OECD Journal

General Papers

Special issue

Promoting commercial agriculture in Africa

Editor: Kiichiro Fukasaku

Volume 2009/2

OECD Journal: General Papers

Volume 2009/2

The OECD Journal collection comprises six periodicals: OECD Journal: Economic Studies, OECD Journal: Financial Market Trends, OECD Journal: Competition Law and Policy, OECD Journal: General Papers, OECD Journal on Budgeting, OECD Journal: Journal of Business Cycle Measurement and Analysis. Each periodical within OECD Journal retains its own ISSN, volume and issue numbering. The volume numbering of each journal corresponds to the calendar year, e.g. Volume 2009. Volume 2009 of OECD Journal: General Papers contains four issues.

This issue was edited by Kiichiro Fukasaku, OECD Development Centre.



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation, the OECD Development Centre or of the governments of their member countries.

ISSN 1995-2821 (print)
ISSN 1995-283X (online)

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

© OECD 2009

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to *rights@oecd.org*. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at *info@copyright.com* or the Centre français d'exploitation du droit de copie (CFC) at *contact@cfcopies.com*.

OECD
Development Centre
OCDE

The Development Centre of the Organisation for Economic Co-operation and Development was established by decision of the OECD Council on 23 October 1962 and comprises 23 member countries of the OECD: Austria, Belgium, the Czech Republic, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Korea, Luxembourg, Mexico, the Netherlands, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey and the United Kingdom as well as Brazil (March 1994), Chile (November 1998), India (February 2001), Romania (October 2004), Thailand (March 2005), South Africa (May 2006), Egypt, Israel and Viet Nam (March 2008), Indonesia (February 2009), Costa Rica, Mauritius, Morocco and Peru (March 2009). The Commission of the European Communities also takes part in the Centre's Governing Board.

The Development Centre, whose membership is open to both OECD and non-OECD countries, occupies a unique place within the OECD and in the international community. Members finance the Centre and serve on its Governing Board, which sets the biennial work programme and oversees its implementation.

The Centre links OECD members with developing and emerging economies and fosters debate and discussion to seek creative policy solutions to emerging global issues and development challenges. Participants in Centre events are invited in their personal capacity.

A small core of staff works with experts and institutions from the OECD and partner countries to fulfil the Centre's work programme. The results are discussed in informal expert and policy dialogue meetings, and are published in a range of high-quality products for the research and policy communities. The Centre's *Study Series* presents in-depth analyses of major development issues. *Policy Briefs* and *Policy Insights* summarise major conclusions for policy makers; *Working Papers* deal with the more technical aspects of the Centre's work.

For an overview of the Centre's activities, please see www.oecd.org/dev.

Table of Contents

PREFACE 7

GHANA: AGRICULTURE IS BECOMING A BUSINESS 9

MALI: BEYOND COTTON? SEARCHING FOR "GREEN GOLD" 33

SENEGAL: MAKING BETTER USE OF AGRIBUSINESS POTENTIAL 53

TANZANIA: THE CHALLENGE OF MOVING FROM SUBSISTENCE TO PROFIT 79

ZAMBIA: SUSTAINING AGRICULTURAL DIVERSIFICATION 103

Related reading, *Turning African Agriculture into a Business: A Reader*, is available on-line at:

http://dx.doi.org/10.1787/9789264075887-en

Preface

African governments, donors and the private sector have stepped up their efforts to revitalise the agricultural sector with additional resources and support for new business initiatives. In NEPAD's 2003 Comprehensive Africa Agriculture Development Programme (CAADP), the continent's leaders acknowledged their responsibility for providing technical and financial support to the agricultural sector and for developing an agro-based private sector. For these agricultural development strategies to work, serious trade issues need to be addressed.

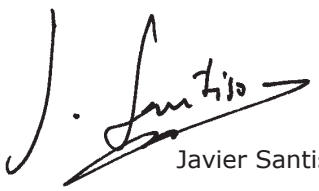
Public-private dialogue is at centre stage of Africa's agricultural development process so that the actions of government and business can be better co-ordinated. More emphasis should therefore be placed on policies that favour market expansion and on improved, predictable and transparent regulation designed to underpin private-sector development and redefine the roles of government, donors and private enterprise.

The timing is right for the development of entrepreneurship and increased private-sector involvement in African agriculture. Agribusiness is highly underdeveloped in sub-Saharan Africa and many countries are forced to pay high prices for imported foods, thus leading to the risk of inflation and a negative impact on poverty. Moreover, the trend for food prices is soundly upwards, both on the continent and world-wide, and this is unlikely to change. Professor Bob Watson, chief scientist at the United Kingdom Department for Environment Food and Rural Affairs (Defra), told the BBC in August 2009 that food production has to be doubled over the next 50 years. That means higher prices for producers, including those in Africa.

Within this environment, Africa is facing new challenges from 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 a 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 must 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 the OECD Journal, "Promoting Commercial Agriculture in Africa" examines 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 need to do to support private-sector development in Africa.



Javier Santiso,

Director and Chief Development Economist, OECD Development Centre

August, 2009

GHANA
Agriculture is Becoming a Business

Denise Wolter

ABSTRACT

Ghana's agricultural sector has two faces. On the one hand, Ghana continues to face food security problems due to stagnating productivity in the food crop sector and undeveloped internal food markets. On the other hand, horticultural exports have been increasing and recent investments in cocoa and pineapple processing can been seen as signs of an emerging modern agricultural sector.

The horticultural sector currently receives a lot of attention from donors and the Ghanaian government. The examination of several large donor projects in this sector reveals that donors are increasingly taking a value chain approach and trying to link smallholder farmers to exporters via outgrower schemes. Donors are also making an effort to connect their projects with other ongoing interventions. However, donor approaches vary according to donor preferences, and multi-donor programmes would probably be a better solution.

While the current focus of donors and the Ghanaian government in the horticultural sector is welcome, it bears the risk of leaving the north of Ghana, where food crop production and poverty are concentrated, further behind. Food crops should receive more attention not only to resolve Ghana's food security problem but also to take advantage of growing demand from Ghana's middle-income class, which provides the opportunity for developing a local food industry.

ACKNOWLEDGEMENTS

The Ghana country study would not have been possible without the help and valuable information provided by many dedicated colleagues working in the field whom we either met during our mission in May 2006 or with whom we conducted phone interviews in September 2007.

The Ghana study benefited from additional information and comments provided by Gayatri Acharya (World Bank, Accra), William Kedrock (Chemonics International, Washington D.C.), Nana Koranteng (CIDA, Accra), Mélanie Lambert (CIDA, Gatineau), Mohamed Manssouri (IFAD, Rome), Rick Ody (Chemonics International/TIPCEE Ghana), Peter Quartey (ISSER, Accra), Jannik Vaa (EC Delegation to Ghana, Accra), Jean-Michel Voisard (Chemonics International/ TIPCEE Ghana).

The views expressed in this study, however, remain those of the author and do not necessarily reflect those of the OECD Development Centre.

INTRODUCTION

The Ghana country study reviews what the Government of Ghana and donors are doing to promote agricultural development, with a particular emphasis on commercial agriculture. It starts with a short analysis of the Ghanaian agricultural sector to highlight growth possibilities, but also the constraints hindering the development of the sector. Then the study addresses the question of how far the strategies of the Ghanaian government are effectively tackling the problems faced by the agricultural sector. This is followed by a review of what donors are doing to promote the sector, discussing several large donor projects in more detail to show the variety of donor approaches. Finally, the study describes positive developments such as the growth of the horticultural sector, but also areas which require improvement such as the continuing problem of food insecurity.

STATUS OF AGRICULTURE AND AGRIBUSINESS

Ghana's agricultural sector itself is not homogeneous. Performance within the sector varies substantially with respect to food and export crops. The following discussion of Ghana's agricultural sector will therefore be divided along the lines of food and export crops; even though some food crops may be exported as well. The section closes with an analysis of emerging agro-industries such as timber exports.

Food Crop Production – Low Productivity Leads to Continuing Food Insecurity

Although Ghana's natural conditions for agriculture are advantageous, the country remains highly dependent on food imports. According to the Ministry of Food and Agriculture (MoFA), Ghana's agricultural production currently meets only half of domestic cereal and meat needs and 60 per cent of domestic fish consumption. Self-sufficiency is achieved only in starchy staples such as cassava, yam and plantain, while rice and maize production falls far below demand (EIU, 2007; RoG, 2007).

There are various reasons why Ghana's food crop production remains below potential. Agriculture is largely rain-fed, with traditional systems of farming still prevailing in most parts of the country. Production levels vary according to weather conditions since Ghana's irrigation potential remains almost untapped[1]. Poor technology and small production units prohibit economies of scale and lead to sub-optimal yields. For example, maize and rice are produced at a third of their potential yields per hectare (OECD, 2008). The sector also suffers from public underinvestment. Field interviews suggest that the Government of Ghana (GoG) should pay more attention to food crops, as opposed to exclusively promoting export crops, since the production of food crops is vital for poverty reduction as well as for reducing the north-south divide of the Ghanaian economy (see Box 1).

Box 1. The North-South Divide of the Ghanaian Economy

Ghana's economy is divided into north and south. The northern region consists of three states: Northern, Upper East and Upper West. The remaining seven states — Ashanti, Brong-Ahafo, Central, Eastern, Greater Accra, Volta and Western — form the southern part. Since independence, the southern part has been far richer and more dynamic.

To a certain extent the development gap between the two regions can be explained by the geographic and climatic advantages of the south: most of Ghana's natural resources are located in the south, particularly minerals; the rainfall is more abundant; and the southern part benefits from direct access to the Gulf of Guinea and Lake Volta.

However, the north-south divide has political origins as well. Development projects and programmes have been concentrated in the south and neglected the north. The division is slowly narrowing, as recent governments have expanded capital investment projects in the north. The investments undertaken so far include extending the national electricity grid, rehabilitating north-south roads and increasing expenditure on education.

Source: EIU, 2007.

Finally, there is no pull from the modern, industrial sector and no link between the traditional agricultural sector and the market. In the absence of transport and storage infrastructure, small farmers have hardly any access to local and international markets. At the same time the growing segment of middle-income households could provide a significant consumer base for locally processed foods such as gari (cassava powder), palm oil, honey, etc. However Ghana is currently producing less than 30 per cent of the raw materials needed by its agro-based industries (RoG, 2007). The GoG has put various incentives (e.g. tax holidays) in place to promote food processing but the response has been low as major bottlenecks such as lack of infrastructure, finance etc. remain. As local food processing remains too small to meet local demand, high-value food imports have been increasing.

Export Crops – Is Ghana on the Way to Diversification?

Since the colonial period, Ghana's major export crop has been cocoa. In the 2005/06 production year, Ghana was the world's second-largest producer of cocoa beans with an output of 740 million tonnes[2]. The second most important export commodity is gold. Gold and cocoa exports make up around 50-65 per cent of total exports, consequently the overall performance of Ghana's economy hinges very much on the performance of these two commodities. Côte d'Ivoire remains the world's largest cocoa producer, producing almost twice as many cocoa beans as Ghana. Nevertheless, Ghanaian cocoa beans can sell at a significant premium on the London and New York futures markets, owing to their high quality due to the rigorous state quality control through the Ghana Cocoa Board (Cocobod)[3]. In an effort to promote vertical diversification, Ghana is trying to increase the amount of cocoa beans processed by up to 50 per cent. Yet as of 2005/06, only 13 per cent of cocoa beans were processed in Ghana (ICCO, 2006).

At the same time the GoG and donors such as the World Bank and the United States are promoting the horticultural sector to reduce Ghana's dependency on cocoa exports (horizontal diversification). While the value of horticultural exports stood at $9.3 million in 1994, it had increased to $50 million in 2006. Pineapple exports have been the major driver behind this development. In 2006, the value of pineapple exports amounted to over $19 million, 38 per cent of total value of horticultural exports (GEPC, 2007*a*). Pineapples have also been one of the products besides cocoa where private enterprises of the OECD countries (such as the British company Blue Skies or the Dutch company Togu Fruits) have been increasingly involved in processing, thereby contributing to vertical diversification (Royal Ahold, 2004). However,

Ghana has yet to learn how to adapt faster to market developments, since the switch of consumer preferences to the sweeter MD2 pineapple variety posed a considerable challenge to producers.

At the international level Ghana faces the problem of being a small player (except for cocoa) with limited visibility. Even with a significant increase in volumes, Ghana will still have to base its comparative advantage on quality rather than quantity. The development of branding and marketing strategies to promote Ghana's agricultural products internationally is therefore important.

Other Emerging Agro-Industries – Timber Processing vs. Forest Degradation

Since more than one-third of Ghana's total land area is covered by forest, exotic woods are Ghana's third largest export commodity after gold and cocoa. In 2005, timber and wood products accounted for 8.2 per cent of the export revenue or about EUR184 million (Ghana Forestry Commission, 2006). The GoG is encouraging the development of large-scale commercial plantations. In 2005, the GoG abolished the export duty on lumber, veneer and plywood, which was seen as a major constraint on the timber industry. At the same time a prevalent concern is the sustainability of Ghana's forestry sector. Rainforests once covered more than one-third of the country but according to the World Wide Fund for Nature (WWF) less than 10 per cent of original forests are left today because of deforestation and poor forest management (Cass, 2006). So far the conflict between preservation of forest and the development of a timber industry has not been resolved.

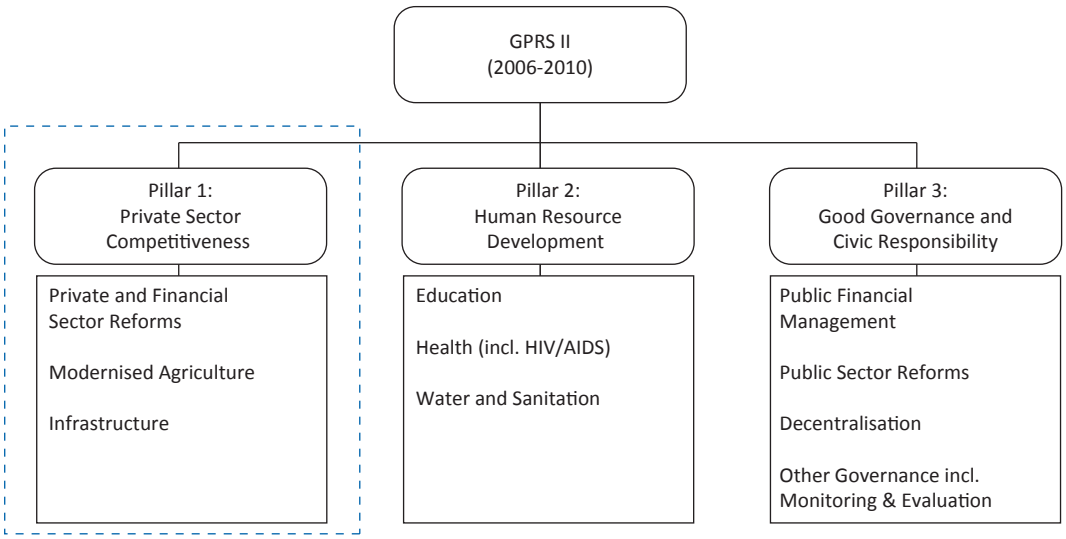
To sum up, Ghana faces three interrelated challenges in the agricultural sector. First, the country is still struggling to achieve food security and no significant economic and social progress is possible without improved productivity of small-scale producers. Second, the country is trying to diversify its products to reduce its economic vulnerability to external shocks such as the cocoa price collapse in 2001. Third, Ghana wants to turn itself into an agro-industrialised country, but so far most of its products are exported in raw form and therefore promotion of processing is crucial.

The following section examines how far government policies and donor initiatives are addressing the previously mentioned challenges and bottlenecks.

WHAT IS THE GOVERNMENT DOING?

The overarching policy framework guiding Ghana's effort to become a middle-income country is Ghana's Growth and Poverty Reduction Strategy II (GPRS II), which is a follow-up to Ghana's Poverty Reduction Strategy (GPRS I). GPRS II entails high levels of public spending to promote structural transformation of Ghana's economy. The strategy was adopted in July 2006 and is organised around three pillars (Figure 1).

Figure 1. The Three Pillars of GPRS II



Source: Author's presentation based on RoG (2005*a*).

If Ghana wants to attain middle-income status by 2015, agriculture will have to grow by at least 6 per cent per year, and the modernisation of agriculture is imperative (RoG, 2005*a*). Before going into a more detailed discussion of the GoG's new agricultural policy, it is important to take a quick look at how far GPRS II priorities are matched by actual budget expenditures. This is necessary because one of the major criticisms regarding GPRS I was the disconnection between GPRS priorities and actual budget allocations.

Private Sector Competitiveness - Only a Government Priority on Paper?

A look at the 2006 budget allocations reveals that in the first year of implementation of GPRS II a large discrepancy persisted between the GoG's budget provisions and actual budget releases. The approved 2006 budget to implement GPRS II amounted to $2 194.4 million (excluding balance of payment and budget support). Pillar 1, Private Sector Competitiveness, was to receive the largest amount of funds (41 per cent); followed by Pillar 2, Human Resource Development, (36 per cent); and Pillar 3, Governance and Civic Responsibility, (21 per cent). While the GoG intended to provide the majority of the funds (67 per cent or $1 146 million), donors pledged to contribute one-third of the GPRS resources ($733 million, excluding balance of payment and budget support, which together amounted to $441.8 million) (CG Ghana, 2007*a*).

However, the actual resource allocation along the GPRS II pillars was quite different, mainly owing to a shortfall of the GoG's spending on Pillar 1. The overall 2006 budget amounted only to $1 559 million, implying a total shortfall of over $600 million. The shortfall was entirely on the account of the GoG, since donors actually disbursed slightly more ($10 million) than projected. As a result it was Pillar 2 which received most of the funds ($669 million, 43 per cent of budget releases), followed by Pillar 1 ($575 million, 36 per cent) and Pillar 3 ($313 million, 20 per cent). The GoG released only half of the approved budget funds for Pillar 1, compared with 69 per cent of Pillar 2 and 59 per cent of Pillar 3. Donor priorities also shifted: Pillars 2 and 3 received more resources than foreseen, while Pillar 1 received only 80 per cent of planned donor funds (CG Ghana, 2007*a*). No explanation is offered as to why the GoG's funding fell short of targets, but as a result actual spending did not prioritise Pillar 1, Private Sector Competitiveness. Within Pillar 1 private sector development and infrastructure investments were the areas which suffered the largest cuts.

For 2007-2009, spending along the GPRS II pillars is planned to amount to over $2 billion per year and Pillar 1 should receive the largest part of the funds with over $1 billion a year, followed by Pillar 2 (over $880 million) and Pillar 3 (over $350 million) (CG Ghana, 2007*b*). But as the above discussion has shown, it remains to be seen whether this allocation of spending will actually materialise.

New Agricultural Sector Strategy – Correcting Old Mistakes?

According to the new Food and Agriculture Sector Development Policy II (FASDEP II), MoFA will become the lead agency for the development of the agricultural sector in Ghana. As lead agency MoFA should co-ordinate and overview the activities of the various ministries, departments and agencies (MDAs) which engage directly or indirectly in agriculture. So far MoFA has not been able to exercise this function because of lack of capacity but also because there is no mechanism in place to engage with other MDAs. Therefore a new platform for policy dialogue will be set up to ensure the response of other MDAs engaged in agriculture and promote inter-ministerial co-ordination. A stronger partnership between all MDAs and the private sector for an improved response to the sector's policies will also be pursued (RoG, 2007).

FASDEP II encompasses a wide range of goals, from food security to agricultural modernisation and international competitiveness. MoFA will be mainly responsible for food security, traditional crop development and co-ordination with other MDAs and donors, as the cocoa, fisheries and forestry sectors fall out of the responsibility of MoFA. A major difference compared with the former agricultural sector strategy (FASDEP I) is that FASDEP II adopts a value chain approach to agricultural development, and value addition and market access receive more attention. At the same time a strong focus on food security is maintained which can be seen as a response to concerns raised that the GoG was paying insufficient attention to food crops and only promoting export crops. But despite the strong focus on food security the strategy addresses the north-south divide only on the sidelines.

FASDEP II provides a good investigation into constraints hindering the development of the agricultural sector and also analyses to a certain extent the success or failure of past interventions. However, the analysis of the problem is often not followed by a proposal of how to improve interventions of the GoG. For example, while it is acknowledged that FASDEP I has failed to achieve the desired impact on poverty because of insufficient targeting of the poor, not much can be found in FASDEP II on how better to involve the poor. FASDEP II also contains multiple drafts of an indicator matrix to measure the effects of interventions in the agricultural sector. However many indicators remain to be concretised and it is not clear which of the many MDAs will be responsible for the actual collection of data.

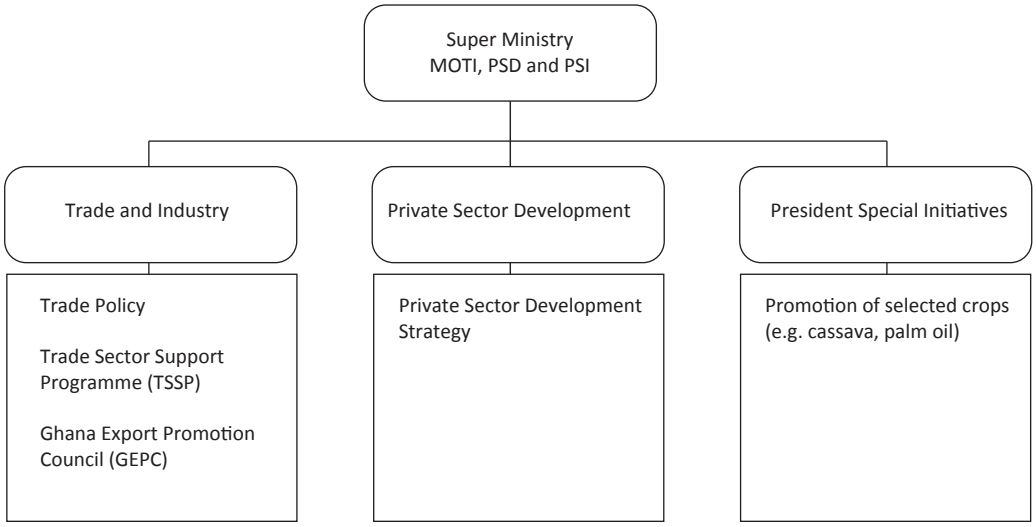
The strategic plan for implementation of FASDEP II is still to be developed and will, it is hoped, provide more concrete ways forward on how to tackle the challenges of the agricultural sector, e.g. collaboration with the "super ministry" – the Ministry of Trade, Industry, Private Sector Development and President Special Initiatives (MoTI, PSD and PSI) – to attract more private investment in industrial crops. So far Ghana still has a separate private sector development strategy, trade policy and agricultural sector policy. Past Ghanaian agricultural strategies have similarly lacked consistency and sustainability. The inauguration of a new government has tended to be connected to a major shift of focus in agriculture and there is no guarantee that the next presidential election in 2008 will not bring a substantial shift in the agricultural strategy again.

Agriculture, Private Sector Development and Trade Strategy – Missing the Links?

In April 2006, the Ministry of Trade and Industry, the Ministry for Private Sector Development and the President Special Initiative were merged into a "super ministry" — MoTI, PSD and PSI. However, the merger has yet to affect operations. Ghana still retains separate trade and

private sector policies and the PSIs continue to exist as stand-alone initiatives (Figure 2). The recent merger has not led to a harmonisation of the various efforts to promote trade and private sector so far.

Figure 2. The Super Ministry



Source: Author's presentation based on field interviews.

In December 2004, Ghana's current trade policy was launched following adoption of the new private sector development strategy in July 2004. The goal of the new trade policy is for Ghana to become a middle-income country by 2015, by turning the country into a leading African agro-industrial economy. The major driver of this development should be the private sector, while the GoG provides a trade-enabling environment. Ghana's trade policy covers seven areas: *i)* unilateral trade; *ii)* creation of a fair and transparent import-export regime; *iii)* facilitation of trade; *iv)* enhancement of production capacity for domestic and export markets; *v)* domestic trade and distribution; *vi)* consumer protection and fair trade; *viii)* protection of intellectual property rights.

The current trade policy itself provides only general guidelines in these areas, for example that Ghana should obtain reductions in tariffs and elimination of non-tariff barriers for Ghanaian export goods in the WTO (World Trade Organisation) negotiations. The actual implementation is guided by the Trade Sector Support Programme (TSSP) which, apart from the seven themes mentioned above, covers three additional areas: *i)* standards; *ii)* competition and government procurement; *iii)* export trade support services (RoG, 2004*a*; RoG, 2005*b*).

As the GoG itself admits, the current TSSP is a very complex programme, involving a large number of MDAs, business associations and other external stakeholders. The TSSP is supposed to deliver a rapid and strategic expansion of Ghana's productive base. The aim already implies substantial overlap with the Private Sector Development Strategy but this problem is not addressed in the TSSP. With the exception of the area of education, there is no reference made to how co-operation with other ministries could function. The policy remains very general with no Ghana-specific information and therefore the opportunity to incorporate lessons learnt from the past is missed.

Moreover, the envisaged 27 projects under the TSSP cover very large areas and already tend to overlap. Since the implementation has only recently started, not much can be said about the actual effects of the Programme, but in the project description no reference is made to existing

initiatives or ongoing programmes. The timeframe for the TSSP is also rather ambitious: in about five years the TSSP is supposed to have radically transformed the trade and industry sectors of Ghana. Taken as a whole, in their current form the trade strategy and the TSSP do not lend themselves easily to implementation and therefore further efforts are required to guarantee their effective operation.

Lastly, one of the most pressing challenges is inter-ministerial co-ordination between MoFA and the MoTI. Since agriculture and agro-processing form the largest component of the Ghanaian private sector, it is essential that the FASDEP is effectively linked with the private sector development strategy and the TSSP. But so far co-operation between the two ministries is limited. Part of the problem is that the MoFA is "weak" and lacks adequate resources and capacities; while the MoTI is comparatively "strong" but lacks adequate understanding of agricultural issues. There was a proposal to merge the agriculture and private sector development strategy but it was dropped (RoG, 2003*a*; RoG, 2003*b*).

To sum up, several challenges remain with respect to the GoG's efforts to promote the modernisation of the agricultural sector. First, Pillar 1, Private Sector Competitiveness, of the GPRS II is so far only a priority on paper since actual budget allocations continue to fall short of budget provisions. Second, there is no single strategy to promote private sector development in agriculture. Private sector, agricultural development and agricultural exports appear in various policy documents (the new FASDEP, the trade strategy, the private sector strategy) but the connection between the strategies is far from clear. Last but not least, the challenge of coherent GoG support to the agricultural sector remains, as a variety of MDAs are responsible for implementation and inter-ministerial collaboration has been very rare in the past. It remains to be seen whether MoFA will be able to assume the role of the lead agency with respect to the agricultural sector as envisaged in the FASDEP II.

Having discussed GoG efforts to promote the agricultural sector, the following section analyses how donors support it.

WHAT ARE DONORS DOING?

Owing to its political stability and commitment to economic reforms, Ghana is one of Africa's donor darlings with aid amounting to more than 10 per cent of gross national income (GNI) (10.6 per cent of GNI in 2005) or $51 per capita. Between 2000 and 2005, Ghana received an average of $1.3 billion of official development assistance (ODA) per year. Most aid came from bilateral donors, whose yearly support averaged $839 million. Multilateral aid amounted to $496 million per year. However the averages mask large variations of aid flows between the years. Ghana's prominence with international donors can be seen not only by the amounts of aid it is receiving but also by the sheer number of actors: 21 bilateral donors and 10 multilateral agencies are providing aid.

Since the introduction of GPRS II in 2006, the GoG puts greater emphasis on growth and the development of the productive sectors. Looking at donor commitments for 2006-08 shows that donors have followed suit. While donor support for human capital development and social services will only rise slightly, support for Pillar 1 will increase significantly. Between 2006 and 2008, Pillar 1 will receive over $1.5 billion, or 53 per cent, of the total donor funds committed for that period. This implies an increase of Pillar 1 support of over 40 per cent compared to 2003-05. The major beneficiary of this increase will be agriculture: yearly donor support for agriculture will more than double, reaching $226 million in 2008. In fact, during 2006-08 support to agriculture will overtake support to infrastructure: donor support to agriculture will amount to $589 million, compared with support to infrastructure of $442 million. Support to private sector development (PSD) will also almost double, reaching a total of $244 million between 2006-2008 (RoG, 2006; CG Ghana, 2007*c*).

Mapping Donor Support to PSD in Agriculture

Most donor support in the agricultural sector is still provided in the form of projects, and according to field interviews the number of these is increasing rather than decreasing. Building on the donor support overview of the Ghanaian Ministry of Finance and Economic Planning (MoFEP), Table 1 provides a classification of over 100 ongoing development projects supporting private sector development in agriculture in 2006. The actual number of projects is probably even higher since the table only accounts for the major bilateral and multilateral donors, excluding NGOs. In addition, some major projects, such as TIPCEE (Trade and Investment Program for a Competitive Export Economy) which is financed by the United States Agency for International Development (USAID), are mainly operating outside the government structures and therefore not accounted for.

Table 1. Ongoing Support to Private Sector Development in Agriculture
(2006, projected disbursements in $ million)

No	Area of Intervention	Donors	No. of Projects	Total Disbursement	% of Total	Smallest Project	Largest Project	Average per Project
1	**Firm Farm Level**							
1.1	Access to Inputs and Irrigation	AfDB, Japan	3	3.30	0.8	0.40	2.40	1.10
1.2	Production	AfDB, Canada, EU, FAO, France, IFAD, Switzerland, USA	26	67.72	16.3	0.01	25.10	2.60
1.3	Agricultural Marketing	AfDB, Germany	3	7.00	1.7	1.30	4.10	2.33
2	**Public Sector**							
2.1	Agricultural Policy and Interventions	Canada, FAO, Germany, Japan, UNDP, USA	6	18.46	4.4	0.03	15.50	3.08
2.2	Trade, Commerce, Industry	Germany, USA, World Bank	3	14.20	3.4	1.30	10.00	4.73
2.3	Business Environment	Canada, NDF, UK, USA, World Bank	5	11.90	2.9	0.30	6.00	2.38
2.4	Specialised Agencies	None	0	0.00	0.0	0.00	0.00	0.00
2.5	Economic Infrastructure	AfDB, Denmark, EU, France, Germany, Japan, Netherlands, Spain, Switzerland, UK, USA, World Bank	22	179.15	43.2	0.04	43.50	8.14
3	**Public/Private Sector**							
3.1	Agriculture Programmes and Budget Support	Canada, UK, World Bank	3	42.53	10.2	4.80	20.23	14.18
3.2	Business Develop-ment Services	None	0	0.00	0.0	0.00	0.00	0.00
3.3	Advocacy/Lobbying for Policy Reform	Canada, IFAD, Netherlands, UK	4	7.56	1.8	0.06	6.40	1.89
3.4	Other	Spain	1	4.60	1.1	4.60	4.60	4.60
4	**PSD Support**							
4.1	General PSD Support	AfDB, Canada, Denmark, EU, France, Germany, IFAD, ILO, IOM, Italy, Japan, Netherlands, UK, UNDP, USA, World Bank	23	48.38	11.7	0.08	13.90	2.10
4.2	Financial Sector	AfDB, IFAD, Switzerland, UK, UNDP, USA, World Bank	9	10.37	2.5	0.30	2.70	1.15
			108	**415.17**	**100.0**	**0.01**	**43.50**	**-**

Source: Author's presentation based on RoG (2006*b*).

As Table 1 shows, there is a large variation in yearly disbursements: some small projects such as the FAO Wealth Creation project only disburse $10 000 per year, while big projects such as the World Bank's Road Sector Development Program disburse $43.50 million per year. Currently only Canada and the UK provide sector budget support directly to MoFA (Table 1, 3.1). Both donors also maintain various projects at the same time.

The largest number of projects (26) can be classified as promoting production (Table 1, 1.2) at the firm/farm level. Most of the projects focus on the promotion of food crops to enhance food security. This is in line with the observation of field interviews that promoting commercial farming is still relatively new and just starting to be taken into account when designing new projects. For example, IFAD is planning to use a more commercial approach to farming also for food crops in the north in its upcoming Northern Rural Growth Programme (NRGP). Currently, the only donor covering the whole value chain is AfDB, albeit with diverse projects.

With respect to donor support to the public sector two observations can be made. First, the majority of the projects (22) focus on improving the economic infrastructure (Table 1, 2.5), especially roads. Not only is a large number of donors (12) active in this area but infrastructure (mainly transport) also receives over 40 per cent of total donor funds. Second, the area of improving agricultural policy and interventions (Table 1, 2.1) is also fairly well covered. Here it has to be taken into account that the budget support of Canada and UK, as well as the World Bank Agricultural Services Sub-Sector Investment Program (AgSSIP), also provide considerable support in this area, especially with respect to capacity building in ministries.

The largest number of donors (16) is active in providing support to PSD (Table1, 4.1); however it is often not clear how far this assistance aims at developing the agro-based private sector. The same holds true for financial sector support, where interventions more generally target rural entrepreneurs or small and medium enterprises of which agribusinesses can (but do not have to) be part.

Overall, Table 1 shows that there is a high concentration of donors in certain areas, e.g. production, infrastructure, general PSD support, which implies that there is some room for improving the division of labour between donors. Marketing and the provision of inputs should receive special attention. It remains to be seen the extent to which new projects such as the Millennium Challenge Account (MCA) programme will fill these gaps.

Major Donor Projects in the Agricultural Sector

The following section will take a closer look at several donor projects in the agricultural sector. An attempt was made to focus on the most important or biggest projects. However, data limitations did not always permit this approach to be followed and some projects were also chosen because of their unique or innovative character, or their link to other projects. Table 2 provides an overview of the projects being examined in the order of discussion.

Table 2. Discussed Donor Projects

Donor	Project	Primary Objective	Amount ($ million)	Time	Element of Interest for the Study
World Bank	AgSSIP	Before 2004: Research and extension, reform of agricultural sector After 2004: Promotion of agribusiness/horticultural sector	67.0	2000-2006	Largest project before MCA, attempt to establish AgSWAp, Horticulture Export Industry Initiative (HEII)
Canada	FABS	Enhance MoFA's capacity to implement FASDEP	85.0	2003-2008	Sector budget support, institutional capacity building
AfDB	EMQAP	Promotion of horticulture and cassava	25.8*	2006-2010	Link to other projects, cassava processing
USA	TIPCEE	Exponential growth in sales of non-traditional agricultural exports by increasing the competitiveness of Ghana's private sector in international and regional markets	30.0	2005-2009	Value chain approach, connection to other projects, direct co-operation with private sector
USA	MCA Programme	Increase and enhance production, productivity and competitiveness of high-value cash and food crops	547.0	2007-2011	Largest project in the sector, value chain approach
IFAD	NRGP	To develop remunerative and inclusive agricultural commodity and food chains in Northern Ghana	21.8	2008-2015	Value chain approach for food crops

*UA17 million converted with UA1 = $1.5205, currency equivalent of February 2005, given in project appraisal document, see AfDB (2005).

Source: Author's presentation.

AgSSIP – A Failed Attempt to Establish a Sector-Wide Approach in Agriculture

The biggest ongoing project in the agricultural sector in the past six years (2000-06) has been the World Bank's Agricultural Services Sub-Sector Investment Project (AgSSIP). During the implementation period the terms AgSSIP and MoFA were often used interchangeably, which shows how important the project had become. However the original intention was quite different.

AgSSIP was supposed to be a sector investment programme financed by various donors leading to the establishment of a sector-wide approach (SWAp)[4]. The idea was to avoid the pitfalls of past agricultural development support in many countries and especially in Ghana, e.g. poor co-ordination and low impact, lack of flexibility and coherence in allocation of resources etc. (Le Coq, 2003). Alongside World Bank financing of $67 million, substantial funding (over $40 million) was supposed to be provided by several other donors (RoG, 2004*c*).

Between 1998-2000, a broad consultative process (involving the private sector) took place to develop a sector programme which would help to transform the agricultural sector. But the final AgSSIP project document did not seem to have strong links to prior documents of the consultative process and mainly focused on research, extension and broad sector reforms instead of a revival of the agricultural sector as a whole. As a result, donors felt left out of the final World Bank project (Le Coq, 2003).

Donors decided to opt out of AgSSIP and the planned co-financing did not materialise, with only the UK provided some funds at the project appraisal stage[5]. In the end AgSSIP became

a typical World Bank investment project with its own project co-ordination unit, financial monitoring, etc.

AgSSIP implementation also took off rather slowly. The project was supposed to start in 2000, but after the January 2001 change of government, discussions about the necessity of the project as a whole were renewed. At the same time GoG priorities for the agricultural sector changed as Ghana's agricultural sector strategy was reviewed and FASDEP I was introduced. At the end of 2001, the project was signed into effect by the GoG but programme ownership and implementation remained weak until the midterm review in 2004 which led to a major restructuring of the project.

In the restructuring of AgSSIP in 2004, GoG took a leadership role and more weight was given to commercial farming[6]. New priorities put forward by the GoG were development of the horticulture export industry, rehabilitation of irrigation schemes, development of the palm oil industry, community fisheries, infrastructure development and agricultural mechanisation service centres and support for FBO development (RoG, 2004*b*). Those activities were already included in AgSSIP but more emphasis was put on those "new" initiatives in the second half of the programme. After the restructuring the response from GoG and farmers was very positive.

Implementation remained the responsibility of MoFA since the decentralisation process was not as advanced as had been assumed when the project was designed. In principle, financing should have gone through the district assemblies but instead (owing to the incomplete decentralisation process) it went to the directorates of the MoFA at district level. Even today, fiscal decentralisation is far behind functional decentralisation. The proportion of the GoG budget going to district level is currently only 38 per cent (World Bank, 2007).

According to the World Bank (2007) the crops and livestock subsectors, which were the most relevant sectors under AgSSIP, recorded an average growth rate of 5.4 per cent per year. While it is difficult to link the effects of a certain project to overall sector performance, it is fair to say that AgSSIP played an important role in strengthening MoFA, alongside Canada and the UK who also provided support in that area, helped to increase the capacity of FBOs in production and marketing and ensured the increasing involvement of the private sector in service delivery. Another positive outcome has been MoFA's Horticulture Export Industry Initiative (HEII), which will be discussed in more detail below, since many donors currently show a substantial interest in the horticultural sector in Ghana.

Sector and General Budget Support but no AgSWAP?

The next step for the World Bank will be to move to general budget support which was already envisaged in the project document of AgSSIP. The agricultural sector was to a certain extent already supported under the previous Poverty Reduction Support Credits (PRSCs) which are the World Bank's budget support instrument. For example, the PRSCs provided funds to pursue quality enhancement through crop spraying and to increase farmers' share of the cocoa price (World Bank, 2007). Future PRSCs will have an even stronger focus on agriculture. According to the World Bank, the capacity building efforts in the past six years should have made MoFA strong enough to engage with the MoFEP in the budget discussions. The World Bank expects that through budget support and the related discussions MoFA will be able to get a larger share of the total GoG budget. This in turn should make MoFA less dependent on project funds. However, in the past MoFA's budget share has been rather low with only 3 per cent of the discretionary GoG expenditure (Akroyd and Smith, 2007). MoFA itself was somewhat shocked by the World Bank's announcement to move to budget support, as it fears losing out in the budget process. Still, budget support from Canada and the UK earmarked for the agricultural sector will remain as a base funding.

Canada and the UK are the only donors providing budget support earmarked for the agricultural sector. Because of the low capacity at MoFA, most of the funds have been used to improve the management and governance of MoFA. As a result, public financial management, budget planning and the co-ordination between national and district level have improved. According

to field interviews, another major achievement has been increasing awareness in MoFA of the impact of their activities on the environment. Budget support has also strengthened MoFA's position vis-à-vis the MoFEP. The transfer of financial resources from the MoFEP to MoFA has improved; the delivery time between request and receipt of money used to be 75 days and now takes less than 30 days. While Canada will probably continue to provide sector budget support, it does not seem likely that other donors will join. Field interviews suggest that neither donors nor MoFA are particularly inclined to establish an AgSWAp at the moment which would provide the basis for increasing budget support in the agricultural sector. Despite the high costs linked to stand-alone projects, MoFA seems to have a preference for this type of donor support, since it provides a fairly stable source of funding without having to engage in budget discussions with the MoFEP. The recent start of various big projects in the horticultural sector also implies a continuation of project-based development assistance in the agricultural sector.

