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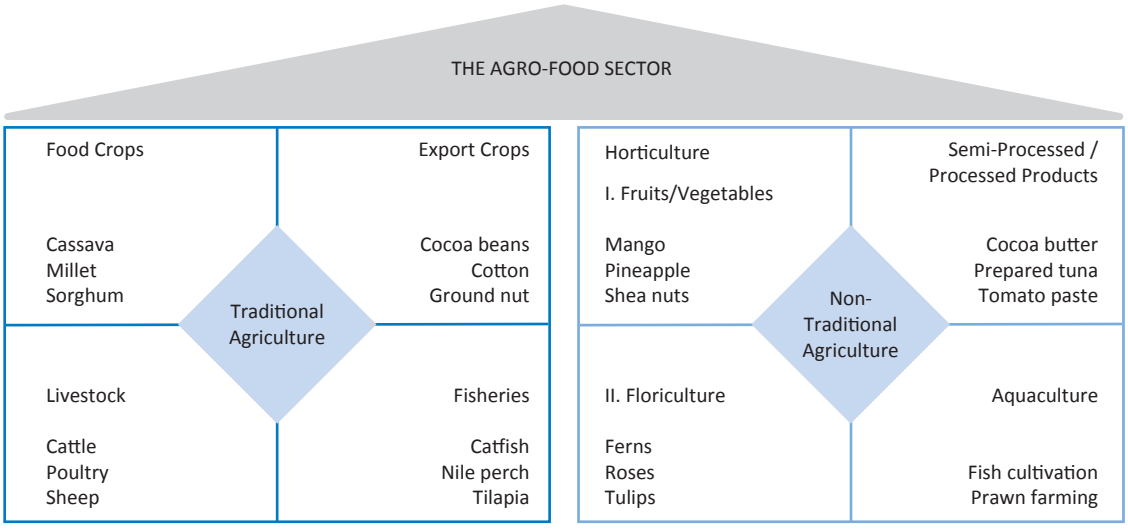
Agricultural commercialisation refers to a process whereby agriculture becomes more market-driven, including a greater reliance on purchased food products and purchased inputs. Parallel to this greater market orientation, traditional integrated production systems (e.g. crop-livestock) are gradually replaced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

