



Regional integration : agricultural value chains to integrate and transform agriculture in West Africa



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Initials and abbreviations

AFD	Agence Française de Développement
ASEAN	Association of South-East Asian Nations
AsiaDHRRA	Asia Partnership for Development of Human Resources in Rural Asia
CAADP	Comprehensive Africa Agriculture Development Program
CEDAC	Cambodian Centre for Study and Development in Agriculture
CFTA	Continental Free-Trade Area
COMESA	Common Market for Eastern and Southern Africa
COPLA	Comercio y Pobreza en Latino América
EAC	East African Community
ECA/SRO-WO	Economic Commission for Africa/Sub-Regional Office for West Africa
ECOWAS	Economic Community for West African States
ECOWAP	Agricultural Policy of the Economic Community of West Africa
FAOSTAT	Food and Agricultural Organization Statistics
GVC	Global value chain
GDP	Gross Domestic Product
IRAM	Institute for Research and Application of Methods of Development
PRA project)	Poverty Reduction and Alleviation (USAID
SADC	Southern African Development Community
UCCAO l'Ouest (Cameroon)	Union Centrale des Coopératives Agricoles de
UEMOA	Economic and Monetary Union of West Africa

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Summary

The main objective of the study is to explore solutions for accelerating the achievement of the objectives of NEPAD, CAADP and ECOWAP, in order to generate high growth based on agriculture for a more rapid emergence of the African continent in general and of West Africa in particular. The analysis is justified by the fact that in spite of West Africa's enormous potential in agricultural resources, the take-off for the agricultural sector remains with little support.

In effect, West Africa countries developed in the past numerous strategies and created many support structures for agricultural development, but the expected results have still not been reached. As witness, the growing food crisis which has persisted in all these countries for years and which obliges them to import agricultural products to make up for food production deficits. It is to try to explore other possibilities for accelerating the development of agriculture that this study was carried out. It constitutes a contribution to the reflection on the strategies and policies to adopt in support of development efforts of the agricultural sector in the sub-region. The study aims at raising the awareness of decision-makers in West African countries on the importance of adopting a strategy for the development of agriculture based on the "value chain" approach, by putting at their disposal successful experiences with agricultural value chains in Africa and elsewhere that they can adopt in their agricultural development strategies.

The study first reviews the agro-sylvo-pastoral potential of West Africa by underlining the weaknesses of agricultural policies implemented in the past, which have not made it possible to attract sufficient investment to the agricultural sector, nor to accelerate the transformation of local agricultural products. The study shows through successful experiences with agricultural value chains in Africa and elsewhere in the world, the importance of the role of the State and development partners in their promotion and implementation. It also underlines the need to accompany the small peasant producers through cooperatives or other peasant organisations, in order to facilitate their access to inputs, financing and markets and to make it possible for them to defend their interests in the value chain in which they are actors.

In addition, the study explains how to develop an agricultural value chain around cooperatives and other peasant organizations or in the periphery of an agri-business project. Special emphasis is placed on the development of an agricultural value chain around a strategic partner through the arrangement of an agricultural co-entrepreneurship, a form of public-private partnership adapted to the African context. This model of development of agricultural value chains attempts to set up a novel plan to guarantee, in the end, accelerated development of agricultural production along with a more equitable sharing of income and the inclusion of local people.

One of the chapters of this report places a special emphasis on the need for coordination at the regional level of agricultural value chains for a balanced development of the sector, not only for exchanges of good practices and the sharing of the results of research, but also in order that each member country focuses on the products in which they it has a comparative advantage, rather than trying to produce all types of food commodities for self-sufficiency. This regional coordination based on the objectives of NEPAD, CAADP and ECOWAP will favor currents of exchange among member countries and will provide a new impetus to sub-regional trade which remains abnormally low.

The study ends by proposing a series of recommendations to the ECOWAS and its member-states, exhorting them notably to integrate the value chain approach in their development strategies for the agricultural sector and to adopt the agricultural co-entrepreneurship in agri-business and agro-industry with a view to the best exploitation of the immense potential of the agro-sylvo-pastoral resources of the West African sub-region.

I. INTRODUCTION

1.1. Context and justification

Agriculture is generally considered to be one of the most high-performance motors of growth in national and global economies. It has been empirically proven that in Africa, as elsewhere in developing countries, agricultural growth: a) contributes more than any other sector to overall growth of revenue in the rural environment where the major part of the vulnerable populations live and work, b) stimulates growth in the other sectors of the economy by amplifying the demand for goods and services produced outside the sector, and c) reduces globally the level of poverty, famine and malnutrition by increasing the supply of food and improving access to a better diet owing to higher revenues in the rural areas and in the other sectors of the economy (Baba Dioum, Ousmane Badiane, et al., 2008).

The results of research indicate furthermore that an increase of 1% in agricultural growth influences the growth of the entire economy by about 1.3%, while an additional 1% of agricultural exports accelerates non-agricultural growth by about 1.8%. In addition, agricultural trade at the regional and global levels is of special strategic importance in Africa in general and in the West African sub-region in particular, as a result of its key role in the steering of economic growth and poverty reduction. An expansion supported by revenues for agricultural products sold on local, regional and international markets would be followed by an increase in global revenues in the local economy at least twice as high as the initial increase of revenues in the agricultural sector itself (Baba Dioum, Ousmane Badiane, et al., 2008).

Conscious of the decisive role that agriculture plays in their economies, the highest African leaders created in 2003 the Comprehensive Africa Agriculture Development Programme (CAADP), hoping in this way to accelerate growth and curb poverty and famine on the continent. The principal objective of the CAADP is to assist African countries to bring about supported and sustainable growth by adopting a development

strategy based on viable agriculture, which judiciously exploits the existing agro-sylvo-pastoral resources and favours the expansion of exports. The CAADP is supported by, among other things, the principle of growth driven by agriculture as the main strategy to achieve an annual average growth rate of 6% per year, with a view to reaching the Millennium Development Goals by 2015. This ambitious global vision of the reform of African agriculture aims at eliminating famine, reducing poverty and ensuring food security on the continent. The Maputo Action Plan, which reaffirms the political will to implement this programme, proposes the allocation of 10% of national budgets to the agricultural sector and the exploitation of complementarities and regional cooperation to re-launch growth.

In West Africa, the CAADP was laid out in the ECOWAP¹ of the ECOWAS and the PAU² of the WAEMU. In the countries of the sub-region, the most recent national agricultural development strategies were largely inspired by it. This means that during the last few years the majority of countries have granted special attention to agricultural development. The results are not yet as much as hoped, given that countries still depend largely on the import of certain food products. Nevertheless, it can be observed that during these last few years, national agricultural productions have increased steadily, notably of rice and other traditional cereals, vegetables, pulses and fruits.

However, in spite of the efforts made, West African agriculture, which employs more than 60% of the population (ECOWAS, 2008) remains very far from the level of development capable of drastically reducing poverty and food insecurity and favouring economic expansion. In addition, it exploits very little of the potential of the arable land of the sub-region. The UN Secretary-General, M. Ban Ki-Moon, in an interview in May 2008 in the daily International Herald Tribune, said he was convinced of the possibility of finding a solution for the food crisis in the world, because, according to him, “We have the means, we know what we must do, and moreover we must see in this not only a problem to solve but also an occasion to seize”. This occasion to seize for the West African

1 Agricultural Policy of the ECOWAS

2 Agricultural Policy of the WAEMU

sub-region consists of challenging inappropriate agricultural and land policies and subscribing to strategies aligned with CAADP and NEPAD. The following step should be to make these strategies more operational by allocating greater means to agriculture, so that it can feed the people and serve as a foundation for its economic take-off.

In effect, the West African countries have developed in the past numerous strategies and created many agricultural support structures, but the expected results have not always been reached, as witness the growing food crisis that persists in all these countries for years and which obliges them to import agricultural products to make up for the food deficits.

It is to try to explore other possibilities for accelerating the development of agriculture by a more judicious exploitation of the potential of the sub-region that, in the framework of its biennial programme 2012-2013 of support to the Regional Economic Communities (REC) and to their Member States, the Sub-Regional Office for West Africa of the Economic Commission for Africa (ECA/SRO-WA) has undertaken the present study. The Office thus hopes to contribute to reflections on the strategies and policies to adopt in support of the development efforts of the agricultural sector in the sub-region. The study aims at raising the awareness of West African decision-makers on the importance of adopting a strategy of agricultural development based on the “value chain approach” and to provide them successful experiences in agricultural value chains that they can adapt to their agricultural development strategies at both the national and the regional levels.

1.2. Objective of the study

The main objective of this study is to explore solutions aiming at accelerating the achievement of the objectives of NEPAD, CAADP and ECOWAP, in order to generate high growth based on agriculture for a more rapid emergence of the African continent in general and of West Africa in particular.

The specific objectives can be expressed as follows:

- Contribute to a better appropriation of the concept of “value chain” in West African countries, while underlining its importance in harnessing the enormous agro-sylvo-pastoral potential of West Africa;
- Identify successful value chain experiences in Africa and in the rest of the world with a view to recommending their application by West African countries to accelerate the development of national and regional value chains, in order to increase productivity in the agricultural sector, which employs over 60% of the labour in the sub-region;
- Contribute to the growth of investments in national and regional agricultural value chains, in particular through public-private partnerships, with a view to generating more growth and reducing poverty and food insecurity in the sub-region.
- Contribute to strengthening the basis for expanding the supply of a range of agricultural products in both quality and quantity that West Africa should inject into the future Continental Free-Trade Area (CFTA) in order to reap increased revenues.

The main ambition of this study is to contribute to accelerating the achievement of the objectives of CAADP and ECOWAP. Moreover, it forms a part of the dynamic stimulated by the Ministers of Trade, Agriculture, Economy and Finance of the ECOWAS member states who, at the end of their extraordinary meeting on May 19, 2008 in Abuja (Nigeria) and with the concern of conquering food insecurity in all member countries, adopted a highly pro-active strategy entitled, “Regional offensive for food production and against hunger”. This strategy is based on three (3) main lines of action: (i) the rapid and sustainable increase of food production to reduce dependency on imports and roll back poverty in the rural areas; (ii) the structuring of the sectors and the regulation of markets, adapting products to demand (products processed, standardized, ...) ; and (iii) ensure the food and nutritional

security of vulnerable populations, by setting up appropriate safety nets in the rural and urban zones.

In addition, this study also provides support to the willingness of the highest African leaders expressed at the Abuja Summit in 2006 on food security. This Summit had “called on African countries to promote and protect rice, vegetables, maize, cotton, palm oil, beef, milk, poultry and seafood, as strategic products on a continental scale, as well as manioc, sorghum, and millet as strategic sub-regional products, not to mention products with a special national importance.”

1.3. Methodology and structure of the analysis

1.3.1. Methodology of the analysis

The present study was carried out as “desk work”. The drafting team relied on document research on existing work and analyses by specialists, sponsors, researchers and international organisations active in agriculture. This information was collected from Internet (websites referenced), from magazines and from all publications worthy of interest.

This study was enriched by the contributions of experts participating in the Ad Hoc Experts Group Meeting on the promotion of value chain approach to agricultural development that the ECA/SRO-WA organized on March 13 - 14 in Bamako, Mali.

1.3.2. Structure of the analysis

The report of the present study consists of six chapters, including the introduction, which provides the context and justification, the objective of the study, the methodology and the structure of the analysis. The second chapter provides a general overview of the agricultural sector in the economy of West Africa. The third chapter presents the value chain approach in the development of agriculture, while the fourth chapter proposes some solutions for developing an agricultural value chain. The

fifth chapter places an emphasis on the necessary regional dimension of agricultural value chains, notably with a view to the growth of sub-regional trade and the preparation of the sub-region for membership in the future Continental Free-Trade Area (CFTA). The sixth and final chapter concludes the study and proposes recommendations.

2. THE AGRICULTURAL SECTOR IN THE ECONOMY OF WEST AFRICA

As throughout the whole of sub-Saharan Africa, the rural landscape in West Africa is characterized by subsistence small holdings, low mechanisation and poor systems of agricultural production based on rudimentary traditional knowledge; this is the consequence of the absence of development and of the increased use of more intensive appropriate technologies, as well as poor basic support infrastructures. The markets for factors of production and products lack infrastructures and quality support services such as roads and ICTs and above all an adequate system of financing. Where these infrastructures and services exist, they are poorly integrated at the national, sub-regional and regional levels. Private investment in agricultural systems as well as in distribution networks is held back by the absence of viable financial structures capable of responding to the needs and demands of rural economic agents.

