2012-2013

growafrica

# Investing in the future of African agriculture

1st Annual Report on private-sector investment in support of country-led transformations in African agriculture

May 2013 | Report produced by the Grow Africa Secretariat

growafrica

Accelerating investments for sustainable growth in African agriculture in support of the Comprehensive Africa Agriculture Development Programme (CAADP).



GROW AFRICA



COUNTRY REPORTS

INTRODUCTION

# Grow Africa's 1st Annual Report

Welcome to Grow Africa's first Annual Report on private-sector investment in support of country-led transformations in African agriculture.

Historic progress is underway with Africa's agricultural transformation. This Report aims to further catalyze the private sector's contribution to this process by:

- capturing progress to date, as a basis for encouraging partners to scale up action;
- promoting lesson learning and best practices;
- elevating accountability for partners to fulfill commitments in support of sustainable agricultural growth; and
- highlighting existing and emerging opportunities for new partnership and investment towards this growth and transformation.

The Report will be launched at the 2013 Grow Africa Investment Forum to stimulate further dialogue between partners. For each Grow Africa country, it is hoped that their respective chapters serve as a useful input to domestic mutual accountability processes, particularly as regards the ways in which the private sector is engaging with national agricultural plans in the context of CAADP. In addition, the Report as a whole offers CAADP and the G8's New Alliance a comprehensive update on how companies advanced their stated intentions during the course of 2012 and in early 2013.

## How this Report was compiled

In the spirit of mutual accountability, Grow Africa asked its partners to report on their progress. This includes companies articulating their successes and challenges as they make investments and pioneer new business models. It also includes governments and other public-sector partners providing their perspective on progress at a country level. This raw material has then been aggregated and combined with publicly-available data to generate a snapshot for each country. For most content, no specific source is attributed in order to respect both commercial and political sensitivities.

## A "work in progress"

Given that governments and companies have self-reported their progress and plans, we should acknowledge this Report's subjective nature. In future years, the intention is to include more independent analysis with which to validate the content.

While it will be apparent that more information has been gathered for some countries than others, this reflects the varying lengths of time the initiative has been underway in the different countries, their prevailing political situations (with elections in Kenya, Ghana and Burkina Faso), and the relatively short time period at the disposal of Grow Africa's small team to collect the necessary data. This variation is no gauge of the scale of commitment or opportunity in any given country.

Although every effort has been made to ensure that the content of this Report is up to date and accurate, errors and omissions may occur. The Report is provided on an "as is" basis and is not intended as a substitute for the reader's own due diligence and inquiry. Grow Africa and its convening bodies do not guarantee or warrant that the Report or the information contained in it is complete or free of error, and accept no liability for any damage whatsoever arising from any decision or action taken or refrained from in reliance thereon, nor for any inadvertent misrepresentation made or implied.

Nonetheless, it is our sincere hope that the Report as a whole will stand as a useful contribution towards accelerating investment for sustainable growth in African agriculture. We welcome any constructive comments and feedback that will assist us in improving the Report in future years.

Grow Africa Secretariat
May 2013

EXECUTIVE SUMMARY

# Investing in the future of African agriculture

In 2011, a group of pioneering governments, companies and partners asked how to accelerate private-sector investment for sustainable growth in African agriculture. The response was to match public-sector leadership on improvements to the enabling environment with private-sector leadership on inclusive investment. Grow Africa was launched by the African Union Commission, the NEPAD Agency and the World Economic Forum to coordinate this common endeavor.

Seven countries joined initially – Burkina Faso, Ethiopia, Ghana, Kenya, Mozambique, Rwanda, and Tanzania – seeking private-sector investment aligned to national plans for agriculture developed through the African Union's Comprehensive Africa Agriculture Development Programme (CAADP). Efforts accelerated in early 2012, when the African Union asked Grow Africa to help generate company commitments for the New Alliance for Food Security and Nutrition – a G8 initiative. An eighth country, Nigeria, joined in early 2013.

With 2012 – Grow Africa's first operational year – now at a close, this Report examines our achievements, lessons, and outlook.

## Company investments show promise for smallholders

2012 witnessed a historic shift in the quality and quantity of private-sector engagement, with companies announcing over $3.5 billion of planned investment across Grow Africa countries. All this was explicitly aligned to national development goals and embraces inclusive business models, especially for smallholder farmers.

Grow Africa countries attracted 97 commitments from 62 companies, including 39 based in Africa. By April 2013, companies reported progress against 79 of these commitments (81%), with an additional 14 updates expected in summer 2013. Reports show company plans advancing with the following progress for commitments:

- 100% with internal approvals underway;
- 94% with external preparations proceeding: market research, field visits, partnership negotiations, stakeholder consultations;
- 61% in pilot phase: initial on-the-ground progress awaiting scale-up; and
- 40% in investment phase: operational activity moving to scale.

While it is too soon to fully evaluate the impact of these investments, early reports show promise for smallholders, including:

- more than $60 million invested in activities that incorporate smallholder farmers into commercial, market-based activities;
- approximately 270,000 MT of commodities sourced within partner countries – the vast majority from smallholders, and the equivalent of around $300 million in sales from these farmers fed into the market system; and
- almost 800,000 smallholders reached with a mix of training, sourcing, and service provision.

## Countries establishing foundations for transformation

Each country, supported by Grow Africa, advanced six elements essential for catalyzing transformative private-sector investment in agriculture[1]:

| | |
|---|---|
| Leadership and alignment | ▪ Top political leadership strong in most countries, with political transition temporarily distracting focus in Kenya, Ghana and Burkina Faso.<br>▪ Alignment and sectoral engagement strengthened as partnership spaces open and leaders are won round by the opportunity systemic change offers. |
| Strategy setting | ▪ CAADP Investment Plans are proving vital frameworks for identifying value chains and geographic areas key to agricultural transformation.<br>▪ All countries have detailed blueprints on partnership initiatives for generating private-sector investment in agriculture. |
| Investment pipeline | ▪ All countries have developed business cases for specific investment opportunities, with some now attracting serious investor attention.<br>▪ Most investments are identified by companies themselves, but often require government support to facilitate progress. |
| Risk mitigation and financing | ▪ Each country is advancing measures to unlock agri-finance, often targeting smallholders e.g. warehouse receipts systems, and commodity exchanges.<br>▪ Catalytic Funds are in place for Mozambique and Nigeria, with plans underway in Ghana, Tanzania, Rwanda, and Burkina Faso. |
| Infrastructure – soft and hard | ▪ All countries are advancing major projects (e.g. irrigation, roads, power, storage), often with donor support and through public-private partnerships.<br>▪ Most countries have a policy reform program to improve the enabling environment e.g. land, tax, customs, smallholder aggregation, and trade. |
| Delivery and implementation | ▪ Delivery Units are defined in most countries to coordinate transformation across sectors, though they could often benefit from capacity development.<br>▪ Linked to these Units, several countries are establishing one-stop shops for companies seeking to progress investments or forge partnerships. |

With strong progress by both governments (on policy) and companies (on investments), 2012 saw partners bank key lessons on how to act in concert for agricultural transformation, including that:

- sustained leadership commitment is vital from across all constituencies;
- alignment and commitment needs to cascade from leadership to a working-level;
- partnership strategies need continual refinement to address blockages and sustain progress;
- government and private-sector investment priorities do not always match, making ongoing dialogue crucial; and
- scalable and competitive models exist for integrating smallholders into value chains.

Partners noted that implementation is slowed by the following constraints: regulatory and policy barriers preventing rapid implementation on the ground; government capacity to respond quickly; access to capital for domestic companies and smallholders; partnership platforms not always functional for support of multi-stakeholder collaboration; and difficulty for companies in commercially justifying non-competitive investments, e.g. holistic farmer support, developing complementary crops, and M&E.

For Africa's agricultural transformation to deliver economic opportunity and equitable access to nutritious food, partners must renew and redouble their commitment to act in concert. If so, 2013 could witness the bulk of investments demonstrating scalable impact, such as increased productivity and revenues for smallholders, and job creation along value chains.

In 2013, Grow Africa will continue supporting the African-led agenda for sustainable agricultural growth by facilitating collaboration, inclusive investment, and accountable and transparent action for transformation – a journey we invite all stakeholders to join us on.

[1] This framework for agricultural transformation was developed by the World Economic Forum's New Vision for Agriculture initiative: http://www3.weforum.org/docs/WEF_FB_NewVisionAgriculture_HappeningTransformation_Report_2012.pdf

> "Through the sweat and toil, which tills our land daily, we intend to refuel CAADP to increase agricultural productivity and facilitate for agro-processing, so that every child on the continent is fed and better nourished."

Nkosazana Dlamini-Zuma AUC Chairperson, January 2013

# Accelerating investments for sustainable growth in African agriculture

OUR STORY

## Message from Convening Partners

In 2011, the African Union Commission (AUC), the NEPAD Planning and Coordinating Agency, and the World Economic Forum joined with other partners to found the Grow Africa partnership to galvanize greater private-sector investment and financing for African agriculture, in support of the Comprehensive Africa Agriculture Development Programme (CAADP).

Throughout nearly ten years of CAADP implementation, participating countries have become increasingly impact-oriented. In pursuit of the Programme's transformational objectives, countries are making solid progress in reforming their planning and decision-making processes as well as accountability systems. The result is a growing ability among public institutions to engage with and support market-based partnerships that drive inclusive growth in agriculture.

As an African-owned, country-led, multi-stakeholder platform, Grow Africa seeks to mobilize private-sector investment aligned to CAADP and individual Country Investment Plan priorities. In 2012, Grow Africa was instrumental in prompting private-sector commitments totaling over $3.5 billion for specific agriculture investments in seven countries, in collaboration with the G8's New Alliance for Food Security and Nutrition.

Grow Africa partners have demonstrated an unprecedented scale of commitment to agricultural transformation in Africa on an institutional, policy and financial level. By aligning African governments, the private sector and global partners, the initiative is pioneering constructive ways to catalyze change.

H.E. Rhoda Peace Tumusiime
Commissioner for Rural Economy & Agriculture, African Union Commission

Dr. Ibrahim Assane Mayaki
Chief Executive Officer, NEPAD Agency

Sarita Nayyar
Managing Director, World Economic Forum USA

OUR FOCUS

# Tackling poverty and hunger through inclusive agricultural investment

With over 60% of Africans deriving their livelihoods from agriculture, the sector is vital to reducing poverty and improving food security. In recent years, African leaders have laid foundations for an agricultural transformation. Countries developed detailed strategies, increased public-sector investment, and elevated political commitment – all with support by the Comprehensive Africa Agriculture Development Programme (CAADP), an initiative led by the African Union Commission (AUC) and its NEPAD Agency. However, transforming Africa's agriculture depends on the resources to harness this foundation and turn it into concrete investments which result in increased productivity and prosperity, producing nutritious food and generating employment opportunities.

Boosting agricultural production is the cornerstone to reducing poverty, creating wealth and improving food security across the continent. The fight against hunger depends not only on increased food supplies and higher rural incomes, but also on gender equity and micro-nutrient sufficiency. Across Africa, subsistence smallholder farming characterizes much production. Rural communities often live in relative economic isolation, with low commercialization of economic activity, as well as a lack of access to basic infrastructure (roads, power, irrigation, safe water and sanitation) and market services (such as financing of agricultural inputs, formal marketing of output, post-harvest storage, and transport to markets).

In 2011, Grow Africa was conceived as a partnership platform to accelerate investments for sustainable and inclusive growth in African agriculture with the goal of generating positive income and nutrition impacts for smallholder farmers, the rural poor, and women. Coordinated by the AUC, its NEPAD Agency and the World Economic Forum, it aims to connect governments, businesses, investors, smallholders and development partners to advance ambitious win-win agricultural partnership initiatives.

The main goal of Grow Africa is to help impoverished smallholder farming communities to make the transformation from subsistence farming to a mixed rural economy of commercial farming and small-scale industry and services. This transformation will raise incomes, reduce poverty and hunger, and unleash self-sustaining private-sector-led economic growth. The result is that Africa will not only feed itself, but will help feed the world.

OUR APPROACH

# Partnering for transformative collective action

The investments mobilized through Grow Africa will be a driver of transformation in participating countries' agricultural systems. Joint commitments between countries and companies are expected to become integrated value-chain transformations that will form the basis for holistic food system development. It is expected that, through this approach, Grow Africa will demonstrate successful models and best practices that will inspire other ministries, companies and countries to replicate the approach.

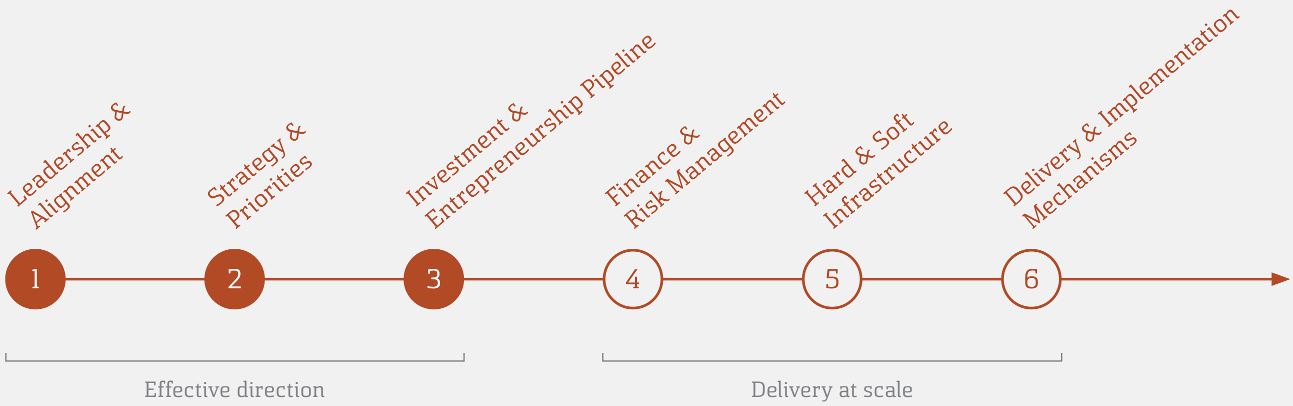
## Six elements of sustainable agricultural transformation

Achieving the kind of transformative change aspired to by Grow Africa requires launching a "virtuous cycle" of increasing skill and investment to improve agricultural productivity, sustainability and prosperity. A number of pioneering cases piloted by the World Economic Forum's New Vision for Agriculture demonstrate how such transformative change can be achieved. Analytical work, undertaken with support from McKinsey, identified the critical elements for sustainable agricultural market transformation – and it is these elements that underpin Grow Africa's approach.

The commercial viability of agricultural value chains depends on each link in the chain being healthy. Each actor can be commercially compromised by weaknesses in links in the chain such as smallholder access to finance, last-mile infrastructure, trade tariffs, or seed quality. Overcoming such market weaknesses can forge commercially productive value chains that also deliver development outcomes such as raised incomes, jobs, taxes, and access to affordable food.

With many actors involved in each value chain, boosting agricultural markets becomes a task requiring collective endeavor. Partners from across the private sector and public sector must focus themselves on specific value chains or geographic areas that are strategic priorities for national development, as well as being of strong commercial interest. Then, acting and investing in concert, they can collectively tackle the barriers to achieving a sustainable market transformation.

A multistakeholder partnership approach has proved essential to generate collective action for agricultural transformation. Six elements are consistently present in such an approach:




| | | |
|---|---|---|
| 1 | Leadership & Alignment | Impetus and engagement of system leaders, translated into joint commitments and practical working arrangements. Committed partners need to be drawn together from government, domestic and international companies, investors, development partners, farmers and civil society. |
| 2 | Strategy & Priorities | Defining the strategic focus of the transformation based on the country's development priorities, comparative advantage and market-based opportunities. A CAADP Investment Plan offers a basis for this, for example by identifying specific regions or value chains around which partners have a mutual interest in targeting their activity. |
| 3 | Investment & Entrepreneurship Pipeline | Market stimulus to enable broad-scale entrepreneurship around specific priority initiatives. Value-chain analysis, project preparation, and private-sector outreach, can prompt the public and private investments with the greatest scope for commercial and development returns. |
| 4 | Finance & Risk Management | The mechanisms that will fund the effort and mitigate risks to ensure the transformation's longer-term success. This may involve unlocking existing finance through policy reforms or interventions that reduce risk; or raising new catalytic finance. |
| 5 | Hard & Soft Infrastructure | The physical infrastructure, policy and regulations, and human and institutional capacity that are key enablers for the transformation. |
| 6 | Delivery & Implementation Mechanisms | Designing, managing, and monitoring implementation of activities to drive change at scale. Without ongoing leadership and coordination, multi-stakeholder partnerships stall and fail. |

## A phased evolution towards a vibrant and integrated agricultural economy

As countries establish each of the six elements, activity and investment becomes increasingly integrated and achieves scale. Over time, the country witnesses a phased evolution to a healthy and vibrant agricultural economy.

