while cotton represented over 25 per cent of Mali's exports in 2005[1].

But the commercial potential of agriculture is not only related to international markets; rising local and regional demand represents an opportunity to expand production and develop food-processing industries.

Table 4.1. The Role of Agriculture in the Five Countries

Country	Share of Agriculture in GDP (2005, %)	Real GDP Growth Rate (2006, %)	Real Growth Rate of Agricultural Sector (2006, %)	Share of Agriculture in Exports (average 2000-05)[d]	Major Agricultural Exports
Ghana	37	5.8[b]	6.5[b]	51	Cocoa, timber, horticulture
Mali	38	5.0	5.1[b, c]	77	Cotton, livestock, horticulture
Senegal	14	2.9	- 2.9	20	Groundnuts, horticulture
Tanzania	45[a]	6.2	4.0	36	Cotton, tobacco, coffee
Zambia	22	6.2	2.4	13	Cotton, tobacco, horticulture

Note: a. 2006; b. 2005; c. Growth in volume; d. Agricultural exports do not include fish and fish products.

Source: ANSD (2007), EIU (2007), GRZ (2007), ISSER (2006), OECD/AfDB (2007), URT (2007).

StatLink http://dx.doi.org/10.1787/335330015231

Food Crop Production is Far Below Potential

The agricultural potential of the five countries is largely untapped. Agriculture is still dominated by traditional, rain-fed, smallholder production systems with very little acreage and limited intensification. The agricultural sector in the five countries is characterised by a dualistic structure, where a small number of large commercial farms, located near main markets, co-exist with a majority of subsistence smallholders and a few small commercial farmers. Zambia is a case in point: less than 15 per cent of its arable land is under cultivation, only 10 per cent of the land area suitable for irrigation is being irrigated, and 40 per cent of rural households are engaged solely in subsistence agriculture.

Even countries such as Ghana and Tanzania, which are in principle food-secure, continue to experience food security problems in certain regions. This points to two major problems: the malfunctioning of internal food markets and low productivity. In Tanzania, surplus regions prefer to export their produce to neighbouring countries because of the poor state of transport infrastructure, lack of information regarding prices and demand in other regions and unpredictable government interventions for certain food crops such as maize. In Ghana, the food security problem has a regional dimension as well. The economy is geographically divided, with poverty and food insecurity concentrated in the north while the fast-growing sectors are mainly located in the south. Several factors such as undeveloped market and transport infrastructures, limited access to credit and widespread poverty keep farmers in a low-saving, low-input, low-productivity trap.

Stagnating productivity is also a major burden for the sector's overall competitiveness and the development of linkages with agribusiness. As shown in Figure 4.2., yields for cereals, roots and tubers in the five countries have not only been low compared with other developing regions such as Southeast Asia, but have actually stagnated, mirroring similar trends in other African countries. During 1990-2006, cereal yields grew on average by less than 1 per cent per year in the five countries under review, while yields for roots and tubers fared even worse, growing by only 0.3 per cent per year. In 2006, yields for roots and tubers in the five countries were

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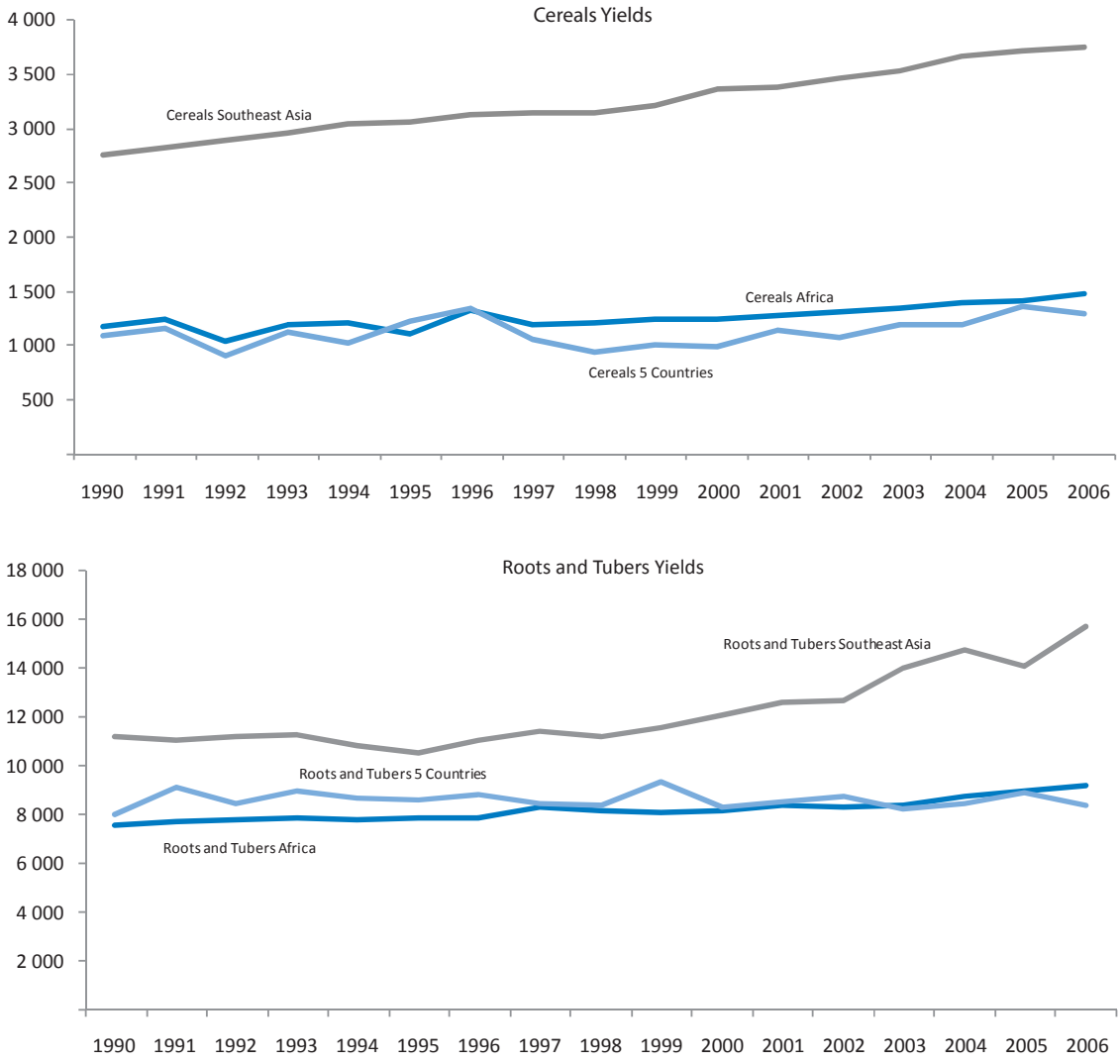
only 5 per cent higher than in 1990. In the same time period, roots and tubers yields increased by 40 per cent in Southeast Asia.