Horticulture Export Industry Initiative – a Popular Donor Playing Field

The major objective of the HEII is a market share expansion of Ghana's horticultural products at the international level. The HEII tries to consolidate Ghana's competitive position through the introduction of new varieties such as MD2 pineapples or golden papaya. Under HEII there is also a strong commitment to improve infrastructure, such as port handling, storage and logistics (GEPC, 2007*b*).

The HEII has proved to be a good docking station for donor projects, even though it is unclear how far this is related to the success of the initiative or the general interest of donors in the horticultural sector. Major projects in the horticultural sector are the AfDB-financed Export Marketing and Quality Awareness Project (EMQAP), the USAID-funded Trade and Investment Programme for a Competitive Export Economy (TIPCEE), and the Millennium Challenge Account (MCA) programme.

EMQAP – Building on the Institutional Structures of AgSSIP

The Export Marketing and Quality Awareness Project (EMQAP) was approved in 2005 with a resource envelope of $24.7 million, but actual implementation only started in January 2007. The objective is to increase the incomes of horticultural-crop farmers and exporters and of cassava producers. The project covers the whole value chain for pineapple and cassava and certain other horticultural products (papaya, eggplant and chillies). It will be implemented over five years in four regions: Central, Eastern, Greater Accra and the southern-most part of the Volta (AfDB, 2005). With regard to horticultural products, the project avoids those which are dominated by large multinational companies, such as bananas. This is quite a different approach from TIPCEE which actually tries to link smallholders via nucleus firms with large multinational companies (see below).

The expected outputs of the project include a database on market information and consumer preferences, marketing strategies for the selected horticultural crops, 410 km of all-weather roads, cold chains in each of the four regions under the project, improved commercial capacities of horticultural producers and exporters as well as other private entrepreneurs, and strengthened horticultural farmers' and exporters' associations. An interesting feature of the project is the promotion of cassava processing, since Ghana is the third-largest cassava producer in Africa and the sixth-largest cassava producer in the world with 5 per cent of world production. In line with the PSI on cassava the project will promote the linking of smallholder farmers to the sole cassava processing company in Ghana in operation at the moment – the Ayensu Starch Company (AfDB, 2005).

In order to avoid duplication, the project builds on the institutional infrastructure established by AgSSIP, e.g. the steering committee and the project management co-ordination unit (PCMU). While MoFA will be the executing agency, the HEII management team will be reassigned to EMQAP and charged with the implementation of project activities. The PCMU will also co-ordinate with the IFAD-financed Roots and Tuber Improvement Project (RTIP) to ensure that the

targeted cassava farmers in the Ayensu area will have access to high quality cassava planting materials. Last but not least, a close collaboration with TIPCEE and the Japan International Co-operation Agency (JICA) is expected, even though the exact nature of that collaboration is not described (AfDB, 2005).

EMQAP envisages a participatory approach to avoid the mistakes of past agricultural projects which depended heavily on public intervention and resulted in limited ownership by stakeholders. Beneficiaries will not only be involved in design, implementation and monitoring of the project but there will also be ten consultation workshops (two each year) during the course of the project implementation (AfDB, 2006).

Since the project has just started it is too early to discuss the effects of the planned interventions which have the potential to enhance Ghana's international competitiveness. However, EMQAP faces the problems shared by all projects: management and co-ordination of stand-alone projects is costly. Despite efforts to build on and complement other donor efforts, project co-ordination and management costs remain high at $2.39 million (8 per cent of the total project cost) and require almost as many funds as are foreseen for capacity building efforts ($2.4 million). The EMQAP may not build parallel structures itself but it will continue to use established ones. There is also a concern with respect to sustainability of certain interventions; for example, it is unclear who will take over the provision of improved seeds and who will maintain the database after the termination of the project.

TIPCEE – Linking Smallholders to the Market

In 2005, one year before the announcement of the MCA programme, USAID and the GoG started the Trade and Investment Programme for a Competitive Export Economy (TIPCEE) with a resource envelope of $30 million. TIPCEE seeks to achieve "exponential" growth in sales of agricultural exports by increasing the competitiveness of Ghana's private sector in international and regional markets. TIPCEE is USAID's flagship project under its economic growth programme for Ghana and is implemented by Chemonics International along with its consortium partners[7]. The project is large in both monetary and human resource terms, with a largely Ghanaian staff of 50 people including support personnel of which only three are expatriates (USAID, 2007*a*).

The project consists of two components: Enabling Environment (EE) and Export Business Development (EBD). EE focuses on improvement of the legal and regulatory environment for private sector operations and investment with respect to trade, finance and agriculture. Most of the support takes the form of technical assistance. EBD works with the private sector to build its capacity to compete in the regional and international markets. The EBD component is driven by market demand: farmers are taught to produce what they can sell and not to sell what they produce. A major goal of TIPCEE is to integrate smallholder farmers into export-oriented (and more recently domestic market) value chains; e.g. smallholder groups are linked to exporting firms in the pineapple, mango, papaya and vegetable subsectors, and local or regional firms in the case of other commodities such as maize. But TIPCEE is not only collaborating with the smallholder farmers but also with the nucleus firms to increase their ability to engage with smallholders (USAID, 2007*a*). The amount of money TIPCEE was able to raise in the last three years can be seen as a sign of success: during that period, $1 million from TIPCEE has leveraged $1.3 million, mainly from the private sector.

One of the major differences compared with the other projects discussed so far is that TIPCEE works predominantly through the private sector and only partially through GoG structures (USAID, 2007*a*). According to TIPCEE staff, one of the reasons for the focus on the private sector is its ability to disseminate and react quickly to often changing market demands especially for high value export commodities, such as horticultural products. The private sector has an ability to react that is currently missing in government bureaucracies. Constantly changing market demands require quick transmission of information, but when using the MoFA structures it may take months for the information to get to the producer. However when working on crops such as maize and citrus which are grown by many, geographically dispersed farmers, the involvement

of MoFA is essential. TIPCEE has also been contributing technical assistance to MoFA's HEII MD2 dissemination programme for smallholders.

TIPCEE works with other ongoing donor projects in the sector such as Germany's Market Oriented Agriculture Programme (MOAP). The collaboration with Germany has resulted in industry events such as the Fruit Logistica trade fair, the EurepGAP Option 2[8] pilot for pineapple smallholders, and the development of a geographic information systems (GIS)[9] mapping database of citrus smallholder farms. TIPCEE is also collaborating with Germany to strengthen the Federation of Associations of Ghanaian Exporters (FAGE) (USAID, 2007*a*).

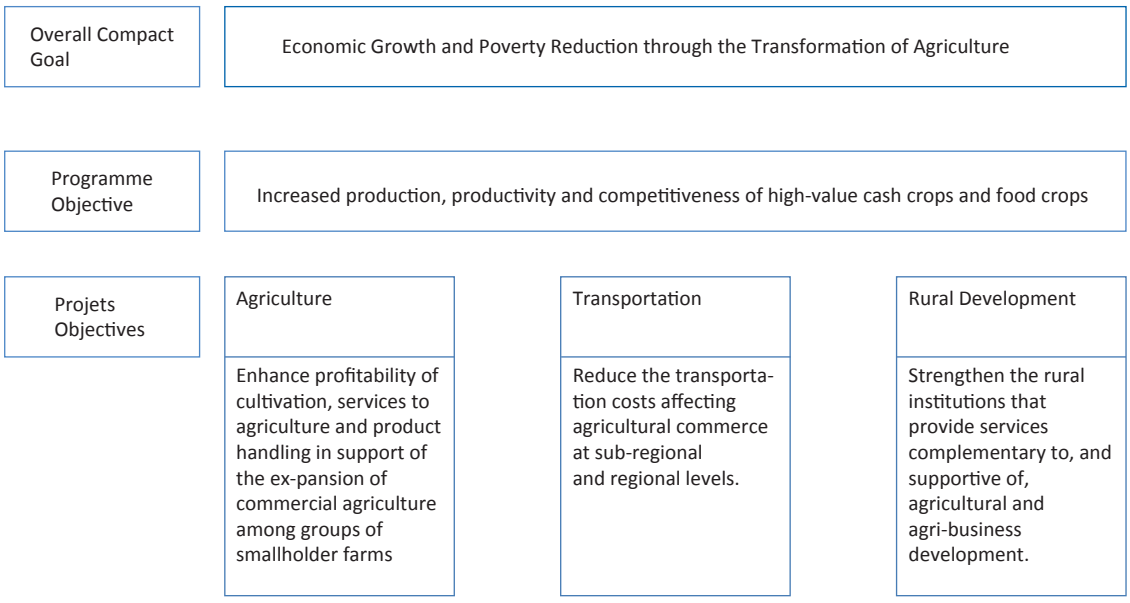
Unlike the AfDB project discussed above, TIPCEE is actively seeking to link big international companies with the Ghanaian private sector. In 2006 TIPCEE provided technical and financial assistance to a Ghanaian company that produces juice and juice concentrate to enable the company to supply 500 tonnes of pineapple concentrate to the Coca-Cola Company in 2007. This will require 6 000 tonnes of fresh pineapple which will be sourced mainly from Ghana's smallholder producers. TIPCEE is also currently co-operating with the management of Chiquita to explore the options for banana growing in Ghana (USAID, 2007*a*).

Originally TIPCEE focused on high-value export crops such as pineapple, mango, papaya, cashews and Asian vegetables. In 2006, USAID Ghana increased the number of rural households that should benefit from the programme from 30 000 to 100 000. The target was raised to meet the goals of US President Bush's Initiative to End Hunger in Africa (IEHA). Even though the USAID Audit Report 2007 raised concerns about the attainability of the target and noted that this may lead to an inefficient reallocation of resources, USAID Ghana has decided to keep the ambitious goal. Therefore TIPCEE's mandate was expanded to include certain food crops that target a regional market and/or domestic markets – citrus, tomatoes, onions and maize. In addition, two medical plants – voacanga and griffonia – were added. For tomatoes, maize and citrus, processing options will be explored (USAID, 2007a; USAID, 2007*b*). It remains to be seen if this enlargement of focus will overstretch the programme.

MCA Programme – Trying to Tackle Various Bottlenecks at Once

Ghana was one of the first countries that became eligible for Millennium Challenge Account (MCA) funds in 2004. In August 2006, Ghana finally signed the MCA compact with the US government over a grant of $547 million which is to be disbursed over the next five years. However implementation is still at the very beginning. The goal of the MCA programme is to modernise agriculture and increase Ghana's non-traditional exports in three sub-regions: the southern horticultural belt, the Afram plains and the northern savannah region. The MCA programme consists of three projects: *i)* the agriculture project, *ii)* the transportation project and iii) the rural services project (Figure 3).

Figure 3. MCA Programme Ghana



Source: Author's presentation based on RoG/USA (2006).

With $241 million the agriculture project will receive the largest amount of the total funds, followed by transportation ($143.1 million) and rural services ($101.3 million). In order to ensure that the objectives of the MCA Ghana programme are realised, the Millennium Development Authority (MiDA) was established by an Act of Parliament (Act 702) in 2006. MiDA will oversee and manage the implementation of the Ghana programme. Consequently it is not surprising that project administration will be quite costly, amounting to $46.6 million. Monitoring and evaluation will cost another $15 million (MiDA, 2006; RoG/USA, 2006).

Within the agriculture project, commercial training will receive the biggest share of the funds ($66 million), followed by credit activity ($58.4 million) and feeder roads ($57.9 million) (RoG/USA, 2006). Irrigation, post-harvest infrastructure and land reform share the rest of the funds but on a much smaller scale with $27.6 million, $20.4 million and $10.7 million respectively. The MCA programme is expected to train 51 000 households in agronomic, organisational and business skills as members of FBOs, to improve the extension services by MoFA, to develop and improve the operations of approximately 120 small and medium-sized enterprises and to rehabilitate over 950 km of feeder roads (MiDA, 2006).

With its strong focus on the horticultural sector, the MCA programme has in many ways pre-empted the second phase of AgSSIP and TIPCEE. According to field interviews, MCA provides the opportunity to scale up many activities which started under AgSSIP and TIPCEE. But with regard to ongoing donor harmonisation efforts, the MCA programme has been viewed rather critically by other donors as the US has not been too keen on joining ongoing harmonisation initiatives. At the beginning there seemed to be no eagerness to incorporate lessons learnt from the past (Lucas, 2006). Now MCA has a local representative, besides MiDA, in Accra and participates in the agricultural sector working group.

NRGP – Bringing the Value Chain Approach to Northern Ghana

As the discussion above has shown, much donor support is going into the horticultural sector. While this support will be very helpful in promoting export-oriented agriculture, it risks reinforcing the existing north-south divide of Ghana's economy. One of the few donors who have been active in northern Ghana during the past 20 years has been IFAD. Ghana has been the largest

recipient of IFAD funds in West Africa with $155 million, more than half of which have been used to fight rural poverty in the North (IFAD, 2006).

IFAD has been active in building domestic markets for traditional food crops by promoting the modernisation of production of specific commodities (i.e.: roots and tuber crops: cassava, yam, sweet potatoes). One of the lessons learnt from donor interventions in the past has been that too much focus was put on production, while too little attention was placed on 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.

Under the NRGP, which starts in 2008, the three northern regions will receive support to develop the value chain of 11 commodities (five rain-fed and six irrigated). The NRGP also envisages investments in rural infrastructure such as small dams and transport links, and improved access to rural financial services.

The total project cost of NRGP is estimated to be $60 million. While IFAD will contribute $21.8 million, the largest part of the funds is expected to come from GoG with $29.3 million (IFAD, 2007). TIPCEE staff has been involved in the design of the programme, since IFAD will built on their experience with the value chain approach. The NRGP will show whether the value chain approach is useful in promoting the commercial production of food crops. With its substantial requirement of GoG co-financing, it will also test the GoG's willingness to invest in the North.

To wrap up, donor support to the agricultural sector remains project-based, despite the fact that the associated costs for implementation and monitoring are high. Several large donor projects have just started in the horticultural sector and there seems to be a move towards using the value chain approach. IFAD is even pioneering the value chain approach in the North. Donors also seem to be making an effort to co-ordinate their projects, at least at the design stage. As the MCA experience has shown, there is also peer pressure to participate in harmonisation discussions. However, with respect to implementation it is less clear how far co-ordination on the ground is taking place.

CONCLUSIONS

Whether or not Ghana will attain middle-income status by 2015 will depend on the modernisation of the agricultural sector. However, as the first section has shown, the agricultural sector in Ghana is by no means a homogeneous entity. In the export sector two positive trends can be observed: horticultural exports have been increasing and recent investments in cocoa and pineapple processing are starting to produce some positive results and should be further encouraged.

When looking at the development of the food crop sector, the picture is less bright. Ghana continues to face food security problems because domestic production is lagging far behind demand, despite the fact that Ghana's natural conditions are generally advantageous for agricultural production. The modernisation of agriculture therefore requires a two-fold strategy for export and food crops, but currently donor and GoG efforts seem to be biased towards the export sector. There is also a regional dimension to the problem as the fast-growing sectors are mainly located in the south, while poverty and food crop production are concentrated in the north of Ghana. The north-south divide is back on the political agenda; e.g. in its 2008 Budget Speech the GoG has pledged to establish a Northern Development Fund but it remains to be seen if words will be followed by actions.

In GPRS II and in the new FASDEP the GoG is giving high priority to the modernisation of agriculture through the promotion of the private sector. However, during its first year of implementation, the GoG's spending on the GPRS II fell far short of what was promised ($600 million). As a result it was not Pillar 1, Private Sector Competitiveness, which received the largest amount of funds, but Pillar 2, Human Development. At the same time donors delivered even more than they had originally committed. However, donor funding is not sufficient and if the GoG's spending and commitment do not materialise, new strategies such as FASDEP II will remain tigers without teeth.

FASDEP II envisages that MoFA will take the lead in co-ordinating all the efforts in the agricultural sector. So far MoFA has not had the capacity to play this role. Interestingly, some donors are hoping that MoFA will be capable of playing the co-ordinator role, while at the same time admitting that MoFA is already overwhelmed by the ongoing donor projects. Next to the overseeing of donor projects, interministerial co-ordination remains a challenge. So far the MoFEP seems to have overarching power as most of the donor funds go to it first. With respect to agricultural exports and PSD, the division of labour between MoFA and the "super ministry" (MOTI, PSD and PSI) is by no means clear. The implementation plan for FASDEP II which is currently being developed, will, it is hoped; provide some guidance on the division of labour between the various MDAs involved in promoting PSD in agriculture. The sustainability of MoFA's initiatives also suffers from frequent shifts in priorities enforced by new governments. Establishing a long-term agricultural strategy would be highly desirable compared with short-term shifts in focus every four years.

Donors have responded accordingly to the GoGs' priorities under GPRS II by committing more resources to private sector competitiveness. Aid to agriculture in particular will see a strong revival in the coming years. Current commitment figures reveal that aid to agriculture will more than double until 2008, reaching $226 million. As this study has shown, many donors are currently engaged in promoting the agricultural sector and private sector development more broadly. However, while donor harmonisation in general is very advanced in Ghana, there is much room for improvement in the agricultural sector. Most aid continues to be provided through stand-alone projects which are associated with high costs in terms of human and financial capital due to individual monitoring, implementation etc.

While donors are well aware of the costs of stand-alone projects and the resulting fragmentation of efforts, it is unclear whether an AgSWAp will be established. Neither donors nor MoFA seem to be particularly minded to push for one. Part of the story is that stand-alone projects have been quite important for the survival of MoFA in the past. For the time being the agricultural working group remains the main forum for donor harmonisation in agriculture and at least there is pressure for donors to be present in the discussions. At the beginning the US showed little enthusiasm for ongoing harmonisation efforts in the agricultural sector but now MCA has a local representative who participates in the agricultural sector working group. AfDB has also recently opened a country office in Ghana as it was felt that a stronger presence on the ground was necessary.

Looking at the distribution of over 100 ongoing donor projects supporting PSD in agriculture reveals that there is a high concentration of donors in certain areas, e.g. production, infrastructure and general PSD support, which implies there is room for improvement in the division of labour between donors. Marketing and the provision of inputs should especially receive more attention. New projects such as the MCA programme try to fill these gaps while at the same time providing the opportunity to scale up successful intervention of TIPCEE and AgSSIP. Donors also make an effort to connect their projects with other ongoing donor interventions, e.g. USAID's TIPCEE with Germany's MOAP or AfDB's EMAQ with IFAD's RTIP. However, without a sector programme this happens on an ad hoc basis and it is difficult to judge how far this is leading to a more efficient use of aid. Multi-donor programmes would probably be a better solution.

The horticultural sector has emerged as a favourite target of donors and the GoG. The examination of several large projects reveals that donors are increasingly taking a value chain approach and trying to link smallholder farmers to exporters via outgrower schemes. Still, even within

the donor efforts to promote commercial agriculture through outgrower schemes, project approaches vary according to donor preferences. While multilateral donors such as AfDB work through government structures and try to avoid areas which are dominated by large international companies, USAID is taking exactly the opposite approach by working mostly with international consultancy firms outside the GoG and trying to establish links between the Ghanaian private sector and large international companies. While it is too early to assess the effects of the projects, experiences from the recent investments of international companies in the pineapple and cocoa sector suggest that the linking of smallholders to international companies can be beneficial for both sides.

The development of the horticulture export industry is welcome but it carries the risk of leaving the North further behind. There also seems to be too strong a focus on the export sector. Food crops should not only receive more attention to resolve Ghana's food security problems, but also to take advantage of the growing demand of Ghana's middle-income class which provides the opportunity for developing a local food industry. TIPCEE's enlargement to include processing of tomatoes, maize and citrus is a positive development in this respect. IFAD's NRGP is also a welcome effort to promote the commercial production of food crops. Since IFAD expects the GoG to provide the largest part of the project funds, this will be a first test of the renewed GoG's commitment to tackle the north-south divide.

NOTES

1. According to MoFA the total area under formal irrigation amounted to only 11 000 hectares in 2002 whereas 500 000 hectares have irrigation potential (RoG, 2007).

2. However it should be noted that it is unclear to what extent Ghana's recent record production levels of cocoa are due to increased smuggling from Côte d'Ivoire. For a discussion of factors explaining the doubling of cocoa production in Ghana see Bogetić *et al.* (2007).

3. The Ghana Cocoa Board (Cocobod) has been one of the main factors behind the success and recovery of Ghana's cocoa sector. The operations of Cocobod cover the entire cocoa value chain. Cocobod has a monopoly on external marketing and still dominates domestic purchasing through its Produce Buying Company (PBC). However, domestic marketing of cocoa was fully privatised in 2001 and 19 companies are engaged in trading under Cocobod's supervision. Cocobod has also withdrawn from ownership of plantations (which is a major difference from Côte d'Ivoire), since that did not prove to be cost effective (EIU, 2007).

4. According to OECD (2006) a sector-wide approach (SWAp) is a programme-based approach operating at the level of an entire sector. A SWAP is "a way of working" and the aim of a SWAp is to focus government and donor support on a comprehensive sector development programme. The sector development programme can be supported by a variety of aid instruments (OECD, 2006, p.36-37).

5. Canada provided additional funding for farmer-based organisations (FBOs). However, accounting for CIDA money had to be done separately; therefore it was not accounted for as AgSSIP financing. The EU was supposed to provide technical assistance at the beginning of the project; but the EU support actually came only at the end of the AgSSIP and helped to improve the monitoring and evaluation capacities of MoFA.

6. AgSSIP originally had a strong focus on institutional reform with the restructuring and strengthening of MoFA (World Bank, 2000).

7. Chemonics International's consortium partners for implementing TIPCEE are: CARE International, Techno/Serve Ghana, The Services Group, Dexis International, Elan International, International Business Initiatives and Geomar.

8. The EurepGAP Option 2 enables large groups of farmers to be certified as a single entity which reduces the costs associated with registration.

9. Geographic information systems (GIS) mapping provides the local and international business communities for the first time with accurate data on the number of firms, their sizes, and commodity distribution to make large-scale exporting possible under internationally aligned standards. The goal is to establish a comprehensive database regarding pineapple, cashew, papaya, vegetable and mango production. GIS mapping could also become a tool for the allocation of development aid, helping the GoG determine where to invest in feeder roads etc. (USAID, 2007*a*).

REFERENCES

AfDB (2005), *Ghana: Export Marketing and Quality Awareness Project*, Appraisal Report, May, Tunis.

AfDB (2006), *Ghana: Country Assistance Evaluation*, Final Report, Operations Evaluation Department, February, Tunis.

Akroyd, S. and L. Smith (2007), *Review of Public Spending on Agriculture: Main Study & Country Case-Studies*, joint DFID / World Bank study, January, World Bank, Washington, D.C.

Bogetić, Ž., M. Bussolo, X. Ye, D. Medvedev, Q. Wodon, and D. Boakye (2007), "Ghana's Growth and Poverty Reduction Story: How to accelerate growth and achieve MDGs? A Synthesis of the Ghana CEM", draft paper for the World Bank Ghana Country Economic Memorandum (CEM), June, World Bank, Washington, D.C.

Cass, J. (2006), "Making markets work for forests and people in Ghana", article posted on 26 May 2006, www.panda.org/about_wwf/what_we_do/forests/our_solutions/responsible_forestry/news/index.cfm?uNewsID=68920.

CG Ghana (2007*a*), *2006 Results and Resources Analysis*, Discussion Paper for CG Annual Partnership Meeting June 2007, Accra.

CG Ghana (2007*b*), *Planned 2007-2009 Results and Resources*, Discussion Paper for CG Annual Partnership Meeting June 2007, Accra.

CG Ghana (2007*c*), *Ghana Partnership Resource Overview*, CG Annual Partnership Meeting June 2007, Accra.

EIU (2007), *Country Profile: Ghana*, August, London.

GEPC (2007*a*), *Non-Traditional Export Performance Report 2006*, Accra.

GEPC (2007*b*), *Fresh Produce from Ghana: Poised to be the Preferred Consumer Choice*, prepared by Prof. Samuel Sefa-Dedeh, University of Ghana, Accra.

Ghana Forestry Commission (2006), *Ghana Gazette – A newsletter about Ghana's forests, timber and wildlife No. 38*, First Quarter 2006, Accra.

ICCO (2006), *Quarterly Bulletin of Cocoa Statistics*, Vol. 32, London.

IFAD (2006), *Republic of Ghana – Country Strategic Opportunities Paper*, April, Rome.

IFAD (2007), "Ghana Northern Rural Growth Programme – Executive Summary", draft of internal project document, Rome.

Le Coq, J.f. (2003), "Farmers' and Rural Organisations' Capacity Building: The Case of the 'Agricultural Services Sub-sector Investment Project' (AgSSIP) and its Producer Organisation Support Component Ghana", Country Study for the World Bank, Washington D.C.

Lucas, S. (2006), "Ghana: Field Report", in Center for Global Development, MCA Monitor, March, www.cgdev.org/section/initiatives/_active/mcamonitor/fieldreports/ghanafield.

MIDA (2006), *Millennium Challenge Compact with Ghana: Executive Summary*, Accra.

OECD (2006), *Harmonising Donor Practises for Effective Aid Delivery Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management*, DAC Guidelines and Reference Series, OECD, Paris.

OECD (2008), "Constraints to Agricultural Development and Poverty Reduction in Ghana", in OECD, *Agriculture, poverty and policy in West and Central Africa: Lessons from Cameroon, Ghana and Mali*, Trade and Agriculture Directorate, Committee for Agriculture, OECD, Paris, forthcoming. RoG (2003*a*), "Strategy – "Developing effective markets for the golden age of business,"" *National Medium Term Private Sector Development Strategy 2004-2008*, Vol. 1, Accra.

RoG (2003*b*), "Action Plan – 'Developing effective markets for the golden age of business,'" *National Medium Term Private Sector Development Strategy 2004-2008*, Vol. 2, Accra.

RoG (2004*a*), *Ghana Trade Policy*, Ministry of Trade and Industry, Accra.

RoG (2004*b*), "Agricultural Services Subsector Investment Program (AgSSIP): Proposals for the Restructuring of AgSSIP and Request for Extension of Credit Closing Date and Reallocation of Funds", September, Ministry of Food and Agriculture, Accra.

RoG (2004*c*), "Agricultural Services Subsector Investment Program (AgSSIP): Mid-Term Review Report", September, Ministry of Food and Agriculture, Accra.

RoG (2005*a*), *Growth and Poverty Reduction Strategy (GPRS II) 2006-2009*, Accra.

RoG (2005*b*), *Trade Sector Support Programme (2006-2010) – Executive Summary*, Ministry of Trade and Industry, Accra.

RoG (2006), *The Development Partner Envelope: Overview, June*, Ministry of Finance and Economic Planning, Accra.

RoG (2007), Food and Agriculture Sector Development Policy (FASDEP II), August, Ministry of Food and Agriculture, Accra.

RoG / USA (2006), *Millennium Challenge Compact between the United States of America Acting Through the Millennium Challenge Corporation and the Government of the Republic of Ghana*, Accra / Washington D.C.

Pilkes, J. (2004), "Ghana – Sustainable Horticultural Export Chain", www.lei.dlo.nl/wever/docs/nota/Ghana.pdf.

USAID (2007*a*), *Trade and Investment Program for a Competitive Export Economy (TIPCEE): Semi-Annual Report for Partners October 2006 – March 2007*, prepared by Chemonics International Inc. for USAID, April, Accra / Washington D.C.

USAID (2007*b*), *Audit of USAID/Ghana Program to increase Private Sector Competitiveness*, Office of Inspector General, Audit Report No. 7-641-07-002-P, May, Dakar.

World Bank (2000), "Project Appraisal Document on a proposed adaptable Program Credit in the Amount of SDR 50.9 million (USD 67.0 million Equivalent) to the Republic of Ghana in support off the first Phase for an Agricultural Services Subsector Investment Project", Report No. 20366-GH, Africa Regional Office, Country Department 10, Rural Development III, Washington D.C.

World Bank (2007), Country Assistance Strategy for Ghana FY 08-11, May, West Africa Country Department 1, Washington D.C.

Acronyms and Abbreviations

AfDB	African Development Bank
AgSSIP	Agricultural Services Sub-Sector Investment Program
AgSWAp	Sector-Wide Approach in Agriculture
CG	Consultative Group
CIDA	Canadian International Development Agency
Cocobod	Ghana Cocoa Board
DFID	UK Department for International Development
EBD	Export Business Development
EE	Enabling Environment
EIU	Economist Intelligence Unit
EMQAP	Export Marketing and Quality Awareness Project
EU	European Union
FABS	Food and Agriculture Budgetary Support
FAGE	Federation of Associations for Ghanaian Exporters
FAO	Food and Agriculture Organisation of the United Nations
FASDEP	Food and Agriculture Sector Development Policy
FBO	Farmer-Based Organisations
GEPC	Ghana Export Promotion Council
GIS	Geographic Information System
GNI	Gross National Income
GoG	Government of Ghana
GPRS I	Ghana's Poverty Reduction Strategy I
GPRS II	Growth and Poverty Reduction Strategy II
HEII	Horticulture Export Industry Initiative
ICCO	International Cocoa Organisation
IEHA	Initiative to End Hunger in Africa
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IOM	International Organisation for Migration

ISSER	Institute of Statistical, Social and Economic Research
JICA	Japan International Co-operation Agency
MCA	Millennium Challenge Account
MDAs	Ministries, Departments and Agencies
MiDA	Millennium Development Authority
MOAP	Market Oriented Agriculture Program
MoFEP	Ministry of Finance and Economic Planning
MoFA	Ministry of Food and Agriculture
MoTI	Ministry of Trade and Industry
NDF	Nordic Development Fund
NGO	Non-Governmental Organisation
NRGP	Northern Rural Growth Programme
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCMU	Project Management Co-ordination Unit
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSI	President Special Initiative
RoG	Republic of Ghana
RTIP	Roots and Tuber Improvement Project
SWAp	Sector-Wide Approach
TIPCEE	Trade and Investment Program for a Competitive Export Economy
TSSP	Trade Sector Support Programme
UK	United Kingdom
UNDP	United Nations Development Programme
USA	United States of America
USAID	United States Agency for International Development
WWF	World Wide Fund for Nature

MALI

Beyond Cotton? Searching for "Green Gold"

Yoshiko Matsumoto-Izadifar

ABSTRACT

The Malian economy faces the challenge of reducing its over-dependence on cotton and gold. In order to do so, a search for "green gold" — commercial agriculture beyond cotton — is underway. Mali has started to exploit export market opportunities for horticulture products in Europe as well as in neighbouring countries. Moreover, the country is currently testing the introduction of domestic wheat production for local processing.

Although donors are increasingly supporting the development of these new agricultural products, the reform of the cotton sector continues to receive their special attention. Moreover, certain agricultural sub-sectors such as livestock and fishing receive only limited support. The development of a vibrant private sector in agriculture requires further improvements in government policies and donor support, but also more active private sector participation. The government should re-engage in agricultural diversification, and donors should strive to increase the sustainability of their interventions. To this end, greater co-ordination between donors and government is needed in tandem with strengthening the capacity of the local private actors.

The study highlights progress towards better donor co-ordination in agriculture and encouraging results, especially with respect to facilitating access to credit for farmers and fostering producers' organisations. At the same time, it argues that there remains ample room for improvement. Donors tend to crowd in certain segments of the agricultural value chain and to specialise in specific export crops (e.g. the mango sector where 12 donors are currently operating) at the expense of some other important areas, which require additional support (e.g. livestock, transport infrastructure and logistics). A more balanced and coherent approach is warranted.

ACKNOWLEDGEMENTS

The author would like to express her gratitude to all those who gave her the opportunity to complete this study. Two OECD field missions were conducted in June 2006 and September 2007 to meet with the official staff of development partners, executives of private firms, farmers, representatives of professional organisations and government officials in Bamako and the Office du Niger zone (Niono and Ségou).

The Mali study has benefited in particular from input provided by Mamadou Samba Ba (AfDB, Bamako), Marie-Laure de Bergh (ECDPM, Brussels), Amadou L. Camara (Millennium Challenge Account, Bamako), Adama Coulibaly (Ministry of Agriculture, Bamako), Agadiou Dama (World Bank, Bamako), Diamilatou Singaré Diarra (CIDA, Bamako), Alain Houyoux (EC Delegation to Mali, Bamako), Lucien Humbert (AFD, Bamako), Cheich Sadibou Keita (CIDA, Bamako), Manda Sadio Keita (AFD, Bamako) and Amadou Samaké (Rural Economic Institution (IER), Bamako).

Special thanks are extended to Alexis Aka Anouan, Alimou Barry and Tiguidanké Gassama (Enda Tiers Monde, Dakar), Eric Hazard (Oxfam International, Dakar), El Hadj Omar Tall (local consultant, Bamako) and Aboubacar Traoré (local consultant, Bamako) who have helped the field missions and collected additional information, and to Claudia Behrendt, Léonidas Hitimana (OECD Sahel and West Africa Club, Paris), Kiichiro Fukasaku (OECD Development Centre, Paris) and Sibiri Jean Zoundi (OECD Sahel and West Africa Club, Paris) for their valuable comments and suggestions on earlier drafts. Moreover, without the generous financial support of the Japan Bank for International Co-operation (JBIC) in Paris this study could not have been realised.

The opinions expressed in this study are those of the author and do not necessarily reflect those of the OECD, the Development Centre or their member countries.

INTRODUCTION

This Mali country study reviews the initiatives of the government and donors to promote agricultural diversification in Mali, and tries to examine to what extent the country is reducing its over-dependence on cotton. The study starts with a short analysis of the Malian agricultural and agribusiness sectors, followed by an examination of the government's agricultural strategies to promote private sector-led agricultural development. Afterwards the chapter provides an overview of donor activities in the agricultural sector and discusses several major donor programmes supporting agricultural diversification in more detail. The chapter concludes that local needs and conditions in the agricultural sector should be more carefully taken into account in donor and government interventions.

STATUS OF AGRICULTURE AND AGRIBUSINESS

Mali's economy faces the challenge of agricultural diversification, as it needs to go beyond its excessive dependence on cotton and gold[1]. Livestock, cotton and gold are currently the country's main sources of export earnings (5, 25 and 63 per cent in 2005, respectively) (CCE, 2007). But recent estimates suggest that the country's gold resources will be exhausted in 10 years (ibid.), and "white gold", as cotton is known, has been in a difficult state due to stagnant productivity[2] and low international market prices[3] (see Box 1). Therefore Mali is currently striving for "green gold" — that is, commercial agriculture beyond cotton[4].

First Step Towards Agricultural Diversification

While Mali has a large agricultural potential with regard to fertile soil, rainfall and irrigation, particularly in the Office du Niger zone along the Niger River (Koulikoro, Sikasso and Ségou regions), the agricultural growth rate has been surprisingly low, counting only 2.1 per cent during 2000-04 (ibid)[5]. With the exception of rice produced in the Office du Niger zone, yields of major crops have either increased only marginally (millet) or declined (groundnuts, maize, cotton, sorghum), averaging an increase of only 1 per cent a year over 1990-2004 (World Bank, 2007*a*). Moreover, the use of fertilizers and agricultural equipment[6] is still very limited and only 15 per cent of Mali's irrigation potential has been exploited so far (CCE, 2007). Adoption of new irrigation technologies would greatly improve yields and contribute to expanded production for both the domestic and export markets[7].

The Office du Niger zone, one of the oldest and largest irrigation areas in sub-Saharan Africa, has the most promising agricultural potential. Today this zone alone accounts for half of the country's rice production. The expansion of irrigation, the introduction of new product varieties and the intensification of production supported by technical improvements have led to an increase in rice yields (Baris et al., 2005). Mali exports rice to Burkina Faso, Mauritania and Nigeria and has made some progress in recapturing the regional market from imported Asian rice. Currently, 60 per cent of the demand for rice in West Africa is supplied by imports, mainly from Asia (CCE, 2007).

Improvements in irrigation and agricultural techniques in the Office du Niger zone have also helped producers to generate additional incomes from horticultural production. The zone has started to supply the country's major horticultural products, such as mangoes, shallots and potatoes destined for regional and international markets. But environmental risks, in particular soil degradation due to salinisation, may harm diversification efforts in the long term[8]. It will be necessary to improve control of water and land use.

Despite Mali's landlocked situation, horticultural exports have been on the rise. The country's leading horticultural product, mangoes, has been breaking into European markets, mainly France and the Netherlands, thanks to optimised transport modalities which combine air transport and shipment. Though its market share remains small, mango exports to Europe have been continuously growing and recorded an increase of more than 40 per cent in 2006 (CCE, 2007). In addition, shallots, potatoes and mangoes are being exported to neighbouring countries, benefiting largely from the geographic proximity and market niches developed in the region.

Agricultural diversification is also taking place in the domestic market. Mali has launched a private sector initiative to support domestic wheat production for local processing in view of replacing costly wheat imports from Europe (see the following agribusiness section). On the other hand, mainly because of the complete absence of private investment, the livestock and fishing sectors are lagging behind and risk losing export opportunities to the neighbouring countries.

Agribusiness: Early Stages of Development

The development of agro-processing and other agribusiness activities in Mali has been hampered by various factors, both geographical and economic. In particular, it has been negatively affected by the underdevelopment of the domestic packaging sector, as it has increasingly relied on modern packaging materials for exports (OECD/AfDB, 2005)[9].

About ten large enterprises dominate the agro-food industry in Mali. They include, among others, a privatised cotton oil processing company (Huilerie Cotonnière du Mali - Huicoma)[10], two mineral-water companies (Le Lido S.A. and Diago), a brewery (Bramali) and a flour mill (Grands Moulins du Mali - GMM)[11]. In addition, mostly informal small and micro enterprises are engaged in the processing of domestic agricultural materials. Field interviews conducted in June 2006 found that these enterprises are active in processing of cotton seed and cereal (millet, sorghum, maize and rice). Owing to their informal nature, they are more or less excluded from government support and have not been able to attract private investors. However, they demonstrated development potential and should be supported to upgrade their production and management skills.

The efforts of the Malian government to promote foreign investments, both private and public, in agro-food or other agro-related industries including agricultural infrastructure development, have met some success. The sugar sector for instance has attracted financial contributions of an estimated amount of $104 million from China and the government of the United States. Primary financing destinations were two sugar mills, Markala and Sukala-III. Also, the Grands Moulins du Mali (GMM) foresees an increase in its local wheat production in the Office du Niger zone in the next ten years with funding coming from the Belgian government (CCE, 2007).

Box 1. The Cotton Sector at a Crossroads

Cotton remains the dominant cash crop, but the cotton sector is at a crossroads. While cotton contributes about 8 per cent of Malian GDP and 6 per cent of the government's total tax revenues, the sector's importance in agriculture has been in a gradual decline. Furthermore cotton production dramatically fell from 600 000 to 330 000 tonnes in 2007, leaving the position of the largest cotton producer in sub-Saharan Africa to Burkina Faso. Given low levels of purchase prices of cotton, some producers have moved away from it to millet, sorghum, maize or horticultural products from which they now generate half of their total incomes.

In Mali, the cotton sector reform appears to have gained some momentum since 2005 when a new price-fixing mechanism was introduced to better inform producers of cotton purchase prices. Furthermore the Government of Mali has adopted a new cotton sector strategy, including the introduction of a regulatory framework for cotton fibre and seed classifications. Privatisation of Compagnie malienne pour le développement des textiles (CMDT) is also expected during 2008.

During this transition process, it is critical to ensure a smooth transfer of the responsibilities of CMDT (e.g. training of cotton producers and technical support to cotton-related activities) to new cotton companies which will be created in four geographical zones. This process is critical to the success of Mali's cotton sector reform, as exemplified by the reform experience of Burkina Faso. Burkina Faso's reform experience illustrates the importance of strengthening the managerial and organisational capacity of cotton producers to mitigate shocks arising from the sector's structural reform. In this respect, in Mali, Dagris, a French company, and major stakeholder of the CMDT, will play an important role.

Source: Behrendt (2006); Camara (2005); Dewbre et al. (2007); OECD/SWAC (2006).

WHAT IS THE GOVERNMENT DOING?