**Phase 1**
**Individual activities**

- Countries prioritize certain value chains for investment
- Companies prepare and plan for market entry or expansion of new sourcing initiative
- Government makes commitments to policies that strengthen the enabling environment for agriculture

**Phase 2**
**Coordination and collaboration**

- Companies expand investments
- Additional companies invest
- Stakeholders collaborate on value-chain investments
- Stronger stakeholder involvement for win-win outcomes (e.g. farmer organizations, domestic companies, donors, and international companies)
- Government establishes a transformation agency, and the stakeholders institutionalize a partnership entity to broker and coordinate investments

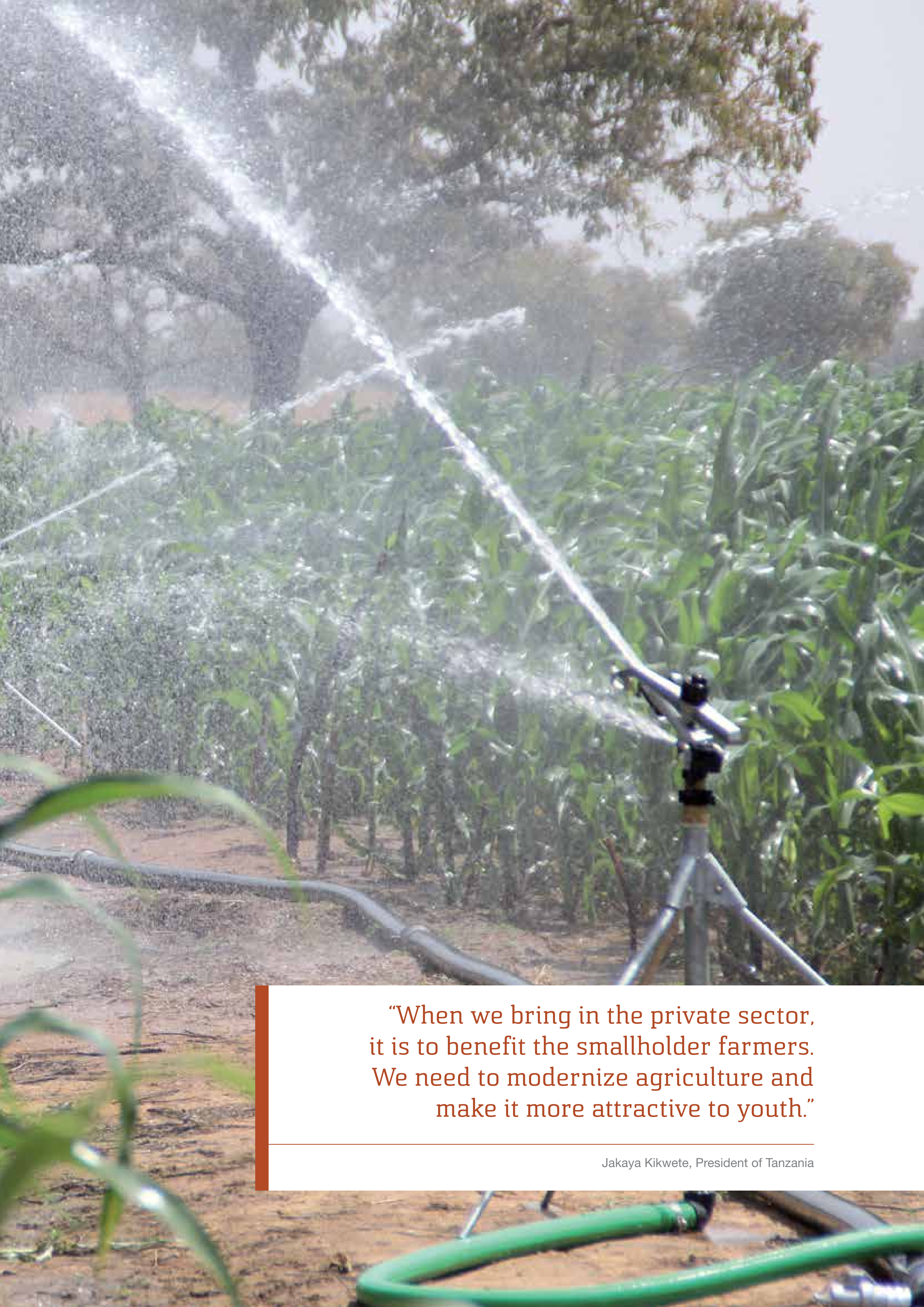
**Phase 3**
**Systemic transformation**

- Food security and economic development impacts
- Stakeholders are strategic development partners
- Market solutions are scalable
- Government reforms policies faster and fosters enabling environment

## Grow Africa's operating principles

Grow Africa has defined a set of operating principles that guide its priorities and activities, and which translate its conceptual framework into concrete support for country efforts:

| | |
|---|---|
| African-owned and Country-led | ▪ Engage global partners with African leaders, in support of national agriculture investment strategies (aligned with the CAADP process).<br>▪ Ensure strong involvement of African leaders from government, civil society, and business.<br>▪ Complement existing structures/processes at a country and continental level. |
| Market-based | ▪ Prioritize socially-equitable, market-based solutions.<br>▪ Facilitate the capacity, conditions and opportunities for private-sector investment. |
| Sustainable | ▪ Increase economic opportunity & food security in an environmentally sustainable manner. |
| Multi-stakeholder | ▪ Promote multi-stakeholder collaboration, including engagement of farmer and civil-society leaders.<br>▪ Draw private-sector partners from across value chains and geographies, to enable access to new knowledge, resources and markets. |
| Inclusive | ▪ Enable opportunities for small-scale farmers and entrepreneurs, as well as facilitating sustainable large-scale investment.<br>▪ Promote integration of women into markets as a vital step to generating inclusive growth. |
| Transparent | ▪ Practice transparency and share information, experience and learning widely. |
| Accountable | ▪ Promote mutual accountability in implementing the goals of the partnership with a special focus on following up on Letters of Intent signed by committing companies. |



"When we bring in the private sector, it is to benefit the smallholder farmers. We need to modernize agriculture and make it more attractive to youth."

Jakaya Kikwete, President of Tanzania

OUR ACTIVITY

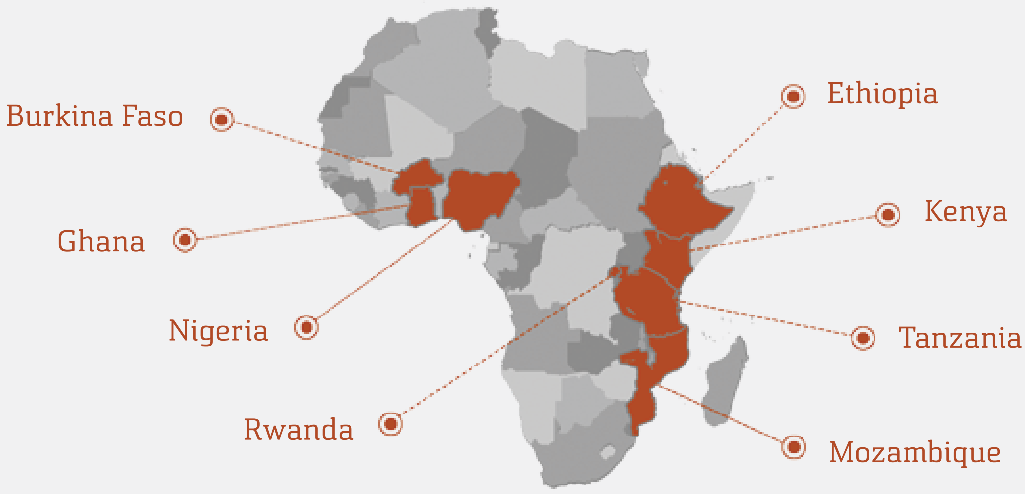
# Serving people, governments and companies

Grow Africa aims to play a catalytic role in advancing transformative multi-stakeholder partnerships. Its focus is on serving three stakeholder groups – people, governments and companies – as they come together to define shared goals and pathways to promote agricultural growth.

Grow Africa focuses on ways it can add value to these partners on a pan-African level. Key activities include:

- Technical assistance to country partners as they develop their capacity for managing multi-stakeholder partnerships and catalyzing investment.
- Building and supporting a network of companies (international and domestic) who are committed to increasing sustainable investment in African agriculture.
- Convening an annual "Investment Forum" as a milestone for deal-making and addressing issues in the enabling environment.
- Generating "Letters of Intent" that articulate concrete investments and how they will contribute to broader development objectives.
- Promoting transparency and accountability by all partners, through annual reporting on plans and implementation progress by companies and governments.
- Identifying best practices and emerging issues, and promoting information exchange across the continent, e.g. on inclusive business models, policy issues, financing models, gender, the environment, and land tenure.
- Working with farmers' organizations and civil society to ensure investments are delivering value at grassroots, and help empower women.
- Elevating political leadership to sustain a high-level of cross-sector commitment to Africa's agricultural transformation e.g. at Davos, AU Summits and the G8.

## GROW AFRICA PARTNER COUNTRIES 2012



## A country led platform

Grow Africa supports governments and their domestic partners as they establish an active capacity for generating agricultural investment. Our conceptual framework provides a tool for a country to take stock of its capacity and define the areas where Grow Africa can best target support, whether this is establishing cross-sector leadership, defining strategy and priorities, building an investment pipeline, or putting an implementation unit in place.

During its initial year, seven countries volunteered to participate in the Grow Africa platform on a pilot basis: Burkina Faso, Ethiopia, Ghana, Kenya, Mozambique, Rwanda and Tanzania. Nigeria has since joined.

Participation in Grow Africa is, in principle, open to all African countries able to demonstrate their readiness to attract investments aligned to their national strategy for agricultural transformation. Participating countries are expected to have:

- A clear national strategy with priorities agreed through an inclusive process (generally a CAADP Investment Plan that has passed a technical review).
- Strong and committed leadership at Ministerial or Presidential level.
- A partnership platform through which to facilitate collaborative, action-oriented public, private, and civil-society dialogue.
- An implementing unit with a mandate and capacity to promote investment and partnerships.

To ensure that existing partners are served well and that the partnership model delivers the expected results, the number of participating countries will be limited to a maximum of 10 during 2013-2014.

## Generating commitment from companies

Companies, both international and domestic, have come to recognize that they have a strategic interest in a healthy food system, which, at a global level, is capable of feeding more people in the next 50 years than it has since human civilization began. They also acknowledge that this is only possible if they work in close cooperation with government and other partners in order to create the right enabling environment. As this is a new way of doing business, new spaces and a common language are needed for dialogue and partnership development, as are a new level of transparency and accountability in order to build trust. Forging new relationships and information flows is also necessary to accelerate action and learning.

Grow Africa is building and supporting a network of companies as it pioneers these new ways of working, and it is offering a vital bridge in their relationships with each other and with public-sector partners. We are actively working with over 5 dozen companies, of which half are African, with the remainder from Europe, the US, India, the Middle East, Japan, Brazil and elsewhere.

A key measure of Grow Africa's success is the generation of "Letters of Intent". These are detailed statements from companies on investments they plan to make. They outline both commercial objectives and how these will contribute to broader agricultural development outcomes, such as job creation or raising smallholder incomes. The process of generating such "Letters of Intent" helps create productive dialogue with governments and other partners. Their announcement builds trust and momentum, and can be used to attract other partners and investors to the value chain. Finally, it is these "Letters of Intent" that Grow Africa asks companies to report progress against, which are aggregated as a key input to this Annual Report and as a prompt for raising issues regarding the enabling environment.

## Integrating people into markets

Smallholder farmers and local agri-businesses are central to multi-stakeholder partnerships for agricultural transformation. Their transition from subsistence to commercial operations will ensure development outcomes are delivered at the grassroots. Their integration into healthy value chains becomes imperative, but often it is these people, especially smallholders, who face the greatest market barriers. Innovative and inclusive business models are emerging to achieve such market integration, such as hub-outgrower schemes or collectivization so as to generate the required economies of scale.

It is these domestic stakeholders who dominate African agricultural production, and who en masse contribute the lion's share of investment. Along with large-scale farmers and agri-businesses, farmers' organizations, and civil-society groups, these

African middle class is predicted to grow from 335 million people today to 1.1 billion by 2060.

domestic stakeholders are vital to achieving Grow Africa's vision for the following reasons:

### Commercial viability

They represent large numbers of actors in existing value chains, and are therefore crucial to the success of any investments or partnerships. International companies seek such local partners to ensure their investments are inclusive, scalable, and viable over the long term.

### Development impact

They generate jobs, wealth and tax domestically, have a long-term stake in the country, and are thus pivotal to ensuring investments achieve inclusive and sustainable impact. Women farmers especially can boost food and nutritional security.

### Accountability

Their grassroots networks and advocacy bring transparency and accountability to any investments or partnership initiatives.

At a national level, Grow Africa's role remains to support the establishment of country-level capacity to accelerate investment. As such, domestic stakeholders should primarily hold a relationship with national-level partnership spaces and implementing units. Grow Africa helps foster domestic stakeholder engagement through institutions such as the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) Centre or Ethiopia's Agricultural Transformation Agency, or, in their absence, through ministries or private-sector bodies such as national farmers organizations. Concrete efforts to this end include:

- Hosting and facilitating inclusive Partnership Platforms.
- Convening domestic partners around specific value chains or geographic clusters through "Partnership Labs".
- Brokering partnerships between domestic partners and international companies.
- Regular communications identifying new opportunities for partnership, investment and access to capital, including via conference calls, newsletters, social media and direct engagement.
- Consulting on priority areas for improving the enabling environment through policy reforms and infrastructure development.
- Sharing models and innovations from across the continent.

OUR YEAR

## Grow Africa's successes and challenges in 2012

Grow Africa was conceived in 2011 to service a desire for greater collaboration between the private sector and governments in driving Africa's agricultural transformation. In breaking down the walls between these two constituencies, Grow Africa triggered more progress in 2012 than was ever imagined. This success ensued before Grow Africa's own capacity was fully established, thus determining that in 2012 the initiative faced several challenges in meeting high expectations with minimal resources.

## Successes: Leadership, understanding and investment

In 2012, the combined convening power of the African Union and the World Economic Forum enabled Grow Africa to foster top-level political leadership in promoting private-sector investment in African agriculture. Heads of State, CEOs, farmer leaders, and heads of donor agencies, are all recognizing the scope of this opportunity and committing to concerted action by their organizations at a scale never witnessed before. In response to this leadership, the necessary structures, focus and capacity are steadily emerging to support transformative multi-stakeholder collaboration in agriculture in each participating country.

A new quality of discussion has emerged that cuts across sectors. Grow Africa has helped companies and governments find common interests and a common language, and escape the silos that have divided them for decades. This new mutual understanding is catalyzing concrete collaborative action. Companies now acknowledge their role in agricultural transformation and governments accept their role in providing an enabling environment.

The most tangible achievement of 2012 was the generation of 97 commitments from 62 companies across Grow Africa countries that outlined plans to commit over $3.5 billion in new agricultural investment. Whilst some of this would have materialized in any event, much is either new or accelerated. Importantly, these companies have been willing to go public with their plans, and are articulating how their investments will contribute to development outcomes. Counter to the prevailing fear that agricultural investments from the private sector can culminate in land grabs, these pioneering companies are demonstrating transparency, as well as developing new business models in which an essential component is the inclusive integration of smallholders into markets.

As evidenced in this Report, the companies are now actively implementing these plans. Many are still at an early stage, but nearly all are demonstrating a seriousness and commitment that proves they mean business. It is thus a reasonable expectation that by next year's Annual Report there will be more tangible results to share.

## Challenges: Country support, domestic engagement, and transparency

In 2012, Grow Africa's conveners and partners sustained the initiative in its infancy by volunteering their staff and resources. In this regard, the World Economic Forum, the African Union Commission, USAID, McKinsey and Yara all deserve special recognition for their contributions.

Nonetheless, Grow Africa could not have anticipated the sheer pace of progress that would be made in 2012, and did not yet have the resources in place to fully service the resultant demand. Grow Africa was accordingly hampered in its capacity to support three key aspirations:

1 Providing consistent support to countries as governments facilitate multi-stakeholder initiatives and build ongoing capacity to broker agricultural investment. Grow Africa should, for example, be advising on initiative development, helping to build an investment pipeline, identifying private-sector partners, sharing inclusive business models, and highlighting sources of catalytic finance. In 2012, the small Grow Africa team was unable to sustain sufficiently regular contact with countries so as to fully understand their operational needs and provide such tangible active support.

2 Advancing the engagement of domestic farmers and agri-businesses as fundamental actors in agricultural transformation. Due to the World Economic Forum's longstanding relationships, Grow Africa has made much more rapid progress with establishing the engagement of international food and agriculture companies. Domestic partners are harder to reach, and face more barriers, as is evidenced by the fact that only half the Letters of Intent came from local companies, whereas ideally they would form the clear majority. This challenge stems from the first, as domestic companies need to be engaged domestically. Hence, until the Grow Africa team is in a position to provide active country support, we will be unable to expand the involvement of these essential partners.

3 Furthering Grow Africa's transparency, in the knowledge that public information on planned investments, implementation progress, and results helps build trust and accountability, as well as ensuring that any problems are identified early. In 2012, our communications capacity was not sufficiently robust to gather and share information at the quality and level desired.

## 2012

**January**

### World Economic Forum Annual Meeting

### African Union Summit

African, corporate and global leaders agree to harness the G8 as a platform for launching a "New Alliance" for food and agriculture in Africa.

In preparation for announcement at the G8, Grow Africa is called on to accelerate efforts to catalyze concrete private-sector investments aligned to CAADP.

**February**

### Grow Africa Ministerial meeting

Ministers from 7 countries agree roadmap to prepare for first Grow Africa Investment Forum and G8 New Alliance launch.

**April**

### CAADP Partnership Platform

Grow Africa website launched.

**May**

### Grow Africa Investment Forum

270 top-level leaders from business, government, and civil society attend. 116 companies participate, including 49 African and 47 multinational companies, plus 20 from other regions.

Companies and governments commit to work together on over 40 concrete investment opportunities.

Cross-sector partners significantly deepen their mutual understanding and trust

### G8 Summit

Over $3 billion of intended investment announced by over 40 companies. By the end of the year this had grown to over $3.5 billion through 97 commitments by 62 companies.

**September**

### UN General Assembly

First Leadership Council meeting organized in New York.

### Africa Green Revolution Forum

Grow Africa session at the African Green Revolution Forum.

**October**

### Committee for Food Security

### CAADP Africa Forum

Grow Africa dialogue with civil society and farmers' organizations on how to maximize inclusion and development impact

OUR PLAN

# Scaling up support for 2013 and beyond

It is in response to the successes and challenges of 2012 that we have determined Grow Africa's priorities for 2013. Underpinning these priorities is the implicit understanding that: investment intentions must translate into action and results; existing countries must receive enough support to sustain ongoing partnerships; new countries need support in laying the foundations for investment; and impact, accountability and engagement must be deepened.

| | | |
|---|---|---|
| 1 | Establishing the Office of Grow Africa | ▪ Secure core funding for next 3 years of activity.<br>▪ Recruit and train a permanent team of 10 staff.<br>▪ Establish an African-based secretariat. |
| 2 | Scaling support to countries | ▪ Provide regular, active support to country efforts focused on priority needs.<br>▪ Support 2 new countries.<br>▪ Facilitate resolution to issues preventing implementation of Letters of Intent.<br>▪ Develop country-specific priority lists with a focus on specific value-chain projects.<br>▪ Identify and disseminate best practice on key issues such as women's access to markets, land policy, regional trade etc. |
| 3 | Engaging domestic partners | ▪ Pilot "Partnership Labs" that convene domestic stakeholders around specific priority value chains or geographic areas.<br>▪ Identify and share best practice on inclusive business models.<br>▪ Support multi-stakeholder partnership platforms at country-level. |
| 4 | Increasing investment | ▪ Host annual "Investment Forum" and pilot regional "Investment Forums".<br>▪ Identify sources of catalytic finance.<br>▪ Facilitate linkages between potential partners.<br>▪ Expand network of companies.<br>▪ Convene working group on access to finance. |
| 5 | Elevating accountability | ▪ Update website with functionality for sharing planned investments and implementation progress.<br>▪ Sustain regular contact with companies.<br>▪ Facilitate Leadership Council, as high-level body for mutual accountability.<br>▪ Commission in-depth independent case studies to analyze impact of investments.<br>▪ Improve communications with all stakeholders. |

Farmers and agribusinesses in Africa could build a trillion-dollar food market by 2030.