Figure 4.2. Agricultural Productivity (kg/ha, 1990-2006)



Source: ProdSTAT, FAO Statistics Division (faostat.fao.org, retrieved on 23 January 2008).

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Agricultural Growth is Mainly Driven by Export Crops such as Horticulture

Ghana and Senegal, and to a lesser extent Mali and Zambia, are seeing the horticultural sector emerging as a new driver of agricultural growth. In Tanzania the sector is still very small but has shown strong growth rates in recent years. Donors' support has been crucial for the development of the horticultural sectors in the five countries, especially in Senegal (see Box 4.1.). In Ghana, the horticultural sector is becoming a favourite target of donors and the Ghanaian Government.

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Box 4.1. Senegal — A Showcase of Donor Support to Horticulture

Donor support to the Senegalese horticultural value chain dates back to 1998 and started with the World Bank-funded Agricultural Export Promotion Project. The project was the first test case to promote agricultural diversification efforts in West Africa through fostering horticultural exports to Europe.

According to the completion report, the project contributed to a doubling of Senegalese horticultural exports in volume and a tripling in value between 1998 and 2004. Through business-oriented technical assistance, the project enabled exporters and producers to identify product potentials and market opportunities, to create commercial linkages and to optimise transport strategies (i.e. air and maritime).

Furthermore, Senegalese major producer/exporters such as GDS, Safina Agrocap, SEPAM and Soleil Vert were certified by EurepGAP for quality control of fresh fruits and vegetables exported to Europe. Another achievement of the project has been the establishment of the national label "Origine Sénégal" for Senegalese horticultural products.

Source: Matsumoto-Izadifar (2008a), available at www.oecd.org/dev/publications/businessfordevelopment.

But the observed positive development of the horticultural sector is also due to the fact that contract farming (e.g. outgrower schemes) has proved to be an effective mechanism to involve smallholder farmers in export crop production and to achieve economies of scale. In the five countries, especially in Zambia, donors have played an important role in facilitating the establishment of export-oriented contract farming schemes that have a positive impact on the incomes of a large number of smallholder farmers.

However, while contract farming schemes have been successfully established for export crops, examples of commercialisation programmes for staple food crops are rare. Contract farming schemes seem to work best for industrial cash crops, where the limited number of buyers favours co-ordination and limits free-riding on the side of farmers. In the food crops sector, product characteristics and market structure contribute to reducing the incentives for agribusiness firms to engage in these arrangements (see Govereh *et al.*, 1999)[2]. Nonetheless, donors in Ghana have recently started to design projects to promote the commercial production of food crops (see Box 4.2.).

Box 4.2. Ghana — Producing Food Crops for the Market

In the past 20 years, the International Fund for Agricultural Development (IFAD) has been active in building domestic markets for traditional food crops in Northern Ghana by promoting the modernisation of the production of specific commodities (roots and tuber crops: cassava, yam, sweet potatoes). One of the major lessons learned from past interventions is that too much focus was put on production, while too little attention was paid to market linkages and institutional capacity building.

In its new project, the Northern Rural Growth Programme (NRGP), IFAD will adopt a value chain approach with a special focus on how to link producers with the market. This implies that NRGP will work not only with the rural poor but also with traders, wholesalers and exporters, who may not be poor but are important intermediaries. The aim of the programme is to encourage food-crop farmers to produce for the market in southern Ghana and abroad and not only for their own consumption.