The liberalisation process occurring in Mali since 1982 has transformed the government's role in the agricultural sector. In 1992 the country established the Master Plan for Rural Development (SDDR), revised in 2002, to underline the political commitment in pursuing the government's disengagement from the agricultural sector. The aim was to pass certain public functions over to private stakeholders who had displayed better organisational skills. Except for cotton, which was left in the hands of the Compagnie malienne pour le développement des textiles (CMDT), the government withdrew from controlling prices and marketing/trade of cereals, fertilizers and machinery (Noray et al., 2007). This encouraged greater private sector participation in agricultural marketing functions (Bingen, 2003).

The 2006 Agricultural Guidelines Law (LOA) represents a milestone towards the development of agro-based private sector development. By providing a sector-wide policy orientation, the LOA covers not only agriculture but also related policy areas such as finance, infrastructure and more generally private sector development. The government should now put policy into action by setting clear priorities and detailed strategies for agricultural diversification.

Mali's new Strategic Growth and Poverty Reduction Paper (CSCRP, 2007-2011), the second generation of the Poverty Reduction Strategy Paper (PRSP, 2002-2006), seeks to strengthen the policy orientation defined by the LOA. The CSCRP's top priority is to modernise the value chains in the agricultural sub-sectors that display strong growth potential — namely cotton, livestock, rice, and fruits and vegetables — and help to increase the production and marketing capacities of producers and breeders. As rural poverty is persistently very high — hitting in some regions more than 70 per cent of the population, against a national poverty index of 47.5 per cent in 2006 (RoM, 2006*a*) — the CSCRP also stresses the importance of rural basic infrastructure development to facilitate the transport and marketing of agricultural products.

Investing in Agriculture and Rural Infrastructure

The government's budget statement shows that the annual share of the agricultural sector in the national budget was 11.4 per cent (FCFA91.2 billion or $204 million) and 12.6 per cent (FCFA118.3 billion or $266 million) of the total in 2005 and 2006, respectively (RoM, 2007). The latest budget estimates indicate that the share of agricultural budget allocation for the period 2007-2011 will remain the same, underlining continuing government efforts to invest in agriculture (RoM, 2006*a*). However, it should also be noted that public subsidies for the cotton sector consume a significant part of the national budget. For example in 2004/05, the CMDT accumulated deficits of FCFA68 billion ($153 million) by subsidising cotton producers, of which the government covered FCFA28 billion ($64 million) (OECD/AfDB, 2006).

Infrastructure development received 8 per cent of the total budget in 2006[12] (RoM, 2006*a*). By integrating the objectives of the CSCRP, the 2008 budget foresees increased budget allocation to finance infrastructure for productive sectors (Forum Malikounda, 2007). Although transport infrastructure development could have a substantial positive impact on agricultural input provision and product marketing, it accounted for only 1.1 per cent of the national budget in 2006(RoM, 2006*a*). Owing to data limitations it is not possible to assess how much has actually been spent on rural infrastructure which can benefit farmers directly. Moreover, government figures suggest that budget allocations often do not translate into actual public expenditure, as the execution rate of the budget is currently less than 70 per cent (ibid.).

Facilitating the Organisation of Private Stakeholders

The LOA encourages the organisation of private stakeholders working in agriculture. Mali has seen the evolution of producers' organisations for mango, potato, rice and cotton; the formation of producers' organisations for other crops will need more time. The Permanent Assembly of Malian Agricultural Chambers (APCAM), a private institution representing agro-related private stakeholders, provides producers' organisations in agriculture with a platform for mutual consultation with other private stakeholders such as input providers, transporters and exporters[13]. The National Co-ordination of Rural Producers' Organisations (CNOP) also represents various rural producers' organisations. However, conflicting interests and differences in the economic weight of private stakeholders make organisation and co-ordination among them difficult (RoM, 2005*a*).

Meanwhile, APCAM has increasingly become an important counterpart to both the government and donors. APCAM and its nine Regional Agricultural Chambers participate in most agricultural policy discussions at the national and regional levels, with the issues discussed ranging from land tenure reform to co-operative regulations. They also mediate contentious issues between private actors in the agricultural sector (Bingen, 2003). Furthermore, APCAM is serving as a planning and implementation agency in donor projects by playing an intermediary role between the government, donors and agro-related private actors.

The producers' organisations have been increasingly active in both political and business scenes. Through and with the support of APCAM, the producers' organisations have their voices heard by decision makers at the national level, as exemplified in the formulation process of the LOA. Certain producers' organisations have been successful in transforming their status to co-operatives and gradually obtaining bargaining power in their business and credit negotiations. The country's ongoing decentralisation process also provides a positive environment for the producers' organisations, because it allows them to work through the nine Regional Agricultural Chambers which reflect their needs in the local context.

WHAT ARE DONORS DOING?

Mali is heavily dependent on foreign aid. According to the CSCRP, between 2002 and 2005 Mali received $407 million ($36 per capita), of aid annually (RoM, 2006). The actual amount would be much higher, ranging from $800 million to $1 billion, if non-accounted aid, in particular from Arab countries[14], was included. As a consequence, 60-80 per cent of the Malian Special Investment Budget (BIS) is financed by donor projects and programmes (Dewbre et al., 2007).

Agriculture and infrastructure (e.g. transport, energy and communication) are the largest aid-receiving sectors. According to a recent survey of donor-supported activities in agriculture (Colombo, 2006)[15], donor support to agro-based private sector development was estimated at $ 241 million (on disbursement basis) in 2005 (see Table 1), with aid for economic infrastructure development included. This made up 44 per cent of total aid, where agriculture and infrastructure accounted for 22 per cent each. Aid to each of these two sectors is on a par with aid to the social sector (e.g. education, health), which receives about 25 per cent of the total.

Mapping Donor Support to Private Sector Development in Agriculture

Donors support the Malian diversification process by using an agricultural value chain approach which promotes private sector-led agricultural development. Donors target specific product value chains and/or closely work with producers' organisations to increase their institutional and business management capacities. Eventually, donors aim to transform producers' organisations into private co-operatives which may possess higher credibility in business negotiations, in particular those with private banks. Among major donors, USAID and the World Bank apply a value chain approach to targeted products, while AFD, CIDA, the Netherlands and, to some extent, Switzerland focus on the institutional capacity building of domestic institutions, including producers' organisations or co-operatives and decentralised agricultural administrations.

Donors are Supporting a Wide-range of Activities for Agro-based Private Sector Development

CIDA, USAID and the World Bank are leading agencies for aid to agriculture in Mali and are known as the "agricultural troika"[16]. This troika is closely working with other donors in agriculture, for example the Netherlands for agriculture extension capacity building, Belgium for local wheat production and Switzerland for fostering producers' organisations. Other major donors are the African Development Bank (AfDB), the International Fund for Agricultural Development (IFAD), the Islamic Development Bank (IsDB) and Arab development funds, which collaborate on the broader agenda of rural development, in particular rural infrastructure (e.g. irrigation and transport) and the livestock sector.

Agro-based private sector development programmes have attracted a variety of donors, intervening in areas ranging from production, processing and marketing to transport infrastructure, irrigation and policy support to private sector development (see Table 1). Infrastructure takes up to 45 per cent of total aid to agro-based private sector development, with large proportions channelled to transport (38.6 per cent). Outside infrastructure, integrated rural development is the leading form of aid (8.7 per cent), closely followed by aid to promote productive capacities through the adoption of a value chain approach (8.1 per cent). Donors also provide substantial support to agricultural research and extension (7.3 per cent), irrigation (5.1 per cent) and natural resource management (5.1 per cent).

Access to credit is another important area where donors provide support. Donors such as the AfDB, the Aga Khan Foundation, GTZ and the World Bank are actively encouraging decentralised Malian financial service and microfinance institutions to facilitate access to credit for rural producers and other private actors. As part of their projects, Germany, IFAD and the United States are also supporting the development of the national financial service sector, in line with the Government's National Action Plan for Micro Finance Development.

Furthermore donors are co-ordinating their efforts with respect to the cotton sector reform. Strong co-ordination will be ensured between the World Bank-funded Agricultural Competitiveness and Diversification Project (PCDA) and the AFD-funded Farming Systems Improving Programme in Cotton Production Zone (PASE) with regards to agricultural advisory services and the rehabilitation of rural roads in cotton-growing areas. The European Union will finance the producer price fixation mechanism (Norey et al., 2007). Oxfam America will also intervene to fill in the gap between the implementation periods of the PASE I and II (the second phase of the project is currently under preparation). Both APCAM and regional agricultural chambers are expected to play a key role in the co-ordination of the numerous interventions.

The arrival of the five-year, $460 million Millennium Challenge Account (MCA) in late 2006 has brought about a major change in this global picture. The focus of the MCA programme will be the large-scale development of irrigation, roads and airport infrastructure in the Office du Niger zone. The interventions of the MCA programme will be co-ordinated with a common intervention agreement to be signed in 2008 along with AFD, the European Union, KfW, the Netherlands, the World Bank, the Government of Mali and the regional administration of the Office du Niger.

Table 1. Donor Support for Private Sector Development in Agriculture (2005, $ million)

No.	Areas of Intervention	Donors	No. of Projects	Total Disbursement ($ million)	% of Total Disbursement	Average per Project ($ million)
1	**Farm/Firm Level**					
1.1	Agricultural Research / Extension	The Netherlands, France, World Bank	6	17.5	7.3	2.9
1.2	Production – Technical Assistance	AfDB, BOAD, IFAD, UNDP	8	5.1	2.1	0.6
1.3	Production – Irrigation	AfDB, Germany, Kuwait, IsDB, the Netherlands	11	12.2	5.1	1.1
1.4	Agricultural Production and Processing and Marketing	AfDB, Canada, EU, IFAD, Switzerland, United States, World Bank	8	19.5	8.1	2.4
1.5	Organisation of Producers	France, Switzerland	7	5.3	2.2	0.8
1.6	Natural Resource Management	EU, FAO, France, Germany, Italy, the Netherlands, Sweden, World Bank	23	12.3	5.1	0.5
1.7	Food Security	FAO, Italy, WFP, World Bank	15	3.4	1.4	0.2
1.8	Rural Development	AfDB, Germany, IFAD, IsDB, the Netherlands	15	21.1	8.7	1.4
1.9	Agricultural Financing	AfDB, France, the Netherlands	7	7.5	3.1	1.1
2	**Public/Private Sector**					
2.1	Agricultural Policy / Public Institutional Capacity Building	Canada, FAO, the Netherlands	5	3.9	1.6	0.8
2.2	Trade Negotiation	UNDP	1	0	0	0
3	**Infrastructure**					
3.1	Transport Infrastructure	BOAD, Canada, EIB, EU, France, Germany, IsDB, the Netherlands, Saudi Arabia, World Bank	28	93.2	38.6	3.3
3.2	Energy	AfDB, BOAD, Germany, Saudi Arabia, Switzerland, UNDP, World Bank	11	10.5	4.3	1.0
3.3	Communication	BOAD, Switzerland	4	2.3	1.0	0.6
3.4	Water	Germany, Kuwait, Italy, UNDP	4	2.3	0.9	0.6
4	**Support to Private Sector Development Policies**					
4.1	Access to Credit	AfDB, Aga Khan Foundation, Germany, World Bank	4	17.2	7.1	4.3
4.2	General Support to Private Sector Development	Germany, World Bank	2	4.9	2.0	2.5
4.3	Privatisation	EIB	2	1.8	0.7	0.9
	Total		**164**	**241.3**	**100.0**	

Source: Based on Colombo (2006) and RoM (2006*b*).

Better Division of Labour between Donors is Improving Aid Co-ordination.

Rather than undertaking a sector-wide approach to agriculture, as the case of the Office du Niger zone demonstrates, donors are increasingly linking-up their projects to enhance the joint impact of their assistance. While aid to agriculture continues to be delivered in the form

of projects, Mali is improving aid co-ordination through better information-sharing and co-financing[17] which has become increasingly common in major agricultural sub-sectors, such as cotton, rice and horticulture. As expected, concrete results are most visible in the Office du Niger zone where donors share a long history of aid co-ordination and are adopting common procedures in planning, implementing, monitoring and financing (see Box 2).

Co-ordination efforts are also underway between the government and donors. The government has recently established a forum for regular consultation with donors, called "Commission Mixte". It is too early to judge the effectiveness of this commission, other than that it provides an open space for discussion and consultation to stimulate dialogue and information-sharing between the government and donors. In 2007 the government also set up the "Secretariat for Aid Harmonisation", a new office aimed at promoting aid harmonisation. This is seen as a sign of its political commitment to increasing aid effectiveness and more specifically to implementing the Malian Action Plan of Harmonisation, following the guidance of the Paris Declaration.

In response to the government's efforts to co-ordinate aid and increase its effectiveness, donors are also preparing a new Joint Assistance Strategy (JAS) in Mali. The JAS will serve as a common framework for sector analysis, interventions and monitoring and eventually for establishing a more effective division of labour among them. During the preparation of the CSCRP in 2006, donors established a common platform for policy discussion and hoped to transform it into that for the JAS. A first evaluation of the JAS was set for 2008, when a first review of the CSCRP was also planned.

Major Support Programmes for Agricultural Diversification

This section will look at major projects and programmes funded by AFD, CIDA, USAID and the World Bank and discuss their key features and lessons. Given the information available, the focus of this section is on commercial agriculture. Table 2 summarises eight projects and programmes.

Table 2. Selected Donor Projects in Agro-related Private Sector Development

Projects	Donors	Execution Period	Amount ($ million)	Objectives
PAVCOPA	World Bank	1996-2002	6.0	Address key sectoral constraints to private investment in agricultural processing and marketing
PASAOP	FAO, the Netherlands, World Bank, Japanese Trust Fund	1999-2007 2007-2009	43.5 20.0	Establish an institutional framework conducive to efficient agricultural service delivery to producers
PCDA	AFD, CIDA, the Netherlands, Germany, USAID, World Bank	2006-2011	46.4	Improve the performance of supply chains for agricultural and livestock products
Trade Mali	USAID	2003-2007	30.0	Improve marketing of targeted agricultural products
PRODEPAM	USAID	2004-2009 (closed in 2007)	34.9	Upgrade production technologies
Mali Finance	USAID	2003-2007	28.2	Expand access to microfinance to Malian agro-entrepreneurs
PACCEM II	CIDA	2003-2009	4.1	Support cereal production and marketing through institutional capacity building in producers' co-operatives
PASE I	AFD	2003-2006	8.1	Support the cotton sector reform to mitigate institutional, financial and economic adverse effects on cotton producers

Source: Based on projects' appraisal documents, implementation completion reports and evaluation reports.

The World Bank is Moving Towards a Comprehensive Agricultural Diversification Programme

The World Bank is currently implementing a new comprehensive agricultural diversification programme, the Agricultural Competitiveness and Diversification Programme (PCDA, 2006-2011). This is a major support programme succeeding the Agricultural Products Value-Adding and Marketing Project (PAVCOPA, 1997-2002). To increase synergies among its agricultural and rural development programmes, the World Bank is also planning to merge its two major programmes, Agricultural Services and Producer Organisations Programme (PASAOP, 1999-2009) and Rural Infrastructure Development Programme (PNIR, 2001-2009) into PCDA in 2009.

PCDA is playing a leading role in driving the country's agricultural diversification by improving the performance of agricultural value chains in line with the Master Plan for Rural Development (SDDR). This programme aims to enhance the institutional, productive and marketing capacities in both traditional (e.g. cotton, rice) and non-traditional (e.g. horticulture products, oil seeds, gum arabic, cashews) products (World Bank, 2005*b*). PCDA is expected to receive some financial and technical support from AFD, CIDA, Germany, the Netherlands and USAID.

According to a recent evaluation report of the World Bank, the early results of PAVCOPA were positively rated, as it successfully initiated agro-processing and marketing activities (onions in the Niono region; potatoes in the region of Sikasso) as well as exports of mangoes through road transport (World Bank, 2007*a*). However, the report also points out the problem of sustainability of these activities, due to insufficient attention paid to institutional capacity-building of producers' organisations and the limited transfer of technology and know-how.

Building upon the experience of the first-generation programme, PCDA has sought to reinforce its institutional capacity building component by merging with PASAOP[18] and thereby empowering producers' organisations (World Bank, 2007*b*). More specifically, PCDA aims to provide them with tools adapted to their specific business needs and to facilitate access to credit in collaboration with domestic private financial institutions (World Bank, 2007*c*). Furthermore, the integration of PNIR will strengthen the infrastructure and logistic components of PCDA.

By co-ordinating donors' efforts at agricultural diversification, PCDA has established a matrix of interventions on product-based and cross-cutting issues and consolidated donors operations (World Bank, 2005*b*). One example is the takeover of PCDA from the Dutch co-operation to put into operation "Plaza[19]", a stocking, processing and packaging centre for agricultural exports, at Bamako airport. Another example is the transfer of management from USAID to PCDA in mango export development (TradeMali) and financial sector assistance (Mali Finance).

USAID is Restructuring its Operations to Strengthen the Whole Agro-food Value Chain

In order to avoid duplication with other major programmes (i.e. PCDA and MCA) and increase the synergies among its interventions, USAID has decided to restructure its operations and consolidate three agricultural programmes under its strategy of "Accelerated Economic Growth and Trade Development" (2003-2012). The Agricultural Production Development Programme in Mali (PRODEPAM)[20], TradeMali[21] and Mali Finance will be merged into a single programme, which is currently under preparation.

These three programmes were different components of USAID strategy for promoting agricultural trade development and diversification in Mali. PRODEPAM helped producers' organisations to reduce risks involved in production by improving irrigation and access to markets (CLUSA/Chemonics, 2006). TradeMali provided producers with market information and assisted them in processing agricultural products, post-harvest conditioning and buyer-seller negotiations[22]. Mali Finance facilitated their access to credit. However, these three programmes were implemented rather independently, without seeking the synergies of three different activities, i.e. production, marketing and finance, necessary to strengthen the whole agro-food value chain.

TradeMali played a leading role in co-ordinating 12 donors in the mango sub-sector. TradeMali worked with the Netherlands for the "Plaza" and with AFD, the World Bank, the Swiss Association for International Cooperation (Helvetas) and Center for Promotion of Imports from Developing Countries (CBI) to obtain EurepGAP certification. At the same time Mali Finance initiated an innovative approach to facilitating producers' access to credit by mobilising business service providers. The approach was found to be effective in the provision of micro-credits. Furthermore, Mali Finance also introduced a new approach to credit risk management by shifting the income assessments of targeted beneficiaries from single crop and single season to multiple crops and multiple seasons where appropriate (Chemonics, 2007*a*). The experience of Mali Finance suggests that this new approach provided a sounder basis for agricultural credit risk, which CIDA has already incorporated in its project below.

CIDA is Targeting Institutional Support in the Office du Niger Zone

CIDA is moving away from single-product projects and turning attention to building the institutional capacity of producers' organisations dealing with multiple products. In the Office du Niger zone, its Mali Cereal Marketing Support Project (PACCEM) is helping producers' organisations and co-operatives to improve their institutional capacities and strengthen their financial positions. The PACCEM started in 1999 and it is now implementing its second phase, expected to end in 2009.The CIDA's approach presents a broader perspective beyond the product-based approach, as it takes account of the mixed cropping system in Mali and facilitates access to credit for producer co-operatives.

According to the programme's mid-term evaluation in 2007, the targeted co-operatives have registered good production and marketing records for rice, millet, sorghum, maize and shallots, but their marketing strategy and financial capacities could be further improved. While PACCEM contributed to marketing 8 600 tonnes of rice in the Ségou region, in addition to the volume destined for local consumption, benefits could have been higher if the co-operatives had developed more strategic marketing plans and increased their financial accountability (Bah et al., 2007).

Moreover, overall sustainability of the programme could be improved if PACCEM further reinforced its support for creating an effective local training and support structure for co-operatives. The mid-term evaluation also suggests that there is room for improvement in facilitating co-operation between the co-operatives and domestic institutions such as agricultural research institutes, Chambers of Agriculture, domestic financial institutions, or local arms of the Ministry of Agriculture. Without institutionalised agricultural and business advisory support, the co-operatives would not be able to sustain what they have learnt through the PACCEM's technical assistance (ibid.). What is required is to make better use of local experts to strengthen the link between co-operatives and agriculture-related local institutions.

AFD/PASE is Strengthening the Local Capacity of Cotton Producers

AFD is working with cotton producers through its flagship programme, Farming Systems Improving Programme in Cotton Production Zone (PASE). At the same time, through its parallel programme — the Trade Capacity Reinforcement Programme (PRCC) — AFD is also working with cotton producers who cultivate other cash crops. The first phase of the PASE was completed in 2006 and its second phase is currently under preparation.

In line with the government's Cotton Sector Development Policy adopted in 2001, the first phase of the PASE (2003-2006) contributed to transforming former village associations into co-operatives, helped develop cotton inter-professional contacts and provided advisory services to cotton producer organisations. The project evaluation of PASE I, however, points to a sustainability problem. Concern has been raised that four years of implementation were not sufficient to create stable inter-professional linkages among cotton producers, agricultural public institutions, agro-industries, private banks and business development support institutions (Norey et al., 2007).

Little is known about the second phase of PASE. Yet, according to the field interviews conducted at AFD Bamako in September 2007, PASE II will pay more attention to improving local scientific knowledge, (e.g. genetically modified organisms (GMO)), strengthen the industrial use of food crops (e.g. biofuels) and diversifying into new products (e.g. sunflowers), by taking advantage of different climatic and agro-ecological conditions in four cotton producing zones. In the words of the AFD staff: "the one who has information is the one who will survive (in the cotton sector)" (Field Interview in Bamako, September, 2007).

CONCLUSIONS

Mali is taking a first step toward the development of commercial agriculture by restructuring the cotton sector and moving beyond cotton dependency. While the cotton sector reform keeps getting donors' special attention and certain cereals and horticulture are increasingly receiving more aid, other agricultural sub-sectors such as livestock and fishing receive limited support. Further improvements are possible in government policies, donor support and private sector participation. These include seeking government re-engagement in agricultural diversification, making aid programmes more sustainable and building institutional capacity of emerging private actors.

Government is Re-engaged in Developing Commercial Agriculture and Diversification…

Agricultural diversification is the government's top agenda, but the current government's efforts still focus disproportionately on the cotton sector. The government allocated around 12 per cent of the national budget to the agricultural sector in 2005 and 2006. This high proportion of budget allocation has already met the 10 per cent budget allocation target set by the NEPAD's Comprehensive Africa Agriculture Development Programme (CAADP). It should be noted, however, that this budget allocation to agriculture includes public subsidy to the cotton sector. The country therefore needs to take a more balanced approach to promoting agricultural diversification beyond cotton, develop rural infrastructure and invest in human resources in relevant ministries.

The government's re-engagement in the country's agricultural diversification policy should include primary responsibility in supporting the private sector. Organised producers are emerging in certain key sectors besides cotton, such as mangoes, rice and potatoes.The government should establish nationwide consultation schemes to accommodate the needs of these emerging private actors who are increasingly involved in implementing its comprehensive agricultural development strategy.

…but a More Balanced Approach is Required to Meet Local Needs and Conditions

The amount of aid for agriculture and infrastructure development was estimated at $241 million in 2005, 44 per cent of total ODA to the country. Despite a high volume of aid to agro-related private sector development, donors tend to concentrate their efforts only on certain crops, without taking a more balanced approach to meeting the needs of the private sector. For example, the mango sub-sector attracts 12 donors, while the livestock sector receives little donor support, despite its growth potential and importance to the Malian economy.

Past experiences also suggest that donors should better take into account existing local conditions. For instance, the single-product approach which was popular until recently tends to ignore the mixed-cropping system commonly applied in Mali, where producers diversify their income sources by mixing various crops and livestock production. Moreover, limited access to

credit in rural areas remains a problem. Facilitating access to credit for rural producers and improving their financial management capacities will increase the probability that targeted producers apply appropriate technology and knowledge to their business. Interestingly, donors are moving towards more integrated and coherent programmes, adopting a value-chain approach to programme design and seeking to exploit synergies better between their own projects and also with the projects of other donors. The development of the JAS should further improve such co-ordination and strengthen complementarities. CIDA's attempt to build the capacity of producers' organisations or co-operatives to make better use of various crop production and marketing possibilities appears to be more promising.

The Office du Niger Zone Provides a Successful Case of Agricultural Diversification through Local Institutional Capacity Building

The Malian private sector in agriculture is transforming itself from a passive beneficiary to an active player. The Permanent Assembly of Malian Agricultural Chambers (APCAM) and the National Co-ordination of Rural Producers' Organisations (CNOP) are increasingly representing the business and political voices of the producers' organisations and other agro-based private operators. The producer's organisations and co-operatives are most active in the Office du Niger zone. Nevertheless their financial and management capacity remains limited.

The success of the Office du Niger zone as a promising case of agricultural diversification is based on the tripartite consultation among government, donors and the private sector. This has helped identify the gaps in donor support programmes and encourage the participation of private stakeholders in developing commercial agriculture. Building local productive capacity is possible when private stakeholders are given the right incentives.

NOTES

1. With the Loulo mine, opened in November 2005, Mali became Africa's third biggest gold producer after South Africa and Ghana (OECD/AFDB, 2007). Production was 52 tonnes in 2005 (CCE, 2007).
2. Despite the efforts of the CMDT, average productivity of Malian cotton stagnated at around 1 000 kg/ha between 2001 and 2005. It fell back to 975 kg/ha in 2005/06 (Noray et al., 2007).
3. Eliminating cotton export subsidies in developed countries will increase world prices by between 2 and 35 per cent and therefore also increase Mali's exports and cotton producers' earnings (FAO, 2004).
4. In addition, the country is also seeking investments in the livestock and fishing sectors, as their growth potential has been largely unexploited.
5. Value added per agricultural worker averaged $222 (in constant US$ 2000) from 2000 to 2003, well below the average of $323 for sub-Saharan Africa, whereas the benchmarks for Senegal and Ghana are $264 and $336 respectively (World Bank, 2005*a*).
6. At the national level, only 40 per cent of producers have agricultural equipment, of whom around 80 per cent are cotton producers in the CMDT and the Office du Niger zones (CCE, 2007).
7. The World Bank estimates that if 20 per cent of Malian producers adopted new irrigation technologies, the domestic market for horticultural produce would increase by between 5 and 10 per cent, the export market for gum Arabic, French beans and mangoes would double, the export market for skins would increase by 25 per cent, and the regional export market for potatoes and onions would increase by 33 and 50 per cent respectively (World Bank, 2005*b*).
8. Pressure on natural resources and the environment is an important issue. Conflicts over land and water use are increasingly frequent, while efforts to preserve natural resources are receiving little attention (RoM, 2005*b*). This is particularly marked in a southern triangular agricultural area between Mopti, Sikasso and Bamako which attracts short- and long-term seasonal workers from all over Mali. In this area, 75 per cent of the total population are crowded on to 8 per cent of the country's total land surface (ibid).
9. The Aga Kahn Foundation is currently providing financial support to the sector by investing in a Malian packaging enterprise.
10. After privatisation in May 2005, the Malian group Tomota became its major shareholder (CCE, 2007).
11. The only domestic fruit and vegetable processing enterprise, la Société Malienne de Conserves (SOMACO), was closed down in 1998.
12. Energy and communication account for 5.8 and 1 per cent of the 2006 national budget, respectively (RoM, 2006*a*).
13. The APCAM also plays a critical role in the provision of market information, used frequently in marketing support projects by donors, through the Observatoire des Marchés Agricoles (OMA). The OMA, which replaced the Market Information System (SIM) in 1998, provides agricultural market information. See also http://www.oma.gov.ml.
14. Comments from field interviews in Bamako (18 September 2007).

15. This analysis is an attempt to compensate for lack of accurate official aid data by sector. Information is based on a donor survey with a response rate of 80 per cent of active donors in Mali.

16. The co-ordination among CIDA, USAID and the World Bank gradually formed in 2003-2004 in support of the Malian Diagnostic Trade Integration Study (DTIS) under the Integrated Framework (IF).

17. Co-financing of projects is not a new phenomenon, but its realisation has not always been easy. As for the Agricultural Products Value-Adding and Marketing Project (PAVCOPA), unanticipated funds for technical assistance from Japan and Canada were channelled after the project's start (World Bank, 2007*c*). In the case of the Agricultural Services and Producers Organisations Project (PASAOP), planned co-financing from the Netherlands on agricultural research did not finally work (RoM, 2005*c*).

18. The institutional reform component of the PASAOP will be transferred to budgetary support as part of a multi-donor investment operation scheduled for 2009. At the same time, all elements targeting the entire value chain including the production support — based on technology, dissemination and agricultural practice intensification — as well as processing and marketing of agricultural products will be integrated into the PCDA (World Bank, 2007*b*).

19. http://maliexport.com/maliportal/docs.php?page=1_4.(last access: 25 February, 2008)

20. PRODEPAM contributed to intensifying and diversifying agricultural production, in particular with rice, potatoes and onions, by incrementing efficient use of water resources. Public-private partnerships were particularly active in agriculture inputs (seeds and fertilizers) (CLUSA, 2007).

21. Building on the basis established by the World Bank-funded PAVCOPA, which initiated mango test exports, TradeMali reached exports of 15 000 tonnes of mangoes to sub-regional and international markets. Moreover, the number of Malian mango exporter groups which are EurepGAP-certified rose from one at the PAVCOPA implementation period to seven in 2007. (Chemonics, 2007*b*).

22. Mali managed to export mangoes to one of the biggest European supermarket chains, Royal Dutch Ahold, through its purchaser Bakker Barendrecht (ibid.).

REFERENCES

Bah, B. A., C. Lewis And C. Brodeur (2007), *Évaluation mi-parcours de projet PACCEM II*, Volet Ségou (MA/A-031895), final draft, CIDA, Bamako.

Baris, P., J. Zaslavsky And S. Perrin (2005), *La filière riz au Mali : compétitivité et perspectives de marché*, Document de travail No. 5, Agence française pour le Développement (AFD), Paris.

Behrendt, C. (2006), "The Cotton Sector in Mali: Realising its Growth Potential", *Policy Insights*, No. 30, OECD Development Centre, Paris.

Bingen, J. (2003), *Community-Based Producer Organizations: A Contribution to the West Africa Regional Program Action Plan for the Initiative to End Hunger in Africa - Agricultural Policy Development Program*, Abt Associates Inc., Bethesda.

Camara, Y. (2005), "Privatisation de la CMDT, La Banque mondiale accable le gouvernement", article posted on 10 June, 2005 at www.afribone.com/article.php3?id_article=984.

CHEMONICS (Chemonics International Inc.) (2007*a*), *Mali Finance, Annual Report: September 2006-August 2007*, Final Project Report, USAID Mali, Bamako.

CHEMONICS (2007*b*), *Trade Mali, Annual Report: September 2006-August 2007*, Final Project Report, USAID Mali, Bamako.

CLUSA/CHEMONICS(Cooperative League Of The USA/chemonics International Inc.)(2006), *Consolidated Work Plan 2006-2007: PRODEPAM, Trade Mali, Mali Finance*, USAID Mali, Bamako.

CLUSA (2007), *Résultats de l'Enquête Ménage et Suivi des Activités du Programme de Développement de la Production Agricole au Mali (PRODEPAM)*, final report, USAID Mali, Bamako.

Colombo, E. (2006), *Appui à l'harmonisation de l'aide au Mali : Matrice des principaux partenaires techniques et financiers du Mali*, Bamako.

Conseiller Du Commerce Extérieurde La France (CCE) (2007), *Investir au Mali: l'Agriculture et l'Agroalimentaire*, Section Mali, CCE, Paris.

Dewbre, J., A. B. De Battisti and J.-P. Pradère (2007), *Contraintes au développement du secteur agricole et à l'amélioration de la sécurité alimentaire au Mali*, TAD/CA/RD(2007)5, OECD, Paris, 28-30 November.

Fao (2004), "Cotton: impact of support policies on developing countries - a guide to contemporary analysis", Trade Policy Technical Note No. 1, Rome, ftp://ftp.fao.org/docrep/fao/007/y5533e/y5533e01.pdf (last access: 6 March, 2008).

Forum Malikounda (2007), « Loi de finances 2008 : Une charpente monté autour d'objectifs et de résultats », article posted on 17 December, 2007, www.malikounda.com.

Noray De, S., B. Touré, A. Dia and A. Traoré (2007), Mission d'évaluation du Programme d'Amélioration des Systèmes d'Exploitation en zone cotonnière (PASE), République du Mali/ Ministère de l'Agriculture, APCAM and AFD, Bamako.

OECD/AfDB (2005), *African Economic Outlook 2004/2005*, OECD/AfDB, Paris.

OECD/AfDB (2007), *African Economic Outlook 2006/2007*, OECD/AfDB, Paris.

OECD/SWAC (2006), *The Development Dimension — Cotton in West Africa: The Economic and Social Stakes*, Paris.

RoM (2005*a*), *Contrat Plan : État / Office du Niger / Exploitants Agricoles — Période 2005-2007*, Ségou.

RoM (2005*b*), *Plan cadre de gestion environnemental et social du projet de compétitivité et de diversification agricole*, Ministère de l'Agriculture, Bamako.

RoM (2005*c*), *Programme d'Appui aux Services Agricoles et Organisation paysanne (Crédit IDA 3583-MLI) : Mission conjointe d'évaluation à mi-parcours*, aide-mémoire, Bamako.

RoM (2006*a*), *Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté : 2007-2011*, Bamako.

RoM (2006*b*), *Programme Triennal d'Investissement 2007-2009, Ministère de l'Economie et des Finances*, Bamako.

RoM (2007), *Budget-Programme 2007*, Ministère de l'Economie et des Finances, Bamako.

World Bank (2005*a*), *Mali Investment Climate Assessment*, World Bank, Washington, D.C.

World Bank (2005*b*), *Project Appraisal Document: Agricultural Competitiveness and Diversification Project*, Report No. 30326-ML, World Bank, Washington, D.C.

World Bank (2007*a*), *Mali Country Assistance Evaluation*, Report No. 41462, World Bank, Washington, D.C.

World Bank (2007*b*), *Project Paper on a Proposed Additional Financing to the Republic of Mali for an Agricultural Services and Producer Organisations Project*, Report No. 39630-ML, World Bank, Washington, D.C.

World Bank (2007*c*), *Project Performance Assessment Report: Mali – National Agricultural Research Project (Credit 25570-ML), Agricultural Trading and Processing Promotion Pilot Project (Credit 2737GML), Pilot Private Irrigation Promotion project (TF NO21 GML)*, Report No. 40206, World Bank, Washington, D.C.

Acronyms and Abbreviations

AFD	French Development Agency (Agence Française de Développement)
AfDB	African Development Bank
AfDF	African Development Fund
APCAM	Permanent Assembly of Malian Agricultural Chambers (Assemblée Permanente des Chambres d'Agriculture du Mali)
BIS	Special Investment Budget (Budget d'Investissement Spécial)
BDS	Business Development Support
BOAD	West African Development Bank (Banque Ouest Africaine de Développement)
CIDA	Canadian International Development Agency
CMDT	Malian Textile Development Company (Compagnie Malienne pour le Développement des Textiles)
CSCRP	Poverty Reduction Strategy Paper, second generation (Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté)
EIB	European Investment Bank
EU	European Union
EurepGAP	Euro-Retailer Produce Working Group Good Agricultural Practices
FAO	Food and Agriculture Organisation
IDA	International Development Association
IER	Rural Economic Institution (Institut d'Economie Rurale)
IFAD	International Fund for Agricultural Development
IsDB	Islamic Development Bank
JAS	Joint Assistance Strategy
LOA	Agricultural Guidelines Law (Loi d'Orientation Agricole)
MCA	Millennium Challenge Account
PACCEM	Mali Cereal Marketing Support Project (Projet d'Appui à la Commercialisation des Céréales au Mali)

PASE	Improvement Programme for Exploitation Systems in the Cotton Zone (Programme d'Amélioration des Systèmes d'Exploitation en Zone Cotonnière)
PASAOP	Agricultural Services and Producer Organisations Programme (Programme d'Appui aux Services Agricoles et aux Organisations Paysannes)
PAVCOPA	Agricultural Products Value-Adding and Marketing Project (Projet d'Appui à la Valorisation et Commercialisation des Produits Agricoles)
PAFA	Agricultural Supply Chain Support Project (Projet d'Apppui aux Filières Agricoles)
PCDA	Agricultural Competitiveness and Diversification Programme (Programme de Compétitivité et Diversification Agricoles)
PNIR	National Rural Infrastructure Programme (Programme National d'Infrastructures Rurales)
PNRA	National Agricultural Research Project (Projet National de Recherche Agricole)
PRODEPAM	Agricultural Production Development Programme in Mali (Programme de Développement de la Production Agricole au Mali)
PRSP	Poverty Reduction Strategy Paper
RoM	Republic of Mali
SDDR	Master Plan for Rural Development (Schéma Directeur de Développement Rural)
UNDP	United Nations Development Program
USAID	US Agency for International Development

SENEGAL

Making Better Use of Agribusiness Potential

Yoshiko Matsumoto-Izadifar

ABSTRACT

Senegal is a showcase of donors' support to horticultural export development in sub-Saharan Africa. The first direct donor support to the Senegalese horticultural value chain dates back to 1998, with the World Bank-funded Agricultural Export Promotion Project (PPEA). Early recognition of the need to tackle the whole agricultural value chain, from inputs to production, processing and marketing, characterises donors' support to the agricultural sector in Senegal.

Facing declining traditional export sectors, groundnuts and fishing, Senegal has been undergoing a difficult transition process from traditional to commercial agriculture over the past decade. The 1994 devaluation of the CFA franc has benefited Senegal's fruit and vegetables sub-sector, which presents the main hope of diversifying the country's agricultural export structure. Consequently, the primary sector grew annually at an average 6.2 per cent between 2002 and 2005, which was much higher than real annual GDP growth.

The chapter shows that aid to the agricultural sector has been proving positive in supporting the Senegalese government's new sectoral development principle, the Accelerated Growth Strategy (SCA). Senegal has started to attract foreign investment in the export-oriented horticultural sector. Moreover, small and medium-sized horticultural producers and exporters, better organised and more empowered, have succeeded in increasing production and export volume, while simultaneously satisfying the stringent sanitary and phytosanitary requirements of the OECD markets.

Today, Senegal's agriculture faces challenges of expanding targeted products and markets. Donor assistance to Senegalese agriculture has evolved and donors are now applying a differentiated market approach for multiple private actors to work better with agricultural entrepreneurs. Strengthening Senegal's agricultural potential and diversifying its agricultural production and export profile both horizontally and vertically are the long-term goals for both donors and the country.

ACKNOWLEDGEMENTS

The author would like to express her gratitude to all those who gave her the opportunity to complete this study. Two OECD field missions were conducted in May 2006 and September 2007 to discuss with the official staff of development partners, executives of private firms, farmers, representatives of professional organisations and public officials in Dakar, Saint Louis and the Niayes region.

The Senegal study has benefited in particular from input provided by Youssouf Badji (PDMAS, Dakar), Donald Baron (SOCAS, S.A., Dakar), Babacar Diop (BACDI, Dakar), Pascal Dufour (French Embassy, Dakar), Nicolas Dupuy (SNC LAVALIN / Geomar International, Inc., Dakar), Daniel Gagnon (Canadian Embassy, Dakar), Christophe Lesueur (La Platforme, Dakar), Aissatou Bah Mbaye (CIDA, Dakar), Amadou Mbodj (AFD, Dakar), Magatte Ndoye (Ministry of Trade, Dakar) and El-Hadj Adama Touré (World Bank, Dakar).

Special thanks are extended to Alexis Aka Anouan, Alimou Barry and Tiguidanké Gassama (Enda Tiers Monde, Dakar) and Eric Hazard (Oxfam International, Dakar) who have helped the field missions, collected additional information and provided valuable comments and suggestions on earlier drafts. Moreover, without generous financial support of the Paris Office of the Japan Bank for International Co-operation (JBIC), this study could not have been realised.

The opinions expressed in this study are those of the author and do not necessarily reflect those of the OECD, the Development Centre or their member countries.

INTRODUCTION

This Senegal country chapter reviews the initiatives of the government and donors to promote agricultural diversification in Senegal, and tries to examine to what extent the country is exploiting its agricultural potential, in particular in the horticultural sector. The chapter starts with a short analysis of the agricultural and agribusiness sectors, followed by an examination of the government's agricultural strategies to make a transition from traditional to commercial agriculture. Afterwards the chapter provides an overview of donor activities in the agricultural sector and discusses several major donor programmes supporting commercial agricultural development in more detail. The chapter concludes by pointing out the important role that donors play in transforming the way the public sector interacts with the agro-related private sector.