# Burkina Faso

## Pioneering agricultural growth poles

Between 1994 and 2009, structural reforms, sound macroeconomic policies, and steady investment enabled Burkina Faso to sustain significant growth rates and maintain relative macroeconomic stability. In 2010, the government of Burkina Faso (GoBF) adopted a five-year Strategy for Accelerated Growth and Sustainable Development (SCADD) that aims to fast-track annual GDP growth at an average of 10% and help achieve the Millennium Development Goal (MDG) targets. The accelerated growth model opted for by the GoBF focuses on the private sector as a driving force, with an emphasis on: (i) promoting growth poles; (ii) developing promising value chains, business niches and clusters; and (iii) encouraging pro-poor growth to effectively alleviate poverty. As agriculture – accounting for 80% of jobs and 35% of GDP – is central to that strategy, an agricultural investment program called the Rural Sector National Program (PNSR) has been developed to drive progress on these goals in the sector.

Bagré is highlighted by SCADD and PNSR as a priority growth pole due to its high potential for agri-business, horticulture, livestock, fish farming, and staple crop production. The Bagré Growth Pole Project is managed by a national committee chaired by the Prime Minister, and structured as an autonomous public-private society. This body leads dialogue with donors and investors, and ensures it contributes to national development goals through growth, jobs, increased incomes and stronger communities. A partnership between Burkina Faso and the World Bank provides a critical mass of support to boost the development of the zone, including $134 million in investment between 2011 and 2017.

Bagré offers good investment opportunities due to:

- irrigable land: excellent water availability and 58,000 ha linked to a primary irrigation network;
- secured land: customary land rights formally cleared and land ready to be allocated through long-term leases to private investors/contractors;
- existing models: small and medium agri-businesses already engaged in rice, horticulture, fish, and animal food production;
- infrastructure: $200 million has been invested in a dam, irrigation canals, hydropower, and a road network linked to regional markets; and
- enabling institutional policies: Burkina Faso is ranked among the 10 best reformers in the world for doing business. This includes an open policy towards FDI, fiscal incentives, and favorable tax regime.

RESULTS

## Bagré lures investors

In early 2013, a new government was formed in Burkina Faso, including the appointment of a new Minister of Agriculture. Grow Africa is currently re-establishing relations, and does not yet have enough information to fully report on progress and results. Nonetheless, some positive progress can be reported based upon information received during 2012, and from companies more recently.

The government's efforts to attract investors to Bagré and elsewhere are proving successful. Linked to Grow Africa, 18 companies stated intentions to invest in Burkina, of which 10 were national companies. All international companies report making efforts to advance these commitments. No data has been gathered from domestic companies as the Grow Africa team is waiting to visit the country again once contact with the new government has been fully established.

## Macro indicators

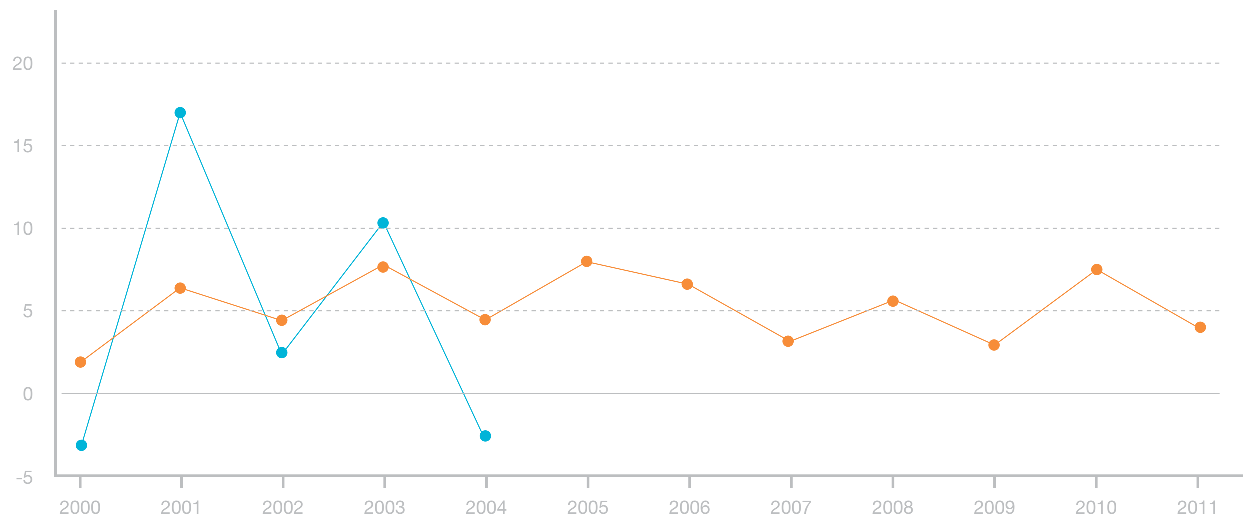
While Burkina's year-to-year growth rates fluctuate, the country's GDP growth has on average remained relatively constant over the past 30 years. The 1980-2009 average annual growth rate was 4.75%, with growth in 2012 at 8%.

The agricultural sector experienced widely-varying growth rates over the same period, though when averaged over the decades a trend of relatively constant growth emerges of between 4-6%. Burkina has met the CAADP 6% growth-rate target several times since 2000, but this threshold has not been surpassed since 2005.

Burkina Faso is one of the few countries in West Africa consistently allocating at least 10% of its national budget to agriculture, with an average of 19.2% spent between 2003 and 2009. However, in 2012, budgeted allocations for Burkina Faso's rural sector were $62.2 million, or 2.5% of the total budget – significantly less than in past years.

Burkina Faso is not on track to achieve the first MDG of halving poverty and child malnutrition by 2015. Against the national poverty line, the rate of impoverishment in Burkina Faso had risen by 5.3% since 1990 at last estimate, while against the international poverty line, the rate had exceeded the MDG target by 1.2%. Child malnutrition rose by 18.6% between 1990 and 2005, leaving the country further from reaching the first MDG target in 2005 than it was in 1990.

| Share of government expenditures to agriculture: 2012 | Poverty: Population below $1.25 a day in 2009 | Rural poverty: Rural population at rural poverty line in 2009 | Child malnutrition: Children under 5 based on height for age in 2009 |
|---|---|---|---|
| 2.5% | 44.6% | 52.6% | 35.1% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

http://databank.worldbank.org/data/databases.aspx
http://one-org.s3.amazonaws.com/us/wp-content/uploads/2013/03/Ag-fullreport-single-130326-small.pdf
http://www.imf.org/external/pubs/ft/scr/2013/cr1326.pdf
http://www.resakss.org

BURKINA FASO

# 2012 action for transformation

Unlike for other country chapters, the following information is chiefly derived from secondary sources.

## Leadership and alignment

- The Prime Minister is actively involved in the Bagré Growth Pole to ensure progress.
- The World Bank provides active support.

## Strategy setting

- SCADD offers a national growth strategy that prioritizes agriculture, and identifies Bagré Growth Pole.
- The PNSR provides a detailed agricultural investment program.
- The Bagré Growth Pole benefits from a detailed blueprint for its development.

## Investment pipeline

- Government and the Monitor Group (part of Deloitte) have developed detailed business cases for key investment opportunities.
- An Investment Conference was held in September 2012.

## Risk mitigation and financing

- Tax and customs exemptions have been established for Bagré investors.
- Grants are being made available for service providers, SMEs, smallholders and their associations.

## Infrastructure – soft and hard

- Infrastructure investments are underway for irrigation, roads and electricity, and for livestock and fishery.

## Delivery and implementation

- The Maitrise d'Ouvrage de Bagré has been established as a managing entity.
- The Maison de l'Enterprise in Bagré has been instituted as a one-stop shop for investors seeking information and orientation.

In addition to the preceding measures specific to the Bagré Growth Pole, the government has made commitments to improving policy at a national level that should help foster agricultural investment. These are captured in the Country Cooperation Agreement developed with the New Alliance, and include:

- value chain development: diversifying supply and distribution strategies for agricultural inputs and for marketing/processing, and developing services for agricultural risk management;
- water management: developing 18,500 ha of irrigated areas and 35,000 ha of lowlands, while adopting a policy framework for resettlement in the developed areas taking into consideration all types of farmers – small and large-scale;
- investment climate: improving efficiency and transparency in commercial and customs procedures for agricultural commodities, and facilitating access to finance within agricultural value chains, including an SME Investment Promotion Fund and helping MFIs develop finance schemes; and
- access to land: implementing a law on rural land tenure, drafting transparent procedures for access to land, and undertaking land registration in all developed areas.

BURKINA FASO

# Status on Letters of Intent

14 companies directed Letters of Intent to Burkina Faso (with 4 more making reference to working in the country).

| | Goals | Year 1 – Progress update |
|---|---|---|
| African Cashew initiative (ACi) | Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mozambique, by:<br>1. convening investments from corporate partners (around $21 million);<br>2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organizations;<br>3. utilizing matching grant funding to assist private-sector projects to enhance farmer productivity; and<br>4. planning to invest around $50 million through Phase 1 (lasting into 2013) – 50% from private companies, and potentially $20-$30 million from 2013 to 2015 including 60% from private players. | Across all countries:<br>▪ Staffing, processes, funding, and partners in place to move from Phase 1 to 2 – Intersnack, Kraft Foods, Olam, Trade and Development Group, SAP, Ghana Ministry of Food and Agriculture, the Sustainable Trade Initiative (IDH), USAID, the Bill and Melinda Gates Foundation, and the German Federal Ministry for Economic Cooperation and Development (BMZ) are all partners/funders.<br>▪ Coordinated with SMEs, facilitating $11 million in financing, to install 38,000 MT processing capacity.<br>▪ 240,000 farmers trained since 2009 – Good Agricultural Practices training increased productivity 21-78%. |
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Started country-specific market research.<br>▪ Conducted meetings and in-depth discussion with government leadership from Prime Minister's office and Ministries of Agriculture and Trade, Bagré Growth Pole leadership group, global partners and local institutions.<br>▪ In planning phase to identify the value of in-kind investment required in agriculture.<br>▪ Conducted 1 investor conference and 3 field trips into Bagré.<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Competitive African Cotton Initiative (COMPACI) | Contribute to improving the livelihoods of smallholder cotton farmers by:<br>1. convening investment in the cotton value chain from corporate partners to train farmers in soil/water conservation, balanced crop rotation, and business principles;<br>2. expanding cotton demand by promoting the "Cotton made in Africa" brand; and<br>3. linking smallholders to larger markets by partnering with the "Better Cotton Initiative". | ▪ Strategic and investment plans completed through 2015.<br>▪ Through partnership with Aga Khan Group, reached around 5,000 farmers and invested approximately $400,000 in 2012.<br>▪ Plan for further investment of $1.3 million over 2013-2015 to reach 25,000 farmers. |
| Ecobank | Continue to work towards improving access to affordable finance for the agriculture sector by providing $3.36 million in direct lending and through microfinance institutions who on-lend to the sector. | ▪ Refining agricultural lending strategy for Burkina Faso.<br>▪ Evaluating a pipeline of several hundred potential loans. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Jain Irrigation | In line with the SCADD, contribute to developing irrigation and enabling infrastructure by:<br>1. contributing its proprietary agricultural and irrigation technology and know-how, expertise in capacity building, market linkages, processing capabilities, and solar technology;<br>2. convening investments in irrigation and enabling infrastructure for the creation of storage, handling, supply-chain, procurement and processing infrastructure; and<br>3. working with partner countries to select priority value chains and regional locations to develop a feasibility study for this integrated approach. | ▪ Meeting with Prime Minister and signing MoU to set up $5 million integrated agriculture development in Bagré Project and in Ouagadougou region. |
| Swiss Re | Develop micro-insurance solutions to agricultural risks by investing in-kind to support development of sustainable agri-risk management markets, with a view to assisting farmers with production risk coverage, accessing finance and engaging in higher income-generating activities. | ▪ Collaborations in place for International Finance Corporation-supported projects to help the advancement of agricultural risk-transfer markets.<br>▪ Exploring pilot weather risk transfer scheme.<br>▪ At pan-African level, 180,000 smallholders reached. |
| United Phosphorus Limited (UPL) | Contribute to improving productivity and income of small and marginal farmers of interest crops (corn, sorghum, sunflower, canola, rice, cotton, forages, legumes and vegetables) through technology transfer via on-farm training schools (3,000 trainees planned in 1st year), and by acting as key input and knowledge partner to large farms. | ▪ Despite multiple attempts, UPL has not yet had an opportunity to discuss business plans in more detail with government. |
| Yara | 1. Cultivate long-term partnerships with government to incorporate the agriculture strategy into a broader development context, and to co-create a national strategy for holistic, in-country fertilizer market development; and<br>2. Promoting comprehensive end-to-end value chain initiatives and cluster-based approaches, and build up local crop-specific plant nutrition knowledge. | ▪ Met with government officials and several partners – Bagré Growth Pole leadership group, World Bank, IFC, and USAID at the Burkina Faso level.<br>▪ Participated at the Grow Africa-Burkina Faso Bagré Agribusiness Investor Conference, 19-21 September 2012.<br>▪ A joint Yara/RMG assessment mission undertaken.<br>▪ Fielded two separate technical assessment missions to assess distribution and retail industry. |

The following investment plans exist, but no progress report has been shared to date:

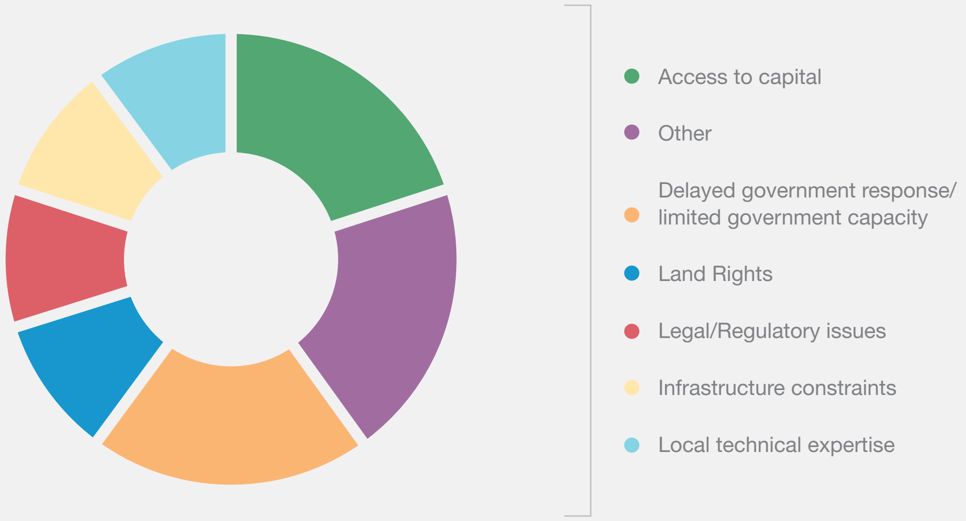
| | Goals |
|---|---|
| Agence Deli Internationale (ADI) | Create a modern hibiscus processing plant that will contribute to:<br>1. development of production of varieties adapted to various uses;<br>2. collection and selection of hibiscus suitable for local processing;<br>3. production of juices, soft drinks, sweets, tea, and infusions from hibiscus, through the addition of other local raw materials; and<br>4. promoting the development of small family farms, with a special focus on working with rural women. |
| EBT-TRADING Sarl | Support the production and marketing of maize, cowpea, sesame, and certified seeds through a joint venture farm utilizing drip irrigation technology. |
| GROUPE VELEGDA Sarl | Create a 600 ha rice farm and establish a rice husking plant. |

| | |
|---|---|
| Pickou Export | Contribute, over 5 years, to establishing (with partners) 20,000 ha of production of sesame and cowpea, building a training center for young farmers, and setting up a plant for sesame seed cleaning and sesame oil extraction, by:<br>1. creating a 400 ha production field school;<br>2. establishing a 1,600 ha farm to launch the project;<br>3. acquiring seeds;<br>4. constructing a storage warehouse; and<br>5. acquiring and installing technical equipment. |
| PRO-AGRO | Develop 100 ha for production of 4,500 MT of potatoes, by initially:<br>1. establishing three taproots;<br>2. supporting mechanization of potato production; and<br>3. constructing a potato storage unit. |
| SAREPTA S.A. | 4. Install a plant for the production of edible oils and oil by-products (seed, cakes and soaps) and support the marketing of these products. |
| Société Agro-Pastorale et de Services (SAPAS) | Work towards:<br>1. diversifying and modernizing its production plant for the marketing of poultry and poultry by-products; and<br>2. doubling its production capacity (from 12,000 egg-producing hens on 2 ha) by securing more efficient equipment, trained staff, and a professional management system. |
| Société Burkinabè des Corps Gras (SBCG) | Establish a palm oil production plant to produce both quality edible oil and laundry soap. |
| Société d'Exploitation des Produits Alimentaires (SODEPAL) | Work with technical and commercial partners to expand operations to include production of:<br>1. food and nutritional supplements from agricultural, animal, and forest products for children, pregnant women, and the elderly;<br>2. confectionary items utilizing local fruits and vegetables; and<br>3. spirits utilizing local forest products. |
| Union Conannet des Etuveuses de Riz de Bagré (UCERB) | Construct a warehouse with a capacity to stock 200 tons of rice. |

BURKINA FASO

# Constraints identified by the private sector

KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN BURKINA FASO




FORWARD LOOK

# Attracting investors and implementing commitments

In 2012, Burkina Faso clarified its policy commitments, detailed its plans for Bagré Growth Pole, and developed business cases for numerous opportunities (see below). Grow Africa anticipates that in 2013, efforts will focus on enabling companies to fulfill their investment ambitions, attracting new investor interest, and ensuring the policy commitments and public-sector investments are advanced. Grow Africa looks forward to working with the new government to clarify and advance such plans.

## Investment and partnering opportunities

The Bagré Growth Pole offers a wide range of attractive investment opportunities. The government of Burkina Faso has identified a number of specific opportunities in cereals, truck farming, animal husbandry, fishery activities as well as niche and emerging products.

### Cereals and derived products: a gateway to domestic and regional markets

The Bagré Growth Pole environment is endowed with access to arable land, water and energy for processing activities, making it well-suited to cereal cultivation – especially rice and corn.

Rice (the fourth most-produced cereal) plays a significant role in the economy of Burkina Faso. It is the most imported cereal in the country, with imports approximating $95 million in 2011 due to growing domestic demand and insufficient local production. At least 70,000 ha is needed for rice production to cover imports, which have accounted for 400,000 tons/year in recent years. Bagré offers around 30,000 ha, with considerable production already established in the region. In 2010, 2,900 cultivated hectares produced 27,000 tons of rice, with an average yield of 9.3 tons/ha.

Corn also contributes a major share of the country's cereal production, with 1.1 million tons produced in 2010. Although the country's growing urbanization significantly increased consumption of this cereal, Burkina Faso was able to satisfy domestic demand with significant surplus. In 2011 alone, the country exported more than 16,000 tons – mainly to Niger. With the variance in levels of Sahelian output, investing in corn production and processing opens even greater export opportunities.

Other cereals such as sorghum, millet, wheat and soy offer numerous production opportunities. Flour, semolina, vinegar, pasta, and derivatives of rice straw also present attractive processing prospects.