The NRGP also envisages investments in rural infrastructure such as small dams and transport links, and improved access to rural financial services.

Source: Wolter (2008a), available at www.oecd.org/dev/publications/businessfordevelopment.

The five countries have been less successful in promoting vertical diversification. Except for Senegal, the agro-food industry is still in its infancy and unable to meet local demand.

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Senegal has the second most developed food-processing industry in West Africa after Côte d'Ivoire. Two broadly defined sectors dominate the food-processing industry in Senegal. One is export-oriented (groundnut oils and canned fish) and the other serves the domestic market (tomato concentrates, sugar refining, flour milling, milk powder, soda water, beer and other beverages). Yet even in Senegal the industry generates little value added and is only weakly linked to the rest of the economy, owe to its high dependence on imported inputs[3], which range from wheat for flour milling to industrial packages.

However, donors have started to explore options to promote food processing using domestic inputs and involving smallholder farmers. For example, in Senegal the Canada-funded Agro-Food Operators Support Project promotes small and medium enterprises engaged in the processing of fresh fruits and vegetables, fish, milk and cereals. In the case of Ghana, recent foreign investments in cocoa and pineapple processing are starting to generate some positive results and should be further encouraged.

The Growth Potential of Some Sectors Such as Livestock Remains Unexploited

Governments and donors in the five countries tend to concentrate on the development of certain sectors, such as horticulture, while other potential growth sectors such as livestock receive only little attention.

Tanzania has the third largest cattle herd in Africa, after Ethiopia and Sudan. While the livestock sub-sector contributes almost 6 per cent to GDP, its share in total exports is very small (less than 1 per cent). Furthermore, despite high growth in egg and milk production Tanzania continues to import most of its dairy products as production has not kept pace with rising domestic demand[4]. Per capita consumption of major livestock products such as meat, milk and eggs doubled between 2000 and 2005.

Zambia's livestock potential also remains unexploited. The livestock and dairy sub-sector, which accounts for 35 per cent of total agricultural production, could provide an additional source of income and food security. Production is on the rise but it remains far below potential owing to poor quality and insufficient disease control.

AREAS WHERE GOVERNMENTS COULD DO BETTER

In Most Countries, Financial Resources to Agriculture are Still Below the CAADP Target

In all five countries, the modernisation and commercialisation of agriculture, away from subsistence, has been on the government agenda for quite a while, but there has been a significant disconnect between strategy and actual policies. Also, first-generation Poverty Reduction Strategy Papers (PRSPs) tended to put a greater weight on social sectors, overlooking the importance of production sectors and private sector development. Second-generation PRSPs shifted the focus back to growth and agriculture.

However, commitment to agriculture, as expressed in national strategies and in the Comprehensive Africa Agriculture Development Programme (CAADP), must be supported by sufficient financial resources. Under CAADP, African governments have committed to allocate 10 per cent of their national budgets to the agricultural sector (see Chapter 3 of this volume). However, in the five countries profiled government funding to agriculture has been on a declining trend over the last two decades[5]. None of the countries, except Mali[6], is close to achieving the target of 10 per cent set by the CAADP.

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Tanzania is a case in point. Although agriculture is the mainstay of the population, actual disbursements for the agricultural sector averaged only 2.5 per cent of total government expenditures between 2001 and 2004. The situation has improved recently; the share of agriculture in government expenditure has increased to 6 per cent in 2006-07. Still, it remains to be seen if this path will be sustained. In Zambia, despite a commitment to achieve the CAADP target by 2010 and increased expenditure in 2006 and 2007, the budget allocation will drop from 8.8 to 5.8 per cent between 2007 and 2008. In Ghana, financial commitment to the agricultural sector has yet to materialise[7].

Efficient allocation of scarce resources among different priorities poses another challenge. For instance, evidence from Zambia suggests that the decline in resources has disproportionately affected productivity-enhancing expenses, such as capital equipment and recurrent departmental charges, resulting in lack of equipment and personnel to conduct research and provide extensions services and training to farmers[8]. In the case of Mali, a significant part of the national budget is spent on cotton subsidies[9]. Furthermore, public spending on agricultural research and development (R&D) declined in most countries over the last three decades, while private R&D remains minimal (see Box 4.3.).

Box 4.3. Too Little is Spent on R&D in the Five Countries

The observed improvements in agricultural productivity in Southeast Asia, compared to the stagnation of food crop yields in the five countries (see Figure 4.2.), have been closely linked to increased public agricultural research and development (R&D) spending and better extension services.

According to the Agricultural Science and Technology Indicators (ASTI) published by the International Food Policy Research Institute (IFPRI), public agricultural R&D spending declined in Senegal and Zambia, on average by 0.4 per cent and 2.9 per cent per year over the past three decades. It increased in Tanzania (4.4 per cent), Ghana (3.0 per cent) and slightly in Mali (1.7 per cent), but from a very low base and mainly thanks to donor financing.