The emergence and development of a dynamic private sector of agro-industry likely to create wealth and improve the competitiveness of agricultural products are lacking, because the political and institutional frameworks in place are hardly favourable and do not produce the results expected. The result, among other combined effects, is the stagnation and decline of agricultural productivity, weak links upstream and downstream between the agricultural sector and the other sectors, a loss of competitiveness on world markets, an increase in food insecurity and a degradation of natural resources and the environment (ECA, 2011).

If this situation persists, the prevalence of poverty will probably remain high in the countries of West Africa and the people will continue to remain

poor in the middle of the immense natural resources in land, water and labour with which Nature has endowed them.

2.1 An impressive potential in arable land

The immense agricultural potential of West Africa still remains today poorly exploited. In effect, according to FAO statistics, the ECOWAS sub-region has about 196.3 million hectares of arable lands of which only 28%, or almost 55 million hectares, are cultivated (in 2005) (see Table 1). To this should be added more than 80.7 million hectares of pasture land favourable for the development of extensive pastoral herding as it is currently practised. With a population estimated at 309 million inhabitants³, the sub-region thus has abundant natural resources in labour, land and water to develop its agriculture in order to ensure its food security, curb poverty, accelerate economic growth and export to other continents. Only the appropriate strategy to achieve this remains to be improved.

³ <http://databank.worldbank.org/ddp/> (World Bank, 2011- site consulted on 20/12/12)

Table N°1: Status of available land in West Africa

Country	Arable Land (ha)	Cultivated Lands (ha)	% of arable land cultivated in 2005	Pasture land (1000 ha)	Forests (1000 ha)
Benin	2 710 000	1 900 000	70	550	N/A
Burkina Faso	7 487 000	3 487 000	36.7	6 000	7 668
Cape Verde	67 000	42 000	62.6	25	1
Côte d'Ivoire	20 350 000	2 950 000	14.4	13 000	N/A
Gambia	378 000	185 000	49	134	53
Ghana	13 950 000	3 600 000	26	8 350	N/A
Guinea	12 185 000	885 000	72.6	1 070	N/A
Guinea Bissau	1 424 000	344 000	24	1 080	594
Liberia	2 595 000	380 000	14.6	2 000	N/A
Mali	33 275 000	3 341 000	10	3 000	6 601
Niger	15 714 000	464 000	28	11 160	1 396
Nigeria	70 000 000	28 200 000	40	39 200	N/A
Senegal	8 002 000	2 314 000	29	5 688	4 184
Sierra Leone	2 740 000	484 000	17.6	2 200	N/A
Togo	3 630 000	2 510 000	69	1 000	N/A
ECOWAS Total	196 322 000	54 990 000	28%	80 737	N/A

Source: FAO/AQUASTAT according to Blein Roger et al., 2008

The potential in irrigable land of the sub-region is estimated by FAO at about 8.9 million hectares of which less than 10% have been exploited (920 000 ha) essentially for the production of rice, sugar cane and vegetables (see Table 2). A recent evaluation by the ECOWAS estimates this potential at 10 million hectares; Nigeria, with the maritime delta of the Niger River, holds the largest share of this potential (more than 4 million hectares) located in the wetlands, whereas Mali comes second with more than 2.2 million hectares, of which nearly 1.8 are in the Niger River Valley (ECOWAS, 2009).

Table N° 2: Irrigable land potential of the ECOWAS sub-region in thousands of ha.

Country	Surface area (1 000 ha)	Share of regional potential (%)
Benin	322	4
Burkina Faso	165	2
Cape Verde	3.11	0
Côte d'Ivoire	475	5
Gambia	80	1
Ghana	1 900	21
Guinea Bissau	281	3
Liberia	600	7
Mali	566	6
Niger	270	3
Nigeria	2 331	26
Senegal	409	5
Sierra Leone	807	9
Togo	180	2
ECOWAS Total	8 909	100
Humid and semi-humid zones	7 496	84
Dry-to-arid Zones	1 413	16

Source: FAO/AQUASTAT according to Blein Roger et al., 2008

Concerning water resources, it has been established that the countries of the sub-region, with the exception of Cape Verde and Burkina Faso, have renewable fresh water sources that are higher than international standards. Out of a potential of 1 057.5 billion cubic meters of renewable water resources, only 19.6 billion cubic meters are drawn off for agricultural purposes, or less than 2% (FAO, 2011). As for ground water resources, they are estimated at about 316.7 billion cubic meters. In addition, it is estimated that an average of 3 765 billion cubic meters of rainwater falls each year in West Africa; 77% of this rainfall is concentrated in the sub-equatorial and semi-humid zones. The basins with a potential of around 2% to 5% of the surface areas of West Africa (Blein et al., 2008) are favourable to the development of agriculture, notably the cultivation of rice.

All this potential is distributed mainly in three large agro-ecological zones that, in spite of the diversity of their systems of production, offers an important possibility for trade in products founded on complementarities that work in favour of sub-regional integration (see Appendix 3). They are:

- From the wetter sub-equatorial coastal zone dominated by the production of roots, tubers, bananas, plantains, rice and maize; to this should be added the production of cash crops such as plantations of service wood, oil palms, pineapples, rubber, coconut palms, cocoa palms, coffee bushes and kola trees; this is also a zone where real agro-industrial units function;
- From the semi-humid central zone which is characterized by a great diversity of production: yams, manioc, maize, rice, sorghum, millet, beans, pulses, as well as plantations of mangoes, citrus fruits, cocoa, coffee, cashews and native species such as the shea and the néré; it is also in this zone that is located the largest surface area of cotton cultivation, extending over $\frac{3}{4}$ of the member States;
- Lastly, from the arid zone which corresponds more or less to the Sahelian and sub-Sahelian ecological zone; it is dominated mostly by cereal crops (sorghum, millet,

cowpeas, rice, peanuts...) and a few irrigated crops (rice, wheat, onions, tomatoes...); this is also the main basin for herding in the ECOWAS.

Lastly, there exists locally an important potential in natural resources for the production of phosphate fertilizers destined for agriculture. West Africa has in effect many natural deposits of phosphates of which the total potential is estimated at about 2.23 billion metric tons. The main deposits currently exploited or which were once exploited are located in Benin (Mekrou), in Burkina Faso (Kodjari), in Mali (Tilemsi), in Nigeria (Abeokuta), in Senegal (Taïba) and in Togo (Hahotoe-Kpogame) (CEDEAO, 2009).

2.2 Agricultural policies to be made more efficient

If States hoped to achieve the objective of higher performance in agriculture when they adopt their agricultural policies, their effective application has not, in general, made it possible to reach this goal for decades. After the independence era of the sixties, the West African states quickly showed their interest in making agriculture the motor of their economies, but counted more on export crops to the detriment of food crops. All the same, this choice was amended in the seventies by the development of food crops and export crops at the same time. The objective was to produce food crops in sufficient quantities that countries would depend as little as possible on foreign imports. This was the era of food self-sufficiency, as it was said, “food dependency is the worst of dependencies; it contributes to alienating newly-acquired political independence.” (ECA/SRO-WA, 2009).

The beginning of the new century saw new political commitments in favour of agriculture, at the regional and sub-regional level as well as the national level. The Comprehensive Africa Agriculture Development Programme (CAADP) adopted by the Heads of State and Governments of the African Union met in Maputo, Mozambique in July 2003 and the adoption, in the rush, of the Declaration of Maputo on agriculture and food security in Africa, set the first milestone for investment in regional agriculture. On this occasion, African leaders undertook to

increase their budget credits for agriculture to 10% over five years (2003-2008), a significant rise compared to the 4% to 5% previously recorded. Unfortunately, this commitment was not echoed by many States and “conscious that agriculture remains an important source of revenues and a key sector in African economies, representing a high percentage of GDP, of employment and export revenues”⁴, the Heads of States and Governments of the African Union, meeting in Abuja (Nigeria) in March 2010, adopted a declaration approving and supporting the Accelerated Agri-business and Agro-industries Development Initiative (3ADI). On this occasion, they reiterated their willingness to allocate 10% of budget credits to agriculture. Moreover, they undertook to “take measures to favour the financing by commercial banks, of all the segments of the agro-industry value chain”⁵ and to “set up programmes to accelerate the development of value chains for strategic food products and competitive food distribution systems and to reduce dependence on staple food imports” (AU, 2010).

In the West African sub-region, the Agricultural Policy of the ECOWAS (ECOWAP), the Agricultural Policy of the WAEMU (PAU) and the Strategic Framework for food security of the CILSS contribute to reinforcing the implementation of the CAADP in member states (ECA/SRO-WA, 2009). Many meetings of experts and ministerial conferences have been dedicated to considering the future of agriculture.

Among States, many initiatives have been implemented in favour of agriculture. The case of Senegal can be cited as an example where measures favourable to agriculture have been multiplied, including: the Agro-Sylvo-Pastoral Law of Orientation (LOASP), the REVA Plan (Return to Agriculture), the National Agriculture Development Programme (PNDA) and the Great Offensive for Food and Abundance (GOANA) launched by President Abdoulaye Wade in April 2008 with the ambition of putting an end to food dependency in Senegal. All these measures taken have made it possible to reach remarkable results in general for certain food products such as rice. Along the same lines and with the

4 (UA, 2010) Declaration of Abuja on the development of agri-business and agro-industry in Africa

5 (UA, 2010) Declaration of Abuja on the development of agri-business and agro-industry in Africa

beginning of the 7th Republic in 2011, President Issoufou Mahamadou has decided to ensure the food security and sovereignty of Niger through the implementation of his “3N” Initiative (Nigériens nourish Nigériens), which has started to produce palpable results in the field. Most of the member states of the ECOWAS have taken similar measures that have made it possible to obtain results that are encouraging overall.

In spite of all these efforts, the performance of West African agriculture remains low, although progress has been recorded here and there. In addition and depending on the country, harvest losses can reach 15% for cereals and pulses, 30% for roots and tubercles and 40% for fruits and vegetables (FAO, 2009).

Box 1: Conditions for reducing hunger

To accelerate the reduction of hunger, economic growth needs to be accompanied by purposeful and decisive public action. Public policies and programmes must create a conducive environment for pro-poor long-term economic growth. Key elements of enabling environments include the provision of public goods and services for the development of productive sectors, equitable access to resources by the poor, the empowerment of women, and the design and implementation of social protection systems. An improved system of governance, based on transparency, participation, accountability, the rule of law and the respect for human rights is essential for effectiveness of such policies and programs.

Source: FAO, 2012: *The State of Food Insecurity in the World 2012*

2.3 Low investments in the agricultural economy

The increase in investments in African agriculture to promote its development is included in the priorities of the NEPAD and the African Union through the Comprehensive Africa Agriculture Development Programme (CAADP) and the agricultural programmes of the ECOWAS (ECOWAP) and the WAEMU (PAU). However, in spite of the consistent objective of agricultural growth in the development plans of countries

of the sub-region and the political speeches of the leaders, West African agriculture has not been a priority in the allocation of public and private investments. The allocation of 10% of national budgets to the agriculture sector as advocated by the Maputo Plan of Action remains an out-of-reach target for many countries. One of the bottlenecks of the agricultural sector consists of the simultaneously low level of mobilisation of private capital in production and the inefficiency of this mobilisation.

The credits granted to small producers who carry out more than 90% of the production are insignificant and difficult to access. Structural adjustment programmes, by liquidating the agricultural development banks, have contributed to depriving the West African agriculture sector of appropriate instruments and mechanisms of financing. The agricultural producers are as a result obliged to rely on systems of micro-finance, which, other than the low amounts of capital that they can lend, charge prohibitive interest rates. Very few producers use improved seed, fertilizer, pesticides or modern agricultural equipment apart from those used for cash crops (ECA/SRO-WA, 2009).

Structural adjustment programmes have also led to the suppression of subsidies for agricultural inputs and equipment and to the liberalisation of marketing circuits of products and inputs as well as the paralysis of agricultural extension services, research and credit, thus blocking any significant technological change in agriculture. The increase in production observed is due rather to an extension of surface areas brought under cultivation than to an improvement in yields. The low level of investment and technological innovation perpetuate the low productivity of the land and of labour and translate into the impoverishment of the majority of the population. The lack of encouragement for agri-business has not allowed agriculture to reach production levels that would make it possible to complete the deficit in food products.

