Workshop on Input Use and
Market Development for African Smallholders

Agrofood Systems Development in SSA : analytical framework and implications for Bank operations

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Summary

1. Definitions and concepts
2. AFS, growth, and poverty reduction: strategic issues
3. Major trends : AFS and globalization
4. Agribusiness in Africa : recent developments and lessons learned
5. Implications for Bank operations
6. Concluding remarks

1.Definitions and concepts

Definitions : agrofood systems

- Agribusiness often confused with :
  - Commercial farming
  - Big business, multinationals
- Agrofood systems (AFS) = enterprises, institutions and activities taking place *off the farm* and dealing with agricultural products
- Deliver inputs, handle, transform, distribute and otherwise add value to **food and fiber products**
- In any case, agribusiness still a useful proxy

Agrofood systems : a few notions and concepts

- The agro-food system can be broken down into **sub-sectors or clusters**, generally by commodity or group of commodities (cereals sub-sector, dairy industry, fruit and vegetables, etc.) : *filières*
- Subsistence agriculture = poverty
- **Transition** from primarily subsistence farming to cash-cropping and marketing is key
- Entails the development of institutions and mechanisms to **coordinate** the activities of input providers, producers and downstream agents, across both space and time.

2. AFS, growth, and poverty reduction : strategic issues

Importance of agribusiness in economic development

- Important source of **growth**

Agribusiness = 50% of manufacturing & services = 20 % GDP

Could rise to 30 to 45% for SSA (see SE Asia, LAC)

- Relevance for **poverty reduction** strategies : direct and indirect linkages, off- farm revenues and employment
- Must be **private sector** driven, but public/private partnerships can be effective (SE Asia)

Agribusiness share of GDP

Share of AFS in GDP

Country	Agriculture's Share in GDP (%)	Non-farm AFS Share in GDP (%)	Total (%)
Uganda	41	23	64
Nigeria	42	16	58
Thailand	11	43	54
Indonesia	20	33	53
Kenya	26	23	49
Chile	9	34	43
Brazil	8	30	38
South Africa	4	16	20
USA	1	13	14

Agricultural Priorities in the Bank's RD strategy

- Support agricultural diversification and boost the share of high- value products
- Strengthen farmer- to- market linkages
- Enhance food safety
- Encourage more efficient use of farm inputs and reduced post harvest losses through demand driven extension services
- Supports use of biotechnology and dissemination of information technology

Rural Strategy : Major challenges in SSA

Two main challenges in Agriculture :

Growth	Productivity
Market Access	Technology Transfer
Market Development	Access to Inputs
Investment	Research
Processing	Information

Bottom line (for the Bank and others) : Need to deliver

3. Major Trends : AFS and Globalization

Global economic trends in the 2000s

- Globalization and market integration
- Urbanization
- Technology revolutions (ICT, e- commerce)
- Consumer sovereignity, market drive and health concerns
- Competition between origins/suppliers (multiple options for sourcing products)
- Increasing role of retail chains in food distribution

Global economic trends and implications

Strong, accelerating, irreversible

not particularly SSA friendly, nor pro-poor

and

Client countries in SSA not very well prepared for these challenges

⇨ declining SSA market share, stagnant rural incomes, modest growth, etc..

4. Agribusiness in Africa : recent developments and lessons learned

PSD/agribusiness strategies : the past

- Get the macro framework right (adjustment)
- Get the policy/legal/regulatory environment right
- Get government out of the way
- Invest in social and basic infrastructure
- No comparative advantage for the Bank and ODA in PSD/agribusiness

PSD/agribusiness in SSA : Some empirical evidence

- Growth/development has not taken place spontaneously
- Poverty remains essentially rural in SSA
- Modest, irregular growth, not sufficient to meet MDGs
- Private sector very weak, mostly informal
- FDI low
- Agribusiness remains risky by nature, and risk mitigation strategies/instruments scarce

Typology of “agribusiness projects”

- Difficult to quantify/analyze (cf. portfolio reviews)
- Projects/components in current portfolio :
  - Commodity-sector reform : cocoa, cotton, cashew (often as part of sector adjustment lending) – essentially traditional export products
  - Privatization (incl. agro-industries)
  - PSD and export promotion (generally non specific, sometimes focused on agric. trading and marketing)
  - Ag SIPs (Ghana, Tanzania), rural credit (Ghana)
- Has been declining/marginalized (global trend for rural, PSD strategy and competition, PRSCs)