Research intensity, measured by R&D spending as a percentage of agricultural output, is also low and generally declined; in the early 2000s Senegal invested $0.91 for every $100 of agricultural output, well below its level in 1995; Zambia invested $0.55, less than half its 1995 value; Ghana $0.44, slightly lower than the 1995 value and Tanzania $0.38. At $1.03, Mali's research intensity was the highest, but lower than its 1995 value.

If the five countries want to reach the CAADP target of increasing agricultural output by 6 per cent a year, the current downward trends in agricultural R&D funding need to be stopped and reversed. Furthermore, extension services should be improved to ensure that farmers obtain the full benefit from R&D results.

Source: Beintema and Stads (2006); IFPRI, ASTI time series database, available at www.asti.cgiar.org (data retrieved on 22 January 2008).

Limited and unstable public resources for the sector are undermining the implementation of agricultural strategies. However, reversing the trend will not be enough to achieve higher agricultural growth. Governments also need to improve the allocation of resources within the agricultural sector, and set more resources aside for productivity-enhancing investments.

Cross-cutting Issues Require Better Inter-ministerial Co-ordination

Public policy must tackle several inter-connected obstacles, both within and outside the agricultural sector, to promote the transformation of agriculture. While the development strategies of the five countries formally acknowledge the interaction between agriculture, private sector development

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and trade, responsibilities for these sectors are de facto split among several ministries and implementing agencies, and are treated separately in various sector strategies.

In an effort to promote co-ordination, Ghana has recently established a "Super Ministry" comprising trade, private sector development and the president's special initiatives. However, the merger has yet to affect operations, and co-ordination between the relatively strong "Super Ministry" and the "weaker" Ministry of Agriculture remains a challenge.

Co-ordination between ministries is generally limited. As a result there is no coherent approach for promoting private sector development and trade in agriculture. Lack of co-ordination is particularly worrisome in the area of trade, given the dense and complex agenda that each country must address in regional and multilateral negotiations.

Strengthening Public Sector Capacity is Crucial

Strong government leadership is needed to ensure that donor projects are truly aligned with the countries' needs and to avoid duplication or disconnect between projects. However, government structures in charge of agriculture suffer from significant capacity weaknesses, which reduce their ability to play a leading role in the sector, co-ordinate with other ministries and effectively oversee donor projects. Outflows of high-qualified staff moving to private sector positions or donor projects are frequent, reflecting not only low salaries but also the absence of proper human resource policies to keep qualified staff in-house.

Capacities are particularly limited at the local level. All five countries have embraced decentralisation strategies to make public sector interventions more responsive to local needs. Local authorities are assumed to play a key role in understanding local needs and implementing national agricultural strategies. However, country experiences such as the case of Tanzania (see Box 4.4.) reveal that owing to insufficient personnel and inadequate physical infrastructure, local authorities are unable to perform the new tasks assigned to them.

So far the decentralisation of responsibilities is not matched with a corresponding endowment of financial and human resources at the district and village levels. Not only national but also local capacity building needs to receive more attention to make demand-driven public service delivery a reality.

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Box 4.4. Tanzania — Sector Programme vs. Sector Capacities

Tanzania is one of the few African countries where donors and government are trying to move to a sector-wide approach in agriculture. Through the Agricultural Sector Development Programme (ASDP), the Government of Tanzania envisages breaking away from the past approaches of fragmented and area-based projects with their own donor-specific systems, to a single comprehensive sector programme.

However, the first reviews of the ASDP reveal that public capacities to implement the programme are lacking particularly at the local level. The major lesson learned from past donor interventions incorporated in the ASDP was the emphasis of participatory approaches. Yet districts lack the capacity to develop District Agricultural Development Plans (DADPs), and so far the involvement of farmers and the private sector in the development and implementation of district plans has been minimal.

As a result, the conventional top-down approach still dominates, in which the Local Government Authorities construct facilities, supply materials (kit, seeds, chemicals, etc.) and technical skills (trainers or exemplars), and show the farmers what to do. Also, many activities — the government's as well as donors' — continue outside the ASDP and outside the district plans and budgets.

Source: Wolter (2008*b*), available at www.oecd.org/dev/publications/businessfordevelopment.

Promote Private Sector Development Beyond Export Crops

The development of export cash crops, especially horticulture, has emerged as a successful driver for agricultural intensification and commercialisation in all five countries. Meanwhile, the market potential of food crops should not be overlooked. Traditional food crops are often better adapted to local agro-ecological conditions and can have a sizeable domestic and even regional market potential. Currently, 60 per cent of the demand for rice in West Africa is met by imports, mainly from Asia. Mali has made some progress in recapturing the regional market and is now exporting rice to Burkina Faso, Mauritania and Nigeria.

Governments can do a lot to facilitate the functioning and development of local agro-food markets. For example, Mali has launched a private sector initiative to support domestic wheat production for local processing in view of replacing costly wheat imports from Europe.

The market infrastructure in most countries needs to be improved. Better transport and information systems are crucial to stimulate demand and facilitate private sector efforts to engage with smallholders, especially in crops for local consumption. On the other hand, the willingness of agribusiness companies to engage in interlocking arrangements depends on the likelihood of recovering up-front support costs to growers (for inputs, extension, etc.). Agricultural sector stakeholders should work together towards improving contract enforcement and devising systems to reduce risks for agro-business firms.