STATUS OF AGRICULTURE AND AGRIBUSINESS

Senegal's agricultural sector has two faces. On the one hand, sluggish sales of groundnut products and the deep crisis in fisheries, the country's major traditional agricultural exports, have brought down the sector's GDP contributions. Groundnuts earn less foreign revenue, with a 60 per cent drop in output over the past 20 years (Hazard *et al.*, 2006); and reform of the groundnut sector still has a long way to go (OECD/AfDB, 2007). Overfishing has diminished fish stocks, and unemployed fishermen illegally migrate to Europe[1]. Efforts to conserve resources are too slow and overfishing is still insufficiently controlled.

On the other hand, Senegal has seen some agricultural products, such as cereals and horticulture, growing. Production of rice, maize and manioc has increased in recent years to meet rising local demands in urban areas. The fruit and vegetables sub-sector presents the main hope of diversifying Senegal's agricultural export structure. Grown mainly in the Niayes, the Senegal River Valley, Casamance and Dakar regions, fruits and vegetables for export have done well since the 1994 devaluation of the CFA franc. Senegal's geographical[2] and climatic situation enables out-of-season crops to be grown for the European market. The primary sector grew annually at an average 6.2 per cent between 2002 and 2005 (ANSD, 2007)[3].

Emerging Horticulture

The country's leading horticultural production zone, the Niayes region (the coastal zone between Dakar and Saint Louis), provides the best example of integrated use of favourable factors of production and marketing. The region's climate is adequate for off-seasonal production. Geographically, the region is close to Dakar where transport and port infrastructures exist for exports. Moreover, the region has a good reputation for highly organised producers' associations.

Despite Senegal's huge potential in horticultural exports, market opportunities at national, regional and international levels remain underexploited. Emerging private entrepreneurs have expanded their production capacities, but made far less progress with their marketing skills. For instance, Senegalese cherry tomato and mango exports to Europe account for a mere 2 to 3 per cent of their domestic production[4] (FAO, 2006; ITC, 2007). Given the limited scope of economies of scale in small domestic markets, Senegalese horticultural producers and exporters would benefit from improved functioning of domestic agricultural markets and better linkages with regional and international markets.

Compared with other leading export countries of horticultural products, Senegal faces supply-chain constraints in terms of provision of inputs, production, logistics and marketing (Geomar International 2004a; 2004b). In Senegal, production and marketing assets (e.g. land, technology, finance, business know-how, human networks) are unevenly distributed across different types of producers, ranging from a few large commercial firms (e.g. Safina, Sepam[5] and GDS[6]) to

small-scale family farmers who represent the majority. For the latter, the installation cost of modern equipment and materials often exceeds small family farmers' financial capacity (World Bank, 2005). Moreover, their low level of production technology and marketing know-how impedes product diversification and quality improvement.

Food Processing

The food-processing industry in Senegal is the second most developed among West African countries, after Côte d'Ivoire. This industry accounted for 7 per cent of GDP on average in 2002-05, following the phosphate-processing industry (ANSD, 2007). The industry employed about half the people working in Senegalese industries and two-thirds of seasonal workers in 2002 (Planconsult, 2003). Eighty per cent of total agro-industrial firms in the formal sector are located in the Dakar area (Gret, 2006*b*). These agro-industrial firms benefit from proximity to the port of Dakar, rapid transportation and access to credit. Most of them are linked to a foreign firm which provides them with access to foreign capital and technology.

Two broadly defined sectors dominate the food-processing industry in Senegal. One is export-oriented (groundnut oils[7] and canned fish[8]), and the other serves the domestic market (tomato concentrates[9], sugar refining, flour milling[10], soda water, beer and other beverages[11], milk powder). However, the growth of the food-processing industry has been very weak, only 2.9 per cent on average during 2002-05 (ANSD, 2007) owing to poor performance of the fish-canning, groundnut oil and cake, and sugar and confectionery sub-sectors.

Senegal's food-processing industry depends highly on imported inputs, used directly in processing or indirectly in packaging activities. According to a recent study, 72 per cent of inputs used for processed food products are imported[12] (Gret, 2006*a*). These imported inputs vary from wheat[13] for flour milling to industrial packages. Production of tomato concentrates by SOCAS[14] and sugar refining by CSS[15] are the only examples of industrial use of domestic agricultural products, but they are not exceptions. SOCAS, for example, has started using cheaper imported tomatoes from China and Iran in order to cut down production costs (RoS, 2006*a*). This has dealt a blow against domestic tomato producers in the Senegal River Valley.

Besides large food-processing industries, local small and medium-sized enterprises (SMEs) engage in processing domestic agricultural products, such as local cereals, fruit and vegetables, fish and milk. Their production technology is usually very primitive and production output remains small. Several characteristics associated with domestic agricultural production — such as products that are difficult to conserve without adequate facilities, or fragile to transport, or that producers are unable to supply in a stipulated quantity and time, and the lack of quality control — present major constraints to industrial and commercial use (Gret, 2006*a* and 2006*b*). Adding higher value to domestic agricultural products remains limited.

Today, Senegal's challenge remains to widen the scope of the country's production and export profile both horizontally and vertically. Applying modern business practice (i.e. market analysis, client-oriented business plans and contract-based business transactions) to the agricultural sector is key to increasing the sector's competitiveness.

WHAT IS THE GOVERNMENT DOING?

Senegal had lacked a clear agricultural development policy for diversifying the sector's portfolio in the 1990s, but this situation is now changing. The Senegalese agricultural focus has gradually shifted from traditional to non-traditional produce, seizing emerging business opportunities domestically, regionally and internationally.

The Government of Senegal started to liberalise the agricultural sector in 1995. However, progress so far has been disappointing. Agricultural liberalisation has led to a widening of trade deficits due to a faster rise in imports than exports. Senegal's traditional agricultural exports have been

losing their share of world trade. The country's agricultural and food imports exceeded exports by 56 per cent in 2006 (RoS, 2007*d*).

Senegal is slowly moving towards a more proactive agricultural development strategy to realise the sector's potential in favour of rural households. Adoption of the Integrated Framework (IF) for Trade-Related Technical Assistance in 2003 was the first concrete political action taken to enlarge the country's export profile from traditional to non-traditional agricultural products (IF, 2003). This is reflected in the second generation of the Poverty Reduction Strategy Paper (PRSP 2) adopted in 2006. The PRSP 2 defines the primary sector as the major source of the country's "wealth creation for pro-poor growth" as the sector has large spill-over effects to create employment (RoS, 2006*b* and 2007*b*). The government plans to allocate 25 per cent of the total investment budget to the sector between 2007 and 2009 (RoS, 2006*c*). In 2008, the Ministry of Agriculture will receive 5 per cent of the national budget, an increase of 16 per cent over 2007(RoS, 2007*a*). However, Senegal is still far away from achieving the Comprehensive Africa Agriculture Development Programme (CAADP) target.

At the sub-sector level, the government of Senegal has drafted the Accelerated Growth Strategy (SCA) to implement the "wealth creation" pillar of the PRSP 2 and speed up economic growth (RoS, 2007*e*). Based on the major recommendations of the research done by the IF, the SCA targets five key areas with high potential, including agriculture/agribusiness and fishing. Linking production to marketing and trade, the SCA provides detailed measures to diversify agricultural and agro-food produce in domestic, regional and international markets (Geomar International, 2005 and 2006; RoS, 2006*d*). The SCA also provides the basic principles for creating an investment-friendly business environment, a prerequisite to private sector development.

Major Actors in Agriculture and Agribusiness

Involvement of many different ministries has made it difficult to undertake a well co-ordinated approach to building production capacity and competitiveness in agriculture (see Figure 1), even though the government has shown a strong commitment to improving institutional capacity and internal co-ordination. To improve its policy design capacity, the Ministry of Agriculture, for example, has created a planning, analysis and statistics directorate (DAPS). However, the Ministry has failed to harmonise its actions with other political decisions made further up the hierarchy, for example, by the Presidential Special Initiative (Collion and Rondot, 2004). Intra-ministerial co-ordination in formulating sectoral policies still needs to be improved.

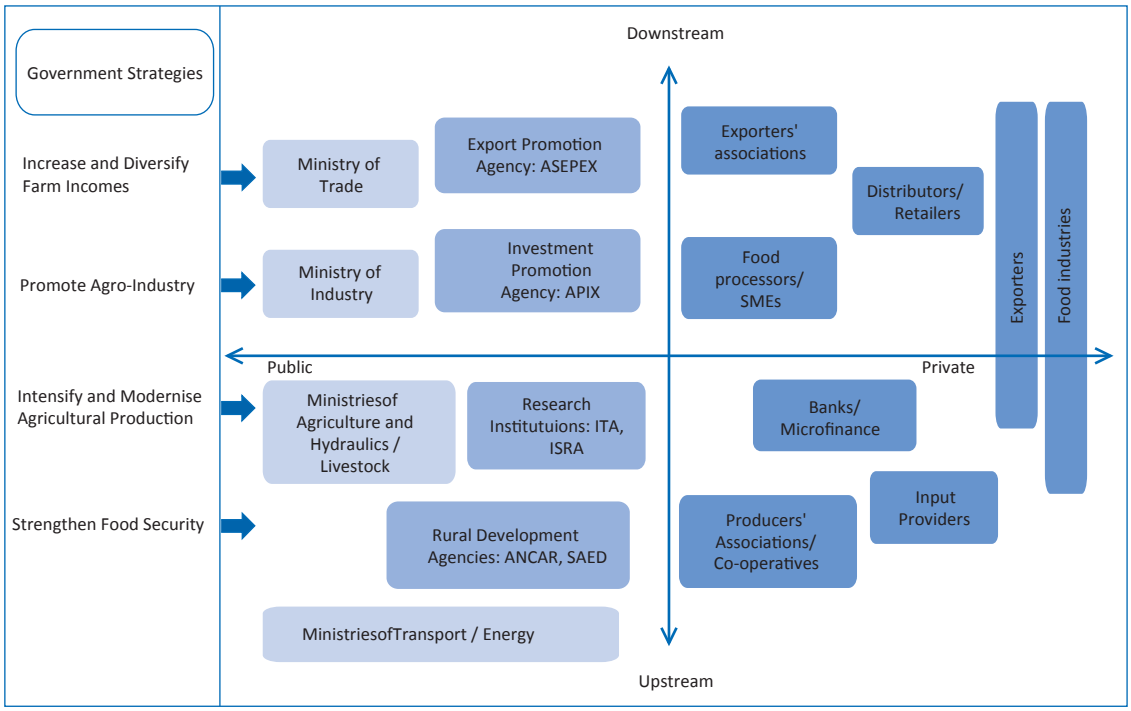
Public agencies play an increasingly important role in implementing government strategies, interacting directly with the private sector (Figure 1). The government has transferred certain roles to these agencies and given them financial and management autonomy. For example, the APIX, a semi-private national investment promotion agency created in 2000, today plays a leading role in determining development strategies, including the SCA. But some public agencies still need further institutional capacity building, such as the agricultural and agro-food industry research institutes ITA and ISRA, and the export promotion agency ASEPEX.

The involvement of the private sector in policy design and implementation has been enhanced through the National Council for Rural Co-operation (CNCR) (see Section III). The CNCR represents producers' associations and plays a central role in dialogue between the government, donors and producers on agro-related issues. Even though in some cases the CNCR may not exactly reflect the voices of small-scale farmers on the ground, producers' associations have an official channel and opportunities to participate in policy-making processes, along with large commercial firms, exporters and food industries (Hazard *et al.*, 2006).

But gaps exist between government strategies and the needs of the private sector. Despite recent improvements in the government's capacity to formulate agricultural trade and industrial policies, neither has been able to fill the gaps and create an effective value chain for producers, exporters and food processors to enable them to link the provision of agricultural inputs, production, processing, logistics and marketing. In the absence of private entities, the suppression of public mechanisms for regulating the prices of agricultural produce and inputs as well as the privatisation of public marketing functions have prevented appropriate application of policy into action. Transferring certain tasks to rural development agencies and even to local communities

has been in progress through the semi-private National Agricultural and Rural Advisory Agency (ANCAR) (World Bank, 2006*b*). This decentralising process of decision making and financial resources should be further reinforced.

Figure 1. Mapping of Major Actors in Agriculture and Agribusiness in Senegal



Source: Author's presentation based on Geomar International (2006) ; RoS (2006b); RoS (2006d).

WHAT ARE DONORS DOING?

Senegal is the region's biggest recipient of official development assistance (ODA) ($839 million in 2005) after Ghana (World Bank, 2006*a*). The country received $92 of aid per capita in 2004, the highest among West African countries. However, the national budget shows that the disbursement rate of aid projects was only 66 per cent of the total commitments in 2004 (Hazard *et al.*, 2006). Given the large ODA flows to the country and relatively low absorption capacity of the government, increasing aid effectiveness is high on the agenda.

Mapping Donor Support to Private Sector Development in Agriculture

According to the country's Triennial Public Investment Programme (PTIP) for the period 2007 - 09[16], donors were supporting 75 ongoing projects in agro-based private sector development in 2007 (Table 1). Including aid for basic economic infrastructure development, donor support to this area is estimated at $332 million (on commitment basis). The actual volume of donor support to this area is probably even larger since the PTIP omits information on certain projects. Also, the PTIP does not include general budget support. Despite these limitations, this section uses the PTIP because it provides the most up-to-date information on commitments by donor and project, allowing examination of the current status of donor support in 2007.

Table 1. Donor Support for Private Sector Development in Agriculture (2007)

No.	Areas of Intervention	Donors	No. of Projects	No. of Donors	Total Commitments ($ million)	% of Total Commitments	Average per Project ($ million)
1	**Firm / Farm Level**						
1.1	Access to Inputs	EU	1	1	2.2	0.7	2.2
1.2	Production – Technical Assistance	AfDB, IFAD, BOAD	3	7	4.0	1.2	1.3
1.3	Production – Rural Infrastructure	AfDB, BADEA, Belgium, EU, IsDB, World Bank	18	23	45.9	14.2	2.6
1.4	Agricultural Production and Processing and Marketing	AfDB, BOAD, France, IFAD, United States, World Bank	5	7	21.9	6.8	4.4
1.5	Agricultural Processing	Canada, EU, World Bank	3	5	5.4	1.7	1.8
1.6	Environmental Protection	Italy, Japan, UNDP, World Bank	12	14	19.4	6.0	1.6
1.7	Rural Development — Food Security, Employment	BOAD, Germany, IFAD, Spain	4	6	12.2	3.8	3.1
2	**Public / Private Sector**						
2.1	Agriculture Policy	Canada, EU, France, IFAD, World Bank	5	6	9.8	3.0	2.0
2.2	Trade Negotiation	EU	2	2	1.8	0.5	0.9
2.3	Business Environment and Regulations	EU, Spain, Switzerland, UNDP, World Bank	2	5	1.3	0.4	0.6
3	**Infrastructure**						
3.1	Transport Infrastructure	BADEA, AfDB, BOAD, EIB, EU, France, Germany, IsDB, Japan, Kuwait, Saudi Arabia	16	22	159.8	49.5	10.0
3.2	Energy	Germany, World Bank	3	7	32.6	10.1	10.9
4	**Support to Private Sector Development Policies**						
4.1	General Private Sector Development Support	World Bank	1	1	6.5	2.0	6.5
	Total		**75**	**106**	**322.8**		

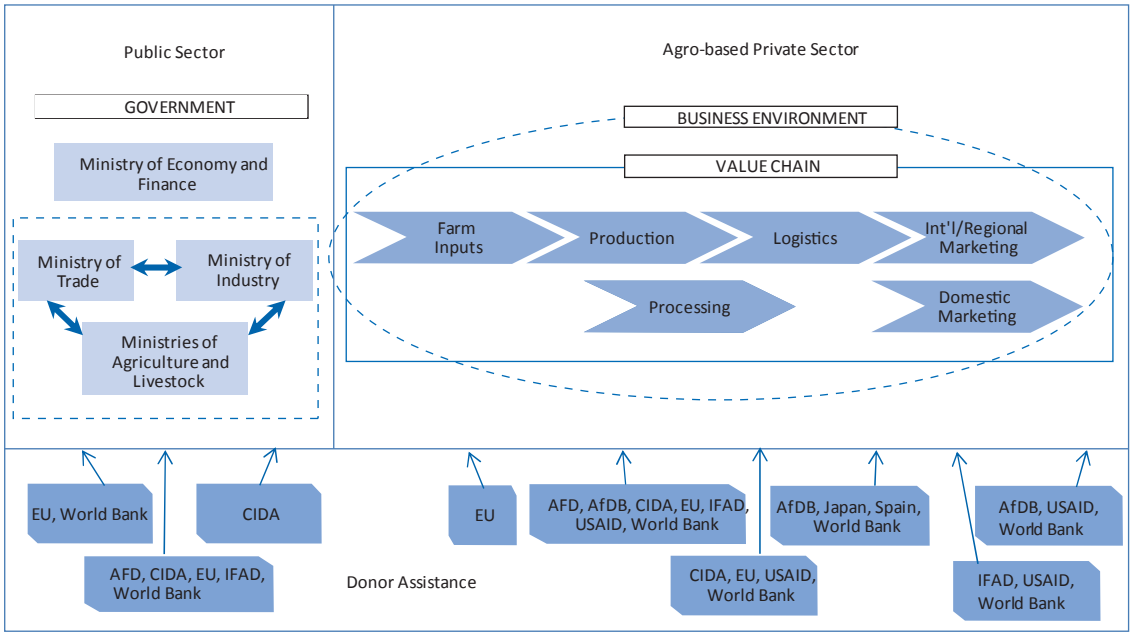
Source: Author's own calculations based on RoS (2006*c*).

With respect to donor support to agro-based private sector development in Senegal, Table 1 shows three main characteristics. First, hard investment, including transport, energy and rural irrigation, takes up to 75 per cent of the total funds. The major donors are Belgium, European Investment Bank (EIB), Islamic Development Bank (IsDB), Kuwaiti and Saudi Funds, which invest only in hard infrastructure. Second, although food security and rural development receive relatively less donor attention (3.8 per cent), donors invest intensively in the country's whole agro-food value chain (8.5 per cent), transforming production-focused agriculture to market-oriented agribusiness (i.e. commercial agriculture). This agribusiness support component, for which the World Bank is a leading donor, is four times greater than donor support to agricultural production (e.g. AfDB, BOAD). Moreover, the average size of agribusiness projects surpasses that of other projects apart from infrastructure. Third, environmental protection emerges as the second largest donor intervention area, receiving 6 per cent of the total donor support to agro-based private sector development.

Early recognition of the importance of support to agribusiness characterises donor support to agriculture in Senegal. In the late 1990s, donors started to help improve logistics and marketing of export-oriented horticultural produce. The World Bank-funded Agricultural Export Promotion Project (PPEA, 1998-2003) marked the first pilot project of a value-chain approach in West Africa, as shows the next section. IFAD, USAID and, to a certain extent, AfDB adopt the value-chain approach and apply it to the domestic market. The Canadian International Development Agency (CIDA) also supports the value-chain approach through projects in food-processing, targeting both domestic and international markets (Figure 2).

Major donors support Senegal in formulating policies on agro-based private sector development through their work on Senegalese agricultural value chain (Figure 2). The World Bank, which covers almost all the areas related to agro-based private sector development, shows a strong presence in assisting agricultural policy formulation at the Ministries of Agriculture and Livestock. The EU plays a critical role in assisting the Ministry of Trade to formulate agricultural trade strategies, completing the EU's support to the inputs-production-logistics stages of the value chain. Assuring its unique role in promoting local food-processing, the CIDA stimulates agro-industrial policies at the Ministry of Industry. This "policy-project relationship" proves donors play an important intermediary role in creating positive linkages between political strategies and private business reality. However, this policy-project linkage is somehow limited to the AFD, AfDB, the CIDA, the EU, IFAD and the World Bank.

Figure 2. Donor Interventions in Agriculture-Related Public and Private Sectors in Senegal



Source: See Table 1.

Donor Co-ordination: Still Segmented

Donor support to agriculture remains segmented. While rural infrastructure development (AfDB and IsDB) and environmental production (Italy, Japan and UNDP) are the top priorities of certain donors in agriculture, they rarely work with other donors covering the entire value chain from production to marketing or processing (Table 1). Agropôle, an ultra-modern storage and processing centre in the Saint Louis region funded by Spanish co-operation, is situated in the area where local producers and exporters with limited transport means had no easy access. This centre could serve better if it were constructed in the project site covered by other donors helping to improve logistics for horticultural producers and exporters in the region (Hazard *et al.*, 2006). In addition, a strong presence of Islamic development institutions, which separately finance rural irrigation in particular, may make adequate donor co-ordination more problematic.

To date, donor co-ordination in the agricultural sector is on an *ad hoc* basis. The operations of Senegal's Agricultural Sector Working Group are limited to urgent issues such as bird flu. The move to a sector-wide approach is slow and does not seem to be feasible in the near future. To some extent this is due to the difficulty facing the government in setting a clear long-term vision of the country's agricultural development and transforming it into coherently prioritised concrete actions. At the same time, donors tend to select intervention areas according to their expertise and based on bilateral dialogue with the government.

However, there have been positive changes. Like-minded donors increasingly co-finance and co-manage projects responding to the government's call for better co-ordination of their interventions. For example, the CIDA and the World Bank co-finance Senegal's largest agricultural diversification project, PDMAS (Agricultural Markets and Agribusiness Development Programme), with close technical collaboration with the AFD and the EU (see the following section). IFAD and the BOAD co-finance rural development projects (World Bank, 2006*c*). In 2007, among 75 projects registered in the PTIP in the area of agro-based private sector development, 21 projects are co-financed and/or co-managed (see Table 1). Moreover, in 2008 agriculture will

receive sectoral budget support from Canada, following the education and health sectors. The government's efforts to consolidate its sectoral budget to solicit donors' budget support have at last borne fruit (RoS, 2007c).

Major Donor-supported Projects to Private Sector Development in Agriculture

Senegal's strength in the agricultural sector lies in continuing diversification efforts in close collaboration with the private sector, despite the lack of coherent action and segmented donor efforts. Given the importance of this collaboration, in Table 2, six projects were selected to illustrate donors' support for public sector policy formulation capacity in agriculture (see Table 1, sub-category 2.1) and to improve competitiveness of the agro-based private sector in agricultural production/processing/marketing (Table 1, sub-categories 1.4 and 1.5). This covers the government's first three strategic objectives – diversification, agro-industrialisation and modernisation of agricultural production, presented in Figure 1.

Except for PDMAS and "Mise à Niveau" (Levelling up of Senegalese Enterprises Programme), all the projects are coming to an end or have terminated at the time of writing. This allows examining project outcomes and seeing how the projects developed, in the event of a continuing generation of projects. This is the case of the PSAOP 1 (Agricultural Services and Producer Organisations Programme), the PPEA (Agricultural Export Promotion Programme), the PDMAS (Agricultural Markets and Agribusiness Development Project) and the PAOA (Agro-Food Operators Support Project). Table 2 provides an overview of the projects being examined.

PSAOP 1, PPEA and PDMAS demonstrate the largest and most influential agricultural projects in both public and private sectors. These projects are closely associated since agricultural sector reform and institutional capacity building of the public sector (PSAOP 1) provide prerequisites for the agro-based private sector to play an active part in the entire agro-food value chain (PPEA and PDMAS). Even though the project size is relatively small, the PAOA, the Wula Naffa (Agricultural and Natural Resources Management Programme) and Mise à Niveau bring an agro-processing focus to donors' value chain approach and have a direct private sector co-operation component. These projects show a contrasting approach to the PDMAS (PAOA and Wula Naffa) and in working directly with private agribusiness (Wula Naffa and Mise à Niveau).

Table 2. Discussed Donor Projects in Agro-related Private Sector Development

Projects	Donors	Objectives	Execution Period	Amount (Disburse-ment Rate)	Major Characteristics /Relative Importance
PSAOP 1	World Bank	Increase access to agricultural extension services; Empower pro-ducer organisations	2000-2005	$47.1m (99.4%)	Agricultural sector reform, institutional capacity building
PPEA	World Bank	Increase horticultural exports and diversify the sector while targe-ting domestic, regio-nal and international markets	1998-2004	$10.4m (96.5%)	Pilot case of horizontal diversification in the 1990s
PDMAS	Canada World Bank		2006-2015	$91.3m	Second generation of the PPEA, integrated value chain approach, targeting multiple market
PAOA	Canada	Support the business development of small-scale food processors	2002-2007	$8.1m (106%)	Agro-processing focus, in search for partnership with the PDMAS, direct private sector co-operation
Wula Naafa	USAID	Increase revenues of enterprises and local governments; Support decentralisation	2003-2008	$11.8m	Agro-processing focus, value chain approach to the forestry sector, completing the PDMAS, direct private sector co-operation
Mise à Niveau	AFD AfDB EU	Increase business capacity ; Building of SMEs	2004-2008	$ 17.1m*	Direct financial support to privaate agro-food industry, packaging

*The amount includes only the AFD's contribution.

Source: The author's own presentation based on projects' appraisal documents, implementation completion reports and evaluation reports.

PSAOP — Empowering Private Actors in Agriculture

The Agricultural Services and Producer Organisations Programme (PSAOP)[17], funded by the government of Senegal and the World Bank, provides a good example of empowering the private sector in agriculture in the context of agricultural sector reform. The state's direct control over agricultural marketing has been reduced and agricultural trade has been liberalised. Now, the Ministry of Agriculture outsources its agricultural extension services to the private sector and is expected to play a further role in agricultural policy formation[18] (World Bank, 1999). Rural producer organisations and their associations are actively involved themselves to improve these services. The PSAOP 1 terminated in 2005 and the second generation of the project (PSAOP 2) is currently being implemented.

The project's completion report (World Bank, 2006*b*) shows that this reform was positive, encouraging political discourse on "participation" in the context of larger economic reform movements in the agricultural sector (Diaz *et al.*, 2004). Traditional public agricultural extension services, based on the training and visit model, were replaced by demand-driven, client-oriented agricultural advisory services, covering more than 50 000 rural producers. These services have also extended their scope to cover not only production but also agricultural inputs, market access and organisation of producers (see also PPEA and PDMAS). Through its national federation, the National Council for Rural Co-operation (CNCR), better organised and empowered rural producers started to make their voices heard at the national level and influence the national agricultural development policy, land reform, the reform of the groundnut sector and the privatisation of the State Groundnuts Purchasing and Processing Company, SONACOS (Collion and Rondot, 2004).

However, the completion report shows that problems remain in the public sector (World Bank, 2006*b*). With its unique institutional and implementation arrangement, having no independent project implementation unit (PIU) outside the Ministry of Agriculture, the Ministry failed to play a central role in reforming technical and fiduciary co-ordination functions[19]. But the newly created directorate of analysis, forecasts and statistics (DAPS) lacked institutional strength, partly because of a rapid turnover of staff and lack of financial and logistic resources (Collion and Rondot, 2004). Decentralised regional offices of the Ministries of Agriculture and Livestock lack close co-ordination with the central offices. ISRA and ITA, two major public agricultural research institutions need more highly qualified staff (World Bank, 2006*b*).

With respect to donor co-ordination, the PSAOP 1 involved various donors at the design stage – AFD, AfDB, the EU, FAO, IFAD, Swiss co-operation, USAID and the World Bank at conception level (Diaz *et al.*, 2004). This collaboration has evolved in a more concrete manner in the second phase, for which IFAD finances $6 million (World Bank, 2006*b*). Internal co-ordination at Bank level is also improving. Complementing the Bank's rural portfolio in Senegal, the PSAOP 2 tries to create synergies with other World Bank-funded agricultural projects, namely the PDMAS (see the following section) and the forthcoming Participatory Local Development Programme (PLDP).

PPEA – Horizontal Diversification: Initiation of the Value Chain Approach

The Agricultural Export Promotion Programme (PPEA) is the first test case of agricultural diversification efforts in West Africa by promoting horticultural efforts to Europe. This pilot project was accomplished in 2004 with positive results and has been followed by the Agricultural Markets and Agribusiness Development Programme (PDMAS), the second generation of the PPEA, which enlarges the targeted products and markets.

In 1998, the PPEA, funded by the government of Senegal and the World Bank, started looking for demonstrable effects of international marketing of Senegalese horticultural exports (World Bank, 1997). To reduce the country's marketing constraints, the PPEA provided 58 exporters and 700 producers with business-oriented technical assistance. International experts with commercial know-how and, in particular, "know-who" (i.e. private business partners) ensured the quality of this help. The project enabled the exporters and producers to identify product potentials and market opportunities, create commercial linkages, diversify transport strategies (i.e. air and maritime) and increase awareness of quality issues (RoS, 2004; World Bank, 2004).

According to the project completion report (Fall, 2004; World Bank, 2004), the project contributed to a doubling of Senegalese horticultural exports in volume and a tripling in value between 1998 and 2004. The project's specific contribution was the first institutionalised "EurepGAP[20] Zero Assessment" in sub-Saharan Africa in 2002 (Planconsult, 2003). This assessment has raised awareness of quality issues for medium-sized and large Senegalese exporters. From 2005, Senegalese major producer/exporters such as GDS, Safina Agrocap, SEPAM and Soleil Vert were certified by EurepGAP for quality control of fresh fruit and vegetables exported to Europe. Moreover, the PPEA promotes a national image of Senegalese horticultural products abroad under the newly introduced national label "Origine Sénégal".

"Origine Sénégal" is an important achievement of the PPEA. Helping to overcome conflicting business interests, the PPEA succeeded in generating a sector-level consensus among the two major producer/exporter associations (ONAPES and SEPAS) to introduce this national standard and create a foundation to operate the label (World Bank, 2004). The participation of the largest Senegalese producer/exporter association, ONAPES, grouping seven major operators accounting for 75 per cent of Senegal's horticultural exports, was a key to this success. Such a favourable business consensus attracted, among others, the Compagnie Fruitière, a French-based horticultural importing company operating in Cameroon, Ghana, Côte d'Ivoire and Mauritania, to set up its production base in Senegal with an investment of more than $9 million between 2003 and 2005 (*ibid.*). To make the foundation's operation more solid and effective is a continuing assignment for the PDMAS.

PDMAS –Widening Diversification Options to Put More Focus on Small Players

Serving as a main implementation tool of Senegal's accelerated growth strategy (SCA) in the agriculture and agribusiness sector, the PDMAS, the second generation of the PPEA, started in 2006. The project covers ten years with a substantial budget of $150 million, including 40 per cent of the Senegalese counterpart's financial contributions. The innovative evolution between the PPEA and the PDMAS is the inclusion of a domestic market approach, well adapted to small-scale producers with a cultivation area of less than 0.5ha (Fall, 2005). According to the project appraisal report (World Bank, 2006*c*), the PDMAS aims at creating 9 000 jobs for export markets and employment for 35 000 temporary workers in domestic markets (where more than 17 000 families are engaged in horticulture in rural areas). Supporting the packaging sector and investing in irrigation infrastructure have also become project components of the PDMAS.

The PDMAS brings a new focus to family farming in the Senegalese agricultural diversification process in the domestic market. In the long run Senegal would face difficulties keeping smallholder producers and small-scale exporters in the agricultural sector if the country's development were focused only on the export-oriented horticultural sector (Maertens *et al.*, 2006). Given limited production and marketing capacities, small-scale players are less competitive in this sector. Moreover, small-scale players are losing business linkages with large operators who tend to reduce out-grower schemes to smallholders and increase their own production (*ibid.*). Therefore, exploiting domestic market potential, for example, for eggplants, onions, mangoes, pigments and tomatoes for industrial processing is an urgent option for the smallholder producers (World Bank, 2006*c*).

Project co-ordination has also evolved in the PDMAS. The PDMAS enriches public-private partnership networking between the government, public institutions and the private sector. With the Ministry of Agriculture at the centre of co-ordination and management, the PDMAS involves related public institutions such as the Ministries of Trade, Infrastructure and Livestock, the irrigation development agency (SAED), the agricultural and rural advisory agency (ANCAR), the private investment promotion agency (APIX), research institutions ISRA and ITA, and private actors including producers/exporters' associations and service providers. The World Bank-funded PSAOP 1 served as a solid foundation for this public-private partnership. On the donors' side, too, co-ordination has improved. The World Bank and Canada co-finance the PDMAS (see also the PAOA case below). The EU and AFD implement projects in parallel giving close support to the PDMAS in the areas of construction of rural roads and an agricultural information system (EU), and financial policy and land reform (AFD) (World Bank, 2006c).

PAOA – Bottom-up Support for Vertical Diversification

Supporting the conception and implementation of the agribusiness component of Senegal's SCA, the Agro-Food Operators Support Project (PAOA) demonstrates the first systematic donor support to vertical diversification through food processing. The PAOA targets micro and small local enterprises in embryo engaging in processing domestic agricultural products. The PAOA was close to completion in 2007, allowing us to evaluate its major achievements. The project is seeking a partnership arrangement with the PDMAS to guarantee the sustainability of the project and scale up its strategic interventions at the national level.

The PAOA targets SMEs with proven export and other commercial capacity, engaging in the processing of fresh fruit and vegetables, fish, milk and cereals. Up to 80 per cent of these processors are women, absorbing almost half of the labour force (Anwer and Senghor, 2005). The PAOA technically and financially supports the processors' entrepreneurship and business initiative to improve processing and marketing capacities and product quality control. Regarding the latter, the PAOA also reinforces the client-oriented research capacity and the quality of services supplied by the public food research institute, ITA. Moreover, through linking actors to government policy, the PAOA aims to influence the formulation of the SCA through the Ministry of Industry to make the food-processing sector more effective and profitable (SNC-Lavalin international, 2007).

According to the Ministry of Industry's joint field mission report and the project's annual report of 2007 (*ibid.*), the project's results are positive at the micro level. The project secured and diversified provision of the primary materials and other inputs. The food-processing sector has created new employment. Small-scale processors have increased by two to four times their processing and marketing capacity, diversified their products and improved their quality to meet industrial norms and their presentation by using logos and labels. Moreover, the processors now have access to credit from local banks. Furthermore, the participatory approach used in the project has helped the beneficiaries to analyse their potential and weaknesses and design business plans accordingly.

At the macro level, the PAOA faced a challenge in creating an effective sector-wide partnership with the government, public institutions and other donor projects, since domestic agricultural product-based processing received scant political attention compared with the export-oriented horticultural development (Anwer and Senghor, 2005; SNC-Lavalin International, 2007). Starting from scratch, the PAOA closely collaborated with the Ministry of Industry on detailed sector analysis and with the Ministry of Trade on production and sales permits.

Canada is effectively linking the PAOA to other donor projects. The PAOA developed partnerships with the Mise à Niveau implementation office concerning packaging and with several USAID projects (Wula Naffa and the West Africa Trade Hub) in the area of export promotion (SNC-Lavalin international, 2007) (see the following section). Furthermore, the PAOA is planning to link up with the PDMAS, the USAID-funded SAGIC (Support for Accelerated Growth and Increased Competitiveness for Trade) and the IFAD-funded PROMER (Rural Micro-enterprises Promotion Project) to scale up targets beyond its current beneficiaries.

Wula Naffa – Applying the Value Chain Approach to Forestry

The Agricultural and Natural Resources Management Programme, "Wula Naffa" (which means "benefits of nature" in the local language), presents another case for supporting the agribusiness component of the SCA by applying a value chain approach to forestry. Targeting this sub-sector, the Wula Naffa complements the PDMAS which covers the agricultural and livestock sub-sectors, but not forestry. Similar to the PAOA, the Wula Naffa works directly with the private sector, while putting more emphasis on modernising rural business practices by contract enforcement (USAID, 2006a). A financial support component was introduced only at the last stage of the programme[21].

To establish a rural business model based on forest products, the Wula Naffa directly provides rural entrepreneurs with step-by-step technical assistance to improve their business management and create business linkages with private processors/exporters (*ibid.*). According to the project evaluation report, the Wula Naffa reinforced the supply chains for non-traditional forest-based cash crops (cashews, Karaya gum[22], palm oil, etc.) of Eastern Senegal and Casamance (USAID, 2006*b*). The Wula Naffa largely contributed to creating private local business partnerships. Setexpharm[23], a Dakar-based exporting company for Karaya gum, is one of the major private counterparts. This local private business partnership proved to be effective in improving product quality, guaranteeing a higher average price for producers and reducing marketing costs for processors/exporters[24].

Being a stand-alone project, the Wula Naffa faces the problem of sustainability. USAID concedes that the programme risks failure without continued outside (i.e. USAID) support and has suggested continuing with a second phase (USAID, 2006*b*). Unlike the PAOA, which is seeking a partnership with the PDMAS, the Wula Naffa seems to be concentrating on internal co-ordination only among USAID-funded projects, namely with the SAGIC (USAID, 2007). Given high donor attention to environmental issues in Senegal, the Wula Naffa should attempt to scale up the project at national level.

Mise à Niveau – Directly Supporting Private Agribusiness

Also supporting the agribusiness component of the SCA, the Mise à Niveau (Levelling up Senegalese Enterprises) Programme[25] provides direct technical and financial support to eligible private enterprises, including agro-food processors. Mise à Niveau is a national pilot programme under the Ministry of Economy and Finance, working closely with the Ministry of Industry. It differs from the PAOA, which targets micro food processors; the Mise à Niveau Programme covers a broad range of Senegalese industries, in particular SMEs. As of May 2007, 21 per cent of the private enterprises supported by the programme belong to the agro-food industry (BMN, 2007a; BMN, 2007*b*).

In the agro-food sector, developing a local packaging industry is one of the main objects of the programme (BMN, 2006; BMN, 2007*c*). Sharing this major concern, the Mise à Niveau and the PAOA collaborate closely to study the constraints associated with this industry, working with the ITA, the Ministry of Industry and the International Chamber of Commerce (see also ITC, 2006). The study results are broadly shared with the private sector, donors and other private sector development supporting agencies, and contribute to the development of the packaging industry in Senegal. Field interviews in September 2007 with the USAID West Africa Trade Hub and the Mission économique of the French Embassy confirmed recently improved quality of plastic packages for locally processed foods in Senegal.

Unlike Wula Naffa, which introduced a financial assistance component at a very late stage, the Mise à Niveau focuses on financially supporting private enterprises. Its technical, advisory and financial support structure is somewhat similar to that of the PAOA. Interested enterprises, which must be committed to a minimum two-year operation in the formal sector, should submit their business development plan to the programme. Once recognised as eligible for programme support, enterprises receive subsidies of up to 20 per cent for investment in materials, such as equipment, and 70 per cent for "soft" assets, e.g. staff training, market research, quality management and information systems, in addition to technical assistance, such as business advice and help with bank applications (BMN, 2004). According to the programme's staff, investing in soft assets (i.e. human resource development, business capacity building) rather than hard assets is crucial but largely absent in the Senegalese private sector.

The success of the programme lies in its active co-ordination, both internal and external. For internal co-ordination, a steering committee involving three major actors – the government, private banks and private enterprises – guarantees mutual trust and brings private sector commitment to the programme. Placing the PIU in the semi-independent SME development agency (ADEPME) also helped the programme acquire autonomy to operate in favour of the private sector (Bougault and Filipiak, 2005). As for external co-ordination, the national programme benefited from co-financing, by the AFD, the AfDB, the Enterprise Development Centre, the EU and the UEMOA. It is to be noted that the Mise à Niveau in Senegal is now part of the UNIDO-funded UEMOA's regional programme in private sector development in West Africa, focusing on the agro-food industry (UNIDO,UEMOA, 2007).

CONCLUSIONS

Steady Transition from Traditional to Commercial Farming

Facing the declining traditional agricultural export sectors, groundnuts and fishing, Senegal has been steadily pursuing a difficult transition process from traditional to commercial farming over the past decade. The results have been quite encouraging. The non-traditional and semi-traditional agricultural sub-sectors, such as cereal production and horticulture, have revived, seizing emerging business opportunities domestically, regionally and internationally. Horticulture is emerging as the country's new export-earning sector in the Niayes region, the country's leading horticultural production zone, and expanding to the Senegal River Valley, Casamance and Dakar regions. Senegalese producer and exporter organisations have proved to be key drivers of change by rapidly adapting business strategies to emerging market needs.