## Huge import substitution and export opportunities for truck farming produce

Onion, cowpea and potato are in high demand in Burkina Faso. Yet their production does not cover domestic demand, let alone growing regional demand. Imports remain significant particularly for onion, the average yield of which was 27 tons/ha in 2008. Large irrigated areas remain a key asset of Bagré for onion production, while good levels of onion conservation would facilitate export of increased output.

Cowpea is one of the country's most competitive products in West African markets and presents significant opportunities for export as a result of considerable regional consumption and increasing national production (more than 400,000 tons produced in 2010). Currently, cowpea production falls short of meeting the strong demand in the region, particularly in Nigeria, Côte d'Ivoire and Ghana.

The equally high-demand regional market for potato offers significant opportunities for exporters. Imports by ECOWAS countries exceeded 120,000 tons in 2011. Although production has grown by between 7-10% per annum since 2005, Burkina Faso only produced 2,100 tons in 2010.

There are many other crop possibilities for truck farming in Bagré, including tomatoes, green beans, mangoes, carrots, peanuts, and cassava, while opportunities also exist for processing of frozen, dried, and canned food.

## Fish farming infrastructure ready-to-go

Current production of fish only covers 25% of growing Burkinabe demand. There are thus significant import substitution opportunities, with imports coming mainly from Mauritania, Senegal, China and the Netherlands.

Bagré Lake offers fishing potential of 1,600 tons/year, and is home to around 40 species. Pre-existing infrastructure includes docks and fishing villages, while opportunities exist for processing fish onsite with local unions (e.g. the union of female fish processors). Many fish wholesalers are already in operation for distribution and sale of production in Bagré.

Bagré fish farm was built in 2010, and offers a ready-made structure for the development of the entire fish farming value chain. It is available for use by private operators at all stages, including:

- breeding: fish hatchery facility consisting of 6 pools with a capacity of 15 million fry/year;
- production of food for fish: production unit with a capacity of 4,000 tons/year, including for powder and granulated food;
- production of commercial fish: fish farm with capacity of 90 tons/year; and
- processing/storage: fish crushing and processing units; 3 freezers in place for storage of fish.

There are also interesting openings for fish processing investments, such as for smoked fish, dried fish, fish fillets, and frozen fish.

## Animal husbandry: livestock, dairy and poultry

Livestock is the second pillar of Burkina Faso's economy, accounting for 15% of GDP and 30% of the workforce. There are significant opportunities for regional export and for animal feed production. A dedicated livestock area in Bagré has 17,000 ha and 26,000 animals. There is also an existing animal feed production plant with a capacity of 3,000 tons, and an opportunity for vertical integration with investments in animal feed production.

Milk production does not currently meet 24% annual growth in domestic demand. Opportunity exists to meet this shortfall and reduce the dependence on imports. Potential domestic demand is estimated at 200,000 tons/year.

Poultry consumption is growing at 5% per year with demand growth expected to continue over the 2011-2016 period. The poultry population in Burkina is increasing in response at an average of around 7%

per annum from 27 million units in 2005 to 39 million in 2010. Investment opportunities exist for processing including: butchery, processed meat, and chicken portions.

### Niche and emerging products: sesame, shea, stevia and sunflower

Sesame has the potential to become a flagship product for export, particularly to Asia. It is Burkina's third most exported agricultural product after cotton and livestock. Domestic consumption is limited, with around 90% of production exported. Global demand remains very strong, especially in Japan. Burkina is a small producer, but below its potential. In addition to the rapid expansion of sesame-cultivated areas in Burkina, return yield is also clearly improving. Yield increased from 484 kg/ha in 2006 to 722 kg/ha in 2010 – an improvement of 11% per year. Sesame processing companies, including Sopradex and Socopa, are already established in Burkina Faso.

Various other crops with potential for production in Bagré include shea, stevia, and sunflower, with processing opportunities also present for each of these.

"We cannot overstate the importance of agriculture to Africa's determination to maintain and boost its high growth rates, create more jobs, significantly reduce poverty, and grow enough cheap, nutritious food to feed its families, export its surplus crops, while safeguarding the continent's environment."

Makhtar Diop, Vice President - Africa Region, World Bank

2.2 Country Report

# Ethiopia

## On the road to agriculture sector-driven dynamism and prosperity

Agriculture is a fundamental cornerstone of the Ethiopian economy. It contributes approximately 47% to the national GDP and employs over 80% of the population. The past decade in Ethiopia has been one of agro-optimism. In the last 5 years, the agricultural sector has grown at a high rate of 8% per year. The Government of Ethiopia (GoE) has created the Agriculture Transformation Agency (ATA) to build on this progress and drive the transformation of the sector, so as to realize the interconnected goals of food security, poverty reduction, and human and economic development.

Building on the impressive gains of the preceding decade, Ethiopia's current 5-year Growth and Transformation Plan establishes ambitious targets for agriculture in 2011-2015. The Plan's targets focus on enhancing the productivity and production of smallholder farmers and pastoralists, strengthening marketing systems, improving participation and engagement of the private sector, expanding the amount of land under irrigation, and reducing the number of chronically food-insecure households.

The overall target is a minimum growth rate of 8.1% per annum in the agricultural sector over the five-year period. Sub-sectoral targets include tripling the number of farmers receiving relevant extension services, graduating 6 million households from safety net programs into poverty-reducing commercial activity, and more than doubling the production of key crops from 18.08 million MT to 39.5 million MT. Specific targets are aligned with and in support of the targets contained in the CAADP Investment Plan and other Ministry of Agriculture-led initiatives.

RESULTS

# Implementing inclusive investments

The government's strong leadership and strategic planning for agriculture in recent years is starting to yield tangible results in the form of inclusive investments by agriculture and food businesses. Policy reforms, infrastructure improvements, resolution of bottlenecks, and investment facilitation are building the confidence and interest of domestic and international companies alike.

In 2012, 14 companies directed "Letters of Intent" to Ethiopia, all of which reported progress with implementation. Over the last year, most companies focused on preparatory work such as training farmers, agreeing contracts, sourcing finance, testing products and constructing warehouse facilities. Some, however, began commercial operations impacting along the value chain. Banks have given loans for the purchase of farming equipment. The multinational brewer Diageo sourced 225 MT of barley from smallholders in its pilot crop season, while local company GUTS Agro Industry sourced 4,000 MT of produce for local processing from 52,000 smallholders, and launched a new packaged shiro product for the Ethiopian market.

Beyond company investments linked to Grow Africa, several government initiatives are also helping accelerate the commercialization of small-scale agriculture. For instance, in 2012, 163,033 farmers adopted new technologies for the production of teff (a traditional staple crop) and are demonstrating improved productivity. Cooperatives have been harnessed to link smallholders to end markets, so that, for example, integrated support to 16 unions in three regions resulted in the delivery of 30,000 MT of maize to the UN WFP's Purchase for Progress (P4P) initiative.

In addition, the Ethiopia Commodity Exchange, which provides a low-cost, secure marketplace accessible to smallholders and their cooperatives, continued to grow with a 23% increase in trading volumes. Since its establishment in 2008, it has facilitated 109,500 transactions worth $3.5 billion with no default, and reached 2.5 million smallholder farmers.

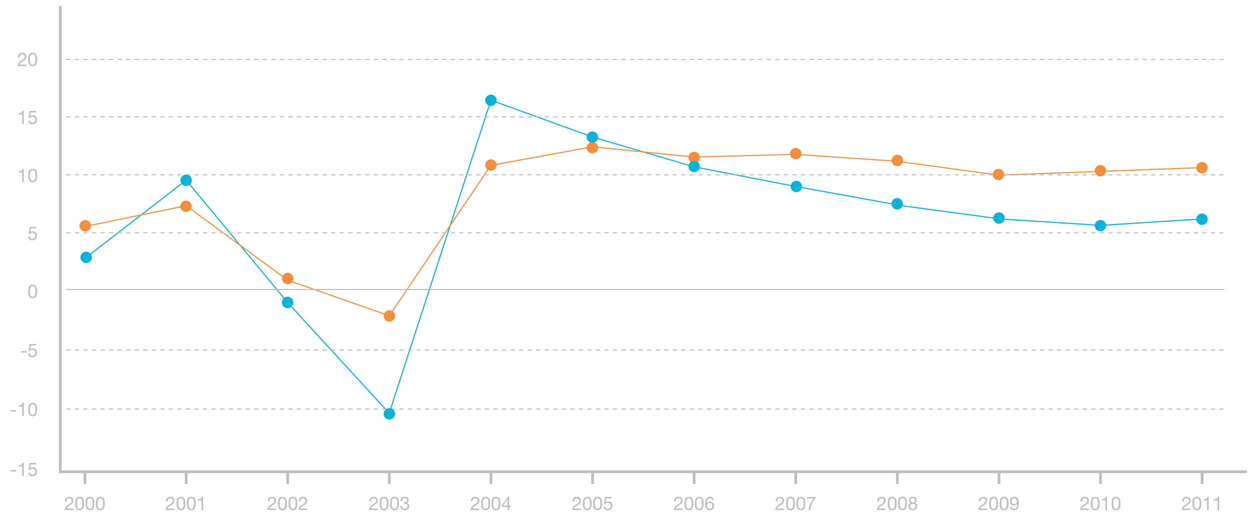
## Macro indicators

Ethiopia is among the fastest growing non-oil producing economies in Africa, recording average annual GDP growth rates of 2-3% in the 1980s and 1990s, and experiencing a significant upswing in the 2000s to 8.1%.

Agriculture accounts for around 47% of the country's real GDP and employs approximately 85% of the population. Since 2004, growth in the sector has accelerated, with Ethiopia exceeding the CAADP 6% growth-rate target each year. Maintaining this momentum may however prove a challenge given the volatility of Ethiopia's growth rates in the past. The country has seen large variations every 3 to 4 years in both agriculture and overall GDP growth, oscillating between ±10%, with both indicators moving in tandem since 1990, evidencing the importance of the sector in the overall economy.

The country is currently on track to halve its poverty rate by 2015. Although the rate of impoverishment has only fallen slightly against the national poverty line, it fell by 45.3% between 1990 and 2005 against the $1.25/day poverty line, with a sizable reduction taking place between 2000 and 2005. Hunger rates have also declined in the country, even though the primary measure used to gauge progress against the child malnutrition target of the first Millennium Development Goal did not fall sufficiently to put the country on course to reach that goal by 2015.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2005 | Rural poverty: Rural population at rural poverty line in 2011 | Child malnutrition: Children under 5 based on height for age in 2011 |
|---|---|---|---|
| 19.7% | 39% | 30.4% | 44.2% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

Agriculture; value added (annual % growth) GDP growth annual

Data and text sources:

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http://www.oecd.org/dev/38562613.pdf

ETHIOPIA

# 2012 action for transformation

## Leadership and alignment

- The GoE demonstrates a high commitment to the agricultural transformation agenda, under the direction of Prime Minister Desalegn, who continues the momentum established by the late Prime Minister Zenawi.
- The Prime Minister heads the Agriculture Transformation Council (ATC), whose membership includes all key ministries and agencies to ensure joined-up leadership.
- The Ministry of Agriculture (MoA), the ATA, and the Ministry of Industry (MoI) are working to elevate involvement by private-sector leaders, including creating dedicated capacity to liaise with companies.

## Strategy setting

- Ethiopia's overall Growth & Transformation Plan lays out specific agriculture goals for 2015.
- Ethiopia's Agricultural Sector Policy and Investment Framework (PIF) defines strategic objectives on: 1) productivity and production; (2) agricultural commercialization and agro-industrial development; (3) natural resources; and (4) food security and vulnerability.
- Within the PIF, government has prioritized regions and value chains that promise greatest impact to smallholder farmers and the overall agriculture sector.

## Investment pipeline

- All 3 investment opportunities initially prioritized (chickpea processing, barley malting, and sesame hulling) are now in advanced discussion with companies.
- A new Special Projects department at the ATA will expand facilitation work to increase flow through the investments pipeline. This one-stop shop role will transition to the Ethiopian Investment Agency's Agriculture Desk.

## Risk mitigation and financing

- A plan is in development for enabling financial institutions to support smallholder farmers and agri-business.
- Government is aggressively strengthening Microfinance Institutions (MFIs) to help smallholders access credit. 32 MFIs are now in place with around 2.6 million active clients (50% women), an outstanding loan portfolio of around $537 million, and approximately $307 million in mobilized savings.
- The Rural Financial Intermediation Program was allocated $218.2 million to expand delivery of financial services to deficit regions through rural savings and credit cooperatives.

## Infrastructure – soft and hard

- 3 million ha of arable land is available for lease, and the GoE will facilitate land clearing work and provision of essential infrastructure on 283,000 ha.
- Refinement of policy and regulations is ongoing across a wide range of sectors to remove business operating barriers.
- Large-scale public investments are underway in infrastructure, including for road, air, and sea networks, and power generation.
- Industrial Economic Zones will facilitate the emergence of, among others, an agro-processing industrial sector; 2 zones underway, with 5 more being developed.

## Delivery and implementation

- The ATA is the coordinating agency for implementation, and now has dedicated resources for private-sector partnerships.
- The ATC (a high-level, cross-governmental body) has quarterly check-ins to determine: (1) progress made; (2) any bottlenecks; and (3) action plans to alleviate bottlenecks.

The effectiveness of value-chain interventions will be enhanced if all components of the agricultural sector in Ethiopia are functioning smoothly. Systems are the building blocks which ensure that value-chain improvements generate the desired productivity and income growth for smallholder farmers and pastoralists. In order to address key broad-based constraints in the agricultural sector, the ATA has therefore identified systems in certain areas that require a singular focus to identify and overcome bottlenecks and advance development objectives.

These areas are:

- household irrigation;
- seeds;
- soil health and fertility management;
- input and output markets;
- extension work and research; and
- cooperatives.

To harness the potential of these systems, the ATA's work will be guided by the needs of specific crops and livestock. For example, solutions in the seed system must ensure that they address the unique needs of hybrid maize production, as well as those of the production of open-pollinated and self-pollinating crops. Similarly, solutions within the soil health and fertility management area must meet the needs of different crops in the various agro-ecologies of the country.

## Spotlight: New proclamation paves the way for seed-sector investment

*"The Government of Ethiopia has identified the seed system as a priority area of focus. …. a vibrant seed system that provides quality seed to meet farmers' demands is an essential enabler to continued economic and social development in Ethiopia."*
Strategy for the Transformation of the Ethiopian Seed System, 2012

In line with national poverty reduction targets and plans to double agricultural production, the GoE is implementing new policies that encourage increased private-sector involvement in the seed sector.

As with much of sub-Saharan Africa, the majority of Ethiopian farmers do not currently use improved seed varieties. The government's vision is therefore to develop a dynamic, efficient and well-regulated seed industry that provides farmers with sufficient, affordable, timely and high-quality seeds of improved varieties for all key crops through multiple production and distribution channels, while also conserving Ethiopia's biodiversity.

Major progress has been made in advancing improved seed development, propagation, and distribution. The GoE has ratified a new Seed Proclamation, which increases opportunities for private-sector involvement in the sector. The first steps towards implementing this Proclamation include a development strategy that strengthens cooperatives, the primary conduit for improved seed.

In addition, the new five-year Strategy for the Transformation of the Ethiopian Seed System (the "Strategy") will guide partners in targeting investments. Under this Strategy, the GoE has expanded seed inspections by 47% and sample testing of carry-over seed by thirteen-fold. It is also researching the expansion of private-sector agro-dealers and genetically fingerprinting two major parental lines for multiplication. The US, Canada, and the Netherlands are supplying technical and financial assistance for improved chickpea seed and rust-resistant wheat, as well as equipping the Ethiopian Institute for Agricultural Research.

In the short to medium term, the GoE's focus is on quality improvement, distribution efficiency, institutional capacity building towards developing the necessary regulations and protocols for implementation of the new Proclamation, raising awareness of the Proclamation, identifying implementing partners, and developing milestone maps for the Strategy.

Crucial to improving the supply, quality, and competitive pricing of improved seed is significant private-sector investment and competition. To this end, public-private partnerships are helping to bring to light investment opportunities and build confidence in the Ethiopian seed sector and agricultural market. One such instance is the Memorandum of Understanding (MoU) between the GoE, international seed company DuPont, and USAID. Aimed at scaling up a network for sustainable seed distribution, it targets 35,000 smallholder maize farmers to increase productivity by 50% and reduce post-harvest losses by 30% in three years.

The GoE's long-term plans include: developing an additional strategy for the informal seed sector; increasing coverage of inspection services to 100% of commercially-produced hybrid maize and wheat seed; enhancing parental-line genetic consistency for all improved seeds; increasing seed supply for priority crops; and improving overall seed distribution through cooperatives and other mechanisms.

## Spotlight: Contract farming expands smallholder access to credit and markets

*"Farming as a business is a risky enterprise. Contracting farming has the main advantage of reducing risks and giving the necessary confidence to farmers, farmers' associations and all actors along the value chain to make the necessary investments to turn agriculture into a profitable business."*
UN WFP Representative, Ethiopia

Although contract farming effectively links smallholder farmers to end markets, as well as increasing their ability to access credit to procure quality inputs and capture a larger product-value share, the concept is relatively new to Ethiopian producers and buyers.

In 2012, the GoE facilitated model contract-farming arrangements between local processors and producers in 3 GoE priority value chains: malting barley, maize, and the staple grain teff.

To meet rising demand for malting barley, the ATA assisted buyers and producers to develop a scalable contract that is commercially and environmentally sustainable and socially inclusive. The agreement pre-finances inputs and extension work for farmers to provide 1,000 MT of malting barley in the first year, with the goal of extending this relationship for multiple years. To date, contracted smallholders have planted 400 ha of barley.

To increase local sourcing of maize, the ATA has also facilitated an MoU with Regional Cooperative Promotion Agencies for the provision of an integrated bundle of services to smallholder maize farmers. This package of services gives farmers access to inputs, agronomic support, post-harvest handling and storage services, and aggregation and commercialization services. This has resulted in the WFP signing

Nick Blazquez, President – Africa, Diageo; Khalid Bomba, CEO, ATA; and Wondirad Mandefro, State Minister of Agriculture, sign an MoU forward contracts with farmers' unions for 30,000 MT of maize for its food programs.

Lastly, local agro-processor Mama Fresh Injera has contracted with the Erer Farmers Cooperative Union in the Oromia region to deliver 720 MT of white magna teff. Farmers received training in agronomic practices and the principles of contract farming, and the Teff Contract Enforcement Committee was constituted to monitor compliance.

### Spotlight: Land title certification program secures rights, investment and productivity gains

*"Not only is the certificate protecting me from dispossession by false claimants, I am also using it to borrow money by belonging to a credit group. I have been able to make money and use my profit for buying corrugated iron sheets for my house and an ox."*
A 55 year-old widow with three children

Increased investments and enhanced productivity in the agricultural sector are paramount to achieving food security and sustaining rapid and equitable economic growth. These positive outcomes are, however, dependent to a very large extent on secure land tenure and property rights.