AREAS WHERE DONORS COULD DO BETTER

Aid to agriculture is back on the donor agenda

Donors have provided substantial aid to agriculture in the five countries, broadly defined to include agro-industries, forest industries and rural development[10]. Ghana, Mali, Senegal, Tanzania and Zambia accounted for over 20 per cent of total commitments to agriculture in Africa during 2002-2005 (see Chapter 3 of this volume). Annex Table 4.A1. illustrates which major donors are active in agriculture in these countries.

However, until recently aid to agriculture was declining. As shown in Figure 4.3., donor funding was highest in the mid-1980s; but limited success of aid to agriculture and a shift towards

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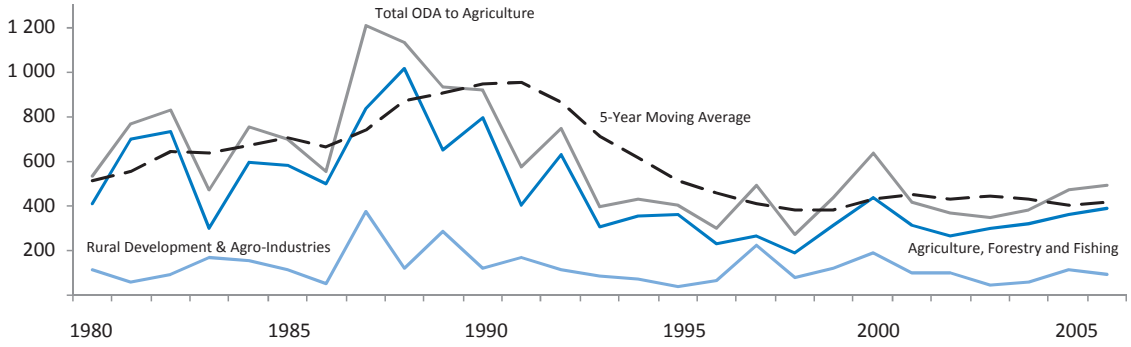
structural adjustment lending (connected with a stronger focus on economic liberalisation) led to a sharp decline until the end of the 1990s. Aid resources declined by more than 3 per cent every year in real terms between 1980 and 1998. Aid to agriculture reached its lowest level in 1998, when it was half its 1980 value in constant dollar terms.

With the recent introduction of the second-generation Poverty Reduction Strategies, agriculture has made its comeback on to donor agendas. It is too early to say whether aid to agriculture is on the rise again, even though donors have substantially increased their commitments for the coming years in some countries, such as Ghana, but at least it seems fair to say that the downward trend has been stopped.

Figure 4.3. Donor Financing to Agriculture in the Five Countries
($ million, 1980-2006, constant 2005 prices and exchange rates)



Source: OECD Development Assistance Committee, CRS Database (data retrieved on 22 January 2008).

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Donor Co-ordination in Agriculture Can Be Improved...

In line with what has been set out in the Paris Declaration on Aid Effectiveness (March 2005)[11], donors in the five countries are committed to improve the quality and impact of their assistance through harmonisation and alignment. Increased harmonisation and alignment are expected to strengthen country ownership, defined as country leadership of development efforts[12].

Harmonisation concerns donor-donor relationships and implies possible efficiency gains through the adoption of common procedures (e.g. joint missions and reporting) and co-ordination of interventions. Alignment is about the country-donor relationship and requires donors to bring their assistance in line with government priorities and structures (e.g. making use of country structures as opposed to setting up parallel project implementation units) (OECD, 2007).

To better co-ordinate their efforts, development partners have adopted Joint Assistance Strategies in Ghana, Tanzania and Zambia. These strategies clarify the division of labour among donors, specifying which donors are active in each sector and what role they play (leading, active, silent). In Mali the Joint Assistance Strategy development process is ongoing. Since 12 donors are currently supporting the Malian Mango sector, the Joint Assistance Strategy should lead to a better distribution of donor assistance across sectors.

Examples of delegated co-operation in agriculture and private sector development can be found in all of the five countries and there are regular consultations among donors on agricultural issues. Moreover, the creation of agriculture consultative groups and donor co-ordination groups has contributed to reaching a common understanding about the sector and improved dialogue with governments on agricultural policies.

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However, overall harmonisation and alignment are less advanced in the agricultural sector than in the social sectors. The predominance of stand-alone projects and the simultaneous involvement of several line ministries (e.g. agriculture, infrastructure, land, trade) dealing with agriculture make progress difficult. This holds true even for countries which are considered to be quite advanced with respect to donor harmonisation and alignment, such as Ghana and Tanzania.

Co-ordination is mainly taking place at the central level, and primarily concerns policy-related issues. Operational co-ordination, especially at field level, occurs only on an ad hoc basis. It is still quite common to observe different projects being implemented in the same area within a country, sometimes with the same farmers participating in more than one project. Co-ordination on the ground should be ensured by the government authorities, but they often lack resources and capacity to do so.

