



Africa's Private Sector: Ready to Seize Business Opportunities?

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- ◆ The recent expansion of African horticultural exports has proven that business is changing on the continent.
- ◆ The experience of Senegal and Mali suggests that the two countries are facing major challenges in strengthening policy co-ordination, improving business environment and realising market opportunities.
- ◆ Deepening public-private dialogue will help address these challenges.

Private sector development (PSD) is vital to enable sub-Saharan Africa (SSA) to reach the Millennium Development Goals. Broadly speaking, the business and political environment on the continent has been undergoing positive changes. Under the global trend of liberalisation and market opening, SSA governments have switched their growth strategies from import substitution in the 1970s and early 1980s to export orientation in the 1990s. This transition has helped Africa's 38 non oil-exporting countries achieve 4 per cent annual GDP growth on average over the last decade (cf. *African Economic Outlook 2006/2007**).

Today's challenge remains to widen the scope of the continent's export profile away from a very narrow range of traditional primary commodities. Here, African policy makers and development partners expect the private sector to seize emerging agribusiness opportunities (e.g. horticultural and processed food exports) and compete with other front-runner exporters such as Brazil, Chile, Israel, Mexico and Peru in the OECD market.

Business Opportunities in Africa

Is the private sector in Africa ready to compete in the international market and flourish? Not quite, particularly for a large pool of small and informal enterprises and farmers in least-developed countries (LDCs). These entrepreneurs often suffer from supply-side constraints, due to a fragmented business environment, low productivity,

insufficient technology and know-how, underdeveloped domestic markets, poor basic infrastructure and ineffective administrative procedures. Furthermore, African farmers and exporters are facing stringent food-safety requirements (e.g. residue level, traceability, sanitary and phytosanitary standards) in developed-country markets.

Nevertheless, Senegalese and Malian small farmers have been recently overcoming these constraints by scaling up horticultural production and forming export clusters, as demonstrated in the *Niayes* region in Senegal and the *Office du Niger* zone in Mali. Thanks to the large irrigation possibilities along the Senegal and Niger Rivers, horticultural sectors in these two countries have high growth potentials (see Box). Between 1995 and 2006, Senegal quadrupled its fruit and vegetable exports to Europe, while Mali almost doubled, albeit from small bases.

Three Major Challenges for Senegal and Mali

For Senegalese and Malian producers to become more competitive and increase market shares internationally and regionally, they need to address three major challenges.

First, gaps exist between the governments' strategies and the private sector's needs. Despite recent improvements in the two governments' capacity to formulate agricultural trade and industrial policies, neither has been able to fill the gaps and create an effective supply chain for producers and exporters to enable them to link the provision of agricultural inputs, production, logistics and marketing.

Segmented policy design and implementation among various ministries has resulted in mismatched investment in the supply chain. Enhanced ministerial co-ordination as well as close consultation with private actors would remedy this mismatch.

Second, creating an investment-friendly climate should be at the top of governments' agenda. Despite a promising discourse and real efforts in both countries, infrastructure services such as transport, electricity, telecommunication and water remain costly and have limited reach, thus preventing a healthy development of agricultural marketing and agro-processing sectors. The provision of financial services is also insufficient and not adapted to the needs of small enterprises or the agricultural sector, depriving them of business opportunities.

Third, market opportunities at national, regional and international levels remain under-exploited. In Senegal and Mali, emerging private entrepreneurs have expanded their production capacities, but made far less progress on their marketing skills. For instance, Senegalese cherry tomato and Malian mango exports to Europe take up mere 2 to

3 per cent of their domestic production. Given the limited scope for economies of scale on small domestic markets, they would benefit from improved functioning of domestic agricultural markets and better linkages with regional and international markets.

To meet these challenges, PSD policies in the two countries should take into account the sector's entrepreneurial visions and needs. They also need to address the competitive challenges that may arise from the reform of the EU's Common Agricultural Policy in the coming years. Deepening public-private dialogue will help the private sector seize emerging agribusiness opportunities.

Further reading:

OECD Development Centre (2007a), "Aid for Trade and Agro-based Private Sector Development in Africa: Lessons from Senegal and Mali", Paris.

OECD Development Centre (2007b), *Business for Development 2007: Fostering the Private Sector*, Paris.

African Development Bank/OECD Development Centre, *African Economic Outlook 2006/2007*, Paris.

Senegalese and Malian Horticultural Potentials

<i>Major production areas</i>	<i>Products/Targeted Markets</i>	
	<i>European markets</i>	<i>Domestic/Regional markets</i>
Senegal		
- Niayes region	Off-seasonal vegetables (green beans, cherry tomatoes, etc.), fruits	Onions
- Senegal River Delta (St. Louis)	Off-seasonal vegetables, melons, mangoes	Potatoes
- Senegal River Valley (including the Guiers Lake)	Grapes, garlic, passion fruit, melons, off-seasonal vegetables	Onions, potatoes, tomatoes, sweet potatoes
Mali		
- <i>Office du Niger</i> zone	-	Onions, shallots, potatoes
- Kayes region	Mangoes, shea nuts	-
- Koulikoro and Sikasso regions	Mangoes, shea nuts	Potatoes
- Bamako and Dogon regions	-	Onions, shallots
- Ségou region	Shea nuts	-

Source: OECD Development Centre (2007a).

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