The GoE has initiated a landholding inventory and preliminary certification program covering over 9 million of the country's 12 million households in 70 highland districts. 75% of those to be surveyed are small-scale farmers. In order to turn this into full-fledged certification, several development actors, including the US, Sweden, Finland, the UK and the World Bank, have partnered with the GoE to provide financial and technical assistance. So far, a total of one million parcels of land have been surveyed, with one-quarter already certified.

Studies indicate that certification has increased investments, enhanced agricultural productivity by over 10%, and encouraged landholders to

Improvements in agriculture help Ethiopia be one of the fastest growing economies in the world.

implement natural resource management practices. Most importantly, certification has increased the status of marginalized groups, including women, and protected them from illegal misappropriation of their land.

The government has extended land surveying and certification activities to 112 districts, initially focusing on Agriculture Growth Program districts. Covering the country's entire 50 million land parcels in 614 districts requires additional resources, strong donor and government cooperation, and improved private-sector and government capacity. The government plans to extend certification to all rural landholders by June 2015.

## Spotlight: Public partnership raises prospects for teff growers and investors

The GoE is highly committed to increasing agricultural productivity and production (the 1st strategic objective of its Agricultural Sector Policy and Investment Framework - PIF). The ATA, the MoA, and regional agriculture bureaus are accordingly working in partnership on a number of initiatives to improve smallholder productivity and yields, while also raising smallholder incomes and creating improved sourcing opportunities for the private sector.

The partnership has already introduced new teff planting technologies and practices to over 75,000 smallholder farmers in a single year. To achieve this, the partners have used 1,500 farmer training centers in the four major teff-growing regions of the country. By improving practices to reduce the seed planting rate from 30 kg/ha to 5 kg/ha, teff productivity has nearly doubled for these farmers.

The ATA and its partners are now planning to rapidly scale this effort up to reach 1 million smallholders in the next year and double overall national teff production in 5 years.

## Spotlight: WFP's P4P program gives boost to national smallholder productivity targets.

During 2012, Ethiopia's Growth Transformation Plan maintained agriculture as the major source of economic growth and ensured economic expansion driven by increases in smallholder productivity. The Plan has specifically targeted cereals productivity, with an intended increase from 1.7 MT/ha in 2010 to 2.2. MT/ha by 2015.

Purchase for Progress (or P4P) programs achieved tremendous success and traction during 2012. For example, the UN WFP through its program leveraged its local and regional demand to help drive smallholder agricultural growth through supply-chain reforms in Ethiopia. The WFP provided a large and structured demand sink and built the aggregation capacity of farmer organizations. The ATA helped implement the program in 2012 by engaging 150,000 maize farmers through 16 cooperative unions receiving management support. As a consequence, the WFP negotiated forward contracts with Ethiopian farmer unions for 30,000 MT of maize for local and regional use.

The program was supported by a range of domestic and international partners. For instance, an agreement between the Commercial Bank of Ethiopia (CBE), farmer unions and the WFP provides forward contracts with a set quantity, minimum support price and delivery dates. The majority of the unions that participated in the 2012 pilot received financing from the CBE without having to raise the usually-required large physical or financial collateral.

Third-party support has also given added reassurance to the banks that financing made available to the unions will be well-managed. TechnoServe and the WFP furnished specific unions with management support to help ensure delivery against contracts and proper management of output credit provided by banks. Storage and post-harvest handling training and maintenance support were offered by Sasakawa Global 2000 and the WFP.

The program has been deemed a huge success, with the WFP looking to expand it tenfold to 300,000 MT by 2015, with a reach of 600,000 farmers.

## Spotlight: Mama Fresh Injera – partnership deal a boon for both teff growers and buyers

In 2012, Addis Ababa-based Mama Fresh Injera Plc., the world's largest injera (flatbread) producing company, signed an MoU and contract with the Erer Farmer Cooperative Union, the ATA, the Oromia Regional Agriculture Bureau (BoARD), and the Oromia Regional Cooperative Promotion Agency (ORCPA). The signatories intend to establish a partnership to initiate and execute a contract farming project in Ada'a that will enable Mama Fresh Injera to source 720 MT of teff for the 2012 planting season. Their long-term goal is to extend this relationship for multiple years based on successes and lessons learned.

Pursuant to the contract, the Erer Farmer's Cooperative Union will supply the teff in three phases, with delivery already underway. The Burayu market price is used as a reference to determine the teff price in each of the three consignments. From the reported price, Mama Fresh Injera pays an additional 100 ETB/qt premium for teff that meets the contract-specified quality standard. Mama Fresh Injera has also offered to provide pre-finance for the purchase of weather insurance and to cover at least 50% of the Union's aggregation expenses if the need arises.

The partnership thus creates and tests a traceable, transparent and scalable output market in the teff value chain by enabling farmers to engage in contract farming with built-in end markets. Moreover, it will enable farmers to access a sustainable market opportunity where they can capture greater value from their produce by producing the desired quality standard. It will also enable the end-market buyers to reduce transaction costs by sourcing from a reliable, consistent and uniform teff market where risk is shared and there is a comparative advantage in price.

## Spotlight: DuPont – new partnership looks to boost maize productivity through hybrid seed use

Following on from the process that led to the signing of its Letter of Intent in May 2012, DuPont continued its dialogue and negotiation efforts, conducting several in-country discussions between July and November 2012 with the GoE through the ATA and MoA, as well as with USAID. With supportive consultation and expertise from these partners, DuPont was able to enhance its business plan in alignment with country priorities.

All parties have since signed an MoU aimed at boosting maize harvests through increased use of hybrid maize seed, improved seed distribution, and post-harvest storage. This collaboration will enhance the incomes of more than 30,000 smallholder maize farmers in 15 woredas over three regions, and scale up a network for sustainable seed distribution in three years in support of the GoE's Agriculture Growth Program by:

1. increasing the productivity of assisted maize farmers by 50% and reducing their post-harvest losses by 20%;

2. enhancing the availability of improved maize seed and other inputs, as well as access to finance and markets; and

3. building the capacity of community-based farmer leaders, agriculture extension services, cooperatives, and farmer training centers.

Specifically, the partners have agreed to:

- GoE/MoA: provide overall guidance, agronomic expertise and agricultural extension services, and facilitation through Regional Bureaus of Agriculture and farmer training centers;
- GoE/ATA: devise a national strategy for the development of the maize value chain, identifying solutions to, and recommendations to address, systemic bottlenecks;
- DuPont/Pioneer (the company's seed business): provide sample hybrid seed, technical assistance, agronomic advice, credit for storage, as well as capacity building for farmer leaders, dealers, cooperatives and farmer training centers, and, in collaboration with all parties, build systems for improved input and output marketing of the seed; and
- USAID/GoE: furnish support for training, field demonstrations, commercial credit schemes, post-harvest storage development, soil sampling at demonstration sites, logistics, and market access and development.

> "Ensuring people everywhere have enough food to eat will require sustainable, local solutions and collaboration at new levels. The USAID and DuPont collaboration with the Government of Ethiopia marks a significant step forward toward improved productivity of Ethiopian maize farmers through enhanced agronomic practices and inputs"
>
> James C. Borel
> Executive Vice President of DuPont

## Spotlight: GUTS Agro Industry – innovative chickpea products create demand for smallholder produce

GUTS Agro Industry, founded by two Ethiopian entrepreneurs, engages in the production of high-quality nutritional food products and interacts with over 50,000 smallholders – 20% of whom are young farmers – to source chickpea, maize and soybean.

Its solid processing track record and relationship with chickpea farmers, including through the Adama-Lome and Becho Wolisso cooperative unions, led the company to explore a partnership with the UN WFP to produce a chickpea-based ready-to-use supplemental food (RUSF) – the first of its kind for the African market. In 2012, GUTS Agro worked closely with the WFP on product development and carried out an internal quality test of the trial product. The WFP subsequently made its first purchase of 4,000 satchels, which it is currently using to conduct a taste trial. If the trial yields positive results, GUTS Agro will invest in new equipment to manufacture the RUSF at scale.

To incentivize farmers to grow more chickpeas, GUTS Agro is committed to increasing market opportunities within the value chain. The company has developed new export-quality chickpea-based products for sale in Ethiopia. One of these products is packaged ready-to-eat shiro, a traditional food consumed regularly by an estimated 90 million Ethiopians. The company is able to price its packaged shiro at around the equivalent of the cost to consumers to make it themselves, thus representing a cost-efficient time-saving alternative. GUTS Agro is also in the process of engaging distributors to sell the product, and has already agreed that Ethiopia's main consumer cooperative will serve as at least one key point of distribution

## Spotlight: Diageo – a local sourcing model engaging smallholders

Critical to the sustainability of Diageo's growth plans for investment in African agriculture is the company's focus on empowering local communities through inclusive business models and value chains. In partnership with governments, development organizations and local enterprises, Diageo works with smallholder farmers to develop long-term, secure and sustainable sources of agricultural inputs for use in its production facilities, with the goal of increasing local sourcing from 30% (2007 baseline) to 70%. This not only makes good business sense, but also provides a dependable source of income and enhanced skills for farmers.

A case in point are Diageo's efforts in Ethiopia, where it has pioneered a "Partnership for Agricultural Growth" to source barley locally, in conjunction with the ATA, a Regional Bureau of Agriculture, and the UK-based NGO Farm Africa. The program engages farmers directly, supporting them with pre-financing inputs, capacity building and sustainable farming practices. The company also has a guaranteed off-take agreement with individual farmers, engaging a total of 764, 11% of whom are women. Indeed, a key ongoing priority for Diageo is increasing the level of participation of Ethiopian women farmers.

At the conclusion of its first year, the initiative yielded approximately 50% good-quality barley against post-harvest assessment. In the coming years, Diageo is confident it can improve the collective performance of all project partners, with a view to building scale by leveraging its collective learning and improved engagement with smallholder farmers, primary cooperatives and cooperative unions. Diageo is also prepared to increase its output targets as it looks to scale up the number of partner farmers.

ETHIOPIA

# Status on Letters of Intent

14 companies directed Letters of Intent to Ethiopia.

| | Goals | Year 1 – Progress update |
|---|---|---|
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Deepened country-specific market research.<br>▪ Conducted meetings and in-depth discussion with MoA and ATA, global partners and local institutions (e.g. Boehm Foundation).<br>▪ Opened and supported Technical Training College in Kulumsa in collaboration with partners (project of the German Ministry of Agriculture).<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Bank of Abyssinia | Contribute (along with Zemen Bank) to improved financial inclusion and mechanization of agri-businesses by targeting lending facilities to agricultural equipment suppliers and leasing companies, in order to enable farmers to acquire necessary equipment and enhance farming yields. | ▪ Disbursed $424,000 loan to an agricultural equipment leasing company.<br>▪ Loan in the pipeline currently being reviewed. |
| Diageo | Contribute to developing and implementing a scalable barley value-chain project with a potential to scale up sourcing (from 6,000 smallholders) to 20,000 MT/year by 2016 for local use and export. | ▪ In partnership with the ATA, global and local NGOs, farmers' cooperatives, and civil society organizations, launched a 3-year pilot program to improve barley production.<br>▪ Project in pilot phase – captured clearly-defined lessons learned and engaging partners to enhance the program for the coming years.<br>▪ Contracted 764 growers (30% of whom are young farmers), sourcing around 225 MT of barley from them in the pilot crop season; provided farmers with pre-financing inputs, capacity building on sustainable farming practices, and guaranteed off-take agreements. |
| DuPont | Contribute to increasing the productivity and sustainability of smallholders by:<br>1. investing in a new seed warehouse/conditioning plant;<br>2. co-developing a rapid soil information system for farmers; and<br>3. partnering to improve smallholder maize productivity through increased hybrid adoption. | ▪ Approval received for all 3 initiatives.<br>▪ Warehouse plant construction underway; machinery purchased and delivered.<br>▪ Implementation plan for soil testing agreed with Earth Institute, and first tranche of funding disbursed.<br>▪ Staff identified and selection of farmers underway for advanced maize seed adoption program; launch in April 2013.<br>▪ Committed to invest $3.5 million and expect to reach 35,000 smallholders. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| GUTS Agro Industry | Foster the development of local farmers and supply partners by:<br>1. expanding food processing operations into baby foods, iodized salt, and corn-soy blends;<br>2. integrating further up the value chain in chickpeas; and<br>3. increasing local sourcing of maize, soybeans, and chickpeas by 40-50,000 MT in the next 12 months. | ▪ Enhancing nutrition with production of fortified products, including corn-soy blend, fortified snack, iodized salt, infant formula, cereal, and chickpea-based RUSF.<br>▪ Trial RUSF product launched and undergoing taste testing.<br>▪ Pilot project in progress for production of super cereal plus.<br>▪ Launched new packaged shiro (a traditional food), competitively priced at around the cost to consumers to make it themselves.<br>▪ Invested $3 million to date across all efforts.<br>▪ Sourced 4,000 MT of chickpea, soybean, and maize (worth $1.5 million) from 52,000 smallholders (10% of whom are women and 20% young farmers), 100% of which remained in-country for further value addition – creating 164 new jobs in the process. |
| Hilina Enriched Foods | Help improve the daily income and nutritional status of smallholders by:<br>1. expanding agreements with smallholders who (through cooperative unions) supply chickpeas, unshelled and shelled peanuts, and soybeans;<br>2. introducing commercially-viable nutritionally-rich products;<br>3. developing industry/university links to make improved technologies available to farmers; and<br>4. increasing local sourcing of cereals and legumes from 32,500 MT to 50,000 MT by 2015. | ▪ In process of hiring staff and applying for bank loan for additional working capital.<br>▪ Conducted research into why peanuts were highly contaminated with aflatoxin to learn cause and develop prevention approach.<br>▪ Studied the environmental impact assessment of company and working with partners towards addressing the shortcomings identified. |
| Jain Irrigation | In line with national 2015 poverty reduction targets, contribute to developing irrigation and enabling infrastructure by:<br>1. developing an integrated agricultural cluster in an area identified as suitable; and<br>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing. | ▪ Investing approximately $6 million and working with Metals & Engineering Corp. (METEC), an Ethiopian defense organization, to improve sugarcane and farm development facilities. |
| Mullege | Scale up coffee operations and catalyze investment in other value chains by:<br>1. increasing local sourcing of coffee, oilseeds, and pulses;<br>2. extending partnerships with local/international companies; and<br>3. directly impacting 90,000 smallholders by 2015. | ▪ 2 cooperatives identified as partners for organizing smallholders in the best sesame growing area, but must first secure access to the land.<br>▪ Exploring partnerships with two major international companies in the sesame value chain.<br>▪ Working with Geocert and the Ethiopia Commodity Exchange on new traceability standards for coffee.<br>▪ Pursuing investment in a new coffee plantation, planting shade trees in smallholder areas to increase yield. |
| Netafim | Contribute to advancing irrigation systems for smallholders by:<br>1. piloting a household irrigation system, targeting 40-50,000 smallholders over 5 years;<br>2. introducing large-scale drip irrigation projects in chickpea and/or sugarcane, in partnership with other companies working along the value chain; and<br>3. exploring 3 export-oriented projects in cooperation with local company partners in the coffee and banana value chains. | ▪ Performed market research and reviewed potential projects and pilots with local representatives.<br>▪ Meeting relevant organizations such as the ATA.<br>▪ Exploring opportunities for project financing, including microfinance for smallholders. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Omega Farms | Contribute to adoption of enhanced chickpea growing methods by:<br>1. sharing improved chickpea production trial results with interested smallholders;<br>2. expanding commercial chickpea farm activities that create linkages with smallholder outgrowers; and<br>3. exploring opportunities to partner with other investors to integrate into processing activities (e.g. a plant to produce chickpea powder and hummus). | ▪ Engaged with ATA, seed suppliers, cooperatives (in progress) and international companies, with potential impact for 1,000 farmers in the Oromia woreda; so far, 700 farmers engaged.<br>▪ Pursuing opportunity to support a rotational crop to chickpea, in response to demand from off-takers. |
| Syngenta | Launch productivity partnerships providing advice, knowledge transfer, and solutions to farmers by:<br>1. developing at least one value-chain partnership;<br>2. partnering with at least one large-scale farm to support development of specific crops;<br>3. bringing in new technology, such as seed varieties; and<br>4. investing in farmer training. | ▪ Exploring opportunities with other large-scale players and value-chain companies.<br>▪ Working with Fair Planet to trial and commercialize vegetable seeds, and train smallholder farmers.<br>▪ Doing business with large-scale farms (Saudi Star, S&P), developing crop protection plans, and providing technical training – reaching 9,300 ha.<br>▪ Syngenta's Africa Academy program, a specially-designed course focused on large-farm management, attended by many managers of larger farms. |
| United Phosphorus Limited (UPL) | Contribute to improving productivity and income of small and marginal farmers of interest crops (corn, sorghum, sunflower, canola, rice, cotton, forages, legumes and vegetables) through technology transfer via on-farm training schools (3,000 trainees planned in 1st year), and by acting as key input and knowledge partner to large farms. | ▪ Work plan shared with ATA; exploring opportunities. |
| Yara | Build plant nutrition knowledge and co-develop national fertilizer market by:<br>1. developing an integrated approach to horticulture and coffee value-chain initiatives;<br>2. creating a tailored agronomic package (of people, tools and services) to support national priorities;<br>3. fast-tracking business investment program to link trade and distributor model aligned to specific crops; and<br>4. providing technical support to plant nutrition development capacity. | ▪ Recruited two agronomists to develop Yara's Crop Nutrition Concept on key crops in Ethiopia, including coffee, cereals, and horticulture.<br>▪ Yara Crop Nutrition trials in progress for cereals and coffee.<br>▪ Working in collaboration with GoE and ATA to develop business engagement strategy, in light of new government goals since the signing of the Letter of Intent. |
| Zemen Bank | Contribute (along with the Bank of Abyssinia) to improved financial inclusion and mechanization of agri-businesses by targeting lending facilities to agricultural equipment suppliers and leasing companies, in order to enable farmers to acquire necessary equipment and enhance farming yields. | ▪ Disbursed 3 loans to agricultural equipment lessors; average loan size of $764,000, average term of five years. |

ETHIOPIA

# Constraints identified by the private sector

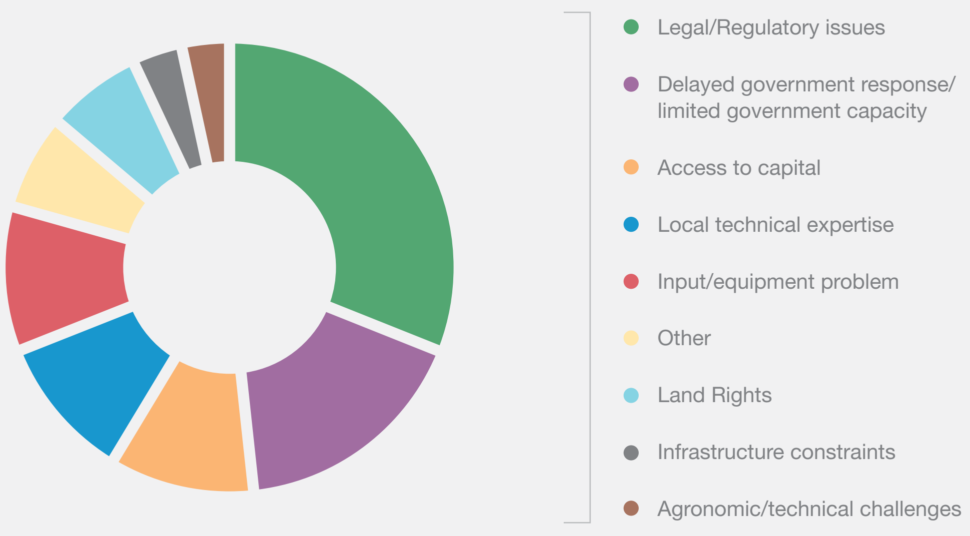
Companies prioritized the following constraints. If addressed they could strengthen the enabling environment and unlock further investment.