… but Setting Up Sectoral Programmes in Agriculture is a Challenge

A co-ordinated, sectoral approach could help tackle more effectively the multiple constraints that are hindering agricultural commercialisation. However, the experience of Zambia in the late 1990s, and more recently that of Tanzania, highlight the challenges of setting up multi-donor sectoral programmes. The establishment of sector-wide programmes in agriculture requires significant political will and patience, as well as strengthened government capacity.

In Zambia the 1996-2001 Agricultural Sector Investment Programme (ASIP) was the first, ambitious response designed by the Zambian Government and donors to facilitate the transition to a market economy in agriculture. The programme endorsed the principle of private sector-led agriculture, with private actors in charge of implementing its various sub-components. However, it did not live up to expectations. ASIP quickly developed into a government-led programme, ran into implementation problems and lost support.

The Tanzanian government has decided to focus its Agricultural Sector Development Programme (ASDP) on irrigation. However, even though the importance of irrigation to reduce Tanzania's dependency on rainfall is undisputed, the strong focus on irrigation of the ASDP has been very controversial. If most funds are to be spent on irrigation, then districts have little space to set their own priorities in District Agricultural Development Plans (DADPs). The focus on irrigation was also perceived by some donors as a turn away from a private sector-led approach to agricultural development — even though the private sector is supposed to be involved in constructing the irrigation infrastructure. The controversy over irrigation has caused a split in two programmes: a national irrigation plan funded by the Government of Tanzania and a much smaller, donor-funded programme for the non-irrigation agricultural sector.

New Approaches to Support Agricultural Commercialisation are Delivering Encouraging Results…

Donor support to private sector development in agriculture spans over a wide range of activities: from rural infrastructure development, to facilitation of smallholders' access to credit, extension services and markets, capacity building for farmers' organisations, institutional capacity building and support to advocacy. In most countries, donors are increasingly adopting a value chain approach and trying to tackle various bottlenecks at once[13].

Donors in Senegal have been at the forefront in using a value chain approach (see Box 4.1.). In Ghana, the new major agricultural programmes target entire product chains. In Mali, the United States will merge three stand-alone projects in the agricultural sector into a larger programme which will then cover the whole value chain for certain products. This represents a significant improvement from the past, even though projects remain limited to specific export commodities or areas.

Nevertheless, some segments of the agricultural value chain still appear to receive little donor support. In particular, more consideration needs to be given to the role of input suppliers, market

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intermediaries and agribusiness companies. In this respect, donor efforts turn out to be more advanced in Senegal than in the other four countries. In Senegal donors were already starting to improve logistics and marketing of export-oriented horticulture in the late 1990s.

Moreover, key areas for market access, such as marketing and the implementation of quality standards (e.g. sanitary and phytosanitary standards) have received little attention so far. The development of efficient information and commodity trading systems, e.g. through the use of mobile phones, has only recently gained well deserved prominence (see Box 4.5.).

Box 4.5. Zambia — Creating Commodity Markets by SMS

The agribusiness development component under IFAD's Smallholder Enterprise and Marketing Programme (SHEMP) promotes seller-buyer linkages to foster domestic and cross-border trade. In a short period of time it put in place a cell phone-based SMS Market Information Service in co-operation with the Zambia National Farmers Union (ZNFU) to provide up-to-date market prices, listing buyers on main marketplaces for 12 major commodities.

The SMS Service was launched in August 2006 and has proved very successful, recording over 1 000 hits per week. Information on prices is collected directly from buyers by the ZNFU which manages and regularly updates the database that farmers can simply access through their cell phones. Building on this early success, ZNFU is now seeking support from the cell phone service provider to expand the scheme to more commodities and to add new services.

At the same time SHEMP is working with a cross-border trade association to expand the SMS market information system to the Democratic Republic of Congo (DRC). This service would provide farmers and traders with daily information on stock availability, indicative market prices and sales trends. Congolese traders will access the information in French via Vodacom DRC, and Zambian traders and farmers will receive data in English via AfriConnect/Celtel.

Source: Bonaglia (2008), available at www.oecd.org/dev/publications/businessfordevelopment.

An important lesson emerging from the application of the value-chain approach is that the promotion of private sector development in agriculture goes well beyond the sector itself and cuts across several policy domains. For instance, the promotion of outgrower schemes cannot be separated from the improvement of the overall business environment, in particular contract enforcement, and the development of business service providers.

However in all five countries there seems to be some disconnection between the donor agricultural working group and other relevant working groups, such as trade, private sector development or infrastructure, thus limiting cross-fertilisation and the opportunity for exploiting synergies. The cross-cutting nature of the challenges of agro-based private sector development calls for adopting a more holistic approach.

… but the Challenge is to Scale Up These Successful Projects…

Donors tend to favour stand-alone, area-based projects, which are often executed outside government structures through local or international non-governmental organisations (NGOs). These projects have met some success in raising production volumes and facilitating market access, mainly in export-oriented commodities, although their longer term impact and sustainability remains to be assessed. For example there are some promising projects focusing on demand-driven agricultural services (e.g. veterinary services in Zambia) and other supportive industries (e.g. packaging in Senegal and Mali).