2.4 Insufficient transformation of agro-pastoral products

The policies which have been followed for more than half a century for the transformation of food products have not made it possible to set any real foundations for the development of the sub-sector in West Africa.

In effect, local production designed for export undergoes little or no processing in order to obtain a part of the added value in the value chain or to respond to the changing food requirements of a growing population which is urbanising at a rapid rate. The wealth thus created is transferred to the countries of the North which have the appropriate transformation structures. The countries of West Africa are among the largest producers of coffee and cocoa, but it is Switzerland and Germany which are the largest producers in the world of chocolate and ground coffee.

Thus, in the absence of an adaptation of industries to the sociological and economic changes that West African societies are undergoing, a disconnection of supply from demand is very real. One of the consequences is the aggravation of the current situation, characterized by eating habits oriented towards imports of finished products originating from outside the region. Their acquisition is naturally financed by the revenues from the sales of cash-crop products often in their raw state, revenues that are themselves subject to constraints and the instability of the international market.

For certain products such as rice, the processing component must necessarily be associated with the production programme in order to avoid certain situations that some countries of the sub-region have gone through recently, in spite of the measures taken to deal with the food price crisis of 2008. While the encouragement of the people to produce rice resulted in remarkable results, it was found that the capacity of mills to transform paddy rice into white rice was too low for the volume of harvests obtained. The consequence was to fill the warehouses to overflowing with paddy rice while the people still could not locate enough edible rice on the market. "To ensure food security in the future, the objectives of transformation, conservation, storage and packing of food products must be at the heart of the satisfaction of market needs at the sub-regional level, indeed of the conquest of international markets" (ECA/SRO-WA, 2009).

However, the obstacles are multiple in the transformation sector: regularity of the quality and availability of agricultural raw materials; availability of technologies and equipment adapted to the processing of

limited volumes; mastery of the transformation process; availability of industrial inputs (packaging, labels); low training of staff and absence of support-advice; absence of appropriate financial devices; consumers unwilling to pay for quality products, etc. The development and/or transfer of agro-food technologies should make it possible to transform local food commodities into stable products with sustainable conservation that conform to standards of manufacture. This thus appears to be an imperious necessity to satisfy the needs of a growing population under the influence of a process of rapid urbanisation. Added to these obstacles are the problems related to the lack of infrastructures of quality, in particular infrastructures for transport and electricity.

Briefly, it is not an exaggeration to conclude that the policies followed since the period of independence in the sixties regarding agriculture have not made it possible to establish the real bases for the development of agriculture and particularly food crops and their transformation in West Africa. The exploitation of this agro-sylvo-pastoral potential can be accelerated by the generalisation of the value chain approach in the development of the agricultural sector. The rise in the indices of agricultural production from 1990 to 2009 presented in the table below may seem encouraging at first, but they are too low for agriculture to be effective, notably in the face of the rapid population growth and accelerated urbanization observed over the same period.

Table 3: Agricultural production and productivity

	Index of agricultural production		Index of food production		Index of cereal production (Kilograms per hectare)	
	1990	2009	1990	2009	1990	2009
Benin	53	110	58	116	848	1330
Burkina Faso	62	144	62	136	600	1036
Cape Verde						
Côte d'Ivoire	71	109	73	120	887	1724
Ghana	43	156	46	155	5411	7201
Guinea	71	133	72	133	1455	1711
Guinea Bissau	72	120	73	122	1531	1422
Liberia	71	115	88	131	1029	1553
Mali	68	162	79	183	726	1588
Niger	64	210	61	186	310	489
Nigeria	60	134	60	135	1148	1598
Senegal	72	130	73	134	795	1135
Sierra Leone	127	204	121	201	1202	989
Gambia	55	114	60	117	1004	1053
Togo	71	109	74	132	747	1136
Latin America	75.8	128.1	71.2	131.2	2089	3282
East Asia	69.9	133.1	62.7	135.1	3795	4843
South Asia	78	119.3	74.5	122.7	1926	2628

Source: FAO, 2011: cited by the ECA/SRO-WA in its economic report on West Africa in 2012

3. ORGANIZATION OF AGRICULTURAL VALUE CHAINS AT THE NATIONAL LEVEL

The value chain approach in agriculture aims at controlling the production and the enhancement of agricultural products in strategic selected chains. In effect, agricultural productivity is often held back by malfunctions relating to the financing of actors, to the supply of inputs, to the difficulty of access to appropriate technology and adequate services and by the incapacity of farmers to be covered against various risks and hazards. Experience shows that the creation of a value chain for each agricultural product deemed strategic will make it possible to considerably reduce malfunctions and make it possible for actors at all links of the chain to draw greater benefit from their work and therefore contribute to the reduction of poverty and the economic growth of the country.

3.1. Definition of the concept of “value chain”

The concept of “value chain” was described for the first time by Michael Porter in his 1985 best-seller entitled “Competitive Advantage: Creating and Sustaining Superior Performance”. The concept at that time applied to the industrial sector and described all the activities that should work together harmoniously to produce and sell a product while making it possible for actors at all levels to obtain the highest possible profits. In this way, the value chain incorporates all the suppliers, the producers, the transformers and the actors involved in marketing up to the final consumer, at the national, regional and international levels.

Porter identified two types of activities in an organisation, the primary (or principal) activities of the organisation and support activities. Primary activities are those which add value to the product of the organisation whereas support activities, such as administration, finance or ICT, are those that contribute to the accomplishment of the primary activities.

Kaplinsky (1999), another specialist of this concept, defines the value chain as a series of activities required for the transformation of a product or service including the design, the different intermediate phases of its

transformation, the distribution up to the final consumer and the disposal of waste after its use.

In industry, the value chain thus includes all firms supplying inputs including raw materials upstream, the business which manufactures the product itself and the firms that intervene in various activities downstream of the product for its marketing and/or its distribution up to the final national or international consumer. A value chain is set up among these actors when they collaborate to improve the quality of the product, increase the efficiency of their actions or diversify their production to obtain greater profits at each level of the chain and increase their performance on the market.

However, the application of the concept has extended over the years to areas other than industry. Development partners use this concept to design their strategy of support to sectors that can contribute to combating poverty in developing countries, above all in the agricultural sector in the broad sense. They put a special emphasis on the structuring of the chain based on the capacity of the final agricultural product to access local and global markets. They try to organise small producers so that they draw greater profits from their labour and live more decently with their families, the end being to assist countries to reach the MDGs, especially those concerning the reduction of extreme poverty and hunger (MDG 1), the promotion of gender equality and the autonomy of women (MDG 3) the reduction of child mortality (MDG 4), the preservation of the environment and the setting up of a global partnership for development (MDG 8).

The partisans of the globalisation of the economy see the value chain as a network of industrial businesses or services scattered around the world, related through business agreements and working to manufacture one or several products. The value chain is thus characterised by a product, a market, technical functions/operations, actors, overlapping forms of relationships, exchanges and contracts among actors. The idea of the value chain embraces even the way in which large groups, countries and regions are interconnected at the level of the global economy. This can be called the “global value chain”, which can only be identified after a

systemic analysis, with the help of an innovative model (Gereffi, 1994) making it possible to understand the dynamics of the globalisation of the economy and of international trade.

All the theoreticians of the value chain place a special emphasis on the role of the governance of the value chain; it is a question of determining who governs the interdependence of the actors of the chain. The specialists in the subject consider that there are two types of value chains: (i) value chains governed by the producer(s), in which the producers stimulate and control the activities of the chain; this is the case of chains controlled by firms and multinationals or producers organised in hierarchical cooperatives; (ii) value chains governed by the buyers or by the market, which are controlled by large groups in charge of the marketing of the finished product. These latter are sometimes called global value chains (GVC) because they extend over several continents. The two types of governance apply to agricultural products as the case may be.

The value chain seen from the perspective of the development of the agricultural sector is related to an agricultural industry structured around an organization. Its comparative advantage with regards to traditional agriculture resides in the fact that it aims to raise the standard of living of small producers, the development of entrepreneurship and SMEs, high productivity and controlled quality products. In addition, the value chain approach makes it possible to ensure in advance that the product takes into consideration the expectations of potential consumers and market demand.

3.2 Some experiences with value chains in Africa and elsewhere in the world

The examples below describe several types of value chain according to their mode of governance. The first four are the different variations of value chains governed by the producer(s). The first example is a chain controlled by a firm, the SOCAS in Senegal, which produces part of its raw materials, accompanies small producers from which it purchases the raw products and takes care of the transformation and marketing of finished products. The next three examples describe value chains

governed by the producers organized into cooperatives and/or peasant organisations: the UCCAO of western Cameroon, the cashew nut value chain in Tanzania and the free range chicken value chain in Cambodia. The final example concerns a global value chain governed by the buyers, the wine value chain in South Africa, which is governed by large groups in charge of the marketing of the finished product.

3.2.1 A local value chain governed by a national firm: the transformation of tomatoes in Senegal

The SOCAS is a Senegalese company that manufactures industrial tomato paste in Senegal from fresh tomatoes cultivated in the Senegal River Valley. Its agricultural holdings which are entirely equipped with a drip irrigation system also contribute to research by testing every year several dozens of varieties, which will be recommended to the producers of the Senegal Valley.

Initially, the objectives of the SOCAS were to satisfy from 1987 (along with another company in the same sector from 1979 that was later bought out by the SOCAS) the total demand for tomato concentrate in Senegal, uniquely from fresh tomatoes produced there and even exported throughout the West African sub-region. To do this, the company concluded a contract-development plan, which guaranteed them protection on the domestic market in exchange for commitments in agricultural production and meeting the demand of the domestic market. This favouritism clause was cancelled in 1994. In spite of everything, its agricultural as well as industrial production capacities increased, these latter going from 300 MT/day in 1974 to 2000 MT/day in 2006.

The actors in the value chain and their functions

The SOCAS is today a public limited-liability company, with a capital of 726 million, which employs more than a hundred people full-time, recruits a thousand temporary employees during the harvest and provides a living for more than 5000 peasant families in the region of Saint-Louis (Senegal River Valley).

In the Senegal River Valley, the SOCAS manufactures most of its tomato concentrate that it produces by bulk sterilisation in Dagana and packs all its production in cans in Savoigne where it has refrigerated facilities. Since 2006, it manufactures itself the cans that it uses in Savoigne, in an ultra-modern unit. Its production capacity is higher than 100 000 MT of fresh tomatoes, which corresponds to 18 000 MT of concentrate, or the possibility of meeting national requirements. It has gross sales on the order of 15 billion francs CFA, which places it among the large sub-Saharan factories of production of concentrated tomatoes. Its head office, its offices and stores are located in Dakar.

a). The suppliers of services

The SOCAS is financed by a number of banks: SGBS, BICIS, Crédit Lyonnais, Attijari Bank, Crédit Agricole, the BOA and the ECOBANK. It imports inputs, part of which it redistributes to the small producers that it accompanies.

b). Product flows and end-markets

The SOCAS purchases all of its requirements in tomatoes from peasant farmers or independent groups that it has initiated in their production, which it accompanies, and with which it has concluded firm purchasing contracts. It has laboratories integrated into the production factories designed to model and validate its ideas on products before their industrial application.

The company has also diversified its activities by becoming a producer/exporter of vegetables from Senegal. This activity was strengthened since the growing season of 1996/97 with exports of fresh green beans, dried tomatoes and basil paste. It also got started in the production of onion seeds and aromatic plants. It has taken a growing interest in new products and has bought shares in an Italian company in charge of identifying new products which will be manufactured in Senegal.

It sells finished products on the national market, but has started to export the new products from its diversification. To date, the SOCAS exports

600 MT of fresh green beans and 300 MT of dried tomatoes by air and by sea.

This example illustrates how an agro-industrial company can accompany a value chain in a locality and contribute not only to creating wealth, but also to creating employment and combating poverty in the rural areas. However, initially the public-private partnership played a decisive role in the creation of the SOCAS business and in setting up the value chain.