1. Regulatory rigidity: presents a limiting factor to rapid growth. The change in marketing system from national traders to the Commodity Exchange system has been a point of difficulty, while stringent employment laws also hamper access to reliable and affordable labor.

2. Government coordination capacity: presents a specific challenge, with often unclear division of responsibilities between various departments. The government has enthusiastically welcomed new investors, and the country's ATA is in many respects a model for the continent, providing a valuable platform for initial deals. During 2012, the Agency did not have the capacity to respond to all demand for follow-up, although in early 2013 it has recruited additional expertise. Other on-the-ground government support to facilitate private-sector investment projects has been of varying effectiveness.

3. Other: additional challenges include high import duties, difficulties in contract enforcement with smallholders, stringent lending restrictions imposed by the Central Bank (impeding access to capital), an insufficiency of local expertise, a shortage of inputs and equipment, and limited access to hard currency and to non-bureaucratic catalytic finance and technical assistance.

KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN ETHOPIA



FORWARD LOOK

# Scaling up partnerships and investment

The government continues to accord agriculture a top priority, with around 16% of its spending allocated to the sector – one of the highest proportions in Africa. The GoE is committed to sustaining Ethiopia's high growth, and enabling private-sector engagement as a key driver of economic transformation, particularly in the agriculture sector. It will continue its efforts to "crowd in" and generate a supply response from the private sector, through continuous refinements to policy, and public investment in infrastructure.

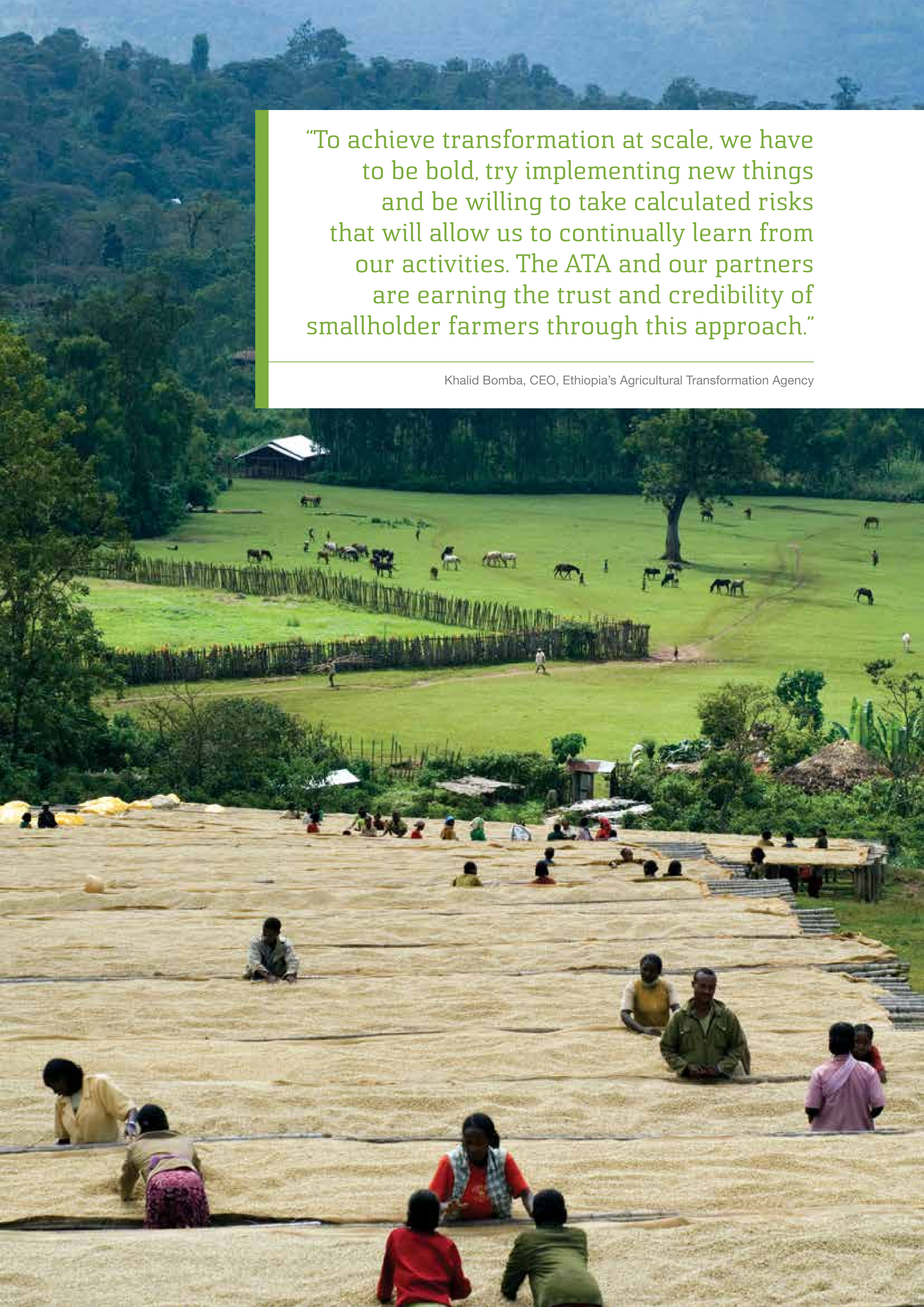
The ATA, along with other government bodies and partners, will persist with their work to address bottlenecks within priority value chains and catalyze investment. Expected activity in 2013 includes:

- setting up an autonomous Agriculture Land Investment Agency for efficient management and oversight of the allocation of 3 million ha of arable land available for investment;
- establishment of Special Agriculture Economic Zones, covering a total of 283,000 ha of arable land spread across three regions, in relation to which the GoE will facilitate land clearing work and the provision of essential infrastructure, before on-leasing to investors;
- scaling up investment and partnerships through a new dedicated Agriculture Desk at the Ethiopian Investment Agency, which will act as a systematized and consolidated source of information to prospective investors;
- scaling up land certification using geo-referencing technology, further enabling smallholder farmers to use their tenure security to access finance;
- expanding the number of Industrial Economic Zones to facilitate the expansion of the agro-processing industry;
- extending delivery of financial services to deficit regions by encouraging MFIs to establish around 1,000 rural savings and credit cooperatives, with the goal of increasing access to finance to 6.9 million clients by 2019;
- implementing a strategy to rebrand and reposition cooperatives as service-oriented competitive businesses, with strong internal structures and controls;
- training at least 1 million farmers in new agronomic practices that can significantly boost teff yields; and
- expanding and strengthening agricultural education, training, research and extension work.

Company reporting suggests that 2013 will be a year in which commercial agricultural operations in Ethiopia begin in earnest. Next year's report should show more demonstrable impact in terms of production, revenue, and smallholder integration into value chains.

"To achieve transformation at scale, we have to be bold, try implementing new things and be willing to take calculated risks that will allow us to continually learn from our activities. The ATA and our partners are earning the trust and credibility of smallholder farmers through this approach."

Khalid Bomba, CEO, Ethiopia's Agricultural Transformation Agency



# Ghana

## Country-led impetus for commercial agriculture is growing

“Modernizing agriculture” is the overarching theme that informs Ghana’s agricultural policy. It focuses on building a stronger role for the private sector in transforming agriculture, and emphasizes the importance of graduating from a low-productivity subsistence-based smallholder system to a sector characterized by a more robust market-based orientation, integrated value chains, extensive value addition, and a mix of productive smallholders and larger commercial enterprises engaged in agricultural production, processing and other activities along the value chain.

To maximize the impacts of private investment in agriculture on development, particular emphasis is placed on facilitating smallholder linkages with other commercial businesses through, for instance, contract farming and outgrower schemes. Recognizing some of the challenges of past efforts, the government is adopting a new public-private partnership (PPP) approach in which complementary and targeted public support serves to leverage or facilitate private agri-investment. Alongside government efforts to improve the enabling environment for agriculture, more direct measures are aimed at food-insecure areas.

A major thrust of the new approach is that of enhancing the role of commercial agriculture and strengthening agricultural value chains. To that end, the government is seeking to broaden and deepen existing levels of private-sector engagement by attracting further investment and involvement in the following areas:

1. additional large-scale commercial farms in the cereals sector have the potential to use large tracts of currently unutilized land to produce crops to meet domestic consumer demand (rice and white maize) as well as to provide lower-cost inputs to the local poultry industry (yellow maize), and ultimately, for export to the region;

2. multinational investment in expanding the horticulture sector, given Ghana’s established market presence in Europe and favorable geographical position, with a view to raising export revenues;

3. additional agro-processing, especially in the horticulture sector, to provide alternative markets for local production and create jobs;

4. expanding the number of private input dealers to extend the availability of seeds and fertilizer and thereby increase productivity across the sector;

5. marketing and processing of food staples for local consumption, for instance, by aggregating output from smallholders for bulk distribution and processing it to create economies of scale in the value chain.

RESULTS

# Solid groundwork laid for stronger private sector role

For much of the past year, the Government of Ghana's (GoG) attention has been occupied by an unexpected – followed by a planned – transition of political leadership. With leadership of the country's governance structures in flux over such a protracted period, progress on carrying forward the country's agricultural transformation has at times been slower than would otherwise have been the case. That being said, a number of initiatives to support private investment in agriculture that had been in development for some time were approved in 2012. These include:

- the Ghana Commercial Agriculture Project (GCAP): a $145 million World Bank- and USAID-supported agricultural development project was approved by government, with the principal objectives of improving the investment climate for agri-business and developing inclusive PPPs and smallholder linkages to increase on-farm productivity and value-addition in selected value chains;
- a PPP promotion project: implemented by the Ministry of Finance and Economic Planning, this $45 million World Bank-funded initiative is aimed at tackling the binding infrastructure constraints that hamper agricultural productivity and employment generation. The project will provide a Viability Gap Financing facility to assist private-sector investment in those PPP projects that – while having commercial potential – have substantial initial capital outlays that require additional public-sector support in order for them to be effectively structured for the market; and
- a political risk insurance facility: to the tune of $119.5 million was approved by the Overseas Private Investment Corporation (OPIC) to help modernize Ghana's agricultural sector, by supporting the installation of modern silos, grain mills, cold storage and livestock-breeding facilities, as well as computers and other technical equipment to assist in statistical research and agricultural monitoring throughout Ghana. The OPIC insurance will cover loan financing for the project being raised in the US bond markets by US-owned company Belstar Capital Ltd.

Additionally, 11 companies signed Letters of Intent outlining concrete investments in multiple commodities, spanning cocoa, maize, soya and cassava, and throughout the value chain, including in seeds, mechanization, fertilizer, production, consumer goods, financing, logistics infrastructure and storage. Many of these companies are laying the groundwork by staffing up, completing market research and feasibility studies, establishing farmer training programs, and introducing new technologies. For instance, with the procurement of 45,000 MT of commodity from smallholders this past year, Ghana Nuts is well on its way to meeting its goal of increasing procurement from 25,000 MT to 70,000 MT by 2015. As a result of a single investment by Injaro Agricultural Capital Holdings in a local cashew processing company, the latter has increased domestic processing capacity usage while also growing employment and local sourcing. The Yara-supported Masara N'Arziki Farmers Association has also assisted 8,500 farmers to triple their yields and double their profits with improved inputs and market access. Further, Finatrade has invested in new collection hubs to expand its logistics infrastructure, through which the company supports about 900 jobs and reaches over 200,000 farmers. Given the strong foundations laid in 2012 and active implementation already underway, the next year promises even more substantial and tangible results in terms of production and revenue.

## Macro indicators

With one of the highest GDP per capita rates in West Africa, Ghana's GDP growth averaged 2.02% between 2006 and 2012, reaching an all-time high of 16.8% in June 2011 and a record low of -5.90% in June 2010. Over the years, anti-inflationary monetary policy and a consolidated fiscal policy have contributed to this growth. However, inflation is under some pressure, while the country's debt profile significantly deteriorated in 2012 – coming in at just over 12% for the year, compared to the government's target of under 7%. An informal survey of the banking sector indicated that this has increased the cost of capital and halved the sector's willingness to lend to SMEs.

Agriculture dominated the Ghanaian economy until 2006, when the industrial and service sectors took over. That said, it remains a key driver of the Ghanaian economy, contributing 30% to GDP and just over 50% to national employment. Sector growth rates have been erratic year-on-year but reflect steady growth when averaged over each of the past 3 decades. According to the Overseas Development Institute, Ghanaian agriculture has grown by an average of about 5% per year during the past 25 years, making it one of the world's top performers in agricultural growth. The 2010 growth rate of 5.8% was just shy of the CAADP 6% growth target.

Annual growth of agriculture value-added (net output) was positive at 5.27% in 2011 (World Bank, 2012). Agricultural spending in Ghana, measured as a share of total budgetary allocations, fell during the late 1990s from 14% to under 5% and increased in the mid-2000s to just above the CAADP 10% target. According to a ReSAKSS study, in order for Ghana to maintain agriculture as a thriving factor of the economy, the government needs to invest in infrastructure, irrigation, extension services, marketing, and storage facilities.

Ghana is largely on track to achieve the Millennium Development Goal (MDG) target of halving the proportion of the population living in extreme poverty (to 26% by 2015). The overall poverty rate has declined substantially over the past two decades from 51.7% in 1991-92 to 28.5% in 2005-2006. However, this largely reflects significant poverty reduction in southern Ghana, while remaining prevalent in the north. The incidence of underweight children has declined from around 31% in 1988 to 13.9% in 2008, thereby achieving the MDG target of reducing by half the proportion of children under-five who are underweight.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2006 | Rural poverty: Rural population at rural poverty line in 2006 | Child malnutrition: Children under 5 based on height for age in 2008 |
|---|---|---|---|
| 1.1% | 29% | 39% | 29% |


ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

Data and text sources:

http://one-org.s3.amazonaws.com/us/wp-content/uploads/2013/03/Ag-fullreport-single-130326-small.pdf
http://www.undp-gha.org/site/mainpages.php?page=MDG%20Progress
http://databank.worldbank.org/data/databases.aspx
http://www.oecd.org/dev/emea/40577770.pdf
http://www.resakss.org

GHANA

# 2012 action for transformation

## Leadership and alignment

- Strong indications that senior levels of government support the promotion of agricultural investment, though with low levels of direct involvement.
- Representatives of major local agri-businesses show active interest, especially through the most relevant private-sector body – the Private Enterprise Federation (PEF). A few CEOs express a desire to lead the agri-investment agenda rather than relying solely on the government.
- Good level of collective commitment demonstrated among multiple stakeholders and at all levels, though stakeholder groups could benefit from improved organization.

## Strategy setting

- A country investment plan (METASIP) has been developed and a CAADP Compact signed. There is consensus that the METASIP should be re-evaluated to test objectives and alignment of activities, which is currently underway. This has paved the way for true strategic planning by government with stakeholders, but all could benefit from improved management of the METASIP.
- Widespread public sector agreement to focus on the major value chains and geographic areas where the greatest poverty, malnutrition and food insecurity are concentrated. Crops that easily reach the poor and have the best comparative advantage for commercialization have been selected as priorities.

## Investment pipeline

- It has proven difficult to facilitate sizeable investments in the government's geographical focus areas (of highest poverty), especially in the north. Agri-business is slowly growing, but while there is investor interest in the agricultural sector, this is not yet managed in a pipeline fashion by government.
- With development partners, the government is poised to bring significant public and private sector effort to bear in the next few years to transform the rural economy. Programs such as GCAP are designed to attract substantial private-sector investment and be inclusive of small farmers and their communities.

## Risk mitigation and financing

- Policy improvements, innovative financing, and insurance products are all under development, in anticipation of scale-up in the near future. These arrangements form part of customized projects and programs which, together, promise transformational impact.
- Crop insurance and a warehouse receipts system are being piloted. PPP facilitation with viability-gap financing is being put in place, as is a large matching grants facility.

## Infrastructure – soft and hard

- The policy environment is becoming clearer and emerging as a key component in the enabling environment.
- Agriculture still suffers from a lack of physical infrastructure in rural areas, though efforts are underway to activate PPPs to address this.

## Delivery and implementation

- Inter-ministerial coordination and management structures are recognized as weak yet much-needed. GCAP and a World Bank-supported PPP promotion project both aim to develop capacity in this regard.
- Some basic and formal organizational structures are in place but need to be more fully operationalized. More is needed to entrench, empower and build the capacity of these structures.
- There is some degree of reporting to senior government officials, but not yet to the highest levels.

The Ghanaian government is committed to attracting investors willing and able to invest in strategic sub-sectors that contribute most positively to national development gains. Plans are underway to secure an improved investment climate that reflects rights and obligations of investors, government and affected communities. Under GCAP, the government will establish a 'one-stop shop' for investment promotion, drawing on competencies from existing ministries, departments, and agencies to build a more streamlined institutional architecture.

This is expected to transform the current fragmented and ineffective regime to one in which agri-investment promotional efforts are focused on attracting domestic and foreign investments in activities, locations and business models that most contribute to Ghana's national development goals. The government also plans to strengthen its oversight capacity to ensure investors' development plans are being fulfilled, and to enable a more orderly exit of failing investors and the reallocation of land to new entrants.

## Spotlight: Warehouse receipts system now up and running

After several years of joint efforts between the Ghana Grains Council (GGC) and the national government, development partners and the private sector aimed at laying the foundations for a warehouse receipts system, Ghana's first certified warehouse has now opened. More than 2,000 farmers in six communities in northern Ghana are to benefit from a 500 MT-certified warehouse for grain storage, operated by the Gundaa Produce Company. Gundaa, a Tamale-based community maize aggregator, works with over 3,000 small farmers across the northern region, and is one of five certified operators that are piloting the warehouse receipt system.