While these projects are important sources of experimentation and innovation, the challenge is to scale them up, taking into account local implementing capacities. Furthermore donors

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co-operating with local NGOs need to ensure that the executing NGOs play a facilitating role and do not become competitors to private providers.

…and to Ensure Sustainability

Positive project results are found in all countries, but their long-term sustainability is at stake. Evaluations suggest that donor interventions have often paid inadequate attention to local capacities, within both public and private sectors. In fairness, local governments have not always been coherent with respect to their commitments, both in terms of counterpart financing and in terms of policies to promote private sector development in agriculture.

Project assistance must be proportioned to the carrying capacity of the institutions receiving the support, and project design must be based on an in-depth analysis of the local socio-economic conditions including prevailing farming systems. In Mali, Canada is moving away from single-product projects to tailor its assistance better to the common practice of multiple cropping (see Box 4.6.).

Box 4.6. Mali — One Product Does Not Fit All

In Mali, Canada is moving away from single-product projects and turning attention to building the institutional capacity of producers' organisations dealing with multiple products. Canada's approach takes into account the mixed cropping system in Mali, whereby different types of crops are cultivated simultaneously on the same piece of land. Canada also puts a strong weight on facilitating access to credit.

In the Office du Niger zone, Canada's Mali Cereal Marketing Support Project is helping producers' organisations to improve their institutional capacities and strengthen their financial positions. According to the project's mid-term evaluation in 2007, the targeted co-operatives have registered good production and marketing records for rice, millet, sorghum, maize and shallots. Notwithstanding, their marketing strategies and financial capacities could be further improved.

Source: Matsumoto-Izadifar (2008*b*), available at www.oecd.org/dev/publications/businessfordevelopment.

Although agricultural projects are frequently evaluated, no systematic impact assessment is conducted[14]. Very few donors have carried out cost/benefit analyses and impact assessments to determine (1) the resources needed by the local counterpart to maintain the project after external support ends and (2) the outcome of their interventions after they phase out support. In fact, only a few projects have an explicit exit strategy to facilitate the handover of the project to local counterparts and to ensure that services continue to be supplied to farmers in a sustainable manner. As a result, local counterparts have often initiated activities which went beyond their long-term capacity and could not be maintained once the external support finished.

Where impact assessments have been conducted, the observed effects on income levels and business sustainability are mixed. In Zambia, for instance, the evaluation of the Swedish-funded Economic Expansion in Outlying Areas Programme found little evidence that the good results seen at the end of the programme had endured beyond five years. This is partly due to the low multiplier effect of the projects restricting results mostly to the direct beneficiaries.

Furthermore, projects can be successful in cost/benefit terms but the impact on poverty may still be limited if achieved benefits cannot be maintained after the end of the project. Sustaining achieved benefits at the farm level after the withdrawal of donor support remains a challenge which should receive more consideration earlier, during the project design.

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CONCLUSIONS

The key objective of donor and government assistance to the agricultural sector is to lift smallholders out of poverty and create more off-farm rural employment. There is general agreement that agricultural commercialisation and intensification need to be promoted, and progress is observed throughout the five countries concerned, especially where marketing companies and processors have been involved to set up contract farming arrangements for export crops. The challenge for these schemes is now to sustain their competitiveness, which depends on farmers' productivity and the overall cost of doing business.

The situation is much more challenging for food crops, which occupy the bulk of cultivated areas in most countries, and for regions that do not have, at least within the near future, a comparative advantage in producing export crops. Increasing the productivity of food crops is a major priority, requiring sizeable investment in irrigation, storage and transport infrastructure, as well as access to input markets (fertilizers, seeds, planting materials and credit). This also requires better functioning markets and linkages to buyers and processors. Therefore the scope of trade facilitation should be broadened to foster both cross-border and internal trade.

Recent efforts by governments and donors in this respect are encouraging. However, the challenge is not only to increase productivity-enhancing and trade-related investments but to sustain their benefits over the long run. This would require greater involvement of the private sector in designing and implementing commercialisation programmes for food crops. While public-private partnerships may be more demanding in this segment of the agricultural sector, such collective efforts are necessary to develop and sustain local food industries in Africa.

At the same time, the future of agriculture in the five countries heavily depends on what happens outside the sector. Growth in non-agricultural sectors is almost equally important since it leads to improved incomes and stronger demand for agro-food products as well as the availability of off-farm employment opportunities, which will become more and more relevant as the modernisation of agriculture proceeds.