Vertical diversification through processing domestic agricultural products represents another growth potential for Senegal, but currently this receives only limited political support. While Senegal is proud of having the second most developed food-processing industry in West Africa, up to 70 per cent of input use in the formal sector is imported. Not only could the performance of poorly performing formal traditional domestic food-processing industries (fish canning, groundnut oil and cake) be improved, but Senegal has also an enormous informal food-processing sector whose potential has been largely under-exploited. A positive sign is an emerging packaging sector in Senegal, which helps these processors improve their product quality and expand marketing channels.

Even though they still have to be elaborated in more detail, the government is adopting new agricultural and agribusiness development policies, the Accelerated Growth Strategy (SCA), as a sectoral development principle. There is a national consensus on the need to strengthen the country's agricultural potential and diversify its agricultural production/export profile both horizontally and vertically. The second generation of the Poverty Reduction Strategy Paper (PRSP 2), adopted in 2006, ensures the government's full political involvement in the agricultural sector which, including fishing, is receiving 25 per cent of the total national investment budget for the period 2007-09. In 2008, the Ministry of Agriculture will receive 5 per cent of the national budget, an increase of 16 per cent over 2007. However, Senegal is still far away from achieving the Comprehensive Africa Agriculture Development Programme (CAADP) target.

Another challenging task is to translate agriculture and agribusiness development strategies into concrete political actions to support private businesses. In the absence of private entities, the suppression of public mechanisms for regulating prices of agricultural produce and inputs, as well as the privatisation of public marketing functions, has disrupted the appropriate translation of policies into action. Moreover, even after the adoption of the 1996 decentralisation law, devolving decision-making processes and financial resources to the rural entities is slow to meet the expectations of rural agricultural entrepreneurs.

Strong leadership from the government is needed for it to pursue its political objectives, particularly at the Ministry of Agriculture. The Ministry's newly created planning, analysis and statistics directorate (DAPS) is expected to improve its capacity for policy design and increase co-ordination with other public and semi-public institutions and the private sector. But harmonising the Ministry's actions with other political decisions coming from further up the hierarchy, from the Presidential Special Initiative, is a challenge. Applying the Agriculture, Livestock and Forestry Guideline Law (LOASP) (RoS, 2005), Senegal's long-term aim for development of the agricultural sector, in the direction of agro-based private sector development under the PRSP 2 and the SCA, is yet another challenge which requires high level co-ordination between ministries.

Donors' Role in Senegal: Linking Public to Private

Senegal is the region's biggest recipient of ODA ($839 million in 2005) after Ghana, and received the highest amount of aid per capita among West African countries in 2004. The first direct donor support to the Senegalese horticultural value chain, in particular to logistics and marketing, dates back to 1998, from the World Bank-funded Agricultural Export Promotion Project (PPEA). Since then, small and medium-sized horticultural producers and exporters, better organised and more empowered, have succeeded in increasing production and export volume, while simultaneously satisfying the stringent sanitary and phytosanitary requirements of the EU markets.

Donors are closely supporting Senegal's agricultural and agribusiness development strategies set out in the PRSP 2 and the SCA. Including aid for basic economic infrastructure development, donor support to agro-based private sector development is estimated at $332 million in 2007 (on commitment base), which consists of 29 per cent of the total ODA to Senegal. Hard investment (transport, energy and rural irrigation) takes up 75 per cent of the total donor support, followed by support to commercial farming and environmental protection. Application of the agro-food value chain approach characterises donor support to commercial farming.

Extensive donor support for fundamental institutional changes in the government and public agencies has dramatically transformed the way the public sector works with the private sector. In particular, the World Bank-funded Agricultural Services and Producer Organisations Programme (PSAOP) helped reduce the workload of the Ministry of Agriculture by supporting the outsourcing of traditional agricultural extension services to the private sector. Moreover, the restructured public and semi-public agencies APIX and ASEPEX have become more efficient in helping private entrepreneurs create commercial linkages domestically and internationally. The semi-public agencies SAED, which promotes rural investment, and ANCAR, which provides business-based agricultural advisory services, have adopted operations that are friendlier to private business.

High-level involvement of international technical experts characterises interventions by donors adopting a value chain approach in Senegal. The leader is the Agribusiness and Agricultural Market Development Project (PDMAS), a vast 10-year agricultural diversification programme with national coverage co-financed by the World Bank and Canada. PDMAS provides the Senegalese private sector with business-oriented international expertise, with commercial know-how and "know-who" (private business partners). From analysing sector constraints to establishing marketing strategies, donors accompany the private sector at a close distance to increase business transactions and competitiveness. Transferring such competence to domestic public and private partners will be a challenge.

Since the late 1990s, Senegal has seen several developments in the value chain approach in donor support to agricultural diversification. A domestic market approach in favour of small-scale producers was introduced by the PDMAS by enlarging beyond horticulture the targeted products and markets for export to Europe. A vertical diversification variation, food-processing focus, to the agro-food value chain, also emerges and covers all types of domestic agricultural materials. Donor co-ordination has also evolved; like-minded donors, such as the AFD, AfDB, the CIDA, the EU, IFAD and the World Bank, collaborate well at project level. However, co-ordination of donor support to Senegal's vertical diversification could be further improved.

But donor support to Senegal's agriculture and agribusiness remains segmented. Because of limits on the functions of the official sectoral donor working group on agriculture, donor co-ordination is on an ad hoc basis. The strong presence of Islamic development institutions, which mainly finance rural infrastructure, makes adequate donor co-ordination more problematic. There is still progress that needs to be made in harmonising donor interventions at sub-sector and sector levels, as confirmed at the 2007 Consultative Group Meeting. Sectoral budget support for agriculture from Canada will give momentum in 2008.

Having taken off with commercial farming, Senegal will face a difficult task in balancing interests between the different types of producers, ranging from a few large commercial firms to small-scale family farmers who form the majority. In the long run, keeping smallholder producers and small-scale exporters in the agricultural sector would be difficult if the only focus in the country's development were in the export-oriented horticultural sector. With the SCA and its main implementation tool, the PDMAS, Senegal has already taken a big step forward in this difficult task by applying a differentiated market approach for multiple private actors. Opening democratic channels for dialogue with the various levels of the private sector, particularly rural agricultural entrepreneurs, will provide a collective effort to help establish policy actions that are more concrete and coherent.

NOTES

1. With financial support from Spain, Senegal launched the REVA (return to agriculture) plan, designed to re-energise the agricultural sector to stop migration.
2. Senegal is six hours by air and six days by sea from the European market and 10 days by sea from the US market.
3. According to the latest government statistics, the annual growth rate of the primary sector fell by 2.9 per cent, reflecting the weak performance of cereal and fishing production (ANSD, 2007).
4. This is with the exception of green beans, for which roughly 90 per cent of domestic production is destined for export.
5. Safina and Sepam grow their export produce exclusively under their own management. In the past, these operators collaborated with outgrowers, but for reasons of traceability, food safety and hygiene, these companies stopped contract-growing by small-scale out-growers (Planconsult, 2003).
6. The GDS (Grands Domaines du Sénégal) is a member company of the Compagnie Fruitière group based in France. The group operates in Cameroon, Côte d'Ivoire, Ghana, Mauritania and Senegal. See www.fruitiere.fr.
7. Groundnut production accounts for around 40 per cent of cultivated land, taking up 2 million hectares, and provides employment for as many as 1 million people (U.S. Commercial Service and the U.S. Department of State, 2005).
8. Two fish-canning firms are in operation: Société Nouvelle des Conserveries du Sénégal (SNCDS) and Pêcheries Frigorifiques du Sénégal (PFS). These firms are exporting fish products to the European markets.
9. Senegal is the only West African country where a local tomato-processing industry is operating, principally based on domestically produced fresh tomatoes (local production of fresh tomatoes for industrial use is estimated at about 100 000 tonnes).
10. Flour production is largely dominated by three mill factories: Les Grands Moulins de Dakar (GMD), les Moulins de Sentenac and La Nouvelle Minoterie Africaine (NMA). They provide flour to local bakers, produce pasta, couscous and semolina as well as animal feed.
11. Other than industrial enterprises, women's groups have been progressively engaged in traditional drink production, such as juice made of hibiscus, tamarind, ginger, etc.
12. Imported packaging materials (e.g. glass and metals) tend to increase the price of final products by 30-40 per cent, or more (Gret, 2006a).
13. Wheat must be imported entirely from abroad; 80 per cent comes from France.
14. SOCAS recently purchased a transformation factory, SNTI (Société National de Tomates Industrielles) in Dagana, which was a state-owned enterprise.
15. CSS produces sugar pieces from both sugar cane produced in its own fields in Richard-Tolls and imported unrefined sugar.
16. The PTIP corresponds to the budget allocation of the PRSP 2, which shows that ODA from donors finances 57 per cent of primary sector investment. Concessional loans take up 70 per cent.

17. The PSAOP is designed as a three-phase ten-year programme, using an Adaptable Programme Loan (APL) which provides flexible funding for long-term development programmes. This is due to the very complex nature of the project, actually combining three former World Bank projects on agricultural research and extension and grassroots development into one, learning from past experiences and failures of the World Bank. It took three years to reach agreement on the content of the programme with the government of Senegal.

18. To move out of a state-led extension system, the project created a semi-private agency for agricultural advisory services (ANCAR), co-managed by the government of Senegal, professional organisations and agro-based private actors, to replace the former public regional development agency (SODEVA).

19. A steering committee represents ministries involved (agriculture, livestock, economy and finance, scientific research, fisheries, environment, social development, decentralisation), national federations of producers' organisations, and implementing public and semi-public agencies (ISRA, ITA, FNRAA, and ANCAR). This arrangement was the first case in the World Bank projects in Senegal.

20. EurepGAP is an internationally recognised set of farm standards dedicated to good agricultural practices (GAP) (see also www.globalgap.org).

21. To improve the availability of credit, which remains one of the constraints to securing established regular business operations, the Wula Naffa Programme added $1 million of a small grants facility. The Programme also worked with Crédit Mutuel du Senegal (CMS).

22. Karaya gum is used in pharmaceuticals, textiles, foods, and as tragacanth gum substitute.

23. Setexpharm is the major purchaser, buying perhaps 70 per cent of production for Norgine (France) for the production of a laxative called Normacol. Setexpharm also works with the USAID-funded SAGIC project under the bissap (hibiscus juice) value chain.

24. The availability of marketing credit guarantees sound business transactions. Without sufficient working capital, processors may fail to enforce their contract agreement with producers to purchase a large quantity of primary material. For example, despite having agreements with Setexpharm, affiliated producer organisations sold only 32 per cent of their Karaya gum production to the company and sold the remaining 68 per cent to bana-bana or to the competition (Socogomme), largely owing to lack of working capital to pay cash for gum from producers and to its failure to meet pick-up schedules on time.

25. Following Morocco and Tunisia, Senegal is the third country in the African continent to benefit from this tool kit initially implemented in Europe by the UNIDO. Senegal's programme took a close example from that of Tunisia, from where it received a technical assistance team. This permitted Senegal to apply the experiences of African countries with similar sectoral constraints (Bougault and Filipiak, 2005).

REFERENCES

ANSD (Agence Nationale De La Statistique Et De La Démographie) (2007), *Banque de données économiques et financières*, Ministry of Economy and Finance, Dakar.

Anwer A. and C. Senghor (2005), *Rapport de Mission – Bilan et Suivi : Projet d'Appui aux Opérateurs/trices de l'Agro-alimentaire* (PAOA), CIDA, Dakar.

BMN (Bureau De Mise À Niveau) (2004), P*rogramme de Mise à Niveau*, pamphlet, Ministère des PME de l'Entreprenariat Féminin et de la Micro Finance, Dakar.

BMN (2006), "Etude du positionnement stratégique de la branche emballage au Sénégal ", Note de Synthèse, Ministère des PME de l'Entreprenariat Féminin et de la Micro Finance, Dakar.

BMN (2007*a*), *Bulletin de la Mise à Niveau – Programme de Mise à Niveau*, No.1, BMN, Dakar.

BMN (2007*b*), *Bulletin de la Mise à Niveau – Programme de Mise à Niveau*, No. 2, MNB, Dakar.

BMN (2007*c*), "Défis de l'industrie agroalimentaire", BMN, Dakar.

Bougault H. and E. Filipiak (2005), *Les programmes de mise à niveau des entreprises : Tunisie, Maroc, Sénégal*, Notes et Documents, No. 18, AFD, Paris.

Collion M. H. and P. Rondot (2004), R*eforming Agricultural Services in Partnership with the Producer Organisations: Lessons of the Agricultural Services and Rural Producer Organisations Programme (PSAOP) in Senegal*, World Bank, Washington, D.C.

Diaz, J., J.f. Le Coq, M.-r. Mercoiret and D. Pesche (2004), Building the Capacity of Rural Producer Organisations: Lessons of the World Bank Experience, World Bank/Cirad-Tera, Washington, D.C.

Fall, A. A. (2004), *Evaluation de la Rentabilité économique et financière du Projet de Promotion des Exportations Agricole (PPEA)*, Ministère de l'Agriculture et de l'Hydraulique, Dakar.

Fall, A. A. (2005), *Evaluation Economique du Programme de Développement des Marchés Agricoles du Sénégal*, Rapport d'Etude, Ministère de l'Agriculture et de l'Hydraulique, Dakar.

FAO (2006), Indicateurs de l'Alimentation et de l'Agriculture — Pays : Sénégal", www.fao.org/es/ESS/fr/compendium_2006/pdf/SEN_ESS_F.pdf.

Geomar International (2004*a*), *Programme de développement des marchés agricoles – AgMarkets: horticulture du Sénégal : Cadre Stratégique – Horizon 2010*, rapport livrable 1, Geomar International, Dakar.

Geomar International (2004*b*), *Programme de développement des marchés agricoles – AgMarkets: horticulture du Sénégal : Cadre Stratégique – Horizon 2010*, rapport livrable 1-annexes, Geomar International, Dakar.

Geomar International (2005), *Contribution de la grappe horticole élargie « Origine Sénégal » à la Stragégie de Croissance Accélérée (SCA)* : Méthode d'analyse et résultats, Geomar International, Dakar.

Geomar International (2006), *Appui à la formulation de la Stratégie de Croissance Accelerée pour la grappe agriculture et agro-industrie — Groupe grappe SCA : Agriculture et Agro-industrie*, rapport provisoire, Geomar International, Dakar.

Gret (2006*a*), *Etat des lieux de la filière fruits et légumes au Sénégal*, Conseil Info/MPEA, Dakar.

Gret (2006*b*), *Etat des Lieux de la Filière Lait et Produits Laitiers au Sénégal*, Conseil Info/MPEA, Dakar.

Hazard, E., A. Barry and A. Anouan (2006), *Aid for Trade and Agro-based Private Sector Development in Africa: Lessons from Senega*l, OECD Development Centre, Paris.

IF (Integrated Framework) (2003), *Senegal Diagnostic Trade Integration Study*, www.integratedframework.org/countries/senegal.htm.

ITC (2006), *Une stratégie sectorielle pour l'agro-alimentaire au Sénégal*, final draft, Geneve.

ITC (2007), *Database on Senegal National Export Performance*, www.intracen.org/menus/countries.htm.

Maertens M., L.dries, F.A. Dedehouanou and J.F.M. Swinnen (2006), "High-value Supply Chains, Food Standards and Rural Households in Senegal", *Working Paper*, No. 9, Leuven Interdisciplinary Research Group on International Agreements and Sustainable Development (LIRGIAD), Leuven.

OECD/AfDB (2007), *African Economic Outlook 2006-2007*, OECD/AfDB, Paris.

Planconsult (2003), *EUREPGAP — Introduction among small-scale producers of fresh fruit and vegetables in developing countries*, Planconsult, Emmeloord.

RoS (Republic of Senegal)(2004), *Rapport d'achèvement du projet : Projet de Promotion des Exportations Agricoles, Mission de supervision*, Ministère de l'Agriculture et de l'Hydraulique, Dakar.

RoS (2005), *Loi d'Orientation Agro-Sylvo-Pastorale*, Texte adapté, Ministère de l'Agriculture et de l'Hydraulique, Dakar.

RoS (2006*a*), *Conseil Inter-Ministeriel sur la Filière Tomate Industrielle au Sénégal*, Ministère du Commerce, Dakar.

RoS (2006*b*), *Poverty Reduction Strategy Paper*, Ministère de l'Économie et des Finances, Dakar.

RoS (2006*c*), *Programme triennal d'investissements publics 2007-2009*, Ministère de l'Économie et des Finances, Dakar.

RoS (2006*d*), *Stratégie de Croissance Accélérée : Grappe Agriculture/Agro-Industrie*, Rapport d'Étape, Ministère de l'Économie et des Finances, Dakar.

RoS (2007*a*), Budget Général : Gestion 2007, Ministère de l'Économie et des Finances, Dakar.

RoS (2007*b*), *Evaluation du DSRP 2003-2005, Rapport de synthèse*, Ministère de l'Économie et des Finances, Dakar.

RoS (2007*c*), "Projet de plan d'action pour l'harmonisation et l'efficacité de l'aide au Sénégal 2007-2010", draft consensuel produit par le groupe élargi Gouvernement – Bailleurs de fonds, Ministère de l'Économie et des Finances, Dakar.

RoS (2007*d*), Statistics on "La balance commerciale des échanges de produits agro-alimentaires", Ministère du Commerce, Dakar.

RoS (2007*e*), "Stratégie de Croissance Accélérée : présentation résumé", Réunion du Comité National de Pilotage de la SCA, Dakar, 26 January.

SNC-Lavalin International (2007), "Rapport Annuel 2006/2007 : Projet d'appui aux opérateurs/trices de l'agroalimentaire (PAOA) — avril 2006 à mars 2007", Dakar.

UNIDO/UEMOA (2007), "Programme de restructuration et de Mise à Niveau de l'Industrie des Etats membres de l'UEMOA", UNIDO/UEMOA , Ouagadougou.

USAID Senegal (2006*a*), "Agriculture – Natural Resource Management Programme Wula Naffa", annual report, October 2005 – September 2006, USAID, Dakar.

USAID Senegal (2006*b*), "Evaluation of USAID/Agriculture – Natural Resource Management Programme Wula Naffa", final report, December, USAID, Dakar.

USAID Senegal (2007), "Programme Agriculture-Gestion des Ressources Naturelles Wula Naffa", *Quarterly report*, January-March, USAID, Dakar.

U.S. Commercial Service And U.S Department Of State (2005), *Country Commercial Guide*, Washington D.C.

World Bank (1997), Project Appraisal Document to the Republic of Senegal for an Agricultural Export Promotion Project, Report No. 17146-SE, World Bank, Washington, D.C.

World Bank (1999), *Project Appraisal Document: Agricultural Services and Producer Organisations Project 2 in Support of the Second Phase of the Agricultural Services and Producer Organisations Programme – Republic of Senegal*, Report No. 34593-SN, World Bank, Washington, D.C.

World Bank (2004), *Implementation Completion Report: Agricultural Export Promotion Project*, Report No. 30743, World Bank, Washington, D.C.

World Bank (2005), *The European Horticulture Market – Opportunities for Sub-Saharan African Exporters*, World Bank working paper No.63, World Bank, Washington, D.C.

World Bank (2006*a*), *Sénégal – Développements Récents et les Sources de Financement du Budget de l'Etat : Revue des Dépenses Publiques*, Report No. 36492, World Bank, Washington, D.C.

World Bank (2006*b*), *Implementation Completion Report: Agricultural Services and Producer Organisations Project in Support of the First Phase of the Agricultural Services and Producer Organisation Programme – Republic of Senegal*, Report No. 35062, World Bank, Washington, D.C.

Acronyms and Abbreviations

ADEPME	Small and Medium Enterprises Development Agency (Agence de Développement et d'Encadrement des Petites et Moyennes Entreprises)
AFD	French Development Agency (Agence Française de Développement)
AfDB	African Development Bank
ANCAR	National Agricultural and Rural Advisory Agency (Agence Nationale de Conseil Agricole et Rural)
APIX	Investment Promotion & Major Public Works National Agency (Agence Nationale chargée de la Promotion de l'Investissement et des Grands Travaux)
ASEPEX	Senegalese Export Promotion Agency (Agence Senegalaise de Promotion des Exportations)
BADEA	Arab Bank for Economic Development in Africa (Banque Arabe pour le Développement Économique en Afrique)
BMN	Office for Levelling up of Enterprises (Bureau de Mise à Niveau)
BOAD	West African Development Bank (Banque Ouest Africaine de Développement)
CAADP	Comprehensive Africa Agriculture Development Programme
CIDA	Canadian International Development Agency (Agence Canadienne pour le Développement International)
CNCR	National Counsel for Rural Cooperation (Conseil National de Concertation et de Coopération des Ruraux)
DAPS	Directorate of Analysis, Forecasts and Statistics (Direction de l'Analyse, de la Prévision et des Statistiques)
EIB	European Investment Bank
EU	European Union
EurepGAP	Euro-Retailer Produce Working Group Good Agricultural Practices
FNRAA	National Fund for Agricultural and Afro-food Research (Fonds National de Développement Agro-Sylvo-Pastoral)
GDP	Gross Domestic Product
IF	Integrated Framework for Trade-Related Technical Assistance

IFAD	International Fund for Agricultural Development
IsDB	Islamic Development Bank
ISRA	Senegalese Agricultural Research Institute (Institut Sénégalais de Recherches Agricoles)
ITA	Food Technology Institute (Institut de Technologie Alimentaire)
ITC	International Trade Centre
LOASP	Agriculture, Forestry and Livestock Guideline Law (Loi d'Orientation Agro-Sylvo-Pastorale)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
ONAPES	National Organisation of Senegalese Fruits and Vegetables Exporters (Organisation Nationale des Producteurs et Exportateurs de Fruits et Légumes du Sénégal)
PAOA	Agro-Food Operators Support Project (Projet d'Appui aux Opérateurs de l'Agro-alimentaire au Sénégal)
PDMAS	Agricultural Markets and Agribusiness Development Project (Programme de Développement des Marchés Agricoles du Sénégal)
PIU	Project Implementation Unit
PLDP	Participatory Local Development Programme
PPEA	Agricultural Export Promotion Programme (Projet de Promotion des Exportations Agricoles)
PROMER	Rural Micro-entreprises Promotion Project (Projet de Promotion des Micro-Entreprises Rurales)
PRSP	Poverty Reduction Strategy Paper
PSAOP	Agricultural Services and Producer Organisations Programme (Programme des Services Agricoles et d'Appui aux Organisations de Producteurs)
PTIP	Triennial Public Investment Programme (Programme Triennal d'Investissements Publics)
REVA	Return to agriculture (REtour Vers l'Agriculture)
RoS	Republic of Senegal
SAED	State Company for Senegal River and Delta Land Setting and Development (Société Nationale d'Aménagement et d'Exploitation des Terres du Delta du Fleuve Sénégal et des Vallées du Fleuve Sénégal et de la Falémé)
SAGIC	Support for Accelerated Growth and Increased Competitiveness for Trade
SCA	Accelerated Growth Strategy (Stratégie de Croissance Accélérée)
SEPAS	Senegalese Agricultural and Service Export Company (Sénégalaise d'Exportation des Produits Agricoles et de Services)

SMEs	Small and Medium-sized Enterprises
SONACOS	State Groundnuts Purchasing and Processing Company (Société Nationale de Commercialisationdes Oléagineux du Sénégal)
UEMOA	West African Economic and Monetary Union (Union Économique et Monétaire Ouest Africaine)
UNIDO	United Nations Industrial Development Organisation
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

TANZANIA

The Challenge of Moving from Subsistence to Profit

Denise Wolter

ABSTRACT

Tanzania could be a major food-exporting country but its dependence on rainfall, poor transport and marketing infrastructures, as well as low access to technology, lead to persistent food security problems.

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, it would have been better to have a two-fold programme with one part focusing on production-related investments such as irrigation and the other fostering commercial agriculture and the private sector.

While donor commitments to agriculture show a mixed trend, Tanzania is one of the few African countries with a basket fund in agriculture. The Tanzanian government aims to establish the ASDP as the sector programme to which all donor interventions should be aligned.

First reviews of the ASDP reveal that capacity to implement the programme is lacking at all levels. A lot of capacity building and a change of mindset in Local Government Authorities (LGAs) are needed to make farmer empowerment and private sector involvement a reality. Furthermore, rural and agricultural development efforts should be better co-ordinated as both draw on the same limited capacities at the local level.

ACKNOWLEDGEMENTS

The Tanzania country study would not have been possible without the help and valuable information provided by many dedicated colleagues working in the field whom we met during our missions in November/December 2005 and October 2007.

The Tanzania study was improved by valuable comments and additional information from Axel Dörken (GTZ, Dar es Salaam), Johann Hesse (EC Delegation to Tanzania, Dar es Salaam), Mwatima A. Juma (IFAD, Dar es Salaam), Christian Karstensen (Royal Danish Embassy, Dar es Salaam), Razi Latif (EC Delegation to Tanzania, Dar es Salaam), Jacqueline Machangu (FAO, Dar es Salaam), Juniper Neill (USAID, Dar es Salaam), David N. Nyange (USAID, Dar es Salaam) and Andrew Temu (Sokoine University of Agriculture, Tanzania).

The views expressed in this study, however, remain those of the author and do not necessarily reflect those of the OECD Development Centre.

INTRODUCTION

The Tanzania country study reviews what the Tanzanian government and donors are doing to unleash the so far largely untapped agricultural potential of Tanzania. The study starts with a short analysis of the Tanzanian agricultural sector followed by an examination of how far the strategies of the Tanzanian government are effectively addressing the problems faced by stakeholders in the sector. Afterwards the study provides an overview of donor activities in the agricultural sector and discusses the recently established donor basket and several large donor projects in more detail. The study concludes by pointing out positive developments, such as donors' efforts to align their support in the agricultural sector, but also areas which require improvement such as the insufficient efforts to promote agribusiness and the commercialisation of agriculture.

STATUS OF AGRICULTURE AND AGRIBUSINESS

Tanzania's agriculture remains today a traditional, smallholder production system, even though the modernisation of agriculture has been on the political agenda of the Government of Tanzania (GoT) for some time. In this section, the major challenges of Tanzania's agricultural sector for food crop production and export crop production will be highlighted, as well as other emerging agro-industries.

Food Crop Production - Far below Potential

The main food crops in Tanzania are maize, rice, wheat, sorghum/millet, cassava and beans. Tanzania could be a major food-exporting country, but so far Tanzania's agricultural potential is largely undeveloped. Only 11 per cent of the total land area suitable for agriculture (about 44 million hectares) is under cultivation, mostly by smallholder farmers[1]. The planted area has been stable for several years, indicating that land expansion has ceased to be a major source of agricultural growth. Furthermore out of 29.4 million hectares (31 per cent of the total land area) with irrigation potential, only 227 490 hectares (less than 1 per cent) are currently under irrigation. The usage of modern agricultural inputs is very low; only 15 per cent of all farmers use fertilizers (Temu, 2006*a*; URT, 2006*a*; World Bank, 2005).

Unsurprisingly, food crop productivity has been very low. In the past six years (2001/02 – 2006/07) average food crop productivity was 1.7 tonnes per hectare, whereas good management and optimal fertilizer use should result in yields of 3.5-4.0 tonnes per hectare (URT, 2007*b*). The recent reintroduction of the fertilizer subsidy in 2003/04 has yet to show its effect. At the same time, profitability analysis reveals negative or extremely thin gross margins for traditional maize and paddy rice because of the use of local seeds, which respond poorly to fertilizers. Thus the fertilizer subsidy will not help to increase the productivity of smallholder farmers using local variety seeds. Improving crop profitability requires a comprehensive approach: encouraging smallholders to use both improved variety seeds (such as hybrid maize) and fertilizer as a package (URT, 2006*a*).

Much of the sector's recent growth has been due to production diversification at the farm level (horizontal diversification). Traditional food crops (maize, rice, sorghum and millet) now occupy only 50 per cent of total planted areas, while non-traditional export crops such as oilseeds, pulses, vegetables, roots and tubers have increased their shares (URT, 2006*a*). To sustain and expand production diversification at the farm level, yields of food crops need to increase at the same time to meet rising domestic and regional demand. However, food crops are still mainly produced for subsistence and the incentives to produce them for the market are not in place. According to the 2006 Agricultural Sector Review, existing taxation erodes the incentives to produce food crops in general and to produce for the market in particular. Furthermore, Tanzania

faces the problem of inefficient food markets within the country. Field interviews revealed that regions with a surplus prefer to export their produce to neighbouring countries because of the poor state of transport infrastructure within Tanzania, undeveloped market information systems regarding prices and needs of other regions, and unpredictable GoT interventions for certain food crops such as maize (URT, 2006*a*; URT, 2007*b*).

As a result of these problems, agricultural imports have actually been increasing, with food imports taking the largest share (80 per cent in 2005). Major food imports include wheat, rice and dairy products (URT, 2007*b*). Tanzania's agro-food industry is very small and not able to meet local demand[2]. While the GoT has realised the importance of promoting commercialisation at the policy level, implementation has been lagging behind. Currently, lack of medium and long-term financing, lack of infrastructure, duplication and multiplicity of taxes levied on producers in the agricultural sector result in low investments in the agricultural sector in general and agricultural processing in particular[3].

Export Crop Production - Traditional Exports are on the Decline

Traditional agricultural exports accounted for only 20 per cent of total merchandise exported in 2006, down from over 55 per cent in 1995/96. Traditional export crops in Tanzania are coffee, cotton, tea, cashews, tobacco and, on a much smaller scale, cloves and sisal. Production of traditional export crops is also dominated by smallholder farmers, except for tea and sisal where larger estates are common (URT, 2007*b*).

The horticultural sector (vegetables, fruit and cut flowers) is still very small and contributes little more than 1 per cent to total merchandise exports ($18.2 million). However, the sector has shown strong growth rates in recent years, and as indicated above the production of horticultural products is partly ousting food crop production. Only about 4 per cent of fruit and vegetable production is processed, with most of the produce exported in a raw state to regional markets (URT, 2006*a*; URT, 2007*b*).

Fish and Livestock – New Drivers of Growth?

Tanzania's most important non-traditional agricultural exports are fish and fish products which earned half as much as all traditional agricultural exports ($138.6 million) in 2006. Nile perch from Lake Victoria constitute about 80 per cent of Tanzania's total fish exports. The sea-fishing potential of Tanzania is still largely unexploited, but production is constrained by a shortage of modern fishing equipment. Furthermore, the fish industry faces the challenge of having to comply with quality and sanitary standards imposed by importing countries (URT, 2007*a*).

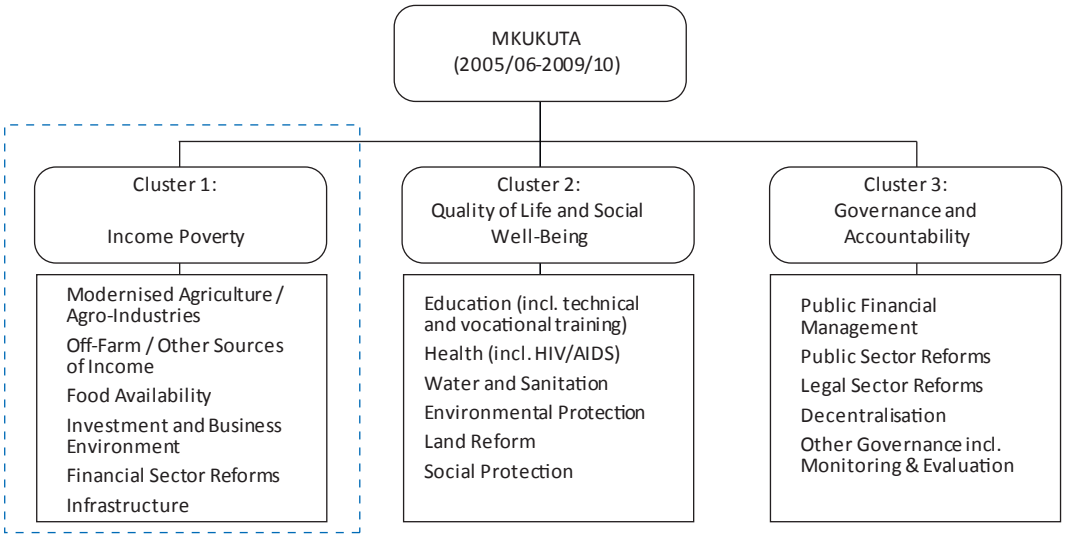
Tanzania has the third largest cattle herd in Africa, after Ethiopia and Sudan. While the livestock sub-sector contributes almost 6 per cent to GDP, its share in total exports is very small (less than 1 per cent). Despite high growth in egg and milk production, Tanzania continues to import most of its 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 (EIU, 2007; URT, 2006*a*; URT, 2007*b*).

To sum up, Tanzania has a large untapped agricultural potential not only with respect to food crops but also livestock and fish. One of the major problems is its dependence on rainfall, therefore developing irrigation systems should be a high priority, ideally introduced together with other measures to enhance productivity. At the same time, development of transport and information infrastructure is crucial as at present high transportation costs and lack of market information have led to malfunctioning internal food markets. Lastly, while Tanzania's agricultural production is fairly diversified, it needs to promote value addition and processing to move on from being an exporter of raw materials, and also to benefit from rising internal demand for dairy and other products.

WHAT IS THE GOVERNMENT DOING?

Tanzania's medium-term development strategy is outlined in the National Strategy for Growth and Reduction of Poverty (NSGRP, commonly known by its Swahili acronym MKUKUTA). MKUKUTA puts the reduction of poverty and the attainment of the Millennium Development Goals (MDGs) at the centre of the national development agenda. The strategy was adopted in June 2005 and is organised around three clusters:

Figure 1. The Clusters of MKUKUTA



Source: Author's presentation based on URT (2005).

Through the implementation of MKUKUTA, the GoT seeks to achieve real GDP growth rates of 6-8 per cent per annum between 2005/06 and 2009/10. More specifically, the target for the agricultural sector is to increase growth from 5 per cent to 10 per cent by 2010. These growth targets will not be attainable without a significant rise in productivity and the modernisation of the agricultural sector.

The measures envisaged under Cluster 1 with respect to the agricultural sector are two-fold: first, to promote the production of food crops to improve food availability and accessibility; second, to facilitate investments to modernise small, medium and large-scale agriculture. Efforts will also be made to strengthen the links between agriculture and industry and to encourage agro-processing. At the same time, the GoT wants to increase employment in other growth sectors such as tourism and mining. Therefore Cluster 1 also puts a strong emphasis on improving the business and investment climate, and infrastructure in general (URT, 2005).

Before going into a more detailed discussion of GoT's agricultural policy, it is necessary to look briefly at how far MKUKUTA priorities are matched by actual budget expenditures.

Government Expenditures on Agriculture – On the Rise but Still too Low

During the implementation of Tanzania's first Poverty Reduction Strategy Paper (PRSP-1 2000/01 – 2003/04), GoT targeted the social sectors as the main strategic component for development and poverty reduction, failing to include the growth sectors as one of its priority areas for

intervention. Consequently, GoT spending on agriculture was minimal. Actual disbursements for the agricultural sector averaged only 2.5 per cent of total government expenditures during 2001-2004 (URT, 2006*a*).

However, with the introduction of MKUKUTA the share of agriculture in the total government budget has increased considerably: the share was 5.8 per cent in 2005-06, 6.1 per cent in 2006/07 and will rise to 6.2 per cent in 2007/08. Overall, the sector budget allocations more than doubled from TShs 76.5 billion ($62.4 million) in 2003/04 to TShs 194.8 billion ($158.5 million) in 2006/07 (URT, 2007*b*)[5].

Despite these positive developments, the 2006 Agricultural Sector Review considered GoT expenditure on agriculture still too low and called for an increase of the expenditure share to 10-15 per cent of the total government budget (Temu, 2006*b*). This level of expenditure would be more in line with the Comprehensive Africa Agriculture Development Programme (CAADP) goal of spending 10 per cent of the budget on agriculture. GoT has pledged to meet the CAADP goal by 2015. It is also true that so far the sector development budget has been largely financed by donors (about 80 per cent). However, in the framework of the Agricultural Sector Development Programme, which will be discussed in more detail further down, the GoT has committed itself to significantly increase public spending, especially on irrigation (URT, 2006*c*).

Agricultural Strategy - Transferring Power to the Districts and the Private Sector

In late 2001 the GoT produced the Rural Development Strategy (RDS) and the Agricultural Sector Development Strategy (ASDS). Both strategies served as input to the MKUKUTA and envisage that the rural (predominantly agricultural) sector of the economy should become an engine of growth which in turn should lead to a substantial reduction in (rural) poverty. While the RDS covers the entire rural sector, including agriculture, non-farm economic activities, social services, and economic and social infrastructure, the ASDS covers crop and livestock production and related agribusiness activities in more detail.

Despite the functional and geographical overlap between RDS and ASDS, two separate implementation frameworks have been maintained, raising concerns over problems of duplication and co-ordination of efforts at the local level. The 2006 Agricultural Sector Review therefore argued that the ASDS should be merged into the RDS (EIU, 2007; URT, 2006*a*). Since donors have aligned their efforts primarily to the ASDS and not to RDS, the analysis will focus on the ASDS. However, the early implementation experience of the Agricultural Sector Development Programme reveals that agricultural development and rural development cannot be separated and that it is essential to link efforts to promote rural and agricultural development as one entity.

The major objective of the ASDS is to achieve an agricultural growth rate of 5 per cent, and then to increase agricultural growth to 10 per cent by 2010. This goal is to be achieved through the private sector leading the transformation from subsistence to commercial agriculture. Actual implementation of the ASDS will be the responsibility of the District Administrations which develop District Agricultural Development Plans (DADPs) according to their needs (URT, 2001)[6].

The ASDS identifies five areas of interventions: *i)* strengthening the institutional framework for managing agricultural development; *ii)* creating a favourable climate for commercial activities; *iii)* clarifying public and private roles in improving support services, including agricultural research, extension, training, regulation, information and technical services and finance; *iv)* improving the marketing of inputs and outputs, with proposed actions including a private agribusiness unit; and *v)* ensuring the specific needs of the agricultural sector in other sectors (such as transport and trade) are taken into account (URT, 2002).

The ASDS is closely linked to the GoT decentralisation agenda and the idea of allowing for more involvement of the private sector in public service delivery. In Tanzania, service delivery in the agricultural sector has traditionally been an exclusively public sector domain. The Ministry of

Agriculture, Food Security and Co-operatives (MAFC) has yet to adapt to its new mission of providing a conducive environment for agricultural producers and building the capacity of local government authorities (LGAs) and the private sector to deliver agricultural support services (URT, 2006*a*).

Actual implementation of the ASDS is guided by the Agricultural Sector Development Programme (ASDP), which is financed by a number of donors through a specific basket fund and will be discussed in more detail in the next section.

Private Sector and Trade Strategy – Focusing on the Business Environment in General

The Ministry of Planning, Economy and Empowerment (MPEE) should have finalised the Private Sector Development Strategy (PSDS) in 2007 but according to field interviews the strategy development process has stalled. After three years, a weighty document has been produced but not finalised and it is unclear what will happen next. For the time being private sector development efforts are guided by the MKUKUTA and the two major donor-financed programmes in the sector: the Business Environment Strengthening for Tanzania Programme (BEST Programme)[7] and the Financial Sector Deepening Trust (FSDT)[8]. While the BEST Programme focuses on the improvement of the business environment in general, the FSDT is essentially an investment fund for microfinance institutions and other small financial agencies. A specific strategy to promote private sector capacity through business support services, training etc. in general and in agriculture in particular is so far missing. According to field interviews, the private sector in Tanzania is still in its infancy and in strong need of capacity-enhancing support.

Tanzania's National Trade Policy states that export-led growth is a prerequisite for Tanzania's integration and effective participation in the global economy. The strategy emphasises the role of the government as facilitator, creating an enabling environment for business growth, increasing international competitiveness and promoting a new philosophy of economic management in Tanzania. However, even though agricultural exports are extremely important, the current overall trade policy falls short in addressing specific export challenges in the agricultural sector (Temu, 2006*a*; URT, 2003*a*).