3.2.2 A value chain governed by a regional cooperative : the UCCAO in Cameroon

Created on October 17, 1958, the mission of the Union of Arabica Coffee Cooperatives of the West (UCCAO) in Cameroon was to support the producers and ensure the export sales of coffee produced by its members. In 1978 it became the Central Union of Agricultural Cooperatives when it decided to diversify its activities. The UCCAO is one of the rare cooperatives created by the State that survived the ups and downs of the liberalisation of the cocoa-coffee industry of the nineties. It is governed by Law N°92/006 of August 14, 1992, relating to Cooperative businesses and Common Initiative Groups. It should be noted that before this liberalisation, it had the monopoly for marketing robusta coffee in the region and exporting of arabica coffee in Cameroon.

The actors in the value chain and their functions

The UCCAO groups together the following six cooperatives from each department of the Western Region:

- The Agricultural Cooperative of the Planters of Menoua (CAPLAME-Dschang)
- The Agricultural Cooperative of the Planters of Bamboutos (CAPLABAM-Mbouda)
- The Agricultural Cooperative of the Planters of Noun (CAPLANOUN-Foumban)
- The Agricultural Cooperative of the Planters of Mifi, Haut-

Plateaux, Koung-Khi
(CAPLAMI-Bafoussam)

- The Agricultural Cooperative of the Planters of Haut-Nkam (CAPLAHN-Bafang)
- The Agricultural Cooperative of the Planters of Ndé (CAPLANDE-Bangangté)

The UCCAO and its cooperatives take care of the governance from the beginning to the end of the coffee value chain, a product that it sells for export. Through it, the peasant farmers, made up essentially of very small producers, have the opportunity to express themselves and to benefit from technical and financial support of the administration.

Owing to the reserves drawn from their management, the UCCAO and its cooperative members carry out important public works for the improvement of the living standards of peasant farmers: rural electricity, improvement and development of lowlands, village water supply, the construction of schools, health centres, culverts, the opening and maintenance of rural roads and service tracks, etc. The main services to members are:

- the promotion of coffee cultivation and particularly of arabica coffee by the regeneration of plantations;
- provision of construction materials;
- provision of essential consumer goods;
- production of and provision to cooperative members of selected plans;
- provision of fertilisers on credit to the cooperative members;
- loans at reasonable costs of agricultural machinery;
- opening and maintenance of agricultural service tracks;
- supply at low cost of construction materials;
- collection, transformation and marketing of coffee and other agricultural products.

The organisation is managed on a daily basis by a managing director from the Board of Directors. The Council is elected for three years on a one-time renewable basis to the General Assembly of the representatives of cooperatives designated according to their tonnage delivered to the Union. Its capital is 870 million FCFA, shared by the cooperative members.

a). The suppliers of services

62. As a result of its economic weight and the seriousness of its management, the commercial banks have confidence in it and grant pre-financing loans for the marketing of coffee.

The UCCAO has as one of its principal missions the responsibility for accompanying the agricultural production of the cooperatives and the social accompaniment of its members. As such it has:

- a centre for training and re-training for its members
- heavy machinery for the opening and maintenance of rural tracks as well as for the needs of its members,
- a seed farm for the production of selected plants that it provides to its members.

In the past, the reputation of the UCCAO made it a choice partner in the definition and implementation of agricultural policy in the region of the high plateaus of western Cameroon. It is systematically sought after for its technical opinions on all rural development projects concerning the western province, indeed for their management. In effect, for 20 years the UCCAO has managed several projects and programmes for the State:

- high plateaus project for the West
- soy project
- post-harvest losses project
- lowlands management project
- vegetable crop development project
- project for the electrification of agricultural zones

- several studies conducted with IRAD on coffee cultivation and fertilisers in Cameroon
- a close partnership in agricultural research on maize, coffee and beans.

Over time, the UCCAO has become an inevitable partner of the State, which entrusts to it the management of large loans received from the IFAD, the CCCE (now the AFD) and the World Bank for the benefit of the rural populations. These loans have made it possible to finance a number of projects, including the Project for the High Plateaus of the West (PHPO), the Soy Project and the Project for the Rural Development of the West (PDRPO). The UCCAO is also a partner of the State in different agricultural extension and research programmes in the framework of agreements and conventions signed between them.

b). Product flows and end-markets

The UCCAO is today a multi-dimensional company, dealing in the coffee and cocoa collected by its members and now in green beans that it produces and sells for export. The UCCAO has an electronic sorting factory with a capacity of 16 000 tons. After sorting and packing, the green coffee is sold for export notably to eastern Europe and North America. In order to favour the consumption of coffee from Cameroon through the promotion of the brand UCCAO on the local and international markets, in 1975 it set up a roasting factory, which puts on the market the roasted and ground coffee Délice (100% arabica) and Force II (70% arabica, 30% robusta) packed in aluminium bags of 250g, 500 g and 1000 g. The UCCAO is also the owner of a business that produces fruit juices, for which the fruits are cultivated on its Bafolé farm in West Cameroon.

This example, which is unique in francophone Africa, illustrates the evolution that a value chain can reach when governed by a well-structured system of agricultural cooperatives. In the end, the cooperative system can function practically like a business, with easy access to financing from banks and other funders, the transformation of its basic products and the national and international marketing of its finished or semi-finished products. From the beginning, the action of the government in setting up the value chain was decisive.

3.2. 3 A national value chain governed by the producers: the cashew value chain in Tanzania

The following example describes the cashew value chain in Tanzania⁶. The analysis is based on the UNIDO model for the diagnosis of industrial value chains (UNIDO, 2011), which reviews the actors at all levels of the chain: service suppliers (various inputs and supplies), technology and innovations concerning production and transformation, markets and marketing of products, governance of the value chain, financing of the value chain, policies and institutions (Stefano Ponte, 2008).

The actors in the value chain and their functions

The principal actors of the cashew value chain (those who produce, transfer and own the products) are the farmers, the Primary Cooperative Companies, the regional cooperative unions, the processors, the exporters, the roasters and the retailers (including the stores and street-vendors). The activities of the actors as members of the value chain are described below.

The farmers: there are 734 144 households that produce cashew-nuts in the southern region of Tanzania, in the areas of Mtwara, Lindi and Ruvuma Districts. Supposing that there are at least three people in each household who benefit directly from the production of cashews, the total number of beneficiaries is about 2.1 million. This figure does not cover the other production zones in the coastal regions of the North.

The Primary Cooperative Companies: in the name of the member farmers, the Company provides inputs (mainly pesticides) and provides them with fertilizers wholesale, crushers, jute sacks, etc. The cooperative purchases the raw cashew nuts from its members who, in return, receive their first payment. The cooperatives generally require credit to organise these payments. The Company sells the raw cashew nuts to buyers through

⁶ This example is drawn from the report of Stefano Ponte (2008) intituled “Developing a ‘vertical’ dimension to chronic poverty research: Some lessons from global value chain analysis”. Working Paper No. 111. Danish Institute for International Studies. www.chronicpoverty.org

their network of warehouses and receives in return fees deducted from the sale. They use part of these fees to build storage facilities on farms and to provide their members with other services such as the management of their savings and credit for growing cashew nuts and they even make investments in common assets such as irrigation systems.

The regional cooperative unions: they help the Company to acquire materials wholesale, such as jute sacks and natural fibre ropes, loans and transfers to the main offices of the Company, the identification and registration of authorised cashew nut transporters from the fields to the warehouses and also help with the marketing system of products from the warehouses. The regional cooperative unions also prepare the sales catalogue for each lot in the warehouse, following the information provided each week to the union by the farmer to the warehouse.

The groups of farmers and individuals: according to law, a group of farmers and individuals who do not welcome the actions of the Company in their region, can create a cooperative or a private company, which makes it possible to obtain the right to sell their raw cashew nuts on the export market. Some of these groups of farmers even venture into the processing of cashew nuts locally, in spite of the challenges of this type of processing.

The warehouses: by law, the cashew nuts must systematically be stored in licensed warehouses where they are stored by separate lots for each cooperative. The warehouses supply a receipt on reception of the merchandise. Afterwards, the lots are sold by auction to buyers. The buyer pays the price to a bank which divides up the payment for the different cooperative owners of the lots purchased. This system, in spite of being slow, is designed to eliminate or minimise the number of intermediaries and to guarantee the traceability of products marketed.

The transformers at the first and second levels: the work of the transformers at the first level is limited to the processing of the cashew nuts up to the level of the de-shelling before peeling. This type of processing can be outsourced to certain operators while 2nd level

processing, requires more rigorous application of hygienic standards. The transformations at the second level begin with the peeling of the cashew nuts and end with sorting and packing. In general, the transformers can be classed into small, medium and large businesses. The small transformers produce for local markets, while the large-scale transformers produce for local, regional and international markets.

The exporters: the large-scale exporters and transformers aim at the markets of Europe, India, the Middle East and the United States.

The local traders: cashew nuts are available throughout the country in sales outlets, warehouses, road stands, stores, groceries, and supermarkets. Street sellers even offer cashew nuts on the roadside, or at the traffic lights. They often work independently, but sometimes for middlemen. Some shell, peel and roast cashew nuts in makeshift shelters and they sell them illegally.

a). Product flows and end-markets

There are two distinct marketing channels: the domestic market and the export market. About 40% of raw cashew nuts are transformed in the country, whereas 60% are exported, mainly to India for more complex processing, which generates considerable added value and employment there. All the raw cashew nuts go through the warehouse system independent of whether they will be processed locally or exported, except for those that are processed fraudulently for the local market in makeshift shelters.

b). The suppliers of services

Suppliers of services include the Cashew nut Board of Tanzania, the District Agricultural and Livestock Offices, the government services of research and extension, national financial institutions and NGOs. The activities of service suppliers in the value chain are described below.

The suppliers of inputs: they generally supply the pesticides, the insecticides and the crushing machines. The inputs in primary production also include agricultural inputs and plantation equipment. The suppliers of inputs are private licensed businesses and many of them have sub-contracts with the local governments.

The transporters: their main function is to transport raw cashew nuts, from the cooperatives to the warehouses. In the case of transformed cashew nuts, they also transport them from transformation factories to local markets and ports.

The Cashew Nut Board of Tanzania (CBT): its main function is to advise the government on the cashew nut industry and on strategies for promoting the production, transformation and marketing of cashew nuts. Another role is to support research and the development of the industry, to regulate and control the quality of cashew nuts, to collect and disseminate information on the product, to facilitate the forming of associations, to apply the regulations, to supply technical services to producers, associations, transformers, buyers or exporters and to represent the government in international fora. The CBT is responsible for the registration of producers, buyers, sellers, transformers and exporters; it gives them permits to buy or to export the cashew nuts and names inspectors to ensure quality control in the cashew nut industry.

Research: The National Agricultural Research Institute Naliendele as well as various universities such as the University of Dar Es Salaam (UDSM), support the development of appropriate technologies for production and transformation in the cashew nut value chains. However, these institutions are faced with financial and technical challenges in their effort to assume their responsibilities of support.

Training and education: the institutions engaged in technical training and management include the CAMATEC (Centre for Agriculture Mechanization and Rural Technology), the Small Industries Development Organization (SIDO), the Naliendele Research Institute, and the Vocational Education Training Agency (VETA).

The District Agricultural and Livestock Offices: they offer classic training services, agricultural extension in the field and advice through the press, sometimes in collaboration with NGOs and community organisations. They sometimes have staff working directly in village communities. Theoretically each village is supposed to have an agent of the Government to provide support to farmers in agricultural production.

The suppliers of financial services: Banking institutions play an important role in the chain. With the guarantee of the government, the National Microfinance Bank and the Cooperative and Rural Development Bank (CRDB) offer credit to the primary cooperative companies for the purchase of cashew nuts from farmers. The transformers also obtain loans to purchase products and for capital investment. Nevertheless, access to financial products remains a challenge for the majority of small producers and their organisations.

This example shows a value chain supported by the State and its institutions in which small producers are relatively well protected and accompanied. In this chain, a State organ plays a primordial role, the Cashew Nut Board of Tanzania. This is the type of value chain that would be appropriate most consumer food products in West Africa.

3.2.4 *A regional value chain: free range chicken value chain in Cambodia*

This example of a free range chicken value chain in Cambodia is very close to real cases that can be found in many countries in West Africa.