The GGC has supported Gundaa staff to ensure they are equipped with adequate resources, equipment, insurance and software to run the warehouse. For this and all future certified warehouses, the Ghana Standards Authority will assist the GGC to sample and grade grains for receipting, in addition to providing its laboratory to resolve any disputes.

The certified warehouse receipts system enables farmer groups to bulk their excess bags of grain in community storage, which are then processed and re-bagged according to standard. A warehouse receipt is then issued to the farmer which can be used as collateral to secure loans from partner banks, while traders and processors can also use the receipts to secure good-quality grains in required volumes at stable prices.

More generally, the system is also expected to improve the competitiveness of Ghana's agriculture by increasing food production, providing better food security, reducing post-harvest losses, and stimulating higher levels of rural investment.

UT Bank is one of the first organizations to agree to acknowledge issued warehouse receipts as collateral, with a representative noting that the transparent and secure nature of the facility would boost confidence in the willingness of financial institutions to support farmers with loan facilities.

The GGC believes that organizing the grain industry in this way will also pave the way for a future Ghana Commodity Exchange.

## Spotlight: "Land Bank" set to make investor land search more fruitful

A key government investment in the pipeline through GCAP will facilitate access to land by providing a lower-cost land search system for potential investors through an expanded database of suitable holdings (a so-called "land bank"), and by actively matching investors with appropriate landowners.

In the case of land held under traditional ownership, facilitated due diligence and the sensitization of surrounding communities will promote an understanding of the rights and obligations under future lease agreements. A "model" lease would form the basis for all such agreements, including indicative arrangements for managing leasehold payments and other community development-type funds.

While two previous attempts at instituting a "land bank" have met with limited success, GCAP will support a new approach based on lessons learned from these past experiences, by also incorporating a mechanism enabling landowners to nominate land, making for a more proactive and effective clearing house.

These efforts will also prioritize capacity building and technology upgrading for the Land Commission (primarily responsible for the management of public lands), coordination between state and customary authorities on the establishment of development policies, and devising and implementing a comprehensive land title registration system throughout Ghana.

## Spotlight: AgDevCo – putting farmers in business

AgDevCo is a mission-driven financier and business builder that seeks to develop sustainable farming and agri-business enterprises which link large numbers of small-scale and emergent farmers to modern and profitable value chains. Established in 2009, AgDevCo has grown quickly and currently operates in Mozambique, Tanzania, Zambia and Ghana.

At the invitation of the Ghanaian government and its development partners, AgDevCo has been developing, as PPPs, three irrigated farming blocks to serve as grain production hubs in their respective areas (the "Ghana Green Fields Investment Program" or "GGF"). GGF is an innovative initiative aimed at generating sustainable income transformation and food security for large numbers of farmers by providing them with reliable access to the essential goods and services required to produce and market grains profitably.

Each farming block will include bulk and infield irrigation, as well as the required processing and storage infrastructure, and will be jointly operated by commercial farming companies in partnership with an array of local farmers. In exchange for access to publicly-financed infrastructure, the selected farming companies will be required to extend their 'soft' infrastructure (inputs, growing expertise, and market links) to the smaller PPP participants (emergent local farmers) with whom they will share the farming area.

## AGDEVCO GHANA - PROJECTS UNDER DEVELOPMENT

### Tono, Upper East Region

| | |
|---|---|
| SIZE | 3,000ha (new)<br>+ 2,500ha (existing) |
| CROPS | Rice, maize, soy + seed crops |
| MODEL | Two news nucleus/outgrower farmblocks adjacent to existing gov't irrigation scheme. |

### Bamboi, Northern Region

| | |
|---|---|
| SIZE | 5,000ha (net irrigated) |
| CROPS | Rice + seed crops |
| MODEL | Irrigated, serviced farmblock shared by professional farming co. and local emergent farmers. |

### Lower Volta Rice Block, Volta

| | |
|---|---|
| SIZE | 2,000ha (phase 1)<br>+ 2,000ha (phase 2) |
| CROPS | Rice |
| MODEL | Commercial farm with irrigated, serviced farmblock for local emergent farmers, Nucleus services. |

### Bamboi (further details)

| ENTITY | INVESTMENT | KEY ASSETS | AMOUNT | TARGET IRR |
|---|---|---|---|---|
| **Infrastructure Services Co.** (Publicly financed) | Patient Capital | Bulk water infrastructure (pumps, mains, pumphouses), roads & other shared infrastructure. | \$15-\$20m | 3.5% |
| **Tier 1:** Professionally managed 'nucleus' under pivot. | Commercial Capital | Infield irrigation (pivots), storage silos, processing/ milling/ factories, heavy farm equipment. | \$20m | 20% |
| **Tiers 2 & 3:** Emergent (~10ha each) and small (~2ha each) farmers growing food & horticultural crops under supervision of Tier 1 farmco. | Farmer equity, commercial capital, TA grants | Farm buildings, light equipment (ie shared tractors and motorcycles). | \$4-\$6m | 20%+ |
| | TOTAL | Integrated 3-Tier farm block | \$40-\$45m | 10-15% |

Over the past year, significant progress has been made on-the-ground, with project development initiated at both northern sites, and with irrigated variety trials and field demonstrations now underway at four locations in partnership with local scientific research institutes and commercial farming companies. Operating partnerships have also been developed and formalized with the Ministry of Food and Agriculture (MOFA), the Council for Scientific and Industrial Research, the Savannah Agricultural Research Institute, the Irrigation Company of Upper Region, and a commercial farming company in Wenchi for various aspects of the projects.

In addition, in 2012, AgDevCo closed on $6 million of financing from several investors including the UK and Dutch governments – enough to fully develop the two northern projects to the point where third-party capital can be catalyzed for implementation and operation. The GGF is currently in the process of developing a mutually beneficial plan with local communities and traditional authorities for sustainable and fair access to the land at each site, and undertaking detailed land-use, technical (topographic, hydrologic, soil, engineering and so on), and environmental studies.

At the end of this development stage, private- and public-sector partners will be presented with fully structured and validated investment plans against which strategic (operators and farming companies) and financial investors with experience in African agriculture and appropriate track records will be invited to bid for participation.

As well as creating commercially-viable investment opportunities for reputable farming companies and catalyzing private and public investment into commercial agriculture in Ghana, the GGF will contribute significant development benefits, including food security (50-70,000 MT annually of additional grains), poverty reduction ($10-20 million in additional annual local farmer incomes), economic development ($150 million + in annual GDP contribution), and financial leverage ($100-150 million in additional private investment into farms and associated businesses).

## Spotlight: GADCO – a scalable value-sharing model making a social impact

GADCO is an agri-food company with a business focus on African consumer markets. With initial operations in Ghana, and based on a “farm-2-consumer” business model that is scalable across high-demand crops and food products in key breadbasket countries and corridors, GADCO is working to build an emerging South-South corridor with Brazil, and to expand across West Africa in the coming years.

The company combines the following elements to transform agricultural commodities into Copa-branded consumer foods:

- a hybrid production model – which adopts modern agronomy and services, using Latin American know-how, to sustainably produce crops across company-managed farms and its ‘Copa Connect’ network of small producers;

Ghana Green Fields Investment Program helps farmers access goods and services for profitable produce grain production.

- value-added infrastructure – developed and mobilized to transform grains (captive and third-party) into safe and nutritious consumer foods; and
- product marketing – to develop Copa consumer products and brand loyalty in established and emerging distribution channels.

Endorsed by MOFA as a community-based PPP, GADCO has attracted global investors and partners – including Summit Capital, Acumen Fund, Deutsche Bank (with KfW), Root Capital, Syngenta and Finatrade – and is partnering with the World Bank to monitor the social impacts of its work, especially the Copa Connect program.

The Copa Connect program is a core part of the company's commercial strategy. It is designed to transform the livelihoods of smallholders with pre-financed inputs, extension services and training programs to improve the yield and quality of their produce, and then source inputs from these farmers for its Copa-branded products. Currently working with 500 small-scale rice farmers around the Volta region in Ghana, Copa Connect aims to reach over 8,500 smallholders by the end of 2016.

By integrating smallholders with modern nucleus farming through Copa Connect, GADCO ensures its own high-quality, traceable, and consistent grain supply by incentivizing farmers to use improved technologies and inputs along the value chain, from land preparation, input management and field monitoring, to rice processing. Indeed, program farmers are already producing three times the current Ghanaian average for grain output per hectare. In addition, linking farmers directly to the market through GADCO's Copa products de-risks farmer investment due to higher income from increased yields.

In partnership with the communities where it operates, GADCO is also leasing land with an innovative revenue–sharing model, allowing a continual investment flow-back into the local community, which collectively decides on the use of funds to benefit all community members, such as investment in clean water and education. The scheme offers another example of GADCO's approach to "shared value", which is opening new avenues to meet rising food demand, whilst transforming smallholder livelihoods and improving global food security.

## Spotlight: Yara – investing in maize for prosperity

Yara first established a presence in Ghana in the late 1980s through a local distributor, set up a local office and operations in 2007, and since then has continued to strengthen the quality and depth of input supply and related services along agricultural value chains to increase the productivity of Ghanaian famers.

In addition to being involved in a large number of ongoing business activities within the country and operating a blending plant that produces tailor-made fertilizer formulas for key crops in the country, Yara is actively pursuing new value-chain partnerships, engaging in high-level dialogue with government, contributing to technical analyses on sustainable smallholder development, and exploring plans for a $22 million revolving fertilizer terminal in the port of Tema.

Smallholder farmer development sits at the core of the nature of Yara Ghana's work and partnerships. Perhaps the strongest example is the Ghana Grains Partnership, in which Yara and Wienco have invested significantly in building a partnership around the smallholder-focused commercially-oriented producer association – Masara N'Arziki ("Maize for Prosperity").

Through the initiative, smallholders are supported with:

- technical advice and training on improved agricultural practices to increase yield and quality (via farmer crop clinics, farmer forums, and educative radio);
- access to credit;
- guidance on good land use and management practices;
- business management training;
- provision of storage capacity;
- guaranteed price for the produce; and
- access to a sustainable market.

Yara recently invested another $1.5 million in Masara N'Arziki, bringing its total investment to $2.2 million. Masara N'Arziki farmers have seen significant increases in yield and profit. The association now reaches approximately 8,500 farmers (approximately 15% of whom are women), resulting, in 2012, in nearly 12,000 hectares of high-quality maize cultivation through improved technology and management practices. It also led to almost $8 million of produce being sourced from smallholders, 100% of which met quality standards and went towards further value addition in-country, and the creation of 85 new jobs.

## Spotlight: Injaro – impact investment for agricultural SMEs

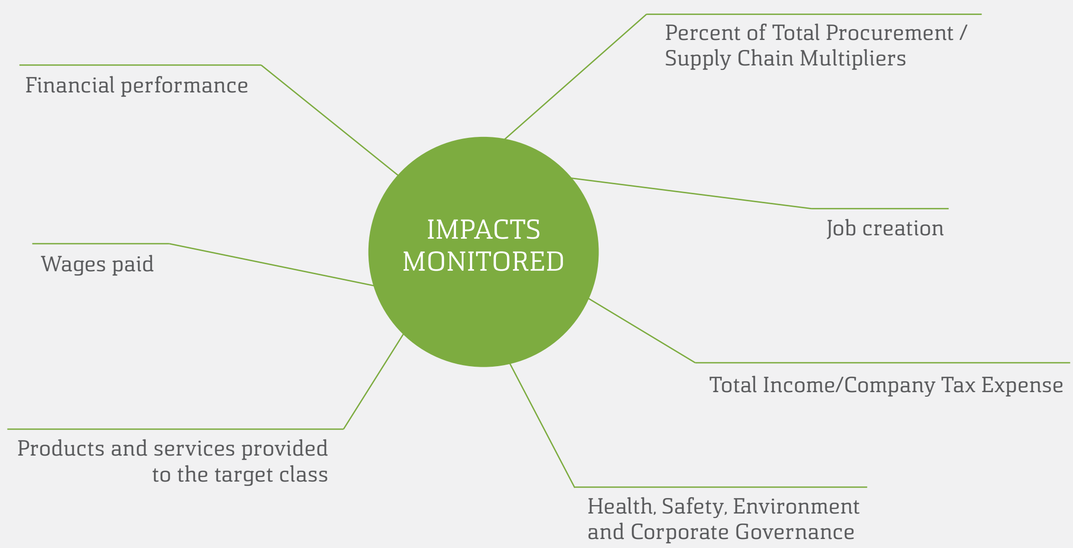
Injaro Agricultural Capital Holdings carries out investment with the aim of advancing the social objectives of alleviating poverty and revitalizing distressed regions in West Africa.

To that end, Injaro invests in debt, quasi-equity, and equity in small-and medium-sized enterprises along the agricultural value chain in designated West African countries. The $17 million fund (currently fundraising to achieve a target fund size of $50 million) combines access to finance with sound business advice and technical assistance to SMEs, enabling them to better capitalize on market opportunities and generate profitable returns for investors, whilst also creating a positive social impact.

Injaro has made investment commitments to 6 companies in 5 countries (2 in Ghana and 1 each in Burkina Faso, Cote d'Ivoire, Niger, and Mali), with $2.4 million disbursed by end of 2012 (and another $3 million to be disbursed in 2013). Investments range from $400,000 to $2.8 million, filling a void in the so-called missing middle. A grant-funded technical assistance facility also provides pre- and post-investment support services to portfolio companies.

In Ghana, Injaro works with both Kona Agro Processing and M&B Seeds and Agricultural Services. The latter supplies improved seeds to smallholder farmers in the Volta Region, while Kona, located in northern Ghana, supplies cashew kernels for export – a $1.3 billion market. Although 45% of global production of raw cashew nuts takes place in Africa, only 3% of this production remains in Africa for further value addition through processing. Injaro's investment in Kona supports improved company management with new staff and accounting software, as well as improved capacity utilization of the company's processing unit. Technical assistance has also been provided to verify raw nut quality, which improves processing yield. The results to date include over 100 new jobs, an additional $400,000 in local procurement of cashew, increased utilization of 1,000 MT per annum processing capacity (from 8% baseline to almost 50%), and a twenty-fold rise in revenues.

Injaro aims to generate economic benefits for a target class made up of Low Income Persons (earning less than $2/day) and/or Rural Smallholder Farmers (with less than 2 ha of production), and monitors outputs of portfolio investments to ensure this target class is achieving positive impacts. It is estimated that in 2012, Injaro's investments directly benefited the target class by supporting $230,000 in wages paid, almost $3 million in local sourcing, and by creating more than 280 jobs.



New cassava-based “Eagle Beer” offers diversified income for smallholders, and safer, higher-quality drink for low-income consumers.

## Spotlight: SABMiller – new beer brew turns cassava surplus into a cash crop

In 2012, SABMiller stated its intention to launch a cassava-based beer in Ghana, through its local subsidiary Accra Breweries Limited (ABL), using crop sourced from local smallholder farmers.

In Ghana, as elsewhere in Africa, cassava is grown by poor farmers, many of them women, often on marginal land. For these people and their families, the crop is vital for both food security and income.

While farmers in Ghana produce more than enough cassava for domestic consumption, the surplus has traditionally been difficult to bring to market due to immediate deterioration after harvesting. As cassava is also nutritionally poor, diets need to be supplemented by other foodstuffs – hence the importance of supporting cassava farmers to generate incomes from selling their surplus, as well as producing other food crops.

ABL has thus partnered with the Dutch Agricultural Development and Trading Company (DADTCO), which has designed a mobile processing unit transportable to cassava-growing regions for processing the root in situ, thereby preserving the integrity of the starch. The resulting model has been endorsed by the Government of Ghana as a means of ensuring a new income stream for cassava farmers.

ABL’s cassava-based “Eagle Lager” was launched in March 2013. It is hoped that cassava sourced from up to 1,500 farmers will be used in brewing the product over the coming year. The beer also presents an opportunity for low-income consumers. Priced 30% lower than mainstream lagers, it will offer a safe, affordable, high-quality alternative to the informal or illicit alcohol they might otherwise drink.

The Ghanaian project follows SABMiller’s successful launch of the world’s first cassava beer “Impala” in Mozambique in 2011. The cassava for “Impala” is now being sourced from over 500 farming families, providing them with a new income and generating fresh sales for retailers. Results will be better quantifiable in 2014 after a follow-up survey.

As has happened in Mozambique, a baseline survey and periodic follow-up surveys will be carried out in Ghana by the International Fertilizer Development Center (IFDC) and DADTCO, to quantify the impact of the program on the lives and livelihoods of farmers in the value chain and their families. Teams of trained field researchers will travel to the farming districts to conduct these studies.

SABMiller sees great potential for further commercializing the cassava supply chain in Ghana and Mozambique, and for successfully deploying its cassava sourcing model and brewing expertise in other parts of Africa in the future.