As the discussion above has shown, the GoT emphasises the need for private sector-led growth of the agricultural sector to attain its poverty reduction targets in the MKUKUTA and the ASDS. At the same time, actual GoT expenditures reveal that the agricultural sector has obtained only a very small fraction of the funds. This is supposed to change under the ASDP – but as this programme has only just started it remains to be seen if the promises materialise. Considering the limited capacity of the private sector, there is also an unmet need for developing effective strategies and programmes to promote the private sector beyond improving the general business environment.

WHAT ARE DONORS DOING?

Thanks to its political stability and commitment to economic reforms, Tanzania is one of Africa's donor "darlings" with aid amounting to more than 10 per cent of gross national income (GNI) (12.5 per cent in 2005). Between 2000 and 2005, Tanzania received an average of $1.9 billion of official development assistance (ODA) per year. Most aid came from bilateral donors, whose yearly support averaged $1.1 billion. Multilateral aid amounted to $731 million per year. However the averages mask large variations in aid flows between the years. Tanzania's prominence with international donors can not only be seen by the amounts of aid it is receiving but also by the sheer number of actors: 21 bilateral donors and eight multilateral agencies are providing aid.

According to the Joint Assistance Strategy for Tanzania (JAST), budget support is the preferred aid modality of the GoT. During the fiscal year 2006/07 almost 60 per cent of ODA took the

form of general budget support (42 per cent or $660 million) and basket funds (16 per cent or $250 million). This high amount of programme aid can be seen as a sign of the advanced harmonisation and alignment in Tanzania (URT, 2006*b*; URT, 2006*d*). However aid modalities vary between the sectors, and while these new ones have been established as the norm in the social sector, most of the donor support in the agricultural sector is still provided in the form of projects. Even so, Tanzania established an agricultural sector basket fund to finance the implementation of the ASDP in 2006.

Moreover, despite the acknowledged importance of the agricultural sector for Tanzania's development, donor commitments to this sector show a mixed trend. In Tanzania aid to the agricultural sector is dominated by three multilateral donors: the World Bank, IFAD and AfDB. These three donors participate in the ASDP basket and their agricultural sector portfolios are due to rise in the future. The EU has decided to leave the ASDP basket in 2008 and to move to general budget support. At the same time, the EU will continue to provide support to certain non-state actors to improve service delivery in agriculture. Denmark had been the most important bilateral donor in the past and initially supported the development of the ASDP[9]. But following the GoT decision to increase the irrigation component of the ASDP (see discussion below), Denmark chose not to join the ASDP basket. Denmark is leaving the agricultural sector in 2008 and plans to refocus its support on other sectors in line with the JAST. The United States (US) has been another important bilateral donor, but the resource envelope has been substantially reduced from $12 million per year to only $2 million[10]. One of the most active bilateral donors is Ireland. Although its financial contributions are small, Ireland is participating in several of the major ongoing donor projects in the sector.

Mapping Donor Support to Private Sector Development in Agriculture

Building on the Medium Term Expenditure Framework (MTEF) projections of the Tanzanian Ministry of Finance, Table 1 provides a classification of 140 ongoing development projects supporting private sector development in agriculture in the fiscal year 2006/07. The ASDP Basket Fund is counted as one project (3.1) and the information on donor commitments was taken from the latest ASDP Review. The actual number of projects is likely to be higher since the table only covers major bilateral and multilateral donors, excluding NGOs and non-DAC donors such as China or the Arab Bank for Economic Development in Africa (BADEA). At the same time, donors such as the US operate mainly outside the GoT structures and therefore their projects do not appear in the table either.

Table 1. Ongoing Support to Private Sector Development in Agriculture
(Fiscal Year 2006/07, commitments in $ million)

No	Area of Intervention	Donors	No. of Projects	Total Commit-ment	% of Total	Smallest Project	Largest Project	Average per Project
1	**Firm / Farm Level**							
1.1	Access to Inputs and Irrigation	Denmark, FAO, IFAD, Japan	12	7.84	1.8	0.40	2.40	0.65
1.2	Production	AfDB, Belgium, EU, FAO, Ireland, Japan, UNIDO, USA, WFP	19	15.63	3.5	0.03	6.36	0.82
1.3	Agricultural Marketing	AfDB, EU, IFAD, Ireland	3	18.42	4.1	0.20	13.03	6.14
2	**Public Sector**							
2.1	Agricultural Policy and Interventions	Denmark, EU, FAO, Ireland, Japan, Norway, UNIDO	12	13.90	3.1	0.06	6.33	1.16
2.2	Trade, Commerce, Industry	France, Sweden, Switzerland, World Bank	9	12.53	2.8	0.01	7.50	1.39
2.3	Business Environment	Denmark, Germany, Netherlands, Norway, Sweden, UK, World Bank	14	29.64	6.7	0.44	6.00	2.12
2.4	Specialised Agencies	Sweden	1	1.04	0.2	1.04	1.04	1.04
2.5	Economic Infrastructure	AfDB, Belgium, Denmark, EU, France, Germany, Japan, Norway, Sweden, Switzerland, UNDP, UNESCO, UNIDO, World Bank	46	280.34	63.0	0.05	46.40	6.09
3	**Public/Private Sector**							
3.1	ASDP Basket	EU, FAO, IFAD, Ireland, Japan, World Bank	1	28.87	6.5	0.33	14.20	28.87
3.2	Business Development Services	FAO	1	0.20	0.0	0.20	0.20	0.20
3.3	Advocacy/ Lobbying for Policy Reform (FBOs)	EU	1	0.20	0.0	0.20	0.20	0.20
3.4	Other	Denmark, EU, World Bank	3	14.88	3.3	1.24	9.60	4.96
4	**PSD Support**							
4.1	General PSD Support	Finland, Sweden, Switzerland, UNCDF, UNDP, UNIDO, World Bank	10	12.21	2.7	0.02	7.60	1.22
4.2	Financial Sector	AfDB, Canada, Denmark, Netherlands, Sweden, UK, World Bank	8	9.30	2.1	0.80	2.07	1.16
			140	**445.00**	**100.0**	**0.01**	**46.40**	**-**

Source: Author's presentation based on URT (2006*c*) and URT (2007*d*) (for the ASDP basket).

AfDB, EU, FAO, IFAD, Ireland, Japan and the World Bank are the donors currently participating in the agricultural sector basket to finance the ASDP (3.1). AfDB only joined the ASDP basket at the end of 2007 and therefore does not appear in Table 1. All seven donors maintain other projects in the agricultural sector; but basket donors have committed themselves to aligning ongoing project support to the ASDP. According to the GoT, all current area-based projects and programmes supporting the agricultural sector are to be fully integrated into the ASDP by 2008.

The goal is to establish the ASDP as overarching sector programme. However, the timeframe appears to be a rather ambitious (URT, 2006*c*).

As Table 1 shows, there is a large variation in yearly disbursements: some small projects such as France's support to the regional integration process only disburse $10 000 a year, while big projects such as the World Bank's Central Transport Corridor Program disburse $46.4 million.

At the moment the focus of donor support is on the upstream problems of the agricultural value chain. This is in line with the observation made during field interviews that commercial farming does not figure prominently on the current donor and government agenda. On the firm/farm level, most (nine) donors focus on production (1.2) with many projects being related to food security issues. Tanzania also receives considerable support for inputs, especially irrigation and maize seeds. To a certain extent Table 1 underestimates the support to irrigation as the ASDP basket (3.1) has a strong focus on irrigation as well. One area which receives only limited attention from donors so far is that of marketing. At the same time the Agricultural Marketing Systems Development Programme (AMSDP), which will be discussed in more detail below, shows encouraging results.

One of the few donor programmes explicitly targeting agribusinesses is Denmark's Private Agricultural Sector Support (PASS). Initially only accessible in four regions, PASS now covers all of Tanzania[11]. PASS offers a credit guarantee fund to provide incentives for commercial banks to lend to the agricultural sector. Moreover, PASS has been quite successful in supporting small-scale but also some larger commercial farmers in developing business plans which are a prerequisite to access commercial bank loans. However, according to field interviews such a programme would not work for subsistence farmers since they cannot pay the consultancy fees and do not have collaterals. While very few, there are some examples of donors trying to promote commercial agriculture involving small producers. The Rural Micro, Small and Medium Enterprise Support Programme (known by its Swahili acronym MUVI), which is financed by IFAD and Ireland, will help smallholder farmers and fishers to link up with processors using a value chain approach. MUVI is due to start in 2008 and will cover six regions.

With respect to donor support to the public sector, two observations can be made. The largest category turns out to be economic infrastructure: 14 donors are providing support through 46 projects. Consequently infrastructure, especially road construction, receives most of the funds – $280 million (over 60 per cent) of total funds serving to support private sector development in agriculture. The second largest category, though on a much smaller scale, is support to improving the business environment (2.3). This is in line with the fact that most donor support to the private sector is currently provided under the BEST programme which has a strong focus on improving the national regulatory environment. The same is true for financial sector support (4.2), where most of the donor support goes to the FSDT.

Currently no donor or project covers the whole agricultural value chain. At the same time Table 1 shows a high concentration of donors in certain areas, e.g. irrigation, production, infrastructure and improving the business environment, which implies that there is some room for improving the division of labour between donors. Marketing and the provision of business development services in particular need to receive more attention considering the as yet undeveloped state of the private sector in Tanzania.

Major Donor Projects in the Agricultural Sector

The following section will examine several donor projects in the agricultural sector in more detail. In Tanzania the largest and most important programme is the Agricultural Sector Development Programme (ASDP). The GoT aims to establish the ASDP as overall sector programme to which all donors should align their support. The project discussion will therefore start with the ASDP and the related donor-funded ASDP basket. Afterwards several other important ongoing donor projects in the agricultural sector and their link to the ASDP will be analysed. Table 2 provides an overview of the projects being examined in the order of presentation.

Table 2. Discussed Donor Projects

Donor	Project	Primary Objective	Amount* ($ million)	Time	Element of Interest for the Study
AfDB, EU, FAO, IFAD, Ireland, Japan, World Bank	ASDP Basket	a) Increase smallholder farmers' access and use of agricultural knowledge, technologies, marketing systems and infrastructure b) Promote private sector investment in agriculture	198.4	2006-2013	Attempt to move to a sector-wide approach in agriculture
World Bank	PADEP	Raise the production of food, incomes and assets through the implementation of small agricultural development sub-projects planned and managed by community members	56.6	2003-2008	Incubator of approaches for ASDP
IFAD, WFP, Ireland	PIDP	Increased crop productivity through small-scale irrigation	21.5	2000-2007	Lessons learnt for ASDP
AfDB, IFAD, Ireland	AMSDP	Improving agricultural marketing systems	31.9	2003-2009	Usage of new technologies to enhance agricultural marketing

*Amounts are not the total programme costs but only the commitments made by donors.

ASDP – The Challenge of Moving from Top-down to Bottom-up

The development of the ASDP: from commercialisation to irrigation

The ASDP is the major GoT instrument for achieving agricultural growth and poverty reduction until 2012/13, as outlined in the ASDS and MKUKUTA. The objective of the ASDP is to increase productivity, profitability, and farm incomes by *i)* improving farmers' use of and access to agricultural knowledge, technologies, marketing systems and infrastructure; and *ii)* promoting agricultural private investment (URT, 2007*c*). The development of the ASDP started shortly after the adoption of the ASDS in 2001 but programme development was not completed until June 2006. This was due to the changing institutional environment with the advancement of decentralisation, the large number of donors (seven) and ministries (four) involved and limited programme ownership on the side of Agriculture Sector Lead Ministries (ASLMs) at the beginning (Greely, 2007). There was also a major shift in programme focus after the presidential election in 2005.

The ASDP Framework and Process Document was already completed by March 2003. The document was jointly produced by the four ASLMs, the Ministry of Agriculture, Food Security and Co-operatives (MAFC), the Ministry of Industry, Trade and Marketing (MITM), the Ministry of Water and Livestock Development (MWLD) and the Prime Minister Office-Regional Administration and Local Government (PMO-RALG). MAFC has been the lead ministry in developing the programme. The focus of the document was on the commercialisation of agriculture (from subsistence to profit) and the decentralisation of implementation to district and field level. The ASDP Framework and Process Document envisaged not only a change of what is done to promote the development of the agricultural sector, but how it is done. The ASDP was to be "business as un-usual", mainly through the adoption of a demand-driven approach, a greater focus on efficiency and profitability of sector investments and the involvement of the private sector. The ASDP cost was estimated at TShs 617.2 billion, or $625 million (2003 prices), and the programme was to be implemented over a period of five years (EU, 2008; URT, 2003*b*).

Following the ASDP Framework and Process Document, the District Agricultural Development Plan (DADP) Framework and the Agricultural Services Support Programme (ASSP) Document were prepared to guide implementation. The ASSP put a strong focus on research and extension (World Bank, 2006). In 2005, the GoT and donors decided to integrate the ASSP and DADP activities and in May 2006, the ASDP Programme Document was finalised. However, there are some notable differences between the 2003 Framework and Process Document and the 2006 ASDP Programme Document in terms of the scope of intervention, implementation time and resource needs.

The ASDP consists of a local and a national component with three and five sub-components respectively. The implementation time was increased from five to seven years. Table 3 provides an overview of the programme components as well as the expected financing needs as estimated by the GoT.

Table 3. Proposed Programme Costs of the ASDP (2006/07-2012/13, in $ million)*

ASDP Programme Components		Total Cost by Component (06/07-12/13)	Expected Contribution in % of component financed by			Component Share of Total Cost (in %)
			GoT	Donors	Farmers	
Component 1 : Local Level Support						
1.1	Agricultural Investments	1 261.6	77.0	5.5	17.5	65.4
	Irrigation	1 156.4	81.1	1.2	17.7	59.9
	District Agricultural Development Grants	105.2	31.6	53.7	14.7	5.5
1.2	Agricultural Services	146.8	68.6	29.5	1.9	7.6
1.3	Agricultural Capacity Building and Reforms	44.4	7.4	92.6	-	2.3
Sub-total Local Programme		1 452.9	74.0	10.6	15.4	75.3
Component 2: National Level Support						
2.1	Agricultural Services	83.0	34.2	65.8	-	4.3
	Research and Training	73.0	37.5	62.5	-	3.8
	Extension	7.7	13.6	86.4	-	0.4
	Livestock	2.4	-	100.0	-	0.1
2.2	Irrigation Development	367.1	98.6	1.4	-	19.0
2.3	Marketing & Private Sector Development	8.8	-	100.0	-	0.5%
2.4	Food Security	4.1	-	100.0	-	0.2
2.5	Co-ordination and Monitoring & Evaluation	13.9	-	100.0	-	0.7
Sub-total National Programme		476.9	81.9	18.1	-	24.7
Total		**1 929.8**	**75.9**	**12.5**	**11.6**	**100.0**

*Original numbers in Tanzanian Shilling (TShs), exchange rate used $1 = TShs 1,291.42 of 05/31/06 taken from www.oanda.com.

Source: Author's presentation based on URT, 2006c.

The total cost for the ASDP amounts to almost $2 billion (about $275.6 million per year), which will be financed mostly by GoT (76 per cent), while donors are expected to contribute 12.5 per cent of the necessary funds. Farmers are supposed to contribute 11.6 per cent, mainly through cost-sharing in local investments. The cost of the programme more than tripled compared with that of 2003 because of the large irrigation expenditures. Irrigation investments receive most of the funds at both local and national levels; as a result 80 per cent of the total ASDP

resources envelope is allocated to irrigation. GoT has set up a District Irrigation Development Fund (DIDF) and a National Irrigation Development Fund (NIDF) through which the irrigation financing will be made accessible.

The distribution of spending also clearly illustrates that the GoT is putting a high priority on local-level support, which obtains 75 per cent of the total ASDP funds. This is in line with the GoT decentralisation agenda, according to which districts should develop their own DADPs in which they outline their investment priorities in agriculture.

The ASDP financial commitments of the GoT appear very ambitious, especially when considering the historic difference between approved and actual budget in the agricultural sector. It remains to be seen whether the GoT programme on irrigation materialises. In the fiscal year 2006/07, 96 per cent of ASDP operations were funded by donors (EU, 2008).

The ASDP basket fund – a programme apart from the GoT programme on irrigation?

The strong focus on irrigation of the ASDP, which emerged after the presidential election in 2005, has been quite controversial among donors. As discussed in the first section, Tanzania has huge irrigation potential and there is a need to reduce the vulnerability of its agriculture to rainfall, as the drought of the last three years has shown. Investments in irrigation could also make significant inroads in poverty reduction, which was one of the major motivations for GoT to choose that focus. At the same time, the attention on irrigation brought into the open tensions between national and local-level ownership. Since most funds are to be spent on irrigation, then districts have little space to set their own priorities in 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 (Greely, 2007).

Although the 2006 ASDP is just supposed to be the first phase of the ASDP, since it covers only a sub-set of the interventions envisaged in the 2003 ASDP Framework and Process Document, a two-fold programme would have been a better solution, with one part focusing on poverty-reduction investments such as irrigation, and the other fostering private sector development and potential growth sectors. Such a dual ASDP would not only have eased the collaboration between the GoT and donors, but it would also have better reflected the needs of the different stakeholders in the agricultural sector. The diversification into high-value crops at the local level (see first section) shows that farmers are interested in moving from subsistence to profit, but the ASDP leaves marketing and PSD completely to donors (see Table 3).

In practical terms the controversy over irrigation has led to a split into two ASDPs, one being a national irrigation plan funded by GoT and the other a much smaller programme for the non-irrigation agricultural sector funded by donors. While the GoT has signed up for scant financing outside irrigation, the ASDP basket fund explicitly excludes "the large GoT cost" for irrigation as well as personnel emoluments and other GoT charges. As a result of excluding irrigation, total costs for the ASDP basket fund amount to only $315.5 million (or 16 per cent of the GoT ASDP programme). The ASDP basket is to be mainly financed by donors ($263.7 million, or 83.5 per cent) with GoT contributing $28.7 million and farmers another $23.2 million (EU, 2008; World Bank, 2006).

Since September 2007, the following donors have been part of the basket fund: World Bank ($90 million), AfDB ($59.87 million), IFAD ($36.0 million), EU ($8.5 million), Japan ($3.0 million) and Ireland ($1.0 million). FAO is the co-ordinator of the ASDP basket donor group which is a sub-group of the agriculture sector working group. The EU is currently part of the basket but plans to move to general budget support in 2008. There is at present a funding shortfall of $65.3 million for the ASDP basket. The GoT was planning to organise a fund-raising conference at the beginning of 2008 to get additional donors on board (AfDB, 2007).

As previously explained, all donors in the basket are maintaining projects at the same time while trying to avoid overlaps in project and ASDP funding; e.g. districts receiving support

through the AfDB's District Agriculture Sector Investment Project (DASIP) or the World Bank's Participatory Agricultural Development and Empowerment Project (PADEP) should not receive additional funds through the ASDP basket. However, the integration of projects into the district budgets and the alignment of projects to the ASDP remains a challenge.

First experiences with implementation – ASDP needs to be adapted to the capacities of implementing agencies

While it is too early to assess the impact of the programme on agricultural growth and rural poverty, the two ASDP implementation reviews conducted jointly by donors and the GoT[12] already reveal the major challenge: capacity deficiencies at all levels impede implementation on the ground (see Box 1). At present the ASDP is still very much "business as usual", following a public sector-driven top-down approach. Doing business as "un-usual" (meaning demand-driven by farmers) as foreseen by the ASDP Framework and Process Document is proving to be quite challenging, especially at the district level, as capacities are very limited.

Box 1. Lessons emerging from first ASDP Reviews

At the national level, integration of the ASDP into the MAFC remains a challenge owing to lack of staff, but also because the ASDP is not yet fully established as overall sector programme (instead of another project). The ASDP secretariat at the MAFC continues to be viewed as a parallel structure similar to a traditional Project Implementation Unit. Also, many activities – GoT's as well as donors' – continue outside the ASDP and outside the district plans and budgets.

At the local level, districts do not have the necessary capacity to develop, plan and implement DADPs. The lack of capacity at the districts is twofold: it is relative, i.e. caused by ASDP requirements such as the need for a participatory development of DADPs; and absolute, i.e. overall, LGAs are unable to implement the different national policies (health, education, infrastructure, etc.) because of insufficient personnel and inadequate physical infrastructure. There is also still some confusion concerning the function of DADPs; they are seen partially as projects operating in parallel to conventional ones such as PADEP or other donor-supported activities.

With respect to participation of stakeholders, the evidence so far suggests that the involvement of recipients, and especially the private sector, in the development and implementation of DADPs is limited. The conventional top-down approach still dominates, in which the public LGAs construct facilities, supply materials (kit, seeds, chemicals, etc.) and technical skills (trainers or exemplars), and show the farmers what to do.

Lastly, while the number of irrigation projects has increased, the absolute number remains low and the quality of the design and implementation of the schemes vary widely. One of the major lessons learnt from past projects is that the social infrastructure (ownership, user groups etc.) should be established first and the physical infrastructure constructed afterwards. But in some districts, organisations are formed after the irrigation infrastructure, leading to lack of ownership by the farmers and consequent risk of the projects being unsustainable.

Source: EU (2008), URT (2006*c*), URT (2007*d*).

The scale of the ASDP programme needs to be more closely matched to the capacity of the implementing organisations, while at the same time building the capacity of the LGAs and the private sector (EU, 2008). The capacity building needs should not have come as a surprise, and the problems encountered during implementation reveal that lessons learnt from past and ongoing interventions in the agricultural sector have not been sufficiently taken into account when designing the ASDP.

According to Greely (2007) much of the sharing in the programme development process took place with regard to process issues such as planning, financial flows and monitoring, but donors were much more reluctant to share the lessons they had learnt from their projects. Some donors also seemed to have found it difficult to bring in their project experience. As a result the chance to feed project experience into programme support was largely missed, apart

from emphasising that a participatory approach should be taken and the analytic basis of the ASDP was much weaker than it could have been. The 2007 World Bank evaluation of several of its projects in the agricultural sector points to the Bank's limited analysis beforehand of the institutional capacity of the GoT to implement the ASDP (World Bank, 2007).

The 2007 World Bank evaluation is also rather sceptical with respect to the sustainability of the ASDP. The World Bank appraisal document for the programme contains only two short paragraphs on sustainability, and argues in its favour essentially on the grounds of greater government and donor commitment. There is no analysis of the trends of past budgetary allocations to the agricultural sector, or the needs during and after the project period (World Bank, 2006; World Bank, 2007). Discussion of an exit strategy is also absent, even though one of the major problems with past interventions in the agricultural sector has been that they stopped shortly after donor funding ceased.

While other donors have not conducted a detailed analysis either, the lack of analysis on the part of the World Bank is particularly astonishing, since at the same time the ongoing World Bank project PADEP is regarded as a pilot for the ASDP (URT/World Bank, 2006).

PADEP – Pilot for the ASDP?

The World Bank-financed Participatory Agricultural Development and Empowerment Project (PADEP) started in 2003 ($56.6 million) and will end in 2008. The project seeks to raise the production of food, incomes and assets in about 840 villages through the implementation of small agricultural development sub-projects planned and managed by the community. The drought of the last three years has generated a large demand for irrigation and water storage sub-projects, especially at village level[13]. However, implementation has been slow. At the time of the mid-term review (June 2006), PADEP had disbursed only 30 per cent of the total project funds. Disbursement doubled from 2004/05 to 2005/06, and only if this pace can be maintained will PADEP be able to complete its activities as planned by mid-2008 (URT/World Bank, 2006).

Since PADEP's investment and capacity building activities mirror ASDP's investment and capacity building grants, the project mid-term review states that PADEP can be seen as a pilot for ASDP. Many lessons emerging from the PADEP mid-term review appear to be valid for the ASDP, and three seem to be of particular importance (URT/World Bank, 2006):

- Districts are reluctant to involve external service providers: District administration officials often overestimate the skills and capacity of district staff, while the capacity of external service providers, both public and private, is underestimated. According to the review, the GoT must be more effective in informing the districts that the use of outside service providers is expected under the ASDP.
- Donor projects are not integrated in the district budget: While PADEP has been integrated in the national budget, it remains excluded from some district budgets.
- Best practices with respect to irrigation infrastructure (especially dams) need to be developed: At the time of the mid-term review, over one-third of PADEP investments were dams to harvest rainwater (chaco dams). Since so far no best practices have been established on how to construct and manage irrigation infrastructure, the quality of construction and management varies widely, leading to questions about the sustainability of certain installations.

Field interviews also revealed that project staff were not necessarily handing on their expertise to the ASDP as was hoped. To ensure that PADEP knowledge is not lost after the project ends in 2008, the assignment of PADEP staff to non-fiduciary work (those professional tasks not dealing with financial management or procurement) has been changed. During the project's final year, these employees will divide their time equally between implementing PADEP and acting as advisors to ASLM task teams working on specific aspects of ASDP implementation. The mid-term review emphasises that PADEP staff should act as advisors, not executives.

In theory, this should lead to a seamless continuation of activities under ASDP after the end of PADEP (URT/World Bank, 2006).

Despite all the potential advantages of a participatory approach, the 2007 World Bank evaluation highlights one possible shortcoming – it might result in too strong a focus on short-term investments. Originally PADEP was conceived as a project to promote soil fertility, but then its focus changed in favour of a more socially oriented approach that emphasised client demand. Investments such as soil fertility research, development and training will not feature prominently on the agendas of poor households, but their benefits are vital for long-term development (World Bank, 2007). So far neither PADEP nor ASDP has addressed the problem of how to ensure a balance of investments in the agricultural sector that are both short-term (such as irrigation infrastructure) and long-term (such as prevention of land degradation).

PIDP – The Challenge of Targeting the Poor and Financial Sustainability of Irrigation Investments

The Participatory Irrigation Development Programme (PIDP) came to an end in June 2007. Total cost of the programme was $25.3 million of which IFAD provided $17.1 million, the World Food Programme (WFP) $3.6 million and Irish Aid $0.8 million. Its objective was to increase crop productivity sustainably through expansion and improvement of small-scale irrigation schemes that had been set up and managed by farmers. The programme covered 12 crop-producing districts in the central plateau regions (IFAD, 2007*a*).

By 2006, PIDP had constructed 56 irrigation schemes to cover 14 000 hectares and benefited over 25 000 households. In addition, 56 associations of water users were set up to manage the schemes. Through its food-for-work activities, WFP has supported the construction of over 328 km of market-access roads and has provided food items worth over $800 000 for the excavation of 300 km of irrigation canals. Irish Aid provided finance for the training of water users' associations, savings and credit co-operatives and women's economic groups. The funds of Irish Aid were strictly earmarked for the training of women, which caused some delays during early implementation since women's groups first needed to be formed (IFAD, 2007*a*; IFAD, 2007*b*).

A recent evaluation of PIDP found the programme had demonstrated that the demand-driven participatory approach is effective in managing water in small-scale irrigation schemes and can enhance ownership and sustainability. However the evaluation also noted that participation slows down implementation as additional time is needed to create water-user associations etc. According to field interviews, building the social infrastructure may take up to two years. Irrigation had an unexpected, negative impact on health, as the incidence of malaria and bilharzias grew when the schemes became operational (IFAD, 2007*b*).

As well as the general lesson learnt that capacity building at all levels is crucial, two experiences from PIDP appear to be especially important for the success of the ASDP:

a) There is a trade-off between ownership and targeting the poor: In order to promote ownership, beneficiaries were required to contribute labour, local materials or some funds. However this requirement made it difficult for the poor to participate. Women were particularly disadvantaged, since they were already overburdened with household work. As a consequence, the 50 per cent target of beneficiaries living below the poverty line was met in only two out of seven schemes visited by the evaluation mission. Despite the fact that the irrigation focus was chosen to make an impact on rural poverty, the problem of how to target and involve the poor effectively is not even on the agenda of the ASDP (Greely, 2007).

b) Financial sustainability remains a challenge: District programme co-ordination units financed under the programme have already been phased out and their responsibilities have been taken over by the line departments at the district level, which have not allocated any specific resources for the operation and maintenance of the programme's schemes. Funds from the national ASDP are expected to fill the financing gap, but these have not yet materialised. If recently constructed

irrigation schemes already (or again) face the challenge of being maintained under the ASDP, then the sustainability of even newly constructed schemes will be insecure as well.

AMSDP-The Importance of Market Information

One of the few projects addressing the problem of agricultural marketing is the Agricultural Marketing Systems Development Programme (AMSDP). The AMSDP, which will be completed in 2009, aims to increase the incomes and food security of the rural poor in the Northern and Southern Highlands Marketing Zones, by improving the structure, conduct and performance of the country's agricultural marketing systems. The total programme costs amount to $42.3 million, out of which IFAD provides the largest part with $16.34 million, followed by AfDB/ADF ($14.46 million) and Ireland Aid ($1.10 million). GoT should contribute $4.22 million, district government $1.19 million and beneficiaries $513 000. The remaining financing gap of $4.49 million is to be filled by other donors (AfDB, 2002; IFAD, 2001).

The AMSDP consists of five components: 1) policy development support; 2) producer empowerment and market linkages; 3) financial market support services; 4) rural marketing infrastructure; 5) programme organisation and co-ordination (IFAD, 2001). The AfDB is mainly financing and implementing component 4 through the construction of rural feeder roads and market places, and the provision of associated capacity building for the LGAs, the MITM and local communities (AfDB, 2002).

By December 2006, the AMSDP was operating in eight regions and 21 districts. Major outcomes at the national level have been the development of an Agricultural Marketing Policy and the passage of the Warehouse Receipt System Act. In 2006, warehouse receipt systems were operating in eight locations with year-end maize/paddy rice stock of 5 000 metric tonnes, and TShs 1 billion credit to members of savings and credit co-operatives (IFAD, 2007*b*). A quite successful short-term pilot initiative under the AMSDP has been the First Mile Project, which was supported by a grant from Switzerland.

The First Mile Project ran from June 2005 to March 2006 in 14 districts. It built on support teams established by the ASMDP, known as district core groups. These included district officials for agriculture and marketing, a representative of the local partner NGO and representatives of local farmers, processors and traders. However, only a few, if any, of the district core groups set up by the ASMDP are servicing more than 15 per cent of the farmer population. Still, during the short implementation period the project demonstrated that smallholder farmers could raise their incomes significantly through access to and use of market information. The gross income of farmers benefiting from the project increased by $1.8 million as a result of increased marketed volumes and sales at better prices. The project also facilitated the exchange of ideas between different groups/districts through the "Linking Local Learners" system, which combines face-to-face learning with online sharing of ideas through an internet platform (www.linkinglearners.net) (URT, 2006*e*).

The major challenge will be to sustain and extend the First Mile Project beyond the life of the AMSDP. By the time the project ends in 2009 the AMSDP must have established commercially viable rural service companies which can continue to improve market linkages for smallholder farmers (URT, 2006*e*). But according to field interviews it is quite difficult to get farmers to pay for business services. Indeed, farmers are not accustomed to paying for services and first need to be convinced of the value-added associated with them.

It is unclear to what extent the AMSDP is linked to the ASDP as agricultural marketing falls under the responsibility of the MITM. Even though the MITM belongs to the ASLMs, it has been somewhat sidelined because of the ASDP's focus on irrigation which at first sight has little connection to trade and marketing[14].

CONCLUSIONS

In order to halve poverty by 2015 (MDG 1), Tanzania will have to increase its agricultural growth. This will require better use of the country's agricultural potential, which is so far largely untapped. Concerning exports, new drivers of growth such as livestock, fish and horticultural products are emerging as traditional agricultural exports are in decline. Moreover, Tanzania could be a major food-exporting country but its dependence on rainfall, poor transport and marketing infrastructure, as well as low access to technology, has resulted in persistent food security problems. Next to reducing its dependency on rainfall, Tanzania should strive to move away from being a raw-material exporter and benefit from rising internal demand for dairy and other products. The current business environment (especially with respect to finance and taxation) needs to be improved if investment in agriculture in general, and in agro-processing in particular, is to materialise.

While the agricultural sector did not figure prominently in Tanzania's first PRSP, the country's second generation PRSP – the MKUKUTA – has put transformation and modernisation of the agricultural sector back on the political agenda. Agricultural growth is intended to be private sector-led and to increase to 10 per cent a year by 2010. However, past GoT spending on the agricultural sector has been low. With the introduction of MKUKUTA, expenditures have increased, although from a very low level. So far the GoT is still a long way from achieving the CAADP goal of 10 per cent and the development budget is largely donor-financed. GoT's financial commitment to agricultural development has yet to become a reality.

A look at the most relevant GoT sector strategies to achieve private sector-led agricultural growth reveals inconsistencies between the rural development strategy and the agricultural strategy. Agriculture should be a part of rural development, but so far two separate frameworks for implementation have been maintained. As stated in the Agricultural Sector Review 2006, it would be better to integrate agricultural development within the rural development strategy. The first experience of implementing the ASDP also shows the need to connect the efforts of rural and agricultural development as both rely on the same limited public resources at the local level. At the moment, GoT and the donors appear to be focusing their efforts more on the ASDS than on the RDS.

The ASDS emphasises that decision making should be decentralised and that the private sector should play a substantial part in service delivery. This would require a significant change of approach from the past when service delivery was exclusively a public sector domain. Not only MAFC, but also the local government authorities, are still struggling to become accustomed to their new roles as facilitators and regulators rather than implementers.

Despite the fact that Tanzania is putting a high priority on agricultural development in MKUKUTA, donor commitments in the agricultural sector show a mixed trend. While the portfolios of the three major donors (World Bank, IFAD and AfDB) are bound to rise, Denmark is leaving the sector in 2008 and the budget of USAID has been reduced. Looking at the distribution of donor support along the value chain shows that donors are currently concentrating much more on the production than the commercial aspects of agriculture, which implies some room for improvement. The experience of the AMSDP in particular reveals that marketing information and infrastructure can be crucial in raising incomes, and, as discussed in the first section, the food security problems encountered in Tanzania are also partly due to the malfunctioning of internal food markets.

Concerning private sector development, there is a need for support beyond improvement of the general business environment. Field interviews indicate that the private sector in Tanzania is still in its infancy and in urgent need of capacity building. Donors and GoT should reflect on how to address this need effectively, and the stalling of development of the new PSD strategy is a serious setback in this respect.

At the same time, Tanzania is one of the few African countries where donors and the government are trying to move to a sector-wide approach in agriculture. With the ASDP, GoT envisages breaking away from past approaches based on fragmented and area-based projects with their own donor-specific systems, to a single comprehensive sector programme. But donor projects are not yet integrated into the ASDP and into district budgets, and even at the ministry level there is still a need to change the view that ASDP is just another project. The GoT target of having aligned all donor projects to the ASDP in 2008 appears very ambitious.

The ASDP's focus on irrigation has been very controversial, and has led to the programme splitting into two: one, a national irrigation plan funded by GoT, and the other a much smaller programme for the non-irrigation agricultural sector funded by donors. It would have been preferable to have a dual programme, with one part focusing on poverty-reducing investments such as small scale irrigation, and the other fostering private sector development and potential growth sectors. Such a dual ASDP would not only have made collaboration between the GoT and donors smoother, but it would have better reflected the needs of the different stakeholders in the agricultural sector. The diversification into high-value crops at the local level shows that farmers are interested in moving from subsistence to profit.

The first reviews of the ASDP reveal that capacity to implement the ASDP is lacking at all levels. The major lesson learnt from past donor interventions incorporated in the ASDP was the emphasis of participatory approaches. But districts currently lack the capacity to develop DADPs, and so far the involvement of farmers and the private sector in the development and implementation of DADPs has been minimal. Much capacity building and a change of attitude in LGAs are needed to make farmer empowerment and private sector involvement a reality.

Furthermore, several challenges have emerged for the ASDP from donor projects such as the recently closed PIDP. The major lesson learnt from PIDP is that there is a potential trade-off between beneficiaries' ownership and targeting the poor. While it is true that the sustainability of interventions depends on the involvement and contributions of the beneficiaries right from the start, this requirement can lead to the exclusion of the poor. The current focus on irrigation was chosen to make inroads into rural poverty, but without an effective targeting strategy this might not happen. Financial sustainability also seems to remain a challenge: if maintenance of schemes recently constructed under PIDP is already being left undone, then it is very likely that ASDP schemes will suffer the same fate.

Last but not least, the recent World Bank evaluation of several agricultural projects brought to light a challenge which may result from the participatory approach itself – too strong a focus on short-term investments. So far neither PADEP nor ASDP has addressed the problem of how to ensure a balance of investments that are short-term (such as irrigation and infrastructure) and those that are long-term (such as prevention of land degradation) in the agricultural sector.

NOTES

1. According to Temu (2007), the smallholder production system itself is Tanzania's major problem. Temu argues that the size of farms needs to be increased (e.g. through a minimum acreage for smallholder farmers) as Tanzania's land resources so far remain largely untapped, and larger commercial farms are more likely to achieve the desired growth effects through economies of scale. However, medium and large-scale farmers may support small-scale farms through the transition, e.g. through outgrower schemes.

2. For example, domestic sugar consumption currently amounts to 12 kg per person per year, equivalent to a total of more than 340 000 tonnes however local production amounted only to 263 000 tonnes. Other major agro-food products are wheat flour, sugar and beer.

3. In 2006, the Tanzania Investment Centre registered a total of 679 new projects, out of which only 34 were in agriculture and livestock. Most the projects were in the tourism sector (205) followed by manufacturing (179) (URT, 2007*a*).

4. Egg and milk production grew 35 per cent and 14 per cent respectively each year between 2001 and 2005 (URT, 2006*a*; URT, 2007*b*).

5. The crops sub-sector received the largest part of the funds: the budget allocation increased from TShs 43.7 billion ($35.7 million) in 2003/04 to TShs 123.1 billion ($100.4 million) in 2006/07. The budget allocation for the livestock sub-sector increased from TShs 9.7 billion ($7.9 million) in 2003/04 to TShs 22.5 billion ($18.4 million) in 2006/07 (URT, 2007b; Temu, 2006b). Original numbers in Tanzanian Shillings (TShs), exchange rate used $1 = TShs 1 225.64 at the end of the Fiscal Year 30 June 2007 taken from www.oanda.com.

6. The DADPs were supposed to be operational in 2003; however the guidelines were not developed until January 2005 and the first Swahili version was only distributed in late 2007.

7. The BEST Programme is currently supported by Denmark, the Netherlands, Sweden, the UK and the World Bank.

8. The FSDT is currently financed by Canada, the Netherlands, Sweden, the UK and the World Bank.

9. For example, since 2003 Denmark has provided support to districts in the Iringa and Mbeya Regions under the District Agricultural Development Support (DADS), a component of the Denmark-funded Agricultural Sector Support Programme Phase 2. Under DADS, district capacities are enhanced to plan and implement DADPs which are a prerequisite to access ASDP funds. At the beginning implementation was slow as DADP guidelines were not in place until 2005; however since then better progress has been observed. DADS will end by June 2008.

10. The decision to reduce the engagement in agriculture was taken by the US Congress who thought that the funds of about $700 million which Tanzania will be receiving under the upcoming MCA compact in 2008 will be sufficient and cover the agricultural sector. However according to USAID Tanzania the MCA compact will mainly focus on infrastructure (water, roads and electricity). While these investments will have a positive impact on economic growth in general, USAID Tanzania is lobbying to get more funding for its agricultural and trade facilitation activities again.

11. Even though Denmark is leaving the agricultural sector in 2008, PASS will continue with an increased budget under Denmark's Business Sector Support Programme Support III.

12. The first joint GoT-donor review of the ASDP took place between 10-24 of April 2007, the second ASDP review was conducted between 19 October and 2 November 2007.

13. Overall the supported farmer groups have been mostly interested in investing in better crop production, but investments in improved livestock (especially chickens) have also been significant.

14. Field interviews also revealed that current DADPs do not include marketing as a potential investment area. Partly this is because districts were unaware that such an activity could be included in the plans, but there is also a political dimension to the problem. As district officials want to be re-elected they tend to have a preference for visible actions such as dams instead of "intangible" services.

REFERENCES

AfDB (2002), *United Republic of Tanzania: Agricultural Marketing Systems Development Programme*, Appraisal Report, Agriculture & Rural Development Department, July, Tunis.

AfDB (2007), *Agricultural Sector Development Programme: Phase I*, Appraisal Report, Agriculture and Agro-Industry Department, June, Tunis.

EIU (Economist Intelligence Unit) (2007), Country Profile 2007: Tanzania, September, London.