The actors in the value chain and their functions

Cambodia, the peasants raise free range chickens on their farms at the same time that they take care of other farm work. These chickens, that are called “bicycle chickens” in certain countries of West Africa, are much appreciated by the consumers, but the offer remains low by comparison with demand. The main actors are the farmer producers, the intermediaries (private individual collectors), the traders, the wholesalers (slaughterhouses), the restaurant owners and other final consumers.

a). Product flows and end markets

Mature chickens are sold to intermediaries (private individual collectors) who transport them to towns such as Campong Champ, Campong Thom, Takeo, Kandal or Pnompenh by means that are often rudimentary: motorbikes, or small personal or rented trucks. These intermediaries re-sell in turn in the market to individuals or to other traders, to slaughterhouses or restaurants, skimming off their profits. The slaughterhouses and restaurants process the chickens by plucking and conditioning them for the first, or by cooking and serving for the second and then they sell them to the end consumers. The table below shows the profits at each link in the chain. The calculations are made from taking one farmer who sells his 110 chickens after having raised them for 3 months.

Table 4: Profits of the different actors in the value chain (1\$ US=405R)

Designation	Purchase Price (R)	Costs (R)	Cost price (R)	Sale Price (R)	Profit Margin (R)	% of margin	Observation
Farmers	6 560	1 170	7 730	13 000	3 270	42.30%	Purchase price
Middlemen	13 000	200	13 200	14 000	800	6.06%	
Wholesalers (slaughterhouse)	14 000	2 200	16 200	19 500	800	4.94%	
Retailers	19 500	500	20 000	20 500	500	2.50%	
Restaurant owners 1 st level	19 500	1 800	21 300	24 000	2 700	12.68%	
Restaurant owners 2 nd level	19 500	6 800	26 300	30 000	3 700	14.07%	

Source: calculation by the author from data drawn from the ASEAN Foundation⁷ data

It should be noted that this type of animal husbandry called ecological is not very profitable, in contrast to industrial farms which produce chickens ready for sale in 45 days. In spite of the apparently extravagant margin

⁷ AsiaDHRRA & ASEAN Foundation, 2008. Value Chain Analysis Report: in Cambodia, Philippines & Vietnam. Linking small farmers to Market Project.

for the farmer (40.3%), his profit does not permit him to live decently and to prosper from his business. In effect, the middlemen often short-change farmers on a suitable price at the time of purchase, because the chickens are weighed and sold by the kg. In addition, farmers sell less than 20 kgs of chickens at a time (less than 10 chickens), after having raised them for three months, which means that the daily margin comes to less than 0.47%. Certain intermediaries stuff the chickens with food to increase their weight before sale, a practice that is clearly unethical.

In contrast, the middlemen have low margin per chicken sold (6.06%), but gain much more than the farmers because they can sell several dozen and even hundreds of chickens in one cargo. The wholesalers (slaughterhouses) also gain enormously taking into consideration the volume of their daily sales. Certain wholesalers even inject water in the chickens to increase their weight before sale, another unethical practice.

b). The suppliers of services

The farmers are those who earn the least owing to a number of factors including the impossibility of imposing their sales price, their poor knowledge of the market as a result of a lack of information, the high cost of sources of financing as they often borrow from their tontines (if there is one) at more than 3%. Sources of financing are rare, even non-existent in certain zones, which means that farmers do not have the opportunity to invest in order to expand their businesses and they encounter difficulties in accessing inputs. The intermediaries also have high transaction costs owing to the poor condition of the roads and even losses during transport. They also suffer from a lack of financing.

It is clear that we have here a value chain of supply which is not yet a structured value chain. The solutions adopted by the CEDAC (Cambodia Centre for Study and Development in Agriculture) which plays the role of facilitator for the structuring of the chain, in cooperation with the ministry in charge of animal resources and according to the recommendations of the value chain analysis, were the following:

- The training of farmers in techniques of raising chickens, standards of quality and business management ;

- The organisation of farmers into cooperatives to give them the power to negotiate their prices by selling their chickens collectively and relying on economies of scale for the purchase of inputs, for transport and direct sale to wholesalers after being informed of market conditions ;
- Putting farmers' cooperatives in contact with suppliers of inputs (vaccines, provende, etc.), with the big producers of chicks and wholesalers to form a real value chain ;
- As entities endowed with a legal status, the cooperatives formed in this way could negotiate grouped financing for the profit of their members ;
- Some of the largest cooperatives of farmers have been able to create their own community slaughterhouses to earn more money in the value chain and this is only a first step in the gradation of the chain.

3.2.5 Example of a global value chain governed by the traders: the wine value chain in South Africa

The wine value chain in South Africa⁸ is an example of a global value chain (GVC) governed by the supermarket chains in the North. The first South African vineyards were planted on the peninsula of the Cape by Dutch colonists in 1655. Today, a large proportion of South African wine is sold to the United Kingdom in the category “basic quality wine” (costing less than £5). With a view to ensuring registration in this category, the first (and most important) step requires that the suppliers guarantee the “basic material quality”. Three elements are required from suppliers to reach the “basic quality”: (i) respect for the intrinsic quality of the wine and the packaging; (ii) respect for health standards and (iii) respect for logistical conditions. Once the “basic quality” step is cleared, then price and promotions come into play.

⁸ The example is drawn from Stefano Ponte (2008) entitled “Developing a ‘vertical’ dimension to chronic poverty research: Some lessons from global value chain analysis”. Working Paper No. 111, Danish Institute for International Studies. www.chronicpoverty.org

The actors in the value chain and their functions

The actors of the value chain are the owners of vineyards, made up of small and large producers which employ many people, along with the wine-making companies, the exporters, the wholesalers in the United Kingdom, Africa and elsewhere, the supermarkets and other areas of sale to consumers.

a). Product flows and end-markets

South African wine is sold everywhere in Africa and in the world, but the market of the United Kingdom constitutes its principal outlet and governs the global value chain. During the process of marketing wine, the wholesalers of the United Kingdom communicate to their suppliers in South Africa their very specific requests on content and packaging. They prescribe their requirements on the exact content of the bottle, the type of label and cork to use, the weight and the form of the bottle, the possibilities for recycling, etc. These wholesalers can place an order with a period of delivery of only three days. It is for the South African suppliers to work under pressure to respect the quantities and the deadlines as well as the rules of the WIETA⁹ certificate (the initiative of ethical trade for the wine industry) that are imposed on them.

A key characteristic of the market in the United Kingdom is that a large part of the sales volume in the supermarkets is carried out during promotions (specials) at greatly reduced prices. The small wine businesses (and even the large ones) are increasingly incapable of responding to the expectations and demands of the retailers. The supermarkets sometimes require these wine businesses to pay for commercial space to exhibit wines or even for the wine to be mentioned in the publicity brochure of the store. In addition, some retailers have started to purchase wine via Internet, which reduces even further the margins upstream in the value chain.

All these negotiations on the prices have repercussions in South Africa along the value chain and have direct implications on the purchase of

⁹ Wine Industry Ethical Trade Initiative

grapes and wine for small producers. The prices between the wine-makers and the producers of grapes are constantly being lowered at the same time as the requirements of quality and ethics are being strengthened to the point where living conditions are becoming difficult for the producers. In this configuration of the functional division of work all along the value chain, the loss of profit, the difficulties and the risks are constantly being passed up to the manufacturers of African wine and their cooperatives and finally to the small and large grape producers. This situation has led to, among other things, limited profits for producers and a higher risk of pauperization among the grape producers. This contributes to increasing the pressure on the employers of the industry by obliging them to worsen even further the seasonal workers' working conditions, to oppose salary raises and to reduce social benefits. The repercussions are felt heavily among the plantation employees: low salaries, unstable jobs, vulnerability of workers and their families.

It can also be observed that in this agricultural value chain, the highest profits are concentrated among the foreign partners at the expense of the producers and national processors. The national companies (processors) in their turn draw their profit by transferring the maximum of losses to the small producers and the employees of the vineyards. The value chain contributes to improve the commercial balance sheet of the country, but not to combat poverty. This case thus shows that getting involved in global agri-business value chains can be a viable option to combat poverty, but this depends on the type of value chain and the conditions of transactions among its different actors. It is important to ensure in advance that the value chain does not benefit certain actors while degrading the living conditions of others, above all those of the producers. During the last two decades, the wine makers of South Africa have deployed large means to conquer other export outlets for their products, above all African countries and North America. This new approach for their products will lead in the end to minimising the dictatorship of the United Kingdom market and to making the global value chain more profitable for its national actors.

4. DEVELOPMENT OF AN AGRICULTURAL VALUE CHAIN: HOW TO PROCEED

The development of an agricultural value chain is related to what Michael Porter has called “Value Chain Development”. Designing an agricultural value chain comes down to imagining “a linear succession of interdependent operations and transfers of the product from one actor to another” and identifying and creating relations of inter-dependency among these different actors. Each link in the chain contributes to the creation of the product or adds value to the product, all the while permitting this link to draw profit from its activity. The agricultural value chain makes inter-dependent the suppliers of inputs and seeds, the farmers, the businesses providing technical support for the farmers (who rent agricultural machinery, among other things) and the financiers, the wholesalers of farm products, the processors and the actors implicated in the marketing of the final product.

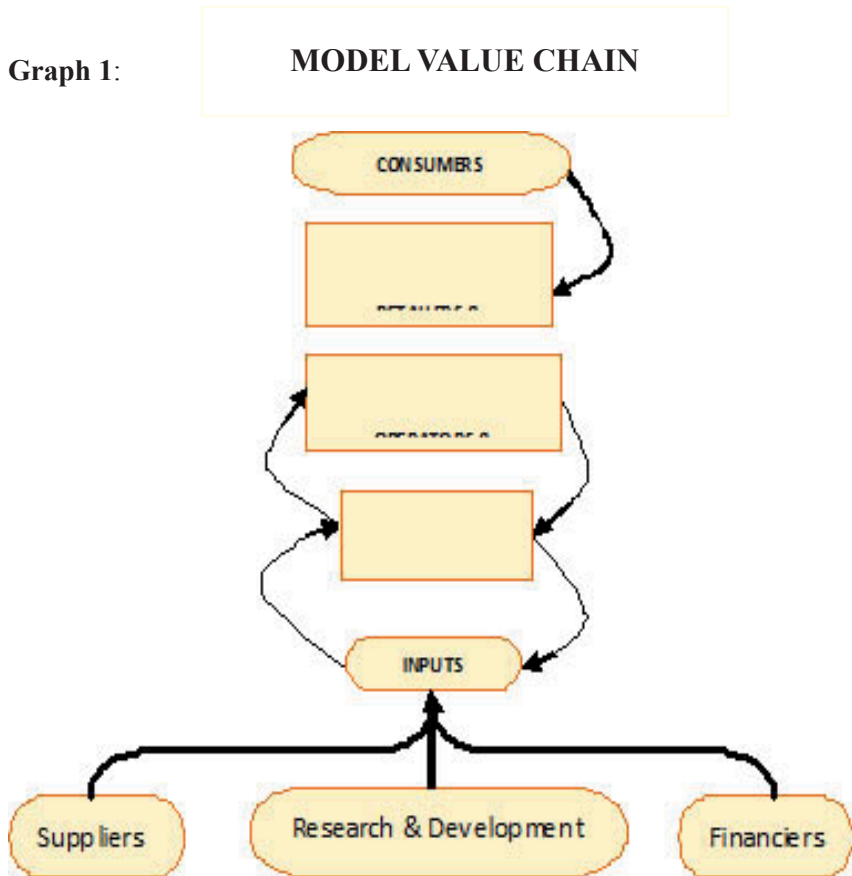
Through the examples of Chapter 3, it can be observed that the development of an agricultural value chain generally necessitates the entry of a middleman or facilitator to gather together the members around a strategy in the search for common profit. This middleman or facilitator can act at the national or local level. It can be a state organ designed to this effect, a cooperative structure, a peasant organisation, a technical or financial partner for development or a large-scale agri-business.

4.1 Analysis of the agricultural value chain

The development of an agricultural value chain begins by the analysis of the chain; this is called “value chain analysis” (VCA). This analysis is carried out in different ways according to the sector concerned and according to the goal. In agriculture, the analysis will consist simply of carrying out an assessment of the agricultural industry concerned. It will involve identifying the actors who are involved in the industry, evaluating the relationships that unite them, evaluating the share of the value created that belongs to each of these actors. After that, it will be necessary to determine the strengths and weaknesses and then the opportunities and

threats relating to the industry. The outcome of the analysis will consist of recommending the improvements to carry out at each link of the chain to stabilise its strengths, reduce its weaknesses, seize the opportunities identified and take the measures necessary against the probable threats. The outline below proposes a model of a value chain bringing out the inter-relationships among its actors.