PSD/agribusiness in SSA : An unfinished agenda

- Government retrenchment partly effective, but critical functions not fulfilled
- Transaction-oriented privatizations did not yield expected results (agro-industry)
- Legal framework, trade liberalization, WTO lobbying: very important, but not sufficient
- No comprehensive supply-chain approach

5. Implications for Operations

AFR ESSD priorities : ”8 actions on the drawing board”

Source : AFR Regional Leadership Team Meeting, October 16,2002

1. **Agribusiness and investment promotion**
2. **Rural infrastructure**
3. **“New look” irrigation**
4. **Pollution and environmental health**
5. **Multi-country technology generation & dissemination**
6. **“New look” rural finance**
7. **Integrated ecosystem management**
8. **Risk management**

Business in demand

- Policy advice and “pre-lending” : policy notes, sub-sector studies : Uganda, Zambia, Ghana
- Agribusiness strategy formulation : Ghana, Mozambique, Tanzania
- Existing project restructuration : Burkina, Ghana
- New program/project preparation: Senegal, Mali, Burkina, Uganda
- Knowledge dissemination (best practice in agribusiness)

Features and trends for agribusiness operations/components

- Include soft (capacity-building, TA, advisory services) and hardware (investment in infrastructure)
- Focus on competitiveness (industry clusters), trade facilitation and supply chain analysis approach
- Combine traditional/non-traditional products/clusters (cotton in Mali, groundnut in Senegal, cashew in Mozambique)
- No contradiction between domestic/sub-regional/export market development

Features and trends for agribusiness operations/components

- Partner with business leaders and professional associations
- Provide comprehensive solutions to remove key constraints (incl. finance/risk management) through systems/cluster approach
- Provide innovative approaches (franchising, bonded warehouses) and build innovative capacity
- Include small farmers through contract farming, FOMs, outgrower schemes

Pre-conditions for agribusiness support

- Political and macro-economic stability (i.e. inflation, foreign exchange regulations)
- Overall policy and private sector environment favorable
- Trade reforms and market access
- Basic infrastructure, HR, social services available
- Potential/relevance of AB sector for development
- Willingness and commitment from government
- Internal (Bank) demand (CDs)

⇨ *not so many candidate countries in SSA (8 to 10)*

Operations in preparation and business line development

Country	Ongoing	Policy/ESW	New operation
Benin	Cotton Sector Restructuration		
Burkina	Private Irrigation Promotion		Ag Intensification and Diversification (FY05)
Cameroon	Agro-industry Privatization	RD Strategy Smallholder Tree-Crop development	Agro-industry/Tree-crop Development (FY06)
Ghana	AgSSIP	Horticulture Development Study Food safety assessment	Restructuring of AgSSIP (FY04) Agribusiness development (FY05)
Mali	Private Irrigation Promotion, Ag trading and processing	Agribusiness strategy	Agricultural Competitiveness and Diversification (FY04)
Mozambique	PROAGRI	Horticulture Development Study	PRSC

Operations in preparation and business line development (cont.)

Country	Ongoing	Policy/ESW	New operation
Uganda		Flori/Horticulture Development Study	Export Growth and Competitiveness Project
Senegal	PSD, PRSC	Food safety assessment	Agricultural markets development (FY 04)
Tanzania	Ag Export Promotion	Agribusiness strategy	?
Togo		Cotton Sector Review	Cotton sector restructuring (FY05/06)
Zambia	Competitiveness study	Outgrowers scheme development	?

6. Concluding remarks

Basic objectives

- Support to AFS development a clear priority
  - At Bank level
  - At country level
  - NEPAD, etc..
- Spurring growth in SSA high on the agenda
- Need to deliver on AFS « business line » development
  - Need to partner
  - Preparation of a business plan

What we know

- Good assessment of past experience and challenges ahead
- What works, what doesn't work ?
- Ongoing studies (ag. export/trade promotion)
- Need for comprehensive approaches of AFS development at country level
- Relevance of supply-chain/cluster analysis and bench-marking
- Importance of hands-on assistance, institutional support, market information, compliance with grades and standards, infrastructure

Question marks

- **Linking farmers to markets** : farm models, private service providers ?
- **Pro-poor growth and public investment ?**
- Compatibility with the move to **programmatic, multi-sector lending** (PRSCs) ?
- How to **bring together skills, capital, knowledge, innovation, partnerships** ?
- **Comparative advantage** of the WB group in agribusiness ?