EU (2008), "Evaluation of Activities fund by 1994/99 STABEX Transfers", Draft Report, January, Brussels / Dar es Salaam.

Greely, M. (2007), "Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development: The Agriculture Sector Development Programme (ASDP) – Tanzania", Part of the Study by A. Evans *et al.* (2007), *Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development: A Synthesis Report*, Donor Platform 2007, Bonn.

IFAD (2001), *Report and Recommendation of the President to the Executive Board on a Proposed Loan to the United Republic of Tanzania for the Agricultural Marketing Systems Development Programme*, December, Rome.

IFAD (2007*a*), *United Republic of Tanzania: Participatory Irrigation Development Programme Completion Report*, May, Rome.

IFAD (2007*b*), *United Republic of Tanzania: Country Strategic Opportunities Programme*, August, Rome.

Temu, A. (2006*a*), "Aid for Trade and Agro-based Private Sector Development in Tanzania", paper presented at the OECD Policy Dialogue on Aid for Trade, Doha 6-7 November 2006, available at: www.oecd.org/dac/trade/doha2006.

Temu, A. (2006*b*), "The 2006 Agriculture Sector and Public Expenditure Reviews", facilitators' report presented at the Second ASR and PER Stakeholder Consultative Workshop, 5-6 August 2006, Bagamoyo.

Temu, A. (2007), "Agriculture Development for Economic Growth: Are we addressing 'The' Problem?", presentation at Sokoine University of Agriculture, Morogoro.

URT (United Republic of Tanzania) (2001), *Agricultural Sector Development Strategy*, Ministry of Agriculture, Food and Co-operatives, October, Dar es Salaam.

URT (2002), *Agricultural Sector Development Strategy: Practical Experience in Designing Policy*, Ministry of Agriculture, Food and Co-operatives, August, Dar es Salaam.

URT (2003*a*), *National Trade Policy*, Ministry of Trade and Industry, Dar es Salaam.

URT (2003*b*), *Agricultural Sector Development Programme (ASDP): Framework and Process Document*, March, Dar es Salaam.

URT (2005), *National Strategy for Growth and Reduction of Poverty (NSGRP)*, Vice President's Office, June, Dar es Salaam.

URT (2006*a*), *Agricultural Sector Review 2006: Performance, Issues and Options*, Ministry of Agriculture, Food Security and Co-operatives, October, Dar es Salaam.

URT (2006*b*), *General Budget Support Annual Review 2006: Media Information Report*, Ministry of Finance, December, Dar es Salaam.

URT (2006*c*), *Agricultural Sector Development Programme (ASDP): Support through Basket Fund*, Government Programme Document, May, Dar es Salaam.

URT (2006*d*), *Joint Assistance Strategy for Tanzania*, December, Dar es Salaam.

URT (2006*e*), *Linking Local Learners for Improved Market Linkages*, Final Report of the First Mile Project in Tanzania, April, Dar es Salaam.

URT (2007*a*), *The Economic Survey 2006*, Ministry of Planning, Economy and Empowerment, June, Dar es Salaam.

URT (2007*b*), *Agricultural Sector and Public Expenditure Review for 2007/08*, Zero Draft, Ministry of Agriculture, Food Security and Co-operatives, November, Dar es Salaam.

URT (2007*c*), *Agriculture Development Support Program (ASDP): Joint Implementation Review: Aide Memoire*, April, Dar es Salaam.

URT (2007*d*), *Agriculture Development Support Program (ASDP): Aide Memoire for the second Joint Implementation Review 19/10/2007 – 02/11/2007*, November, Dar es Salaam.

URT / World Bank (2006), *United Republic of Tanzania: Participatory Agricultural Development and Empowerment Project (PADEP)*, Aide Memoire of Mid-Term Review Mission, June, Dar es Salaam.

World Bank (2005), "Tanzania: Sharing and Sustaining Economic Growth", draft Country Economic Memorandum and Poverty Assessment, July 2005, Poverty Reduction and Economic Management Unit, Africa Region, World Bank, Washington, D.C.

World Bank (2006), *Project Appraisal Document on a proposed Credit in the Amount of SDR 61.6 million (US$ 90 million Equivalent) to the United Republic of Tanzania for an Agricultural Sector Development Project*, May, Africa Region, World Bank, Washington, D.C.

World Bank (2007), *Project Performance Assessment Report and Sector Overview United Republic of Tanzania: Agricultural Sector Management Project (Credit 2537), Second Agricultural Research Project (Credit 3036), National Agricultural Extension Project II (Credit 2899)*, June, Sector, Global and Thematic Evaluation Division of the Independent Evaluation Group, World Bank, Washington, D.C.

Acronyms and Abbreviations

AfDB	African Development Bank
AMSDP	Agricultural Marketing Systems Development Programme
ASDP	Agricultural Sector Development Programme
ASDS	Agricultural Sector Development Strategy
ASLMs	Agriculture Sector Lead Ministries
ASSP	Agricultural Services Support Programme
BADEA	Arab Bank for Economic Development in Africa
BEST	Business Environment Strengthening for Tanzania
CAADP	Comprehensive Africa Agriculture Development Programme
DADPs	District Agricultural Development Plans
DASIP	District Agriculture Sector Investment Project
DIDF	District Irrigation Development Fund
DPP	Director of Policy and Planning
EIU	Economist Intelligence Unit
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FBO	Farmer-based Organisations
FSDT	Financial Sector Deepening Trust
GDP	Gross Domestic Product
GNI	Gross National Income
GoT	Government of Tanzania
IFAD	International Fund for Agricultural Development
JAST	Joint Assistance Strategy for Tanzania
LGA	Local Government Authority
MAFC	Ministry of Agriculture, Food Security and Co-operatives
MCA	Millennium Challenge Account

MDG	Millennium Development Goals
MITM	Ministry for Industry, Trade and Marketing
MKUKUTA	Swahili acronym for Tanzania's NSGRP
MPEE	Ministry of Planning, Economy and Empowerment
MTEF	Medium-Term Expenditure Framework
MUVI	Swahili acronym for the Rural Micro, Small and Medium Enterprise Support Programme
NGO	Non-Governmental Organisation
NIDF	National Irrigation Development Fund
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PADEP	Participatory Agricultural Development and Empowerment Project
PASS	Private Agricultural Sector Support
PIDP	Participatory Irrigation Development Programme
PMO-RALG	Prime Minister Office-Regional Administration and Local Government
PSD	Private Sector Development
PRSP	Poverty Reduction Strategy Paper
RDS	Rural Development Strategy
SWAp	Sector-Wide Approach
UK	United Kingdom
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNIDO	United Nations Industrial Development Organization
URT	United Republic of Tanzania
USAID	United States Agency for International Development
WFP	World Food Programme

ZAMBIA

Sustaining Agricultural Diversification

Federico Bonaglia

ABSTRACT

Zambia has a huge agricultural potential, which is still largely untapped, and could play a key role in growth and poverty eradication. Since the early 2000s, the government has implemented important reforms to promote privatisation and trade reforms, leading to higher investment and a strong growth in export crops such as cotton and horticulture. Despite this success, agricultural productivity, especially for food crops, remains low.

The study shows that public resources to the agricultural sector have drastically decreased since the early 1990s, while private sector providers have not stepped in to fill the void left by the government disengagement from input supply and marketing. Despite a strong government commitment to reverse this trend, budget figures show that the share in total allocations dropped again in the 2008 budget.

The study also argues that evaluations of past donor interventions in agriculture are not very positive, especially in terms of their sustainability. Projects often paid little attention to local absorptive and implementing capacity, had too narrow a focus on production and food security, and lacked an adequate understanding of the socio-economic conditions and behaviour of the target groups. Lack of co-ordination resulted in duplications and insufficient scale.

A new generation of donor projects emerged in the early 2000s, with a strong focus on commercialisation and the development of market linkages, especially via contract farming. These projects have borne good results in terms of production volumes, quality standards and access to international commodity chains, as well as farmers' income. The key challenge for donors is to scale up these success cases and ensure sustainability. The implementation of the Joint Assistance Strategy for Zambia 2007-2010 is an opportunity to achieve a better division of labour, strengthen synergies on the ground and reduce transaction costs for government.

ACKNOWLEDGEMENTS

The Zambia country study would not have been possible without the help and valuable information provided by many dedicated colleagues working in the field whom we met during our missions in December 2005 and October 2007.

The Zambia study benefited from input provided by Dennis Chiwele (RuralNet, Lusaka), Eddy Delaunay-Belleville (EC Delegation to Zambia, Lusaka), Mike Field (PROFIT, Lusaka), John Fynn (Zambia National Farmers Union), Henny Gerner (Royal Embassy of the Netherlands, Lusaka), Oskar Kass (Embassy of Finland, Lusaka), Alex Mwanakasale (World Bank, Lusaka), Olle Otteby (Agricultural Support Programme, Lusaka), Dick Siame (IFAD/SHEMP, Lusaka), Jens Sorensen (IFAD), Julius Shawa (Ministry of Agriculture and Co-operatives, Lusaka), Gerrit Struyf (IFAD/SHEMP, Lusaka), Wilma Viljanmaa (Embassy of Finland, Lusaka).

The views expressed in this study, however, remain those of the author and do not necessarily reflect those of the OECD Development Centre.

INTRODUCTION

The Zambia country study focuses on the contribution of aid donors in supporting the development of the private sector in Zambia's agriculture. Agriculture plays a key role in the economy and could be a major driver of growth and poverty reduction. The study starts by taking a fresh look at the status of agriculture and agribusiness, highlighting progress towards commercialisation, the emergence of export-oriented crops and the difficulties hampering the expansion of domestic production of food crops. Inadequate market infrastructure and access to inputs continue to be a major burden on farmers. The following section reviews changes in the policy environment that should help tackle those problems and promote agricultural development. The national development strategy assigns a pivotal role to agriculture and calls on donors to support government's efforts by providing financial and technical assistance. In fact, agriculture has received substantial support in recent years, although aid flows have been quite volatile. The third section analyses major donor-supported programmes in agriculture, with a special focus on those programmes promoting the development of the private sector. The final section concludes by summarising the main lessons learned and suggesting areas where Government and donors could further improve their actions.

STATUS OF AGRICULTURE AND AGRIBUSINESS

Zambia has a huge agricultural potential, which is still largely untapped and is the key priority in the government growth and poverty reduction programme. The country has one of the best land and water endowments in Africa, but only 15 per cent of total arable land is cultivated and a similar share of irrigable land is actually irrigated (Mooney, 2002).

Major reforms implemented since the mid-1990s have sprung agricultural growth, averaging about 4.5 per cent per annum, and have contributed to a marked reduction in rural poverty. However, compared with its potential, agriculture has under-performed when seen from variables such as growth, cultivated area and main crop yields. This is of particular concern because agricultural performance has been the fundamental determinant of poverty for the majority of households over the last decade, and poverty still affects about two of every three rural households (Thurlow and Wobst, 2006; Siegel and Alwang, 2005)[1].

A combination of policy distortions and structural characteristics, such as Zambia's land-locked situation and vulnerability to droughts and flooding, has hindered the further development and diversification of the sector (Jayne *et al.*, 2007; Wichern *et al.*, 1999). The sector is characterised by a dual structure, where a small number of large commercial farms, concentrated along the railway line, co-exist with scattered subsistence smallholders and few small commercial farmers who face severe difficulties accessing input and output markets. It is estimated that about 40 per cent of rural households are engaged solely in subsistence agriculture.

Food Production: Low Productivity Leads to Continuing Food Insecurity

Despite progress, agricultural growth remains volatile and most rural households have engaged in it only marginally. Crop diversification and productivity are low, and food security continues to be a problem. Reduced state support in the 1990s has led to a revival of traditional crops, particularly cassava and other tubers, but maize still dominates Zambia's agriculture. Reliance on rain-fed agriculture implies extremely volatile harvests; although the area under maize cultivation almost doubled between 2000 and 2006, in one year out of three crop production fails to satisfy national consumption needs (Dorosh *et al.*, 2007).

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 disease control.

Export Crops: Strong Growth, but on Fragile Grounds

Since the early 2000s, with the implementation of privatisation and trade reforms, production of export crops rose significantly and there has been a sharp rise in exports of cotton, tobacco, spices, horticultural products and, more recently, honey. Agricultural exports registered the strongest growth amongst non-mineral exports in most recent years.

Since privatisation in 1999, cotton production has steadily grown by about 15 per cent a year. More recently, horticulture and floriculture have also emerged as important sources of export revenue. Contract farming involving small-scale growers has been the most important route to achieving sustained expansion of production. In the cotton sector, private companies were active in setting up outgrower schemes (OGS) — such as Dunavant's "distributor model" — which now involve some 220 000 small farmers. Donor support was instrumental in establishing OGS in horticulture and paprika.

Despite such a remarkable performance, export-oriented agriculture is still fragile and involves only emergent commercial farmers concentrated in a few areas. OGS face increasing challenges to sustain their competitiveness. First, there is a problem of low productivity. Second, the agribusiness companies managing the schemes denounce high rates of loan non-repayment and widespread side-selling from farmers, in breach of their contracts. Third, the sudden and strong appreciation of the local currency in 2005-06 has badly affected exporters, especially in the cotton sector, who bore the costs in local currency and saw their margins squeezed. Fourth, corporate governance problems have put at risk the horticulture and spice sectors[2]. Faced with these risks, agribusiness companies have preferred to achieve increases in volume of production through expanding the area and number of contracted smallholders, rather than investing in extension services and rural agents to increase growers' productivity (World Bank, 2007).

WHAT IS THE GOVERNMENT DOING?

Promote Sectors with High Job-creation Potential

The Government of the Republic of Zambia (GRZ) has articulated its long-term development objectives in the National Vision 2030, whose main goals include: *i)* reaching middle-income status; *ii)* significantly reducing hunger and poverty; and *iii)* fostering a competitive and outwardly oriented economy. To this end, under the Fifth National Development Plan (FNDP) 2006-2010, the country's second generation Poverty Reduction Strategy Paper (PRSP) focuses on "economic infrastructure and human resources development" to promote sectors with high job-creation potential. Accordingly, infrastructure (roads, schools and hospitals) and agriculture are priority areas for public spending.

The FNDP sets ambitious objectives for agriculture: *i)* attain food security for the majority of households, guaranteeing sufficient food for at least 90 per cent of the population; *ii)* increase the contribution of the sector to total foreign exchange earnings from the current 3-5 per cent to 10-20 per cent; *iii)* boost the sector's growth to 10 per cent per annum from 2006 onwards; *iv)* increase the sector's contribution to GDP from 18-20 per cent to 25 per cent; and, *v)* raise incomes for those involved in the agricultural sector.

The Agricultural Sector Strategy

Agricultural policy has undergone a major change since the early 1990s. Before the 1990s, "agricultural policies were restrictive, distortionary and counterproductive due to heavy government intervention … and not sustainable because of their high reliance on subsidies" (GRZ, 2006, p. 46). Liberalisation started in the mid-1990s and aimed at bolstering private sector participation in input supply, marketing and processing. As part of this disengagement process, many functions previously carried out by the Ministry of Agriculture, Fisheries and Forest were dismissed or transferred to agricultural trusts. These trusts, often linked to specific commodities, are public-private partnerships managing public assets on a commercial basis and providing research, advisory and training services[3].

The 1996-2001 Agricultural Sector Investment Programme (ASIP) was the first, ambitious response designed by GRZ 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. An unsupportive and unpredictable business environment contributed to reducing the incentives for the private sector to fill the void left by public intervention. ASIP quickly developed into a government-led programme, ran into implementation problems and lost support (World Bank, 2002; Chiwele, 2004; van Donge, 2007).

The disappointment with ASIP impacted on the fate of its less ambitious successor, the Agriculture Commercialisation Programme (ACP) 2002-05, which never really took off. However, ACP contributed to laying the ground that put emphasis on market linkages and the recognition of the importance of emerging OGS as a viable approach to promoting agricultural exports and enhancing the participation of small farmers in exports.

These elements feature prominently in the new National Agricultural Policy (NAP) 2004-2015. The NAP, which now constitutes the agricultural chapter of the FNDP, provides the overall vision and policy framework for the sector and assigns a pivotal role to the private sector, which is expected to engage increasingly in service provision. The Ministry of Agriculture and Co-operatives (MACO) is expected to focus on its core functions (policy formulation, enforcement of legislation and regulation) while developing partnerships with other stakeholders in the sector to ensure adequate provision of extension services, agricultural research, and monitoring and evaluation. Donors are encouraged to provide financial, technical and other support in the implementation of agricultural policies and programmes and capacity building for stakeholders.

The NAP's goals and priorities are to be achieved through specific implementation strategies, to be drafted in consultation with the private sector. These include the Agricultural Market Development Plan (AMDP), the Agricultural Inputs Marketing Plan (AIMP) and the National Irrigation Plan (NIP). However, implementation is lagging behind schedule and several stakeholders point to some inconsistencies between objectives stated in the NAP/FNDP (e.g. promoting the development of private input suppliers) and actual policy implementation.

Private Sector Development and Trade Strategy

The creation of an enabling environment, supportive of private sector growth, is one of the key FNDP targets to promote labour-intensive sectors and strengthen linkages between the capital-intensive sectors and the rest of the economy. Although several reforms have been prepared to improve the business climate, progress is uneven as most of them have not been implemented, often because of inconsistencies or problems in the legal provisions[4].

The Ministry of Trade, Commerce and Industry (MTCI) plays a co-ordinating role in the implementation of the Private Sector Development (PSD) Action Plan, approved in a large consultative forum in Livingstone in 2004. The newly created Zambia Development Agency, bringing together five pre-existing agencies (Export Board, Export Processing Zones Authority, Small Enterprises Development Board, Investment Centre and Privatisation Agency) will act

as a one-stop shop for PSD activities. High priority is given to agricultural exports, and several value-chain analyses have been conducted to identify obstacles and necessary policy remedies, especially in conjunction with donor supported initiatives such as the Joint Integrated Technical Assistance Programme and the Integrated Framework for Trade-Related Technical Assistance. However, the current trade policy provides only general guidelines, with no specific reference to the development of agricultural exports.

To achieve its agricultural goals, the FNDP calls for scaling up funding to agriculture and related industries since, in the recent past, they have not received resources commensurate to their pivotal role in promoting broad based growth (GRZ, 2006, p. 23). In fact, resources to the agricultural sector have sharply declined since liberalisation started in 1992. In real terms, 2006 figures were only 20 per cent of their 1986 level (Govereh *et al.*, 2006).

The GRZ envisages doubling the resources allocated to the sector, reaching 2.3 per cent of GDP by 2010, while the share of agriculture in budget allocations should increase from the current 6 to 10 per cent, in accordance with the NEPAD Comprehensive Africa Agriculture Development Programme (CAADP). These resources should primarily finance interventions to improve agricultural productivity, especially of smallholders, by reviving and strengthening extension services.

The resource envelope needed to achieve the FNDP's agricultural goals over the 2006-2010 implementation period is estimated at ZMK4 436 billion ($1.1 billion). This represents some 12 per cent of total core FNDP expenditures (which are estimated at ZMK 38 645.4 billion or $9.4 billion at 2006 exchange rates)[5]. Given the current assumptions on domestic and external financing, GRZ will have to fill a ZMK807 billion ($196 million) financing gap in agriculture. Aid should average between $700–750 million per year over 2007-2010, which is significantly above the average of the previous five years ($570 million). Assuming economic growth and domestic revenue targets are met, the Joint Assistance Strategy for Zambia (JASZ) concludes that resources would be enough to meet the current financing gap.

FNDP's priorities can be gauged by looking at planned expenses by sub-sector (Table 1). Irrigation development and agricultural infrastructure come first, accounting together for about one-third of the total, followed by livestock development. The combined Fertiliser Support Programme (FSP) and Food Reserve Agency (FRA) account for some 13 per cent of the total, and are to be entirely financed by government. Overall, co-operating partners are requested to contribute some ZMK1 685 billion (about $418 million) to finance agriculture. This chapter accounts for 12.5 per cent of total donor contributions, following education and health (33.7 per cent) and infrastructure (25.3 per cent). One-third of these resources would finance the completion of ongoing projects, while "irrigation development", "agricultural infrastructure and land development", "livestock development" and "agricultural service and technology development" should receive between $50 and 60 million each.

Table 1. FNDP's Agriculture Expenses (2006-10)

Priority area	Total Cost (ZMK billion)	Total Cost ($ million)	GRZ Contribution (ZMK billion)	Donors' Contribution (ZMK billion)	Share in Core Expenses (%)	Share in GRZ (%)	Share in Donors (%)
1. Irrigation development and support	465	113	227	239	10.7	8.2	14.2
2. Agric. infrastructure and land development	444	108	210	234	10.2	7.6	13.9
3. Livestock development	722	176	493	229	16.6	17.9	13.6
4. Agric. services and technology development	530	129	326	204	12.2	11.9	12.1
5. Fisheries development	227	55	179	48	5.2	6.5	2.9
6. Policy formulation and co-ordination	137	33	74	64	3.1	2.7	3.8
7. Agric. marketing and agri-business development	214	52	118	96	4.9	4.3	5.7
8. Co-operatives development	41	10	26	15	0.9	0.9	0.9
9. Human resources mgt. and development	80	19	60	20	1.8	2.2	1.2
10. Fertiliser Support Programme (FSP)	498	121	498	0	11.4	18.1	0
11. Food Reserve Agency (FRA)	130	32	130	0	3	4.7	0
12. Salaries extension officers	412	100	412	0	9.4	15.0	0
13. Others (ongoing projects)	537	131		537	12.3	0	31.9
Core expenses total	**4 436**	**1 079**	**2 751**	**1 685**	**100**	**100**	**100**
Personal emoluments	131	32	131	0			
Grants and other payments	14	3	14	0			
Support to MACO operations	287	70	287	0			
Agricultural shows	14	3	14	0			
Non-core expenses total	**445**	**108**	**445**	**0**			
Grand total	**4 881**	**1 187**	**3 196**	**1 685**			

Note: Conversions into $ are based on an average exchange rate for 2006 of ZMK 4111.2 to $1.

Source: Author's presentation based on GRZ (2006, p. 53).

Budget figures show that allocations to MACO have increased since 2006 and the share of agriculture in the overall government expenses rose from 3.9 per cent in 2005 to 8.8 per cent in 2007, although the share drops to 5.8 in the 2008 budget (Annex Table A.1)[6]. The trend has bottomed out since 2001, but mainly because of increased resources for maize imports and fertiliser subsidies under the FRA/FSP, while productivity-enhancing expenses such as capital equipment, extension and research have dramatically declined (Droppelmann, 2005)[7]. Despite a commitment to reduce and gradually phase out the FSP by 2009, actual budget allocations to FSP/FRA absorbed over half of total allocations and actually increased in real terms by 14 per cent between 2005 and 2006 (Govereh *et al.*, 2006).

WHAT ARE DONORS DOING?

Aid commitments to the agricultural sector, including rural development, averaged $38 million per year over 2001-05, a figure which is projected to increase substantially over 2006-2010. In 2006 donors committed $79 million for the sector. According to GRZ estimates, aid to agriculture should amount to at least $214 million, representing 9 per cent of total project aid (European Community, 2007)[8]. Of this latter amount, $78.3 million would come as loans from the African Development Bank (AfDB) and the World Bank (WB), the remaining being grants from bilateral and multilateral donors.

Agriculture has long been a favourite sector of intervention for many donors in Zambia, especially Finland, Norway and Sweden, the World Bank and the UN system. However, evaluations of these interventions are not very positive, especially in terms of their sustainability. An unsupportive policy environment, unpredictable local counterpart financing and weak capacity of local institutions, combined with the excessive reliance on stand-alone projects heavily dependent on external funding and expatriate personnel, are the main determinants of this poor record.

The proliferation of projects and the need to tackle many interrelated constraints in a more coherent manner led GRZ and donors to devise the aforementioned ASIP in 1996. Although it met some success in realigning the policy and institutional setup with the new priorities of an agriculture led by the market and private sector, notably by redefining the competencies of the Ministry of Agriculture, ASIP is considered largely unsuccessful. While the government disengaged from input and service delivery, the bottlenecks plaguing private sector provision persisted. Private providers were reluctant to step in and many smallholders found themselves cut off. This led to the reintroduction of government subsidised fertiliser and seed distribution under the FRA. The disappointment with ASIP and the lack of a clear agricultural policy and implementation strategy led some donors to scale down or delay their interventions in agriculture in the early 2000s.

A new generation of projects emerged towards the end of the ASIP, with a strong focus on reorienting smallholders to take a more business-minded approach and facilitating their access to markets. The development of market linkages, especially via outgrower schemes (OGS) and other forms of contract farming, has borne good results in helping farmers to increase production, raise quality standards and even enter into international commodity chains. The new projects include: the Agriculture Support Programme (ASP) funded by Sweden; the Smallholder Enterprise and Marketing Programme (SHEMP) funded by the International Fund for Agricultural Development (IFAD); various USAID-funded projects, such as the Co-operative League of the USA (CLUSA), the Zambia Agribusiness Technical Assistance Centre (ZATAC) and Land o'Lakes.

Agriculture became attractive again for donor funding in the mid-2000s. The adoption of the NAP and of the PSD agenda favoured the approval of a new breed of projects that incorporate the lessons from past interventions. Donors and GRZ acknowledge the need to complement sector-specific interventions with programmes aimed at improving the overall business and investment climate. Moreover, inadequacies observed in past interventions, which mainly focused on production improvements while ignoring the role of markets, convinced many donors to adopt different approaches. This resulted in more attention being paid to the whole agricultural value chain, acknowledging the key role played by input suppliers and agribusiness firms. These new programmes include USAID's Production, Finance and Improved Technologies (PROFIT) and Market Access, Trade and Enabling Policies (MATEP) projects, the Finnish Programme for Luapula Agriculture and Rural Development (PLARD), the World Bank Agriculture Development Support Programme (ADSP) and the AfDB's Smallholder Agricultural Production and Marketing Support Project (SAPMSP)[9]. The European Community (EC) has also launched a major new project in agriculture, which has, however, a narrower food-security focus.

Donor co-ordination in agriculture

In 2004, the UK's Department for International Development (DFID)'s Country Assistance Plan for Zambia noted that, although significant project funding was available to support economic sectors, including agriculture, it lacked a widely agreed policy framework and was "poorly co-ordinated, often outside of Government and difficult to predict" (DFID, 2004, p. 9). The situation has significantly improved since then, especially in terms of harmonisation (OECD, 2007). In April 2007, the GRZ and 16 donors signed the Joint Assistance Strategy for Zambia (JASZ) 2007-2010[10]. This is a medium-term framework to manage development co-operation in alignment with the FNDP and improve aid effectiveness. The JASZ includes a division of labour amongst donors around the 17 sectors of the FNDP, including agriculture and PSD.

Three lead donors, SIDA, USAID and the WB, currently ensure co-ordination in agriculture, where five other donors are active: Finland, Japan, AfDB, EC and the UN system (IFAD and FAO). The lead donors participate in the MACO-led Agriculture Sector Advisory Group (Ag-SAG), which meets quarterly and involves stakeholders from both the public and private sectors. Some donors which were involved in agriculture in the past are phasing out from the sector (the Netherlands), while others provide background support, financing other donors' projects (NORAD financing SIDA and FINNIDA)[11]. Seven donors are active in the PSD group, which is cross-cutting and has strong implications for agriculture as well. The EC, WB and the Netherlands are the lead donors; the UN system, Finland, Japan and the US are active donors; the UK provides background support while Norway is gradually phasing out. Since July 2006, the US MCC has been implementing a $22.7 million threshold programme focusing on good governance and trade facilitation.

Mapping Donor Support to Private Sector Development in Agriculture

Donor support to agriculture includes a wide range of activities ranging from rural infrastructure development to facilitation of smallholders' access to credit, extension services and markets, capacity building to farmers' organisations, and institutional capacity building. None of the donors covers all areas. However, the most recent and larger projects attempt to adopt a holistic approach, both in terms of activities and actors within the value chain to be involved (e.g. ASP, PLARD and ADSP).

A few donors support advocacy activities, namely through the Agricultural Consultative Forum (ACF) funded by Ireland, Japan, the Netherlands, Norway and USAID, the Food Security Research Project (FSRP) funded by USAID, and the Zambia National Farmers Union (ZNFU), whose activities receive support from the Netherlands, Norway, Sweden and IFAD.

Several projects work to improve smallholders' access to term capital through targeted lines of credit, such as the WB, ADSP and IFAD's Rural Finance Program. Access to finance is also facilitated by the USAID-funded Zambia Agricultural Commodity Agency (ZACA), which has developed a warehouse receipt system, and the Zambia Agribusiness Technical Assistance Centre (ZATAC), which provides technical advice for production, marketing and financial/business planning for groups of smallholders. Several donors (WB, EC, Finland and the Netherlands) support small and medium enterprises' (SME) access to credit and business development services (BDS), including in agribusiness.

The AfDB, Kuwait Fund, OPEC, WB, Denmark and Japan are active in the transport infrastructure group, which is led by the EC. Some of them contribute to the sector investment programme (ROADSIP) with basket funding. Specific interventions to improve rural infrastructure include the ADSP's rehabilitation of rural road networks in high potential agriculture areas and the Road Rehabilitation and Maintenance Project (RRMP), which is part of ROADSIP. The AfDB is implementing a $8.3 million Small-scale Irrigation Project (SIP) and negotiating a new loan for irrigation. The WB and IFAD are preparing a joint commercial agricultural project (CAP) which would have a focus on irrigation[12].

Lessons from past interventions in the agriculture sector

Evaluations of past interventions concur on several important lessons[13]. Among them, the need to ensure sustainability emerges as the key issue. Meanwhile, there is a general agreement that volatile counterpart financing from GRZ and an unsupportive policy environment played a major role in determining the outcome of these projects. Interventions in the early years "were designed in support of GRZ policies and development schemes which in themselves were unsustainable" (Ministry for Foreign Affairs of Finland, 2001). For instance, the government's strong emphasis on maize to ensure food self-sufficiency failed to take properly into account the comparative advantage of the different agro-ecological regions.

Several aspects contribute to determine sustainability. First, target groups need the capacity and incentives to continue their business once external support is phased out. This objective can only be achieved if farmers develop their own capacity to identify economic opportunities, exploit them and adapt to changing conditions. Donor support will contribute to sustainable capacity building only if technology and service provision is truly demand driven, aligned with farmers' preferences and reflects local management capabilities. Farmers must be able to assess their situation in order better to identify solutions and articulate their requests for assistance. An explicit strategy for farmers' training must be formulated early on and adequate resources earmarked, since these aspects have been "rarely sufficiently emphasised at time of design" (IFAD, 1997).

Second, and closely related, is the need to conduct a thorough assessment of the initial conditions and behaviour of the target groups. Projects have too often been based on an insufficient analysis and understanding of local socio-economic conditions, of the prevailing farming system and of the policy and institutional setting in which they would have to operate[14]. Objectives and expected outputs were not always clear and the reporting and monitoring procedures were not always adequate to facilitate corrective action (IFAD, 1997; Ministry for Foreign Affairs of Finland, 2001). Moreover, the establishment of farmer groups has not always been based on a proper assessment of farmers' willingness to collaborate. In many cases, farmers joined a group simply because that gave access to free or subsidised inputs. Project design and planning should then be done in a "thorough and fully participatory manner" (James *et al.*, 2001) and adequate resources should be devoted to "ensure farmers' participation and to carry out needed assessment exercises" (IFAD, 1997). Some basic selection criteria for growers should be agreed, to ensure that they meet minimum standards and, in due course, they contribute to the value of inputs and services they receive within the OGS.

Third, the institutional structures that are set up during the project must be capable of surviving and ensuring "technical and allocative efficiency of interventions" (IFAD, 1997). As one of the evaluations noted, "assistance was out of proportion to the carrying capacity of the institutions receiving the support" (Ministry for Foreign Affairs of Finland, 2001). Too often the local counterparts initiated activities which were beyond their long-term capacity. When the external support finished, these institutions collapsed. Projects should then incorporate a sound exit strategy, to ensure that the services provided to farmers continue to be supplied in a sustainable manner when assistance is over.

Fourth, interventions must take into consideration the whole agricultural value chain and ensure that all key actors are involved, especially agribusiness companies and traders. Many past interventions have too often paid little attention to the support actors (input suppliers, middlemen, buyers and processors), focusing too much on the farmer/production side. Projects that failed to establish adequate links to market intermediaries and agribusiness companies proved to be unsustainable (World Bank, 2006, pp. 11-12).

Lastly, donor-funded NGOs implementing these projects should remain facilitators and not become competitors to the private sector or distort market incentives, otherwise they risk undermining the viability of private-sector operations.

Major Donor Projects to Private Sector Development in Agriculture

Table 2 summarises the main donor-funded programmes in agriculture and rural development, which are discussed in detail below. Table A.2 in the Annex provides a more detailed description of ongoing and planned donor projects in the sector.

Table 2. Major Donor-funded Projects in Agriculture

	Project	Commitment	Main objectives
Finland	Programme for Luapula Agricultural and Rural Development, PLARD (2007-2010)	EUR10 million	Promote sustainable commercialisation and development of fisheries, agriculture and agribusiness and foster a supportive policy, regulatory and institutional environment.
Sweden	Agriculture Support programme, ASP (2003-2008)	$43 m (SEK331.5 m) including a SEK20 m contribution from Norway	Promote smallholder commercialisation through entrepreneurship and business development, improved land, seed, crops and livestock productivity and improved service delivery of support entities
United States	Production, Finance and Improved Technologies, PROFIT (2005-2010)	$15 m	Improve the competitiveness of selected agro-industries with large numbers of micro and small enterprises through: *i)* better inter-firm co-operation *ii)* more developed support markets *iii)* building credibility and confidence in market mechanisms.
IFAD	Smallholder Enterprise and Marketing Programme, SHEMP (2000-2008)	IFAD loan: $15.9 m (Total cost: $18.4 m)	Strengthen smallholder enterprise groups, improve access to suppliers and markets, including rehabilitation of feeder roads, and support the development of the agribusiness sector and trading enterprises serving small-scale farmers.
World Bank	Agricultural Development Support Project, ADSP (2006-2010)	$37.2 m (IDA loan)	Promote sustainable smallholders' commercialisation, through improved productivity, quality and efficiency of export-oriented value chains where they participate.

Source: Donor project documents.

Bilateral donors' experience: Sweden, Finland and USA

SIDA's Agriculture Support Programme (ASP)

ASP is a SEK331.5 million (approximately $ 43 million) five-year programme launched in 2003 under the auspices of MACO and managed by a consortium of three consulting companies[15]. This figure includes a NOK18.2 million (approximately $3.1 million) contribution from Norway in 2007, which allowed expansion of the project's coverage. ASP builds on and integrates previous SIDA programmes such as the Conservation Farming Unit (CFU), Economic Expansion in Outlying Areas (EEOA), Land Management and Conservation Farming, Multiplication and Distribution of Improved Seed and Planting Materials Project (MDSP), and Small Holder Farmer Access to Processing, Extension and Seeds[16].

ASP's objective is to improve food and nutritional security of small-scale farmer households through the development of rural entrepreneurship. Overall, the programme targets 44 000 poor smallholder households, selected on the basis of their ability and willingness to undertake "farming as business". The programme has three main components: "entrepreneurship and

business development", which aims at enhancing the household's capacity to identify and sustainably exploit business opportunities; "land, seed, crops and livestock", providing technical advice to improve land and livestock productivity; and "improved service delivery of support entities", facilitating market linkages with the agribusiness sector and improving the latter's ability to provide services. The programme also sets up a management information and learning system to facilitate monitoring and evaluation and dissemination of lessons and experiences.

The programme promotes the establishment of OGS at village level where smallholders are connected to an outgrower manager via lead farmers. These lead farmers are trained to act as a link between the government extension officer and smallholder households. Demands or needs for services are identified through the so-called "facilitation cycle". This is a participatory process involving farmers and service providers that aims at improving stakeholders' awareness and capacity to identify their own needs. Capacity building is not limited to smallholders, but extended to agribusiness companies and local authorities. The contractual arrangements between providers, clients and other actors are mostly informal, with formal arrangements usually limited to contract farming (Neuchâtel Initiative, 2006).

During the first years of implementation, ASP focused primarily on developing farmers' groups and the OGS at village level and facilitating the non-commercial support entities (local authorities, farmer organisations, savings groups and NGOs). The mid-term review encouraged a revision to put more emphasis on the development of the agribusiness sector and a sustainable market for agricultural advisory services.

The 2006 impact assessment survey shows that ASP is making a difference for beneficiary households[17]. In terms of food security, ASP households were more secure than the control group in the 2005-06 agricultural season. Some 68 per cent of ASP households earned sufficient income to cover their food costs compared with 49 per cent for the control group. The potential cost savings in terms of a reduced need to provide food relief as a result of this were estimated at ZMK1.6 billion ($0.4 million) for 2006 alone (ASP, 2007). Moreover, ASP has helped to reduce the gender gap in household incomes and assets and had a positive impact on the professional development of MACO staff. New service providers have emerged and evolved thanks to capacity building and facilitation, without direct financial support.

A post-ASP consultative process has been set up to help formulate practical strategies for the ASP phase-out and its phase into MACO. Within this process, a cost-benefits analysis was undertaken in 2006-07 to assess the net benefits accruing to the programme beneficiaries and the costs that MACO would have to bear to maintain the current structures once the programme is over in 2009. The analysis finds that "under a pessimistic scenario, where all benefits from ASP cease within three years of facilitation finishing (i.e. incomes revert to those of the control group)" the internal rate of return for the project would be just under 12 per cent and the benefit/cost ratio would be one. Assuming that benefits are maintained, the internal rate of return would be as high as 34 per cent and the benefit/cost ratio would be two.

In order to maintain the ASP structure, MACO will have to bear an annual cost of ZMK2.6 billion ($0.63 million) from 2009. However, the benefits generated during the implementation period should cover extra costs until 2015. These resources would come from the additional revenues generated through direct taxes — estimated to average at least ZMK2.5 billion per year — and savings on food relief expenses.

Despite these positive results, there remains a major risk, related to the still very low income level — below the "absolute poverty" level of $1 per capita per day — of the majority of ASP beneficiary farmers. The cost-benefit analysis notes that "... while ASP has been successful in cost benefit terms, it will not have lifted many households out of absolute poverty" (ASP, 2007, p. 25). The main risk is that with the withdrawal of ASP support, the benefits achieved may not be sustained at the farm level. Therefore, the key objective for the remaining implementation period is to ensure that as many beneficiaries as possible increase their business assets and income, to reach the status of "emerging" farmers. Two additional problems concern the possibility that the contribution to tax revenue is lower than expected owing to high levels of

informality, and the persisting weakness in MACO, which could make it difficult to hand over implementation once external support ends.

FINLAND's Programme for Luapula Agricultural and Rural Development (PLARD)

The PLARD is a four-year programme, building on the lessons learned over more than 20 years of Finnish support to agriculture in the region, and in particular on the outcomes of the 1994-2000 Luapula Livelihood and Food Security Programme (LLSP). Its objective is to contribute to the development of an efficient, competitive and sustainable agricultural and rural sector in Luapula province. The project design was elaborated through an inception phase in 2006, and implementation started in 2007 (this should be a first phase within a longer term intervention over 12 years). Finland has provided a EUR10 million grant which covers 97 per cent of the total project costs, while the remainder is GRZ counterpart financing to be allocated to MACO (Ministry of Foreign Affairs of Finland, 2007).

The project has two main purposes: *i)* improved and sustainable income and food security in the province through fisheries, agriculture and agribusiness development; and *ii)* more supportive policy, regulatory and institutional environment. The main focus of intervention is on sustainable commercialisation of the agriculture and fisheries sub-sectors. Since commercialisation requires financing, PLARD will also explore the possibility of establishing a matching grant facility for viable enterprises to be placed outside the programme structure.

The project design was guided by the sustainable livelihood approach, using value chain analysis and seeking comparative advantages of specific commodity clusters. During the inception phase, major consultations with relevant stakeholders were conducted, as well as a situational update of the livelihood and farming systems in the province to identify opportunities and constraints and select appropriate interventions.

The project adopts a holistic approach that covers the entire production-marketing chain and selects commodities which have a comparative advantage and are compatible with the six farming systems identified in the province. It also aims at creating a network involving all value-chain actors, so that farmers and agribusiness companies operating profitably will have sufficient incentives to continue their operations once the programme is phased out. Given the high rate of natural resource depletion in the province — which is due to high population pressure as well as an inadequate legal framework and its poor implementation — PLARD has a strong focus on sustainable use of natural resources.