Graph 1:



Source: Plan by the author inspired by Namdevco. www.namdevco.com

4.2 Development of a vertically-integrated agricultural value chain

Farmers are by their nature actors of chains in agricultural industries. They are organised to produce, but yet do not have the means to store and sell their products to clients chosen in advance, at the best prices and at the right time. They are happy to sell their production on the periodic village markets, without checking the prices. Thus they sell the raw products of the fields, without any value-adding transformation and at prices that are generally low that do not permit them to live decently. At the other end of the chain, in the country or overseas, their raw products are raw materials for people who are involved in successive transformations and re-sale of the products ready for consumption at four or five times the price to the final consumers. All these actors belong to a supply chain. In this type of chain, the farmers see other actors earning a lot of money by adding value to their products by sizing, packaging, machining, marketing or cooking, to make them available to final consumers. If they belong to a value chain including all these actors made inter-dependent, the peasants who produce would have more of a chance to be heard and to seek to earn more, for example by selling directly to wholesalers rather than to the small buyers without any scruples.

However, taken individually, the production of the peasants is too limited for them to be able to impose themselves on the market on their own. As a result, these small producers must enter in sufficient numbers into organisations such as cooperatives or Common Interest Groups in order to make up a force for negotiation and the defence of their interests. To succeed, these actors of the same agricultural industry should be organised, but to do this they often need external assistance. As indicated above, this external assistance can come from a state organ for agricultural support, from a cooperative structure or an existing peasant organisation, from a technical or financial development partner or from an agri-business firm that in principle would be in charge of governing the value chain.

4.2.1 *Development of value chains around cooperatives and other peasant organisations*

It is possible for the actors of the same industry to organize their value chain themselves. However, for developing countries such as those of the West African sub-region, this will not happen, because the actors are for the most part, poor, illiterate and ill-informed on the approach to adopt. As observed in certain countries here or elsewhere, the State can set up a public or semi-state organ that will be in charge of motivating the creation of cooperatives of producers of each agricultural product identified and of assisting them in the constitution of the essential links of the value chain, which are: the suppliers of input services, the technical means, the structures of collection and marketing of products, governance and financing of the value chain. This approach has already been practised in most countries of the sub-region regarding cash crops: coffee, cocoa, cotton, etc. The case of the UCCAO above (see 3.2.2) and the cashew nut value chain in Tanzania (see 3.2.3) illustrate this approach. The case studies in several countries of the sub-region (see the appendices) provide more details on this type of structure.

4.2.2 *Transformation of a supply chain into a value chain*

The example of raising farmyard chickens in Cambodia (see 3.2.4 above) shows how to analyse a supply chain to transform it into a value chain. This example is very close to cases encountered in many countries in West Africa. The CEDAC has applied this approach to create more than 700 cooperatives of chicken farmers throughout the country, which has made it possible to create more cohesion in the organisation of the industry and to increase production.

The ASEAN Foundation (see box N° 2 below) and the AsiaDHRRA¹⁰ (see box N° 3 below) which have re-structured the farmyard chicken value chain in Cambodia have conducted a similar analysis of the cultivation of calamansi (*citrus madurenci*), a fruit that is widely consumed in the Philippines. These organizations have greatly contributed to creating autonomy for small producers and to enabling them to defend their

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Asia Partnership for Development of Human Resources in Rural Asia

interests in the value chain with the direct impact being the improvement of their living conditions and the creation of greater wealth for the nation.

The ASEAN Foundation and the AsiaDHRRA have applied the same recipes in several other countries of South-East Asia, notably in the Philippines and in Vietnam.

It should be underlined that since its creation, the ASEAN Foundation has played a determining role in the combat against poverty and the cohesion among peoples of South-East Asia. It is generalising the organisation of small producers in cooperatives as a means of guaranteeing them decent revenues from their labour as well as a more structured and more competitive access to the market. The ultimate end is the creation of greater wealth at the national and regional level and the improvement of social well-being. The principal themes that have merited its attention are, among other things, agriculture, energy, the environment and natural resources. ASEAN gives preference to projects that have a regional impact.

Box N°2: Building a better future for the peoples of South-east Asia.

Recognising the fundamental importance of improving the livelihoods and the well-being of the peoples of South-east Asia and of the need to promote awareness on ASEAN as well as dialogue among peoples, the leaders of the Association of Southeast Asian Nations (ASEAN) agreed to establish the ASEAN Foundation) on December 15, 1997, in Kuala Lumpur, during the 30th summit of the Association.

The ultimate goal is to contribute to bringing shared prosperity and a sustainable future to all the countries of the ASEAN: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

Later, the leaders of ASEAN re-affirmed their commitment to this effect with the Vision ASEAN 2020, which sees “ASEAN as a community of nations of South-east Asia, oriented towards its external partners, living in peace, in stability and prosperity, linked by a dynamic partnership for development and in a community of benevolent societies... as well as a

community that is conscious of its history and its cultural heritage and united by a common regional identity”.

Vision ASEAN 2020 also anticipates “the use of the ASEAN Foundation as one of the instruments to deal with issues of unequal economic development, poverty and socio-economic disparities.”

The double objectives of the ASEAN Foundation as stated in the agreement that established it are:

- The Foundation should promote a greater awareness of the ASEAN and greater interaction among the peoples of the ASEAN, as well as their greater participation in the activities of the ASEAN, notably by the development of the human resources that will make it possible to attain their full potential and the capacity to contribute to the progress of the members States as productive and responsible members of society.
- It should also contribute to the adoption of a strategy of cooperation for development that favours mutual assistance, equitable economic development and the reduction of poverty.

Source: AsiaDHRRA & ASEAN Foundation, 2008. Value Chain Analysis Report: in Cambodia, Philippines & Vietnam. Linking small farmers to Market project

Box N°3: AsiaDHRRA linking small farmers to the market

AsiaDHRRA (Asia Partnership for Development of Human Resources in Rural Asia) is implementing a project financed by the ASEAN Foundation entitled “Linking small farmers to the market», in an effort to establish a pilot model showing that, on condition of having a favourable policy environment and the necessary support, small farmers can benefit from higher prices for their agricultural products and can become more competitive on the market. In the implementation of this initiative «Linking small farmers to the market», AsiaDHRRA worked out a partnership with the Cambodian center for the development of agriculture (CCCEM), the Philippines Partnership for the development of human resources in rural areas (PhilDHRRA), the Viet Nam Farmers Union (VNFU), and other partners. This has made it possible to implement the project in four pilot countries in South-east Asia: Cambodia, the Philippines, Vietnam and Indonesia.

Source: AsiaDHRRA & ASEAN Foundation, 2008. Value Chain Analysis Report: in Cambodia, Philippines & Vietnam. Linking small farmers to Market project

The Foundation strongly encourages training, meetings, professional exchanges and granting scholarships to strengthen the human capacities of the ASEAN. In this field, most of the projects of the Foundation are implemented by institutes of research and training having a certain experience in the region of ASEAN and by networks of ASEAN organisations (for agriculture, fishing, research, etc.)

The financing of the Foundation by the ASEAN governments aims at building a community development fund. However, the Foundation also receives funds from development partners such as Japan, China, South Korea, France, Canada and the United States, which provide most of its financing. Japan is by far the principal contributor. The Foundation recently set up “the friends of ASEAN” to access supplementary funds from companies, individuals and other sponsors.

In Latin America, the USAID project for “Poverty Reduction and Alleviation (PRA)” has applied a similar approach to that of the ASEAN in support of many peasants in different countries. In Peru, the PRA (Peru Poverty Reduction and Alleviation) has contributed to the structuring and strengthening of the capacities of the “Association of Trout Producers (APT)” and of its members who raise Trout in Puno and Acoria. It has collaborated with the Comercio y Pobreza en Latino América (COPLA), an organisation dedicated to the promotion of business as a means for combating poverty among peasants. Thanks to the facilitation provided by the PRA, the Association of Trout Producers and its members were able to form a value chain with the “Los Andes Company” that processes the trout and exports them especially to the United States.

4.2.3 Development of agricultural value chains through agri-business operations

The structuring of agricultural value chains around a firm which governs it is perfectly illustrated by the example of the SOCAS in Senegal, which manufactures tomato concentrate by buying the raw materials from peasants or independent groups that it has initiated to production, which it supervises and with which it concludes firm purchasing contracts (see

section 3.2.1 above). This type of value chain is also related to contractual agriculture (model of the parent plantation) as recommended by FAO (FAO, Charles Eaton & Andrew W. Shepherd, 2002).

Another example is illustrated by the pineapple industry in Ghana. The export of pineapples from Ghana started to increase in the eighties and grew constantly at the rate of 10 000 MT per year on average during the nineties. It went from less than 5000 MT in 1986 to more than 70 000 MT in 2003 before falling into a period of stagnation (Marie Halbach & Dr. Frank van Laerhoven, 2011). This spectacular progression was made possible by a policy supported by assistance for the creation of cooperatives to accompany small producers of pineapples in several regions of the country, following a programme minutely designed and implemented by the Ministry of Food and Agriculture (MoFA). Among these cooperatives are: (i) the Pinex Co-operative farmers and marketing society, which groups the producers of pineapples in the zone located in Hohoe in the Volta region 230 km from Accra; (ii) the Gomoa Okyereko Pineapple Growers, founded in 2004 and operating in Okyereko; (iii) the New Generation founded in 2005 of which the largest part of the members is located in the district of Dangme West; (iv) the Oboadaka Cooperative Pineapple Growers and Marketing Society operating 50 km North of Accra; (v) the Ekumfi-Atwia Cooperative, grouping the producers of Ekumfi-Atwia located 120 km West of Accra and linked by contract with Wad African Foods Limited (WAD), a firm that buys the pineapples from the cooperative, processes them and exports dried pineapples to Switzerland; and (vi) the Fruit Farmers Cooperative Society Nsakyé, a young association of producers created in 2009.

4.3 Development of an agricultural value chain around a strategic partner: the agricultural co-entrepreneurship

The development of agricultural value chains around agri-business firms such as the SOCAS in Senegal is an important step towards improving the living conditions of small producers. However, if we wait until firms come by chance to propose setting up in the country, it will take too long compared with the requirements for accelerated development that almost all West African countries are setting for themselves these last few years.

One possibility for attracting investors in agri-business is the promotion of the public-private partnership in agriculture under the “agricultural co-entrepreneurship”.

4.3.1 The agricultural co-entrepreneurship

The co-entrepreneurship is a form of Public-Private Partnership (PPP) adapted to African conditions. However, in contrast to the classic PPP, the agricultural Co-entrepreneurship aims at making a larger and more equitable re-distribution of the spinoffs from the PPP to stakeholders and others people notably the populations of the zone of the project concerned. It also aims at regionalising investments to encourage solidarity among peoples in support of the leitmotif of the “ECOWAS of People” and to provide sense to the global partnership for development (MDG 8).

The goal of the agricultural co-entrepreneurship is to associate with the State or with a local authority (titular owner of the lands to be exploited), these three partners:

- ❖ A strategic partner having a technological package, financing and the know-how necessary to make the agricultural co-enterprise work;
- ❖ A group of national investors including the local authorities and peasants occupying the lands to be exploited;
- ❖ A pool of other possible regional or foreign investors wishing to invest in the co-enterprise.

The State or the decentralised local authority and the three partners mentioned above create a co-enterprise of which they are associates, in order to exploit an area of land ceded by the State or by the decentralised local authorities, according to the law set up to govern the PPP in the agricultural area and according to pre-defined terms of reference. It is this win-win association of mutually beneficial interests that underlies the idea of agricultural co-entrepreneurship.

The co-enterprise thus created will be in charge of governing the value

chain of the agricultural product(s) provided for in the PPP terms of reference. Besides the employees working on the land under exploitation by the agri-business company created, the latter will also be in charge of accompanying the small producers in the peripheral zones of the project to progressively increase production, while building with them one or more value chains. It will naturally be in charge of processing the raw products and of exporting the finished products.