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ANNEX

Table 4.A1. Major Donors in Agriculture (Sum of Commitments over 2000-06, $ million, constant 2005 Prices and Exchange Rates)

Donor	Ghana	Mali	Senegal	Tanzania	Zambia
Australia	0.02			0.7	1.6
Austria			15.0	9.1	
Belgium	1.2	16.2	18.4	23.6	7.6
Canada	125.6	12.1	21.2	0.0	0.5
Denmark	7.6			61.8	0.3
Finland	0.4	0.5	0.0	34.4	14.9
France	64.1	63.7	84.5	7.9	0.0
Germany	27.1	58.9	20.4	13.0	18.6
Ireland	0.4	0.0	0.0	14.8	1.2
Italy	0.3	0.8	19.2	2.4	0.3
Japan	18.7	19.8	53.8	67.1	14.0
Luxembourg		3.7	0.8		
Netherlands	27.4	59.5	44.3	11.9	31.3
Norway	0.6	5.6		29.6	55.3
Spain	0.1	1.0	47.6	1.1	0.3
Sweden		2.3	0.1	24.0	18.0
Switzerland		15.7	6.8	12.9	
United Kingdom	48.9	0.2		48.7	38.2
United States	36.5	15.6	15.4	8.9	51.5
Total bilateral ODA to agriculture (top 10)	**359.0**	**275.7**	**347.5**	**371.9**	**253.7**
Share in total bilateral ODA (%)	13	14	15	9	9
AfDB (African Development Bank)	128.2	147.1	71.8	91.3	17.5
EU	10.3	30.0	19.3	1.3	24.9
IDA (International Development Association, World Bank)	115.7	309.5	54.9	252.8	18.7
IFAD (International Fund for Agricultural Development)	44.5	26.5	62.5	82.4	10.1
Total multilateral ODA to agriculture	**298.7**	**513.0**	**208.5**	**427.7**	**71.3**
Share in total multilateral ODA (%)	14.3	37	13	14	5
Grand total	**657.7**	**788.7**	**556.0**	**799.6**	**325.0**

Note: ODA (Official Development Assistance) to agriculture includes commitments to the agriculture, fishing and forestry production (CRS codes 311, 312, 313), to the agro- and forest-industry (CRS codes 32161, 32162) and multi-sector aid for rural development (CRS code 43040). Total commitments refer to total allocable aid.

Source: OECD Development Assistance Committee, CRS Database (data retrieved on 22 January 2008).

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NOTES

1. If fisheries were included in agricultural exports, the share of agriculture in total exports would be much higher for Ghana, Senegal and Tanzania.

2. Govereh *et al.* (1999) note that "when the number of potential buyers becomes very large, as it does with staple commodities (as many households themselves are in the market to purchase these crops as well as traders), the potential for co-ordination among buyers breaks down, and credit recovery for up-front support services becomes extremely problematic. This may partially explain why staple food crops have seldom been featured in commercialisation programs involving private marketing firms (…)" (p. 7).

3. In Senegal, sugar and tomatoes are the two exceptions where domestic agricultural products are used for processing. At the same time the major company producing tomato concentrate has recently started to import tomatoes from China and Iran to cut down production costs.

4. In Tanzania, egg and milk production grew 35 per cent and 14 per cent respectively each year between 2001 and 2005.

5. Assessing the amount of resources going to the agricultural sector is a challenging exercise. In terms of government financing, the budget and the Medium Term Expenditure Framework (MTEF) provide information on allocations by function, including the Ministry of Agriculture. These data should be interpreted with caution because very often funds accruing to the agricultural sector are not channelled through the Ministry of Agriculture, but through other ministries and agencies (e.g. for rural infrastructure). Moreover, donors provide substantive funding to the sector, but not all donor resources pass through the government budget as some projects are operating outside the government structures.

6. In Mali, the government spent 11-12 per cent of the total government budget on agriculture between 2005 and 2006.

7. In Ghana, the modernisation of agriculture falls under Pillar 1 - Private Sector Competitiveness – of the Growth and Poverty Reduction Strategy. According to budget provisions Pillar 1 should receive the largest part of public funds. However, in the first year (2006), the discrepancy between budget provisions and actual disbursements persisted, which led to large funding shortfalls for activities under Pillar 1.

8. The Zambian government allocated the largest share of the agricultural budget to the fertilizer support programme and food reserve agency. It appears that these programmes are not only distortive, hindering the emergence of private input suppliers, but also ineffective as they have little capacity to target relatively poor farmers.

9. For example in 2004-05, the public Malian Textile Development Company accumulated deficits of FCFA68 billion ($153 million) by subsidising cotton producers, of which the Malian government covered FCFA28 billion ($64 million) (OECD/AfDB, 2006).

10. See Chapter 3 of this volume for the explanation of the broad definition of aid to agriculture.

11. More information on the Paris Declaration and the related monitoring process can be found at the following website of the OECD Development Assistance Committee: www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html.

12. See OECD Development Centre (2008) for a succinct discussion of challenges related to country ownership.

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13. In all five countries, donors have supported value-chain analyses to identify bottlenecks to the development of specific commodities and drawn export strategies for partner governments accordingly. These endeavours have often been conducted in the framework of trade-related technical assistance, such as the Joint Integrated Technical Assistance Programme (JITAP) or the Integrated Framework for Trade-Related Technical Assistance to least-developed countries, although implementation is sometimes lagging behind schedule.

14. Assessing impact is challenging, especially in the absence of counterfactuals and cost/benefit analyses. At the same time support to research and advocacy organisations has contributed to improving the understanding of policy impacts and the quality of policy dialogue with governments on how to improve effectiveness. However, some achievements such as trust building between farmers, private sector and government or analytical capacity are difficult to measure.

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