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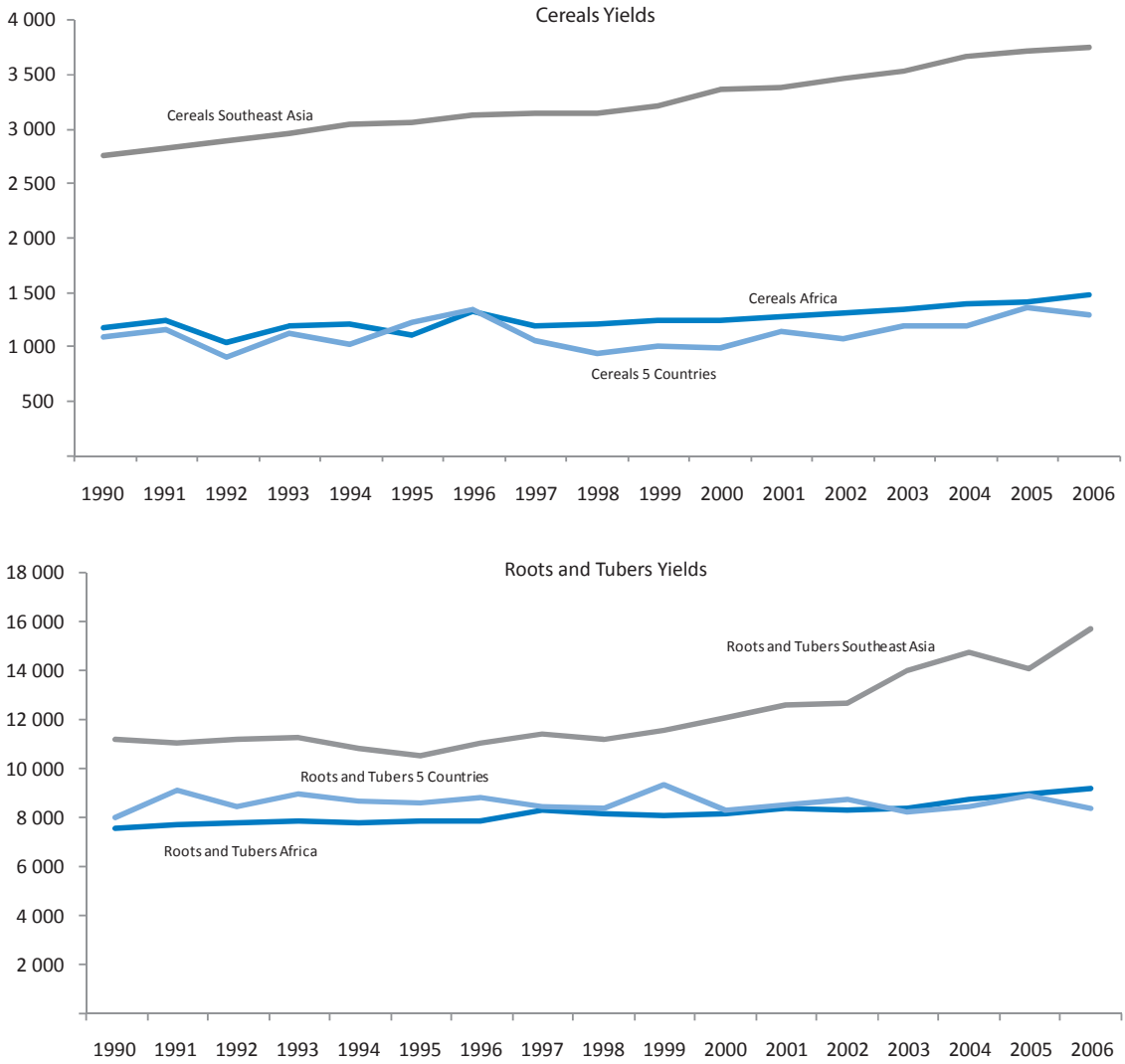
only 5 per cent higher than in 1990. In the same time period, roots and tubers yields increased by 40 per cent in Southeast Asia.

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 (2008*a*), 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 (2008*a*), 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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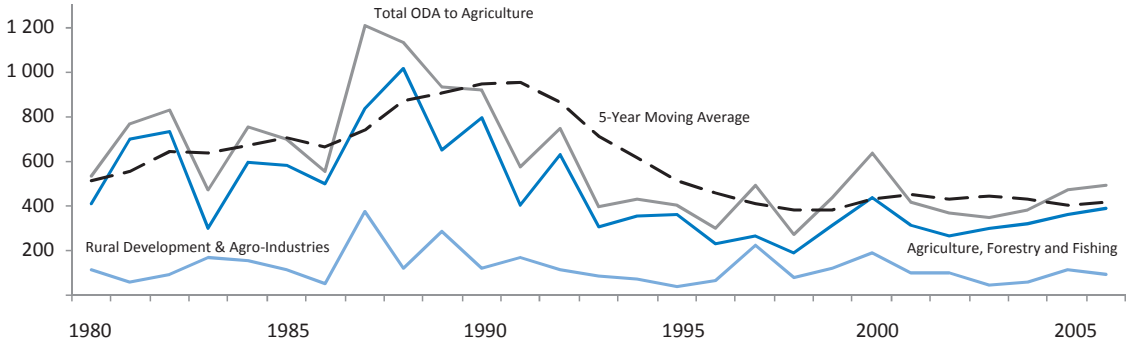
structural adjustment lending (connected with a stronger focus on economic liberalisation) led to a sharp decline until the end of the 1990s. Aid resources declined by more than 3 per cent every year in real terms between 1980 and 1998. Aid to agriculture reached its lowest level in 1998, when it was 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).
StatLink http://dx.doi.org/10.1787/334566772728

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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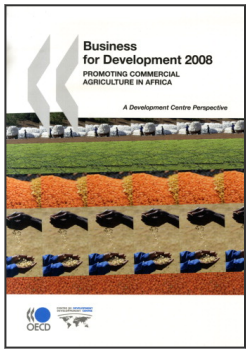

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