4.3.2 Process of implementing an agricultural co-entrepreneurship

a) Initial measures

The process of implementing an agricultural co-entrepreneurship starts by a major pre-requisite: the political will and the collective determination to make of agriculture one of the motors of development and of social well-being. As concrete proof of its political will, the State must create an environment favourable to the emergence of co-enterprises by taking, in coherence with the common policies adopted at the sub-regional level (ECOWAP, PAU) and regional level (CAADP) the political, judicial and institutional measures necessary. In addition, the State must set up a management organ for co-entrepreneurship; this could be an existing organ that would be granted additional missions to this effect.

b) The management organ of an agricultural co-entrepreneurship

The management organ of co-entrepreneurship is the keystone of the system. All countries that have succeeded in setting up a dynamic PPP system have had recourse to such an organ. In the United Kingdom, the Private Finance Initiatives (PFI), the initial form of the PPP created in 1992, are managed by Partnerships UK, the Public Private Partnerships Programme (4Ps) and other territorial organs. In the United States and Canada, Public-Private Partnerships are managed by the National Council for Public-Private Partnerships and the Canadian Council for Public-Private Partnerships. In France, partnership contracts (CDP) are managed by the Mission for Support to Public-Private Partnership Contracts (MAPP). Following the lead of these developed countries, the

West African States that are planning to promote co-entrepreneurship (form of PPP adapted to development and to combating poverty) should comply with the logic of entrusting its management to a specialised organ that has a thorough mastery of the principles and practices of PPP.

Once set up, it belongs to the Management Organ of agricultural co-entrepreneurship: (i) to identify and map the zones and types of crops to be exploited by an agricultural co-entrepreneurship; (ii) to carry out feasibility studies and to select profitable projects; (iii) to develop files for consultation by the partners; (iv) to set up and to carry out a publicity plan through the international media on business projects available; v) to launch open consultations with potential strategic partners and to select the best offers; vi) to organise business affairs to make up the two groups of partners associated with the State; vii) to assist the group of private national investors in locating financing for its part of the capital of the co-enterprise ; and viii) to contribute to facilitating the management of the collection and marketing of the products of the co-enterprises created, notably by favouring the creation of cooperatives of small peasant producers.

c) Possible sources of financing

This entire mechanism for the creation of agricultural co-enterprises will only function if all the shareholders are able to finance their contribution. Regarding the financing of the shares of the State and the nationals in agricultural co-enterprises, some avenues can be considered. The share of the State or of the local authorities in the capital of the co-enterprise can be settled in part by the taxes from the rental of the lands ceded to the co-enterprise, completed if necessary by a loan from international lenders with the guarantee of the strategic partner. The peasants residing on land ceded could become their partners (small shareholders) in the co- enterprise, by financing their share in the capital from a fraction of the consideration estimated by hectare of land (unimproved) allocated to the co-enterprise by the public authority. The other national, regional or international private partners should prove their commitment by contributing their share.

4.3.3 *Decision tool for launching an agricultural co-enterprise*

It is more practical to illustrate the complex mechanism of the creation of an agricultural co-enterprise by an example. Let us suppose that a State E having unimproved irrigable lands along the Niger River decides to allocate an area of land of 10 000 hectares at the concessional price of 2 million francs CFA/hectare to an agricultural co-enterprise to be created. Let us also suppose that to start up, the co-enterprise will need a fund (cash contribution) assessed at 5 billion francs CFA. The social capital for the creation of the co-enterprise could be set at 25 billion FCFA.

The negotiations for the constitution of the co-enterprise should take into account the interests of all the potential partners interested in the project. These interests will then be taken into account in the following manner:

- At the national level, the partners in the co-enterprise will be: (i) the state E; (ii) the local authorities (municipalities, prefectures,...) and the inhabitants of the region that hosts the project as well as private national enterprises; and (iii) the other regions of the country; these three “national partners”, indispensable for the social stability of the co-enterprise could receive, for example, 60%, 30% and 10%, respectively, of the revenues drawn from the concession of land and would make up the National Group;
- At the regional level, the partners in the co-enterprise will be: (i) the National Group above, (ii) the partners from the countries bordering the Niger River, and (iii) the other African partners; these three “regional partners” of the co-enterprise will receive, for example, 40%, 30% and 30% respectively of the regional share of the social capital of the co-enterprise and would make up the Regional Group;
- At the global level (as the approach aims at a new form of globalisation but which is mutually beneficial to the parties), the partners in the co-enterprise will be: (i) the Regional Group above, (ii) the strategic partner chosen from the open

consultation at the global level, and (iii) a pool of other possible foreign investors wishing to participate in the co-enterprise; these three “global partners” of the co-enterprise will receive, for example 60%, 30% and 10% of the social capital of the co-enterprise and would make up the statutory associates of the co-enterprise.

The calculation of the composition of the social capital of the co-enterprise following the plan above requires a decision-making tool. Taking the above example of a co-enterprise to which 10 000 hectares of land was ceded at the concessional price of 2 million francs CFA/hectare, the calculation with a decision tool (see Appendix 1) ends up in table 5 below, which indicates the shares and percentages of all the partners. It can be seen that after this division, the share of a peasant whose 3 hectares could be ceded to the co-enterprise will be 675 000 FCFA, share for which the co-enterprise will pay every year the corresponding dividends. It is important to note that groups of regional investors own 62% of the social capital of the co-enterprise in this example.

Table N°5: Example of the global capital of a co-enterprise

(Millions of FCFA)

Partners	% of the Capital	Total shares	Type of payment	Cash for the co-enterprise	Cash for the State E
Local authorities (municipalities, prefectures,...) of the project region	11,16%	2 790	revenues from land		
STATE E	22,32%	5 580	//	5000	-5000
Other regions of the country	3,72%	930	//		
National partners or partners originating from countries bordering the River Niger	17,36%	4 340	Cash		4 340
Other regional partners	7,44%	1 860	Cash		1 860

Strategic Partner chosen at the global level	30,00%	7 500	Cash		7 500
Pool of other possible investors	8,00%	2 000	Cash		2 000
Capital of the co-enterprise	100,00%	25 000	-	5 000	10 700

Source: Author's calculations

This formula for the division of the capital of the co-enterprise avoids having the strategic partner invest alone with the State in a classic PPP, which could turn out to be a seizure or a land-grab. It aims at attracting all those who, from far or near, have rights on the lands ceded or who can be impacted by its cession, in such a way as to avoid the social tensions that could result from the project in the short or long term. This is a formula which would apply to the equitable exploitation of other types of natural resources, notably mining operations.

4.3.4 Advantages and disadvantages of the agricultural co-entrepreneurship

Advantages

The advantages of the agricultural co-entrepreneurship are numerous, among which are:

- ❖ Increase in agricultural production and transformation, of local products;
- ❖ Enhancement of agricultural land that has remained unexploited for decades;
- ❖ Reduction of the cost of importing food products;
- ❖ Introduction of new technologies;
- ❖ Improvement of the commercial balance sheet of the State;
- ❖ Creation of rural and urban employment;
- ❖ Combat rural migration by the creation of well-paid employment and the improvement of living conditions in the rural areas;
- ❖ Creation of added value and improvement of the GDP;
- ❖ Strengthening of business and regional integration;
- ❖ Insertion of the sub-region into globalisation ... etc.;

Some disadvantages and threats

The disadvantages and threats that the agricultural co-enterprise could face are essentially the following:

- ❖ Complex implementation process, necessitating a lot of dynamism on the part of the co-enterprise management organ;
- ❖ Lack of interest by the local peoples of the zones concerned;
- ❖ Lack of strategic partnership, especially owing to the poor business environment in countries of the sub-region (see *Doing Business 2010* of the World Bank);
- ❖ Lack of interest and/or financing by national and/or regional partners.

Nevertheless, these disadvantages/threats should not constitute obstacles for the development of agricultural co-enterprises, as one of the roles of the Management Organ is also to find the ways and means to surmount them. All in all, the agricultural co-entrepreneurship and the value chains that it is likely to engender can be choice solutions to boost agriculture in general and food production in particular and, to contribute to dealing sustainably with the food crisis in West Africa by increasing domestic supply. However, to get there, a large dose of political will and collective determination is necessary.

In any case, if measures are not taken upstream for a rational management of the land and water resources of the West African sub-region as in the rest of the continent, the risk of deterioration is great in the context of the rush for African lands as indicated in Box N°4 below.

Box N°4: The dangers of the rush for the best lands in Africa

International investors are turning their attention to agricultural lands – the best lands with the best irrigation. Although they constitute the livelihoods of the local inhabitants, governments are not worried about that. This phenomenon has for the first time been analysed in detail in eight African countries by experts of the International Institute for the Environment and Development (IIED), in collaboration with two UN institutions, the International Fund for Agricultural Development (IFAD) and the Food and Agriculture Organization (FAO).

Entitled “Land-grab or development opportunity?” their report, published on Monday, May 25, calls for consultation with the rural inhabitants who are threatened and for a better consideration of their interests in the transactions. It underlines a consistent lack of transparency in the decision processes and the investment circuits. This is feeding fears of corruption or transactions contrary to the interests of the inhabitants.

Should these acquisitions – or rather concessions, as it is rarely a question of sales – be denounced? IIED, IFAD and FAO are not so categorical. “The phenomenon exists and it is on a massive scale. It should be carried out in such a way that its effects are positive and its destructiveness minimized”, considers Paul Mathieu, land expert at FAO. “Everything depends on the terms of negotiation and the involvement of the actors, who should include not only the investors and the governments”, adds one of the authors, Lorenzo Cotula IIED.

Source: Le Monde, 25.05.09

This model of development aimed at by the agricultural co-entrepreneurship attempts to set up a new scheme that guarantees, in the end, a better participation by States, peoples and the African continent in the globalisation of economies.

5. THE REGIONAL DIMENSION OF AGRICULTURAL VALUE CHAINS

The value chains developed at the national level for products considered strategic by each country should be coordinated and supported in the West African sub-region within the framework of the implementation of the objectives of NEPAD, CAADP and ECOWAP. This coordination is ensured in their respective member countries by the two largest Regional Economic Communities (REC) of the sub-region, UEMOA and ECOWAS. At the regional level it will involve the coordination of training in agriculture and of agricultural producers through the five regional programmes described in section 5.2 below.

In effect, the coordination of agricultural value chains on a regional scale is necessary for a balanced development of the sector, not only for exchanging best practices and sharing the results of research, but also in order for each member country to focus on the products in which they have a comparative advantage, rather than watching each country try to produce all types of food commodities to ensure its self-sufficiency. Accordingly, trade flows will be created between the pre-defined basins of production for each strategic product and the centers of consumption that lack them, thus providing a new impetus to sub-regional trade that remains abnormally low.

5.1 Institutional dimension

The promotion of agricultural value chains needs the support of the REC. The intervention of institutions of regional integration and in particular of ECOWAS and UEMOA in the promotion of agricultural value chains to accelerate the development of agriculture should include the following points: (i) Adopt a resolution recommending to all member countries to integrate the value chain approach in their agricultural sector development strategy with a special emphasis on food crops; (ii) Ask community financing organs such as the EBID, BOAD and BRS to integrate into their action programmes a component for structuring and

financing agricultural value chains; (iii) Recommend to the ECOWAS and UEMOA Commissions to create an organ for the promotion of agricultural value chains and for facilitating the access of small producers to regional and international markets, in the same way as the ASEAN Foundation (see Box 3 above).