Similarly to the ASP, PLARD adopts a facilitation cycle to assess farmers' needs and a participatory monitoring and evaluation approach. Implementation is to be carried out through public-private partnerships, in accordance with the NAP. This is a major departure from previous interventions, which were traditionally implemented through ministries or through GRZ-controlled co-operatives.

An exit strategy is to be developed during the last year of intervention. This strategy's guiding principle should be that PLARD is a temporary, facilitation agency, whose role is to build the capacity of public and private partners to perform their functions, and not to execute them itself.

The programmes should also benefit from the spillovers generated by a ZMK20. 7 billion ($5 million) project, funded by Finland, the Netherlands and the International Labour Organisation (ILO), to promote the development of BDS for SMEs through a voucher system. Agribusiness is a priority sector for developing this scheme. Vouchers will be distributed to SMEs through relevant Zambian business associations, such as the Zambia Chamber of Small and Medium Business Associations (ZCSMBA) and ZNFU. Entrepreneurs will determine which type of BDS they need and pay with vouchers.

USAID: Production, Finance and Improved Technology (PROFIT)

Since the implementation of CLUSA in the mid-1990s, USAID-funded projects have pioneered new approaches to strengthening market linkages for export-oriented commodities. These projects are directly implemented by international NGOs, sometimes in collaboration with local ones. The CLUSA Rural Group Business (RGB) Programme implemented a model for OGS managed by members of the farmer organisation themselves and serving as intermediary between the agribusiness buyer and the farmer (Parker, 2003). Lessons learned through this experience have significantly influenced the more recent projects.

PROFIT, which was launched in 2005, has a strong focus on micro and small enterprise (MSE) development, through strengthening vertical and horizontal market linkages in specific niche commodity chains.

The project reflects USAID's new approach to promoting enterprise development and pro-poor PSD interventions. The approach has evolved from facilitating markets for business services to a broader value-chain perspective. Within this framework, projects aim at linking large numbers of MSEs to local, national and international value chains where there is comparative advantage. To succeed, they pay attention to all the factors that determine MSEs' capacity to link to relevant markets: end markets, input suppliers and buyers (vertical linkages), other firms in the same cluster (horizontal linkages), supporting markets (finance, BDS, technical assistance) as well as the overall business environment. Learning and innovation are central to this approach (Downing *et al.*, 2006).

By working with all relevant stakeholders in the value chain, PROFIT aims to induce behavioural change at multiple levels within the industry, including in key supporting markets, and establish an effective system of benchmarks for keeping track of these changes. Though it is still early to assess its impact, there are some encouraging signs of changing relationships between farmers and input providers. The most remarkable is probably in the beef value chain, where villagers have started to look at their cattle with a more commercial mindset. PROFIT trains community livestock workers to educate smallholders about the importance of cattle disease prevention. These workers act, on a commission basis, as intermediaries with private veterinarians to apply preventive treatments. This approach builds trust between smallholders and veterinarians, creates a demand for their services and reduces veterinary transaction costs. According to a survey undertaken in July 2007, veterinarians who are working with this scheme have earned about $40 000 in extra revenue through serving smallholders, while the number of farmers who sought medical treatment from veterinarians rose from 15 to 55 per cent and the incidence of death from disease fell by about 60 per cent.

PROFIT closely co-ordinates with the Market Access, Trade and Enabling Policies (MATEP). This is another USAID project that facilitates linkages to export markets for agribusiness and tourism companies. Although MATEP collaborates with the Zambia Development Agency (ZDA), the project does not finance institutional capacity building.

Multilateral programmes: IFAD and WB

IFAD's Smallholder Enterprise and Marketing Programme (SHEMP)

SHEMP is a seven-year programme launched in 2000 and financed through a $15.9 million loan. SHEMP aims to improve smallholders' access to input and output markets and to promote diversification with the overall goal of realising increased incomes and food security. The programme was designed during the liberalisation phase, at a time when farmers were not yet familiar with the market economy and the retreat of government support from input provision and marketing was not filled by the emergence of private providers.

The project diagnostic analysis highlighted that smallholders' lack of knowledge, combined with a narrow range of production possibilities, distance and poor accessibility, heavily constrained their ability to interact with the market. Therefore, SHEMP focused on establishing the pre-

conditions for trade and market development. In order to promote market linkages, SHEMP facilitates the formation and strengthening of farmer groups, finances access road improvements and the development of marketing infrastructure, promotes diversification in the production and marketing of smallholder crop and other enterprises, and helps to create a more efficient and competitive network of traders and service providers serving smallholder farmers (IFAD, 1999).

SHEMP was one of the largest interventions to support the transition and promote farming as a business rather than as a way of life. SHEMP is not a handout programme distributing goods; rather, it organised smallholders into groups, exposed them to market forces and provided them with market information and training on farming and processing. The target group consists of smallholders who live below the poverty line in the more densely populated parts of the country and have the potential to produce marketable surpluses. The project was implemented in five geographical areas, selected on the basis of their potential for agriculture and the existing infrastructure.

The programme has three main components: Smallholder Enterprise Group Development, where two NGOs, CLUSA and Africare, support group formation and provide training; Market Access Improvement through feeder road construction; and Agribusiness Development to promote SME in agribusiness. The programme falls under MACO, but is managed by a UK-based firm which sub-contracts implementation work to several NGOs.

Although the project design called for targeting all the key stakeholders along the value chain, it proved difficult to engage effectively with market intermediaries, such as small-scale traders. The programme did not pay enough attention to strengthening these market intermediaries, which play a key role in linking farmers to buyers and processors, but also face severe constraints in terms of transportation, procuring equipment and accessing credit. As highlighted in an IFAD stock-taking exercise, "[...] in the diagnostic phase the selection of geographical areas has been driven more by the development priorities for alleviating rural poverty and by the potential of agricultural production rather than by first focusing on marketing opportunities and on the interest of the private sector for both production and marketing", while the implementation seems to address marketing issues "more on an *ad hoc* basis rather than in a holistic manner" (Canigiani, 2004).

Some of these shortcomings are being addressed by the agribusiness development component, which was launched in January 2006. This component 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 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. ZNFU is now exploring getting support from the cell phone service provider to expand the scheme to more commodities and add new services.

This component has also promoted some commodity-specific interventions for cassava, cotton, goats, honey and other bee products. A third area of intervention has been trade facilitation between Zambia and the Katanga region in the Democratic Republic of Congo (DRC), a potentially very important market for Zambian agricultural products. SHEMP is working with the cross-border trade association to expand the SMS market information system across the two countries and set up a common language for trading between the two regions[18].

Two other sizeable IFAD projects were approved in late 2007 and are starting up: the Rural Finance Programme (RFP) and the Smallholder Livestock Investment Project (SLIP). The RFP will tackle rural credit reform through supporting the National Savings and Credit Bank, which is expected to become a major credit provider in rural areas. The SLIP will work to strengthen national capacities for disease control and restock poor smallholder farmers who lost their cattle through disease.

WB Agricultural Development Support Programme (ADSP)

The ADSP is a five-year programme to promote sustainable commercialisation of smallholder farmers through improved productivity, quality and efficiency of export-oriented value chains. The project focuses on high-potential agricultural areas and adopts a value-chain approach to make sure that all segments are operating efficiently and increasing value-added. A key objective is to increase the sustainability of existing OGS by improving farmers' productivity and strengthening the capacity of agribusiness intermediaries such as service providers, traders and processors.

The programme, launched in 2007 and financed by a $37.2 million loan from the International Development Association (IDA) and counterpart financing of $2.4 million, has two components: support to farmers and agro-enterprises ($33.2 million) and institutional development ($3 million). The largest component includes *i)* a supply chain credit facility to finance capital investment, input provision and export activities; *ii)* a matching grant facility for extension, technology services and developing business linkages; and *iii)* a rural roads improvement facility. The institutional development component will support public sector capacity building in sanitary and phytosanitary (SPS) and certification as well as providing better planting material to the cotton sector. Project management and co-ordination would largely rely on existing MACO structures (World Bank, 2006).

The ADSP incorporates significant elements of selectivity. First, it targets viable smallholder producer groups in export-oriented agricultural value chains which are already linked to markets, either directly or through various OGS, and who have benefited from capacity building and technical advisory services work carried out by other donors[19]. Second, it focuses on high agricultural potential areas where rapid growth in output can be generated by a strong "market pull" and the project can rapidly strengthen an existing supply response capacity. The project seeks to concentrate resources in a few districts, with a critical mass of commercialising smallholders and farmer organisations, to scale up ongoing processes and minimise transaction costs in service delivery. The selection of project provinces takes into consideration the presence of other donor-funded projects such as the ASP, SHEMP, and the AfDB Rural Credit Facility.

CONCLUSIONS

Zambia has benefited from substantial assistance to promote its agricultural sector, but results have not lived up to expectations so far. An unsupportive policy framework played a major role in determining the observed results. However, significant shortcomings did affect project design and implementation. Projects often paid little attention to local absorptive and implementing capacity, had too narrow a focus on production and food security, and lacked an adequate understanding of the socio-economic conditions and behaviour of the target groups. Lack of co-ordination resulted in duplications and insufficient scale.

Since the early 2000s there has been an important shift in policy, with greater focus on promoting PSD, including in agriculture. On the other hand, the most recent donor interventions have tried to address the shortcomings of the past and sought better co-ordination, though reliance on foreign NGOs and expatriate technical assistance staff for project management and implementation remains widespread. Although this might facilitate the achievement of short-term objectives, it does not always contribute to building institutional capacity.

Government Policies

The overall policy framework has significantly improved in recent years. However, there are apparent inconsistencies between policy statements and actual implementation. Agricultural diversification and the development of private-led marketing systems are major objectives in the FNDP, the NAP and its implementing strategies. At the same time, the biggest share of MACO's

budget finances the provision of subsidised fertilisers and buying of maize from farmers, while spending on research and extension services is inadequate.

This expenditure pattern has three negative and incoherent impacts. First, it keeps farmers in maize production, irrespective of their comparative advantage, and this is not consistent with the stated goal of promoting agricultural diversification. Second, it distorts the market for fertilisers, in contrast with the goal of promoting the development of private suppliers. Third, it reduces to almost zero the resources available to MACO to finance productivity-enhancing investment. Since ASIP ended, almost no funding has been allocated to the recruitment of extension staff or renovation of equipment.

The GRZ opposes that the FRA/FSP are necessary to support poor farmers in remote areas, where private suppliers are reluctant to operate. While there is general agreement that poor households need support, it is at best controversial that agricultural policy is the most efficient tool to provide such support. First, these interventions create distortions; and second, available evidence suggests they are not achieving their stated goals. As shown by research at the FSRP, the FSP has had little capacity to target relatively poor farmers (wealthier households benefited more) and to induce increases in fertiliser use and yields (also because of delayed deliveries). While there might be political economic reasons explaining the difficulty of phasing out these programmes, GRZ and relevant stakeholders should discuss ways to ensure support to the poorest households is delivered in a more cost-effective way and without diverting resources from much needed investments and crowding out private suppliers.

Impact and Sustainability

The new generation of projects focused on market linkages has borne good results in helping small farmers to increase production and better integrate into markets. These projects have also been at the forefront in promoting techniques that have boosted production, particularly conservation farming, and have shown that, by using facilitation techniques with a business focus, small producers are able to adapt quickly to a business-focused enterprise management.

If it is undeniable that most projects achieved their specific (short-term) objectives, it remains difficult to prove whether these results are sustained over time. On the one hand, some results, such as building trust between farmers, private sector and government, strengthening the voice of farmers' organisations or changing farmers' mindset, are intangible and difficult to measure. On the other, there are very few impact assessments conducted beyond the project cycle. Post-evaluation of the Economic Expansion in Outlying Areas, the forerunner to the ASP, 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. In the case of CLUSA, the dropout rate among beneficiaries was reportedly very high while the credit scheme that went along with the project collapsed because of low repayments. There are also questions concerning the cost-effectiveness of the projects and whether the services provided could be replicated by agribusiness once the project is wound up[20]. In fact, very few of the reviewed projects incorporated specific provisions for preparing an exit strategy.

Even where projects are cost-effective and successful, as in the case of ASP, there are still concerns regarding their longer-term impact on farmers' income security and on the ability of the partner institutions to take over effectively executive responsibility. However, these more successful examples point to important lessons for project design, implementation and monitoring, which are being incorporated in the new projects.

Project Design and Content

The late 1990s have witnessed a significant change in perspective in project design and content: from food security and co-operatives, to sizeable commercialisation programmes. Past

interventions focused almost exclusively on boosting production related to food security, with little or no attention to marketing and demand conditions. Donors and government now agree that promoting entrepreneurship and private sector development in rural areas is a necessary condition for fighting poverty. Pioneered by USAID, the recognition of the need to support market linkages has become more established and now characterises most donor programmes.

Donors acknowledge that the problems affecting agriculture need to be addressed in a holistic manner and projects increasingly adopt a value chain approach. However, only a few have managed to engage adequately with market intermediaries, which are the primary and often more important source of market access, credit and advice to smallholders. Thus far, there has been an over-concentration on teaching farmers business skills in the hope that this would lead them to participate better in markets. Evidence shows that access to markets must be strongly facilitated for its own sake and that the development of demand-driven support structures is a complex and slow process. There are some promising experiences, for example in demand-driven agricultural advisory services (ASP, PROFIT), export promotion (MATEP) and establishing a commodity trading system (SHEMP/ADC). While these projects are important sources of experimentation and innovation, their impact remains limited. The challenge is to scale them up, while taking into account local implementing capacities and ensuring that the donor does not crowd out private providers.

Overall, there has also been a move from general support to raising production towards supporting a cluster of crops identified for their potential. The next logical step has been to identify crops targeted for exports. A focus on commodity clusters has led to a more rigorous application of the value chain analysis to identify the constraints faced at all levels, and support is now being retooled to meet these needs. The downside to this approach is that domestic and international developments could negatively affect competitiveness of export commodities very quickly, as shown by the rapid appreciation of the Kwacha in 2005-06. Where producers have been given few alternatives to switch because only a small cluster of products have been promoted, the adverse impact on trade and producers' wellbeing will not be corrected within the short to medium term.

While there has been an increasing involvement of donors in promoting export-oriented commodities (e.g. horticulture, spices and honey), sectors such as dairy and livestock, which have a high potential for poverty reduction, have not received adequate attention and resources. A major constraint for donor involvement has been the lack of a clear sector policy, strategy and standards. The promising results of some recent interventions, such as Land O'Lakes in dairy, and PROFIT, ASP and SHEMP/ADC in livestock, have brought renewed attention to the sector.

Donor Co-ordination & Donor-Government Relations

Donor co-ordination has significantly progressed, but there are still major obstacles to setting up a sector programme in agriculture. With the adoption of the JASZ, there is an emerging division of labour, with fewer donors active in agriculture. The creation of the Ag-SAG and the regular meetings of the donor co-ordination group have improved the dialogue with government on agricultural policies and contributed to reaching a common understanding on the sector within the donor community[21]. However, there remain some controversial issues, especially regarding the scale of GRZ funding to the FSP/FRA programmes versus productivity-enhancing investments.

Despite progress, co-ordination remains at the central level and focused on general policy issues, while there is no common platform for operational co-ordination, either at the centre, or on the ground where this is at best left to managers who might not necessarily have incentives to collaborate[22]. From now on, different donor projects are being implemented in the same area, sometimes with the same farmers participating in more than one project. Co-ordination on the ground should be ensured by MACO staff at the district level, but they have neither real power, nor resources. In general, implementing NGOs have more information and resources than MACO staff.

GRZ and donors should also better exploit synergies between the agricultural and PSD agendas, to ensure coherent policies and approaches. Despite the establishment of several working groups, the implementation of the PSD reform agenda is lagging behind schedule.

Government Capacity

MACO's weak capacity to co-ordinate donors and ensure project integration remains a major problem. The situation is further complicated because, on the one hand, most donors operate through structures outside the Ministry, directly supporting projects in the field — making it sometimes difficult even to track the exact amount of donor resources to the sector; while on the other, MACO officials have an incentive to secure projects, which bring with them project management responsibilities and higher salaries.

Capacity problems also persist in terms of research and extensions, areas which have long been neglected and underfinanced, and even more so at the district level. Although the FNDP assigns resources to strengthen government capacity, its implementation "appears as being limited to MACO activities and (quasi-) public sector actors, which are mostly co-ordinated at national level, with a few additional programme components implemented through the provincial administration" (Droppelmann, 2005). This is particularly worrisome, given the need to tailor interventions to the specific conditions and needs of local communities, and monitor them. Capacity at the district level is insufficient and there are no monitoring indicators to assess results at the local level[23]. The GRZ Decentralisation Implementation Plan has not yet been approved and financing for this process is considered to be insufficient. GRZ and donors have reached consensus to support decentralisation through a Programme Based Approach — currently under design.

ANNEX

Table A.1. Budget Allocations to the Ministry of Agriculture and Co-operatives, 2005-10 (Kwacha billion)

Source	MTEF 2006-2008	Budget 2005		MTEF 2006-2008 ceiling	Budget 2006		MTEF 2006-2008 projection	Budget 2007	Budget 2008	MTEF 2008-2010 Projections		
Year	2005	2005 allocation	2005 execution	2006	2006 allocation	2006 execution	2007	2007 allocation	2008 allocation	2008	2009	2010
MACO of which	345.5	352.3	346.3	359.8	580	597.2	396.48	1 062.8	800.5	868.5	1060	1182
FSP	140	140	140	150	198.8	193.1	150	150	185	150	150	150
FRA	59.1	59.1	59.1	50	50	140	50	205	90	80	80	80
Total government expenses	9 316	9 395	8 846	7 792	9 942	8 618	8 412	12 034	13 761	12 810	13 882	14 925
Share of MACO in total	3.7	3.7	3.9	4.6	5.8	6.9	4.7	8.8	5.8	6.8	7.6	7.9
Share of FSP/ FRA in MACO	57.6	56.5	57.5	55.6	42.9	55.8	50.4	33.4	34.2	26.5	21.7	19.5

Note: FSP: Fertiliser Support Programme; FRA: Food Reserve Agency. Allocations do not include donor funding or other resources for the agricultural sector which are channelled through other ministries or agencies.

Source: Zambia Ministry of Finance and Planning (MoFNP) (2006*a*, 2006*b*, 2007*a*, 2007*b*, 2008).

Table A.2. Major Ongoing and Planned Donor Projects in Agriculture

Donor	Project	Amount	Duration	Objectives
AfDB (*)	Agricultural Sector Investment Programme (ASIP)/ZAMPIP	$21.9 million (UA 15.0 m)	1998-08	The AfDB support to ASIP has four main components: Agricultural Development, Livestock Development, Infrastructure and Technical Assistance. It is directly implemented by the MACO. ZAMPIP aimed at stimulating private sector participation in agricultural production and marketing in three provinces by improving access to credit and investment financing for rural infrastructure. The Zambia National Commercial Bank administers the project's Rural Credit Facility and Rural Investment Fund. An international NGO manages the scheme.
	Small-scale Irrigation Project (SIP)	$8.83 million (UA 6.05 m)	2002-09	To increase food security and generate income of households in Lusaka and Southern Provinces through six small-scale irrigation schemes.
	Smallholder Agricultural Productivity and Marketing Support Project (SAPMSP)	$29.6 million	2008-13 (not approved yet)	Improve smallholders' production and marketing capacity in food and cash products for domestic and export markets through: (i) support to existing OGS; (ii) formation of new farmer groups and training (especially in Integrated Pest Management and compliance with EurepGAP); (iii) support to seed growers and distributors through supply of improved seeds and planting material; (iv) dairy development activities.
	Smallholder Irrigation and Marketing Infrastructure Support Project (SIMISP)	$56.0 million	2008-14 (not approved yet)	Contribute to increased agricultural productivity through the development of rural irrigation and marketing facilities (especially for dairy and livestock) and targeted institutional capacity building.
IFAD	Smallholder Enterprise and Marketing Programme (SHEMP)	IFAD loan: $15.9 million (Total cost: $18.4 m)	2000-08	Strengthening smallholder enterprise groups; Improved access to suppliers and markets, including rehabilitation of feeder roads; Development of agribusiness sector and trading enterprises serving small-scale farmers.
	Smallholder Livestock Investment Project (SLIP)	IFAD loan: $10.1 million (Total cost: $15.0 m)	2007-14	Improve livestock disease control and to re-establish and restock poor smallholder farmers who lost their cattle to disease; Improve related policy formulation and implementation.
	Rural Finance Programme (RFP)	IFAD loan: $13.8 million Co-financing: SIDA US$4.5 million	2007-14	Support the development of long-term rural financial services for rural poor people through sustainable community-based financial institutions.

World Bank	Agricultural Development Support Project (ADSP)	$37.2 million (IDA loan)	2006-2012	To support increased commercialisation of smallholder agriculture through improved productivity, quality and efficiency o f selected value chains by *i)* providing resources for working capital and term lending for capital investments in agricultural production and marketing; *ii)* developing innovative business linkages between smallholders and other actors in the supply chains; and *iii)* targeting investments in public goods and in key public sector functions.
	Commercial Agriculture Project (CAP)	$30 million (IDA loan)	Under discussion	Promote the development of commercial agriculture through: *i)* Irrigation Development; *ii)* Land administration and land use planning; and *iii)* Market development and information.
EC (**)	Agricultural Diversification and Food Security Project (ADFSP) - under 9th European Development Fund (EDF)	EUR15 million	2006-08	Assisted in the design of a national food security strategy; support small scale farmers and vulnerable households Western and North Western Provinces; Support to Ministry of Agriculture extension staff
	Food security and agriculture diversification (under 10th European Development Fund (EDF)	EUR30 million	2008-13 (disbursements in 2010-212)	Continue and extend the implementation of the food security plans; Supporting new public initiatives and investments planned under FNDP to promote agriculture production, diversification, marketing and local-value addition.
	Promotion of Conservation Farming and Crop Diversity for Increased Rural Household Food Security	EUR1.97 million	2005 – 07	Promoting conservation farming practices in Southern, Central and Eastern provinces
	10th EDF EPA/Trade related support	EUR2 million	2008-13	Capacity building for policy, regulatory and marketing interventions to enhance SPS standards, certification and marketing conditions.
Finland	PLARD	EUR10 million	2007-10	Promoting sustainable commercialisation and development of fisheries, agriculture and agribusiness; Fostering a supportive policy, regulatory and institutional environment.
Netherlands	BDS Voucher projects	ZMK20 732 billion Co-financed by The Netherlands (12.5 bn), Finland (7.5 bn) and ILO (0.732 bn) + GRZ ZMK 4 bn counterpart financing	2007-10	Promote the development of demand-drive BDS for SME, including in agribusiness, through a voucher system.
Sweden	ASP	$42-44 million (SEK331.5 m) including a SEK20 m contribution from Norway	2003-08	Entrepreneurship and Business Development; Improved Land, Seed, Crops and Livestock productivity; Improved Service Delivery of Support Entities

NOTES

1. Some 92 per cent of rural households lived under the poverty line in 1993. The situation improved steadily afterwards, and rural poverty has declined to 74 per cent in 2003 (Jayne *et al.*, 2007).

2. The horticulture sector has only started to recover from the bankruptcy in 2004 of the major buyer and exporter contractor, Agriflora, which had set up a modern logistic chain and contracted numerous outgrowers. Heightened competition, resulting in pirate buying from competitor suppliers, has brought the paprika sector to the verge of collapse.

3. They include the Golden Valley Agricultural Research Trust (GVART), the Livestock Development Trust (LDT), the Cotton Development Trust (CDT) and the Zambia Export-Crop Growers Association Training Trust (ZEGATT).

4. As identified in the latest UNCTAD Investment Policy Review, "there remain significant legal and administrative impediments to investment" (p. 15) and the 2006 Zambia Development Agency Act "has in many ways made the environment more restrictive for investors" with the introduction of compulsory licensing and screening of new investors (UNCTAD, 2007, p. 19).

5. The core FNDP costs exclude the general administration, running expenses and personnel-related expenditures in the implementing sectors – except for health and education. The core FNDP cost estimates also exclude very large capital programmes, which are expected to be financed through private capital flows, although they appear in their respective sector chapters. The total cost amounts to ZMK55 287.45 billion ($13.4 billion). GRZ is committed to financing 65 per cent of the core expenses, while relying on external financing for the rest.

6. These data should be interpreted with caution since only part of the approved allocations in the budget are effectively disbursed and there are funds accruing to the agricultural sector which are not channelled through MACO, but through other ministries and agencies (e.g. for rural infrastructure). Donors provide substantive funding to the sector, but only part of these funds is channelled through government structures.

7. The inclusion of maize imports under the MACO budget can significantly distort the true resource envelope available to the sector. In 2003, out of the total ZMK499 billion allocation, ZMK240 billion was for grain imports (Govereh *et al.*, 2006).

8. The resource envelope to the sector is in fact higher, since it includes part of the $108 million commitments to environmental protection and natural resources. For instance, Norway committed $30 million to this area, mainly to support conservation farming, which has a significant potential to increase agricultural productivity and in a sustainable manner.

9. The SAPMS project was appraised in 2006 but the Ministry of Finance has not yet given its approval for contracting the new loan from the AfDB. So the project is not operational.

10. Signatories include 12 bilateral donors (Canada, Denmark, Finland, Germany, Ireland, Italy, Japan, The Netherlands, Norway, Sweden, the United Kingdom and the United States) and 4 multilateral ones (African Development Bank, European Commission, UNDP, World Bank)

11. NORAD is a major donor in the area of natural resource management, with a strong focus on biodiversity and sustainable management of these resources. Through its assistance to the ZNFU Conservation Farming Unit, it supports the development of environmentally and climatically adapted agriculture for small-scale farmers.

12. The GRZ has set up an Irrigation Development Fund, to be managed by a commercial bank. There are different views in government on the ideal structure to manage the project. MACO has proposed hosting the management unit, while donors would prefer an independent structure, outside the Ministry, replicating the successful experience of the National Road Authority.

13. Evaluations include: IFAD (1997), Ministry for Foreign Affairs of Finland (2001), James *et al*. (2001), World Bank (2006), Ramboll Natura AB (2005), Oxford Policy Management (2007).

14. A telling example is the unsuccessful attempt of several projects in the Northern region to change farming practices away from slash-and-burn shifting cultivation (so called "chitemene") to more permanent farming systems, on grounds of its negative environmental consequences. As a recent evaluation (Oxford Policy Management, 2007) shows, the programme designers failed to understand the sociological and political dimensions of chitemene. They only emphasised its negative aspects, while ignoring the advantages that it conferred on the cultivators in terms of flexibility and food security. The programme did not offer a viable alternative providing all the advantages of slash-and-burn farming. Therefore, farmers felt that the programme was aligned against them.

15. The bilateral agreement signed in 2003 also included a project to support the Policy and Planning Department of MACO and a pilot project on export of organic agricultural product as part of the regional programme on Export Promotion of Organic Products from Africa (EPOPA). In 2007 a decision was taken not to continue EPOPA owing to limitations in the contract arrangements, while support to MACO Policy and Planning had not yet started. SIDA also finances the ACF and the ZNFU/CFU, and will co-finance IFAD's Rural Finance Programme.

16. See James *et al.* (2001) for a review of these programmes and Ramboll Natura AB (2005) for how their experiences have been incorporated into ASP.

17. The survey used a sample of 2 150 ASP Phase I households together with a matching control group sample of about 400 non-ASP households, from ASP Districts but outside ASP camps. The sampled ASP households had been exposed to the programme for a full three-year period.

18. The cross-border SMS market information 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. (www.ifad.org/newsletter/pf/5.htm#3).

19. The original project formulation proposed to support productivity enhancement of subsistence farmers and had a string emphasis on supporting public extension. The project was reformulated to take into account the new government agricultural policy which focuses on smallholders' commercialisation. It is estimated that some 65 000 commercialising smallholders would directly benefit from ADSP, while up to 55 000 could indirectly benefit, also thanks to the rehabilitation of feeder roads. See World Bank (2006), pp. 12-13.

20. An example is the collapse of CLUSA groups involved in paprika production which were taken over by Cheetah Zambia. It was quickly discovered that the services provided to farmers were expensive and Cheetah could therefore not afford to pay a similar price to that which farmers received while with CLUSA. Both sides felt disgruntled and discontinued the arrangement.

21. For instance, the WB is committed to co-ordinating the implementation of the ADSP with USAID's MATEP and IFAD's RFP. The Bank has also agreed with the AfDB on a common harmonisation framework to co-ordinate their support for smallholder commercialisation.

22. There are few examples of co-operation. For instance, ASP contracted from time to time co-operatives ZATAC and SHEMP to undertake specific assignments such as developing training or extension material or undertaking studies related to programme implementation.

23. The ACF is currently developing some food security indicators at the district level thanks to the EC-funded food security and agricultural diversification project.

REFERENCES

ASP (Agricultural Support Programme) (2007), "Cost Benefit Analysis of the Agricultural Support Programme," Lusaka.

Canigiani, E. (2004), "Taking Stock on IFAD Experience in Market Access", IFAD, Rome.

Chiwele, D. (2004), "Agriculture Sector Programmes: Lessons from Zambia", Report for the GRZ, RuralNet Associates, Lusaka.

DFID (2004), *Zambia: Country Assistance Plan 2004/05 – 2006/07*, London.

Dorosh, P., S. Dradri and S. Haggblade (2007), *Alternative Instruments for Ensuring Food Security and Price Stability in Zambia*, FRSP working paper No. 29, November, Lusaka, available at www.aec.msu.edu/fs2/zambia/wp_29.pdf.

Downing, J., D. Snodgrass, Z. Northrip and G. Woller (2006), *The New Generation Of Private-Sector Development Programming: The Emerging Path To Economic Growth With Poverty Reduction*, MicroREPORT No. 44, available at www.microLINKS.org/valuechains.

Droppelmann, K. (2005), *How to Monitor the Zambian Agricultural Sector?* Retrieved 12 January 2008, Agricultural Consultative Forum: www.acf.org.zm/agsecme1.htm.

European Community (2007), *Country Strategy Paper and National Indicative Programme for the Period 2008-2013*, Delegation of the European Commission to the Republic of Zambia, available at www.delzmb.ec.europa.eu/en/eu_and_country/country_strategy_paper_2008_2013.pdf (retrieved 12 January 2008).

Govereh, J., J. Shawa, E. Malawo and T. Jayne (2006), "Raising the Productivity of Public Investment in Zambia's Agricultural Sector," FRSP Working Papers, available at www.aec.msu.edu/agecon/fs2/zambia/index.htm (retrieved 6 November 2007).

GRZ (2006), *Fifth National Development Plan*, Lusaka.

IFAD (1997), *Zambia: North Western Province Agricultural Development Project. Mid-term evaluation*, available at www.ifad.org/evaluation/public_html/eksyst/doc/prj/region/pf/zambia/r293zaae.htm (retrieved 10 January 2008).

IFAD (1999), *Report and recommendation of the President to the Executive Board on a proposed loan to the republic of Zambia for the Smallholder Enterprise and Marketing Programme*, available from www.ifad.org/gbdocs/eb/68/e/EB-99-68-R-22-REV-1.pdf (retrieved 10 January 2008).

James, A., T. Davelid, T. Breinholt, D. Chituindu and T. Lundström (2001), *Swedish Support to the Agriculture Sector in Zambia*, SIDA Evaluation 01/26, Stockholm.

Jayne, T., J. Govereh, P. Chilonda, N. Mason, A. Chapoto and H. Haantuba (2007), "Trends in Agricultural and Rural Development Indicators in Zambia," FSRP Working Paper No. 24, available at www.aec.msu.edu/fs2/zambia/wp_24.pdf (retrieved 28 November 2007).

Ministry of Finance and National Planning of Zambia (2006*a*), *Medium Term Expenditure Framework 2006-2008*, Lusaka.

Ministry of Finance and National Planning of Zambia (2006*b*), *Budget address 2006*, available at www.parliament.gov.zm.

Ministry of Finance and National Planning of Zambia (2007*a*), *Medium Term Expenditure Framework 2008-2010*, Lusaka.

Ministry of Finance and National Planning of Zambia (2007*b*), *Budget address 2007*, available at www.parliament.gov.zm.

Ministry of Finance and National Planning of Zambia (2008), *Budget address 2008*, available at www.parliament.gov.zm.

Ministry Of Foreign Affairs Of Finland (2001), *Evaluation of the Bilateral Development Co-operation between Finland and Zambia*, Ministry of Foreign Affairs Department of International Development Co-operation, Evaluation Unit, Helsinki.

Ministry Of Foreign Affairs Of Finland (2007), *Programme For Luapula Agricultural and Rural Development (PLARD), Programme Document*, Helsinki.

Mooney, T. (2002), "Assessment of Zambia's Private Sector, Agriculture and Natural Resources Sectors", Paper prepared for USAID Zambia, Lusaka.

Neuchâtel Initiative (2006), *Review of Experiences on Market Oriented Agricultural Advisory Services. The Agriculture Support Programme in Zambia*, Lusaka, available from Neuchatel Initiative working group on Market Oriented Agricultural Advisory Services at www.neuchatelinitiative.net/english/documents/ZambiaASP.pdf (retrieved 11 January 2008).

OECD (2007), *2006 Survey on Monitoring the Paris Declaration*, Paris.

Oxford Policy Management (2007), "Evaluation of Norwegian Development Support to Zambia (1991-2005)", Evaluation Report 4/2007. available at www.norad.no/items/10435/38/6991754140/EvaluationofNorwegianDevelopmentSupporttoZambia.pdf (retrieved 10 June 2008).

Parker, S. (2003), "CLUSA Zambia Rural Group Business Program" from *Paving the Way Forward for Rural Finance: An International Conference on Best Practices*, available at www.basis.wisc.edu/live/rfc/cs_10a.pdf (retrieved 10 January 2008).

Ramboll Natura Ab (2005), "Management of the Agriculture Support Programme (ASP) in Zambia. Revised Programme Implementation Document", Lusaka.

Siegel, P. and J. Alwang (2005), "Poverty Reducing Potential of Smallholder Agriculture in Zambia: Opportunities and Constraints," Africa Region Working Paper Series No. 85. World Bank, Washington, D.C., available at www.worldbank.org/afr/wps/wp85.pdf.

Thurlow, J. and P. Wobst (2006), "Not All Growth is Equally Good for the Poor: The Case of Zambia", *Journal of African Economies* , 15 (4), 603-625.

UNCTAD (2007), *Investment Policy Review: Zambia*, available at www.unctad.org/ipr (retrieved 12 January 2008).

Van Donge, J. (2007), "Flexible SWAps for Strategic Policy-making: Reflections on the Zambian Experience," *Development Policy Review*, 25 (4), 473-494.

Wichern, R., U. Hausner and D.k. Chiwele (1999), "Impediments to Agricultural Growth in Zambia", *IFPRI Discussion Papers No. 47*, International Food Policy Research Institute, Washington, D.C., available at www.ifpri.org/divs/tmd/dp/papers/tmdp47.pdf.

World Bank (2002), *Zambia - Agricultural Sector Investment Program Project: Implementation Completion Report*, Operations Evaluation Department, Washington, D.C.

World Bank (2006), *Agricultural Development Support Project: Project Appraisal Document,* Washington, D.C.

World Bank (2007), *Zambia Smallholder Agricultural Commercialization Strategy*, Washington, D.C.

Acronyms and Abbreviations

ACF	Agricultural Consultative Forum
ACP	Agriculture Commercialisation Programme (2002-05)
ADC	Agribusiness Development Component
ADFSP	Agricultural Diversification and Food Security Project
ADSP	Agriculture Development Support Programme
AfDB	African Development Bank
Ag-SAG	Agricultural Sector Advisory Group
AIMP	Agricultural Inputs Marketing Plan
AMDP	Agricultural Market Development Plan
ASIP	Agricultural Sector Investment Programme
ASP	Agricultural Support Programme
BDS	Business Development Services
CAADP	Comprehensive Africa Agriculture Development Programme
CAP	Commercial Agricultural Project
CFU	Conservation Farming Unit
CLUSA	Cooperative League of the USA
COMESA	Common Market for Eastern and Southern Africa
DFID	Department For International Development
DRC	Democratic Republic of Congo
EC	European Community
EDF	European Development Fund
EPA	European Partnership Agreement
EPOPA	Export Promotion of Organic Products from Africa
FAO	Food and Agricultural Organisation
FINNIDA	Finnish International Development Agency
FNDP	Fifth National Development Plan (2006-2010)

FRA	Food Reserve Agency
FSP	Fertiliser Support Programmes
FSRP	Food Security Research Project
GRZ	Government of the Republic of Zambia
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IGAD	Inter-Governmental Authority on Development
ILO	International Labour Organisation
JASZ	Joint Assistance Strategy for Zambia
LLSP	Luapula Livelihood and Food Security Programme
MACO	Ministry of Agriculture and Co-operatives
MATEP	Market Access, Trade and Enabling Policies
MCC	Millenium Challenge Corporation
MoFNP	Ministry of Finance and National Planning
MSE	Micro and Small Enterprises
MTCI	Ministry of Trade, Commerce and Industry
NAP	National Agricultural Policy (2004-2015)
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
NIP	National Irrigation Plan
NORAD	Norwegian Agency for Development Co-operation
NTE	Non-traditional Exports
OGS	Outgrower Scheme
OPEC	Organisation of the Petroleum Exporting Countries
PLARD	Programme for Luapula Agriculture and Rural Development
PRINT	Promotion of Regional INTegration
PROFIT	Production, Finance and Improved Technologies
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REFORM	REgional FOod Security and Risk Management Programme
RFP	Rural Finance Programme
RGB	Rural Group Business

ROADSIP	Road Sector Investment Programme
RRMP	Road Rehabilitation and Maintenance Project
SADC	Southern African Development Community
SAPMSP	Smallholder Agricultural Production and Marketing Support Project
SHEMP	Smallholder Enterprise and Marketing Programme
SIDA	Swedish International Development Co-operation Agency
SIP	Small-scale Irrigation Project
SLIP	Smallholder Livestock Investment Project
SME	Small and Medium Enterprises
SPS	Sanitary and Phytosanitary
UNCTAD	UNited Conference on Trade And Development
USAID	United States Agency for International Development
WB	World Bank
ZACA	Zambia Agricultural Commodity Agency
ZAMPIP	Zambia Agricultural and Processing Infrastructure Project
ZATAC	Zambia Agribusiness Technical Assistance Centre
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZDA	Zambia Development Agency
ZEGA	Zambia Export Growers Association
ZNFU	Zambia National Farmers Union

OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(02 2009 02 1 P) ISSN 1995-2821 – No. 56987 2009

OECD Journal

General Papers

TABLE OF CONTENTS

Ghana: Agriculture is Becoming a Business
Denise Wolter 9

Mali: Beyond Cotton? Searching for "Green Gold"
Yoshiko Matsumoto-Izadifar 33

Senegal: Making Better Use of Agribusiness Potential
Yoshiko Matsumoto-Izadifar 53

Tanzania: The Challenge of Moving from Subsistence to Profit
Denise Wolter 79

Zambia: Sustaining Agricultural Diversification
Federico Bonaglia 103

FURTHER READING

Business for Development 2008: Promoting Commercial Agriculture in Africa
Turning African Agriculture into a Business: A Reader

The *OECD Journal* collection comprises six periodicals: *OECD Journal: Economic Studies, OECD Journal: Financial Market Trends, OECD Journal: Competition Law and Policy, OECD Journal: General Papers, OECD Journal on Budgeting, OECD Journal: Journal of Business Cycle Measurement and Analysis*. Each periodical within *OECD Journal* retains its own ISSN, volume and issue numbering. The volume numbering of each journal corresponds to the calendar year, *e.g.* Volume 2009. Volume 2009 of *OECD Journal: General Papers* contains four issues.

Subscribers to this printed periodical are entitled to free online access:
www.sourceoecd.org/OECDjournal

If you do not yet have online access via your institution's network, contact your librarian or send an e-mail to **SourceOECD@oecd.org**.

Volume 2009/2

OECDpublishing
www.oecd.org/publishing

ISSN 1995-2821
VOLUME 2009
(4 ISSUES)
02 2009 02 1 P

9 771995 282009