5.2 Operational approach

In order to make regionalisation a more marked reality and to benefit from economies of scale in the agricultural sector, it would be preferable to set up at ECOWAS a certain number of support programmes for the development of value chains in agriculture. It will of course be necessary to respect with greater efficiency the principle of subsidiarity which must prevail among the actions to be carried out at the regional level and those reserved for member States. Thus, in order to intensify the production and transformation of agricultural products in all of its member countries, ECOWAS could adopt, in synergy with the UEMOA and other IGOs operating in this area, the following five programmes:

- ❖ **Programme of procurement for inputs and agricultural equipment:** to develop national and sub-regional capacities for the production of agro-pastoral and zoo-technical inputs, with a view to improving agricultural production and productivity; regarding agricultural inputs, it would be a matter of developing the large unexploited reserves of phosphates throughout the region, notably in Togo and Niger; the IITA/CSIR GTZ project - Promotion of seed production and marketing in West Africa - could serve as an example (B.R. GREGG & A.J.G. van GASTEL, 2003);
- ❖ **Integrated Programme for the development of irrigable lands:** starting from the principle that large-scale irrigation is not within the reach of the ordinary peasant, this programme aims at assisting member States in the creation of co-enterprises including the private sector in the sub-region for the development of land and water resources not exploited to date; priority will be granted to large-scale production of basic consumption products for which the sub-region is a net importer. This is the

case for cereals in general and in particular for rice, wheat and possibly maize and sorghum; the basins that are favourable for such undertakings are the Atlantic Coast from Guinea Bissau to Liberia, the Niger River basin and other water courses and bodies (see Box 5 below on the lands ceded to the UEMOA by the Office du Niger in Mali which provides a good illustration);

- ❖ **Programme for financing the rural areas and research-development:** this programme will be dedicated to strengthening agricultural credit, to the promotion of micro-finance in the rural areas and to the reactivation of research-development, with a view to improving and/or transforming production systems and ensuring production activities upstream and downstream (improved seed, various inputs, equipment, techniques of processing and conservation, etc.); this programme will also receive contributions from sub-regional and national financial institutions to put at the disposal of the value chains the financial means necessary to carry out pre-defined objectives; the programme will include an “incubator” component for the promotion of young farmers and for the extension of research results;

- ❖ **Programme for the transformation, conservation and storage of agricultural products:** this programme aims at two major objectives: (i) the strengthening of economic activities in order to increase sub-regional trade which is too low in comparison to other regions of the world; (ii) the diversification of the supply of food commodities and the creation of added value by the transformation of local products of current consumption, while adapting the supply of food to modes of consumption and complying with the required health standards; this programme would concern all vegetal and animal production (wheat, rice, sorghum, millet, milk, meat, fruits and vegetables, etc.); it also would aim at assisting member States in the creation of value chains and co-enterprises in these segments and should contribute to creating a network of collaboration and consultation among the counterpart value chains of member States.

- ❖ **Programme for the management and diversification of export industries:** this programme is proposed not only with a view to improving the quality and the standards of export food products, in short the standards of export food products, and increasing their competitiveness in international trade, but also and above all to involve the national and sub-regional investors in export industries; this programme will also encourage the development of intra-regional trade by contributing to the dissemination of agricultural information, notably on the results of research and the stocks in the community warehouses to be set up in each member country, by promoting complementarity among basins of production/consumption and by contributing to setting up a sub-regional stock for food security.

The implementation of these programmes aims at the development of agriculture in general through agricultural value chains, with a double objective. In the short and medium term, it aims at continuing to supervise small producers and support peasant production as in the past (inputs, training, credit, systems of collection-storage-marketing...), encourage their organisations, and offer opportunities for the exchange of experience among producers throughout the sub-region. In the long term, it aims at promoting agri-business to fill a large gap in food commodities, through a regional Public-Private Partnership oriented towards development. These proposals enter straight into the commitments of the Regional Investment Plan for the implementation of the mobilizing programmes of the ECOWAP and form a part of the intention of the ECOWAS Commission to undertake structural reforms that will open the way to a profound transformation of West African agriculture.

Box 5: Touraba, a regional integration project that gives cause for hope

In its desire to contribute sustainably to the satisfaction of the food needs of its population, while contributing to the economic and social development of member States, UEMOA requested the Malian government in 2007 to place at its disposal land for the development of the immense potential available from the Office du Niger, which is seen at the regional level to be an interesting opportunity for economic integration. Thus the site of Touraba (2174 ha) forms part of the 11 288 ha granted to UEMOA by the Government of Mali through an Agreement.

In the current design of the project, UEMOA is planning the distribution of the lands to be improved among three types of operators originating from member countries: the local peasant farmers (who will be granted small plots of a unit size of not more than 4 ha of net area), private operators with sufficient technical and financial capacity (who will have the opportunity to exploit plots of a unit size of 10 to 20 ha of net surface area) and the large private investors capable of creating agricultural enterprises (who will be able to exploit blocks of 30 to 60 ha – in combination with unit plots of 10 to 20 ha – of net surface area). These agro-industrial entrepreneurs will be able to experiment with the exploitation of plots irrigated by sprinkling.

Source: Maliactu.net of November 27, 2012 (<http://maliactu.net/>)

5.3. The cotton development chain, an example of a potential regional value chain

When the exports and imports of the West African sub-region are analyzed, it appears that more raw agricultural products are exported, notably cash crops such as coffee, cocoa or cotton, which serve as raw materials for the industries of developed and emerging countries. Of course, exporting a large part of agricultural products in their raw state reduces the possibilities for the creation of added value along the value chain in the country that exports them, thus reducing the possibilities

for combating poverty and under-development. In addition, it has been proven that small producers and other local actors in these industries draw incomes that are largely insufficient to enable them to live decently. These industries have remained for long the only industries to benefit from sufficient organization, to the detriment of food products for which the development of value chains would make it possible not only to increase production and processing, but also and above all to combat food insecurity by creating wealth at all the links in the chain. This observation works in favor of setting up a regional value chain for at least one of the three products, such as cotton, for example. This value chain would aim at the manufacture of cotton cloth such as Bazin, Ganila, Wax ..., labeled "ECOWAS".

The regional value chain for cotton would be, according to the principle of subsidiarity, founded on a bedrock made up of professional organizations, inter-professions and peasant organizations already present in each producer country. This would take into account that these entities are already organized for the collection, stocking, conservation and marketing of raw cotton. It would direct its activities towards niche markets that do not compete with those already taken up by existing companies in member countries such as the Burkina Faso Fiber textile company (SOFITEX) the Ivoirian Company for the Development of Textiles (CIDT), the Malian Company for the development of textiles (CMDT), the Company for Development and Fiber Textiles (SODEFITEX), or the New Cotton Company of Togo (NSCT). It would on the contrary choose to complement these companies by exploiting more value added for the finished products or by creating others that are more profitable.

The regional scale of the cotton value chain would thus involve continuing to process semi-finished products of the national cotton companies and/or processing raw cotton collected from producer countries in the sub-region. The chain thus created would implement some or all of the five programs of support for the cotton industry described in chapter 5.2 above. The regional cotton value chain could be built around a strategic partner according to the model described in chapter 4.3 above.

5.4 Challenges in relation to entry into the future CFTA

At their 18th Summit held in January 2012 in Addis Ababa, the Heads of State and Governments of the African Union (AU) decided to create a Continental Free Trade Area (CFTA) by 2017. The African leaders also decided to adopt a vast action plan aiming at stimulating inter-African trade which has for long remained too low¹¹, in their concern to expand regional integration in Africa. This deadline of 2017 is two years in advance of the period set by the Treaty of Abuja signed in 1993 for the establishment of a customs union for the entire African continent in 2019. The project to create a tripartite free trade area (FTA) under negotiation between the COMESA, the EAC and the SADC would be the first milestone towards this CFTA. This “tripartite”, as it is named by its sponsors, represents almost half of the member States of the African Union with 26 countries and about 53 percent of the GDP of the continent. The advantages that would result from the creation of a free trade area on the continental scale are enormous and West Africa must prepare itself to enter it with a diverse supply, notably of raw or processed agricultural products. The CFTA would make it possible to expand markets for the trade of goods and services due to the suppression of tariff and non-tariff barriers among countries and sub-regions, but only the best prepared countries and RECs could fully benefit from it.

The promotion of regional value chains would make it possible for West Africa to establish solid bases for the rapid increase in the productivity of agricultural labor and the production of selected commodities, contribute to improving intra-regional trade and above all to produce large surpluses to place on the future continental market (CFTA) and the global market.

11 Intra-African trade remains modest (10% and 12 %), in comparison with trade with South and Central America (26 %), North America (48 %), Asia (51,6 %) and intra-European trade (72.2 %) (Stephen Karingi & Simon Mevell, UNECA, 2012).

6 CONCLUSIONS AND RECOMMENDATIONS

Agriculture is generally considered to be one of the highest performing motors of growth in the national and global economy. This sector plays an important role in the West African economies from several points of view, but needs a new dynamic to really bring about the growth expected. The West African countries have in the past developed many strategies and have created many structures of support for agricultural development, but the expected results have not always been reached.

In effect, the West African agricultural sector is characterised by numerous weaknesses: poor performance of agricultural policies, low investments in the agricultural economy, insufficient transformation of agro-pastoral products, etc. Agriculture in the West African region has the lowest yields in the world (about 1.2 MT per hectare in the region, as opposed to 3 MT in the rest of the developing world). The allocation of 10% of national budgets to the agricultural sector as advocated by the Maputo Action Plan remains a target that is out of reach for many countries. In addition, as a result of the lack of organization of small producers, harvest losses can reach 15% for cereals and pulses, 30% for roots and tubers and 40% for fruits and vegetables. Furthermore, the transformation of agricultural products remains embryonic and one of the bottlenecks of the agricultural sector is made up of simultaneously of the low level of private capital mobilised in production and the inefficiency of this mobilisation.

The present analysis reports on the failures of the West African agricultural sector and seeks solutions to accelerate growth in the agricultural sector through the development of national and regional value chains for strategic agricultural products offering great potential to generate high growth and to create wealth, both in the rural areas and in the rest of the economy of West Africa.

The study first reviews the agro-sylvo-pastoral potential of West Africa underlining the weaknesses of agricultural policies implemented in the past, which have not made it possible to attract sufficient investment to the agricultural sector, nor to permit the transformation of local agricultural products. In the light of experiences of agricultural value chains that have

succeeded in Africa and in the rest of the world, the study underlines the importance of the State and development partners in the promotion of agricultural value chains. It also underlines the need to accompany small peasant producers through cooperatives or other peasant organisations, in order to facilitate their access to inputs, to financing and to markets and, also to permit them to defend their interests in the value chain in which they are actors.

In addition, the study explains how to develop an agricultural value chain, around cooperatives and other peasant organisations, or in the periphery of an agri-business venture. A special emphasis has been placed on the development of an agricultural value chain around a strategic partner by an arrangement known as the agricultural co-entrepreneurship, a form of public-private partnership. This model of development of agricultural value chains attempts to set up a new plan that offers greater equity and guarantees in the end a better participation of States, peoples and of the African continent in the globalisation of economies.

To summarize, the study underlines the regional dimension of agricultural value chains, which must, while respecting the principle of subsidiarity, see to the coordination and accompaniment of agriculture and agricultural producers through five regional programmes. Moreover, the regional scale must also ensure the coherence of programmes in order to achieve the objectives of NEPAD, CAADP and ECOWAP throughout member States. Lastly, the promotion of regional agricultural value chains will make it possible for West Africa to establish solid bases for the rapid growth of the productivity of agricultural labor and of selected agricultural products, contribute to improving intra-regional trade and above all make it possible to create surpluses to place on the future continental market (CFTA) and global markets.

The main recommendations which emerge from this analysis are the following:

➤ **For States:**

- Integrate the value chain approach in their strategies for the

development of the agricultural sector with a special emphasis on food crops;

- Set up an organ to promote agricultural value chains, the role of which be to accompany small agricultural producers and public-private partnerships in agri-business and agro-industry; this mission can also be entrusted to an existing structure endowed with the necessary capacity;
- Set up an incentive framework by ensuring the protection of investors to favour the mobilisation of national, regional and international resources to promote the creation of agri-business companies, preferably along the model of the agricultural co-enterprise.
- Exploit the agricultural co-entrepreneurship as a sort of public-private partnership to create agro-industrial units open for participation by investors throughout the ECOWAS space.

➤ **For the ECOWAS and the WAEMU:**

- Adopt a resolution recommending to all member countries that they integrate the value chain approach in their development strategies for the agricultural sector with a special emphasis on food crops;
- Request community financing organs such as the EBID, the BOAD and the BRS, to integrate in their action programmes a component for structuring and financing the agricultural value chains;
- Recommend to the ECOWAS Commission and to the WAEMU to create an organ for the promotion of agricultural value chains and facilitating access for small producers to regional and international markets;
- Harmonise the standards of transformation in the community

space (health and phyto-sanitary standards, technical standards related to production processes);

- Work on the effectiveness of funds designed for the financing of agricultural value chains and of agri-business within countries and strengthen the regional funds created in the framework of the implementation of agricultural regional policies;
- Design and implement support programmes for the development of value chains in agriculture while respecting the principle of subsidiarity regarding (i) the promotion of the value chain approach in the development of agriculture; (ii) the procurement of inputs and agricultural equipment; (iii) the exploitation of irrigable lands, and (iv) the financing of the rural production and research and development.

There is every reason to believe that the African continent will probably be one of the major poles of development in the first half of the 21st century. West Africa should make a good start by adopting the most productive strategies for its economic take-off. It seems to us that the development of agricultural value chains at the national and regional level should be part of these strategies.

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