> “Agriculture is at the core of our brewing supply chain, and we are committed to helping farmers raise the productivity of both the crops they sell to us and the food crops that they grow.”
>
> Adjoba Kyiamah
> Corporate Director, Accra Brewery Limited

GHANA

# Status on Letters of Intent

11 companies directed Letters of Intent to Ghana (with 4 more making reference to work in the country).

| | Goals | Year 1 – Progress update |
|---|---|---|
| African Cashew Initiative (ACi) | Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Cote d'Ivoire, Ghana, Mozambique, by:<br>1. convening investments from corporate partners (around $21 million);<br>2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organizations;<br>3. utilizing matching grant funding to assist private-sector projects to enhance farmer productivity; and<br>4. planning to invest around $50 million through Phase 1 (lasting into 2013) – 50% from private companies and potentially $20-30 million in 2013-2015 – 60% from private players. | ▪ Internal staffing and processes in place.<br>▪ Several project partners identified.<br>▪ Increased local processing capacity through new ACi investments.<br>▪ Development of regional governmental agricultural services supported in order to serve producing and processing stakeholders.<br>▪ Across Africa, 240,000 farmers trained since 2009, and invested a portion of around $32 million (reaching 330,000 smallholders). |
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Started country-specific market research.<br>▪ Conducted meetings and in-depth discussion with MOFA, others in Ghana government, global partners and local institutions (e.g. Kufuor Foundation).<br>▪ In planning to identify investment needs.<br>▪ Intending to schedule meetings with potential partners.<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Agriserv | Actively engage across the value chain with a goal to impact three major areas:<br>1. hybrid maize: partner with Pioneer (a DuPont business) to introduce hybrid, high-yielding and drought-tolerant maize seeds to Ghana capable of lowering farmers' production costs and improve profits;<br>2. local production: renew and expand procurement partnerships with local production companies and extend business linkages and off-take agreements with smallholders. Plan to have 5-6 partners, each having direct contact with 3,000-10,000 smallholders, providing, for instance, extension and tractor services, storage and warehousing; and<br>3. poultry and livestock: cooperate closely with the Ghana Federation of Agricultural Producers, covering 3.5 million farmers, to focus on reviving the Ghanaian poultry value chain and livestock industry, the start of broiler activities, and cattle fattening. | ▪ Hired relevant staff resources.<br>▪ Identified two commercial farms with which to partner, including one producing feed for livestock.<br>▪ Planting of maize seeds in progress; working on sorghum trial.<br>▪ Partnered with Valmont Valley to introduce maize under irrigation in 2012, allowing 3 crop cycles per year.<br>▪ Invested $500,000 and reached 20,000 smallholders with distribution of 5,000 MT of Pioneer maize hybrids. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Armajaro | Help establish community-based farmer organizations (536) to disseminate training, improved planting material, and finance for farm inputs, by collaborating with the Ghana Cocoa Board and other cocoa stakeholders to invest $3.7 million in doubling yield income for 26,800 cocoa farm families. | ▪ Geo-traceability tools rolled out to begin the process of farm mapping, farmer socio-economic data and farm biodiversity data collection.<br>▪ Piloted 3 farm shops to test and learn lessons from input-supply model in order to scale this up in the following years.<br>▪ Nursery development and demo plots in progress<br>▪ Registered and conducted training for around 16,000 farmers (30% women), resulting in about 25,000 ha of land under improved technology and management practices.<br>▪ Invested $746,000, leading to the creation of 30 new jobs . |
| Ecobank | Continue to work towards improving access to affordable finance for the agriculture sector by:<br>1. promoting market access, ensuring market supply consistency, and enhancing market return;<br>2. over the next 7 years, targeting $5 million in lending to agri-SMEs in rice, maize and soya value chains, with a particular goal of extending medium-term lending;<br>3. expand access to finance to include nucleus farm operators, aggregators and traders, processors, agro-inputs and supply companies, transportation and mechanization services companies, or farm-based organizations. | ▪ Pursuing strategies to better extend finance across the value chain, including internal training; trained 10 officers in 2012 in northern Ghana in best practices in agro-lending.<br>▪ Signed on as a member of the GGC to help implement the warehouse receipts system.<br>▪ Established partnership with technical assistance provider to make agri-SMEs and farmer groups more attractive for bank financing.<br>▪ Increased agriculture portfolio by 10% since mid-2012. |
| Finatrade | 1. Expand sourcing beyond current cocoa, cashew nut, sugar and rice to include maize and soya;<br>2. Increase cocoa procurement to reach 60,000 farmers producing 150,000 MT by 2015;<br>3. Support access to credit and production resources, training programs, and award schemes; and<br>4. Expand input and output distribution networks and trade channels by 20% over 4 years, including haulage and port clearing services, redistribution hubs, storage facilities, and distribution vehicles. | ▪ Developing supply-chain optimization strategy, including mapping farmers.<br>▪ New collection hubs under construction to expand current logistics infrastructure.<br>▪ Ramping up Finatrade Agribusiness Resource Model (FARM), which provides farmers access to a range of inputs, training programs, and traceability schemes through a reverse logistics system (bringing goods to the farmers).<br>▪ Invested $800,000, directly and indirectly reaching about 200,000 farmers (12% women), leading to improved technology and management practices on about 300,000 ha, and supporting about 900 jobs (primarily in logistics and processing) throughout the country. |
| Ghana Nuts | 1. Promote soya by:<br>▪ increasing procurement from 25,000 MT to 70,000 MT by 2015<br>▪ advancing mechanized production and investing in increased processing capability; and<br>▪ extending business linkages and partnerships to 60 partners to drive efficiency in crop and animal production, processing and marketing – impacting 25,000 smallholders;<br>2. Target to expand into maize by:<br>▪ expanding procurement/ processing (50,000 MT by 2015);<br>▪ doubling the area under cultivation to 1,000 acres and source 3,000 MT by 2013; and<br>▪ designing a pilot project to test the viability of yellow maize for the poultry industry. | ▪ Feasibility studies and market size estimation projects finalized.<br>▪ Met with various stakeholders to discuss the plan and agree on timelines.<br>▪ Cultivated pilot 1,000 acres of yellow maize, with harvest underway; plan to expand to around 4,000 acres.<br>▪ Invested $4 million (and $600,000 in-kind) reaching 27,000 smallholders.<br>▪ Procured 45,000 MT of commodity from smallholders. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Injaro Agricultural Capital Holdings | 1. Invest a minimum of $5 million in-country (through subsidiary Injaro Agricultural Venture Capital Ltd) to develop 5 agriculture/agri-business ventures by 2015 that support:<br>▪ production and supply of improved seeds to smallholder farmers;<br>▪ capacity building in agricultural SMEs; and<br>▪ increased investment in the agricultural sector;<br>2. Play a catalytic role in the agri-sector by furthering job creation, wage growth, increased local procurement, mobilization of additional finance, and creation of a tax base. | ▪ Commitments of approximately $7 million made to 6 companies in 5 countries, including 2 in Ghana.<br>▪ Results to date from one of these Ghanaian companies has seen 100 new jobs and $400,000 in local procurement of cashew added, increased processing capacity usage, and twenty-fold growth in revenues.<br>▪ Actively exploring good investment opportunities in Ghana, with a number of companies in the immediate pipeline. |
| Premium Foods | Renew and expand local procurement partnerships to increase smallholder productivity (maize by 40%, soya by 20%, and rice by 60% by 2015) through:<br>1. recruiting 25,000 new farmers, training 200+ new tractor/combine harvesters;<br>2. increasing farmer access to and use of improved seed/agrochemicals;<br>3. improving access to warehousing services for 15,000 smallholders or 30,000 MT of storage. | ▪ Trained operators with combine harvesters (bought 3 and started training smallholders and MOFA staff).<br>▪ Plan to gain access to abandoned government land in partnership with communities; exploring 100,000 ha joint pilot as a first step to provide land for farmers.<br>▪ $400,000 made available in capital investments, $250,000 in inputs credit.<br>▪ Worked with 2,600 small farmers, providing inputs credit with in-kind repayment. |
| Rabobank | Contribute to improving access to finance for small and medium-sized agri-businesses by:<br>1. establishing a new agri-business finance institution in West Africa aiming for a portfolio of over 200 customers;<br>2. building capacity of local agro-sector professionals to maximize benefits of increased access to finance. | ▪ Pursuing all licenses required to launch operations in Ghana.<br>▪ Secured key staff to lead these operations.<br>▪ Recruiting farm and agri-business company shareholders. |
| SABMiller | 1. Target to bring cassava processing technology to Ghana (through Ghanaian subsidiary ABL) via mobile processing units;<br>2. Plan to expand brewing capacity and create new jobs (89,000 across Africa) by investing $400-500 million a year over the next 4-5 years in Africa; and<br>3. Work closely with GoG for creation of farmer cooperatives to give farmers better access to credit and loans. | ▪ Launched cassava beer under "Eagle" brand in March 2013.<br>▪ Ongoing partnership with DADTCO and IFDC for processing and extension services.<br>▪ ABL sourcing sorghum and maize from 2,000 smallholders via two processing intermediaries.<br>▪ Purchased cassava from 20-25 farmers with expected increase to 1,500-2,000 in future.<br>▪ With DADTCO, invested approximately $3.7 million, plus $600,000 in equipment, in relation to cassava beer launch. |
| SFMC | 1. Improve farmer efficiency, yields, quality, and sustainability and hence increased incomes; and<br>2. Boost the number of smallholders engaged – providing business linkages and market access tied to maize, soya, and sorghum – from 15,000 to 26,000 by 2016, as the sourcing network is expanded through increased procurement agreements and additional partnerships. | ▪ Started operations at an Agri-business Center to enhance handling of post-harvest activities for smallholders – procuring grains and cereals from 1,000 smallholders through this effort.<br>▪ Engaged an Operations Manager, Warehouse Technician and 4 other staff for warehouse operations.<br>▪ Signed supply contract with 700 farmers.<br>▪ Reached 12,000 smallholders, purchased about 1,632 MT of products (2,000 MT soya and 200 MT sorghum) worth $240,000.<br>▪ Set up rice parboiling shed for 3 women groups of 45 individuals, who are being supported to process rice from large-scale farmers, which is then milled within the Agri-business Center. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| United Phosphorus Limited (UPL) | Contribute to improving productivity and income of small and marginal farmers of interest crops (corn, sorghum, sunflower, canola, rice, cotton, forages, legumes and vegetables) through technology transfer via on-farm training schools (3,000 trainees planned in 1st year), and by acting as key input and knowledge partner to large farms. | ▪ Despite multiple attempts, UPL has not yet had an opportunity to discuss business plans in more detail with government. |
| World Cocoa Foundation | Roll out two new initiatives as part of its $40 million Cocoa Livelihoods Program:<br>1. investing $3 million in a Matching Grants program to promote private sector-led farmer training and service activities to double the productivity of 35,000 cocoa farmers from 400 kg/ha to 800 kg/ha; and<br>2. investing $800,000 in a Financial Growth Fund to increase farmers' access to financial services providing them with the necessary working capital to purchase inputs. | ▪ Mobilization of financial institutions to provide credit to cocoa farmers for the purchase of inputs, namely fertilizer.<br>▪ Training of cocoa farmers in proper use of inputs, including fertilizer, planting material, as well as training in good agricultural practices, marketing, soil conservation, waste management, integrated crop and pest management, and farm management.<br>▪ Training of farmer cooperatives in business management and governance structures. |
| Yara | 1. Develop a world class fertilizer production facility (overall investment of $1.5-2 billion); combine investment in production facility with development of regional fertilizer hubs and holistic value-chain initiative;<br>2. Cultivate long-term partnerships with government to incorporate the agriculture strategy into a broader development context, and to co-create a national strategy for holistic, in-country fertilizer market development; and<br>3. Promote comprehensive end-to-end value-chain initiatives and cluster-based approaches, and build up local crop-specific plant nutrition knowledge. | ▪ Exploring the development of a $22 million revolving fertilizer terminal in the port of Tema.<br>▪ Continued focus on smallholder development through training, group cohesion and providing storage capacity.<br>▪ In collaboration with the Cocoa Research Institute of Ghana, developed tailored products for cocoa, which have doubled yields in trials.<br>▪ Invested additional $1.5 million in Masara N'Arziki Farmers Association reaching 8.500 farmers with almost 12,000 ha under production, leading to domestic sales and processing of around 31,500 MT, in turn resulting in farmers tripling their yields and doubling profits. |

The following investment plans exist, but no progress report has been shared to date:

| | Goals |
|---|---|
| Jain Irrigation | 1. Contribute its proprietary agricultural and irrigation technology and know-how, expertise in capacity building, market linkages, processing capabilities, and solar technology;<br>2. Convene investments in irrigation and enabling infrastructure for the creation of storage, handling, supply-chain, procurement and processing infrastructure; and<br>3. Work with partner countries to select priority value chains and regional locations to develop a feasibility study for this integrated approach. |

GHANA

# Constraints identified by the private sector

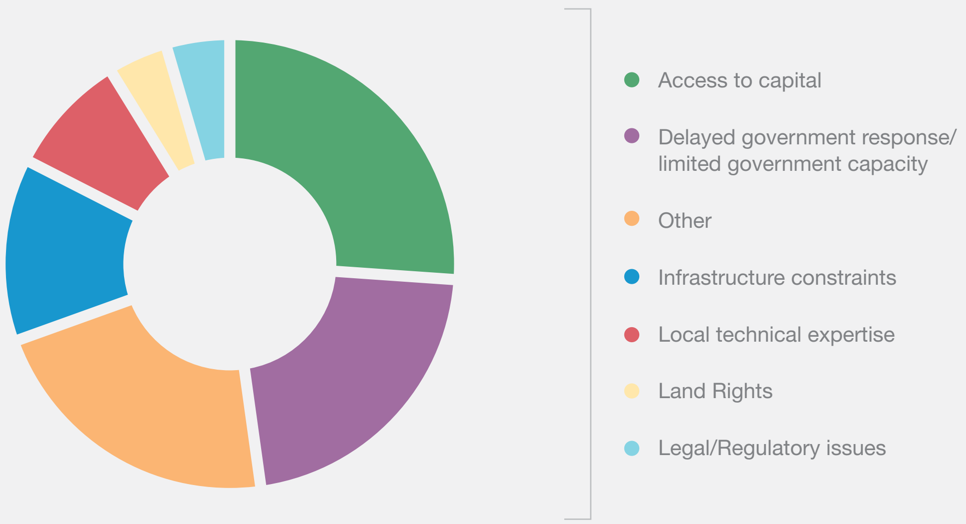
Companies prioritized the following constraints. If addressed they could strengthen the enabling environment and unlock further investment.

1. Lack of access to capital presents a significant challenge. Despite Ghana's stability and increased investment activity over the past year, the cost of capital is among the highest in Africa, further exacerbated by exchange rate fluctuations. In particular, those without access to international capital experience difficulties and delays in obtaining finance, with some unable to meet the technical requirements imposed by financial institutions. Farmers have also been essentially excluded from traditional bank lending, reducing their ability to expand production (and thus limiting demand for up- and downstream services).

2. The government's capacity to respond promptly and efficiently, notwithstanding its demonstrated enthusiasm for increased investment, is hampered in areas such as land acquisition and tenure by the lack of a cohesive platform through which to facilitate agricultural investment. Without a single entity driving rapid action on the ground and continued coordination across agricultural projects, investments may experience significant delays at all project stages.

3. Limited infrastructure development, including with regards to electricity and the density and quality of the road network, increases transaction costs all along the value chain. Costly imports to farming regions raised input costs, while inadequate storage facilities and roads reduced output profitability. Local farming groups have been particularly challenged by the insufficiency of storage and high rental costs, while operating expenses for community aggregation projects have sometimes become prohibitive.

## KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN GHANA



FORWARD LOOK

# Working to enhance productivity and smallholder integration

In collaboration with development partners – including the World Bank, USAID, and the China Development Bank – the GoG has launched various projects and programs to develop infrastructure, address the complexities associated with acquiring land, and improve farming practices employed by smallholder farmers. The emphasis of these initiatives is on enhancing productivity along value chains, as well as providing smallholder farmers with the tools and skills necessary for their commercial transformation and for integrating themselves into supply chains.

- To support such ventures, through GCAP, the government will provide matching grants to start-up agri-businesses and identify PPPs, complementary public investments, and technical assistance required to support investment in the Accra Plains and the Savannah Accelerated Development Authority zone in the north, particularly for irrigation infrastructure, warehouse rehabilitation and construction, agro- processing plants, and storage infrastructure.
- As previously mentioned, in order to address infrastructure constraints on agricultural productivity and employment generation, the Ministry of Finance and Economic Planning is implementing a PPP promotion project which will provide a Viability Gap Financing facility aimed at complementing private investment to strengthen the market orientation of PPP projects which, though presenting strong commercial prospects, face significant initial outlays.
- Also cited earlier in this chapter is the "land bank" being instituted by the Lands Commission under GCAP, which will go beyond providing information on the location of available land, and among other things identify crop potential and soil types.
- The Ghana Investment Promotion Centre is being supported by GCAP to strengthen the capacity of its investment promotion functions and provide project implementation support to investors to catalyze future agricultural investment.

The Minister of Agriculture, the Hon. Mr. Clement Kofi Humado, has prioritized private-sector investment opportunities in Ghana in the following areas:

- Production of good-quality seeds for crops;
- Technological and support services: supply and installation of cold chain equipment, packaging, and factory building technology;
- Distribution services: post-production services in transport, packaging and cold vans;
- Standards, training and certification; capacity building for management and market-oriented enterprises; market intelligence research, agricultural finance and insurance;
- Production of agricultural inputs;
- Storage facilities and haulage services;
- Construction and expansion of irrigation facilities; and
- Supply of machinery and inputs for livestock.

In Sub-Saharan Africa women grow 80 - 90 percent of food, but face additional barriers to commercial production.

## Investment and partnering opportunities

Ghana provides significant opportunities and a unique set of advantages for investors in commercial agriculture, including access to water for all-year production, large plots of arable land, ecological zones suitable for the production of a diverse range of commodities, a politically stable and strong investment-enabling environment, and established export channels to Europe and the United States.

### A range of prospects on offer for investors in growth commodities

Short-term investment opportunities include investments that provide capital to currently operating agri-businesses seeking to expand the production or processing of key commodities. Three such commodities have been identified as offering attractive opportunities for near-term investment:

- Cassava: due to its wide-ranging applications, demand for this crop is expected to continue to grow solidly. In addition to being a key staple of the Ghanaian diet, it is also used by breweries and can be used as a replacement for wheat flour. In 2010, Ghana produced more than 13 million MT of cassava, making it the most highly-produced crop in the country and the second most widely-grown by area. Cassava yields in Ghana are 20-30% higher than regional and global averages, with potential for even greater yields with improved agronomic practices and mechanization. In order to increase cassava production to meet rising demand, processing capacities will need to be further developed, as post-harvest losses through spoiling constrain the potential for processing and export.
- Rice: as the consumer predilection for rice over other grains increases, domestic consumption of rice is expected to grow significantly by 2015. While Ghana currently produces nearly 300,000 MT of rice per year, demand necessitates the import of another 300,000 to 400,000 tons – a quantity that will likely increase as consumption further outpaces production. In addition, production of straight-milled, aromatic rice will also need to be boosted in order to meet the preferences of more sophisticated consumers. As such, there is strong potential for investment in the rice value chain as a means of stimulating local production.
- Maize: as Ghana's most widely-consumed staple crop, maize production is a key component of the country's food security agenda. While middle-class consumer preferences are shifting towards rice, continued population growth is also expected to strengthen the already high local demand for maize, which grew 8% per year from 2005 to 2009. In addition, yellow maize is a key input into Ghana's growing poultry sector, which serves as an additional market for local production.

### Emerging market openings with scope for development

Medium-term opportunities include greenfield investments in the primary production and processing of commodities, with significant potential to become competitive with imports. Opportunities in these value chains may require additional development in order to be commercially viable in the long term.

- Cashew: increasing local demand and a flourishing export market are driving growth in the local production of cashews, for which West Africa has a competitive advantage. Currently, there is little capacity for processing local production, and opportunities therefore exist to expand that capacity to serve local and export markets. Additionally, cashews are an important source of buffer cash for smallholder producers, as most harvesting takes place during a lean season for other crops.
- Poultry: rising domestic incomes have increased consumer demand for animal protein, with consumption growing 13.9% per year from 2005 to 2009. Local production is primarily of "layers" rather than "broilers", which are largely imported from Brazil due to the lower cost of production. Poultry production costs are dominated by the cost of feed, although increases in domestic production and processing volume of yellow maize and soya could decrease this factor cost, making Ghanaian poultry more competitive and investment opportunities more profitable.
- Sorghum: as a major staple crop in northern Ghana, the use of sorghum for human consumption and as an input to animal feed is driving annual demand growth of 17.3%. Additionally, breweries in Africa, including Guinness Ghana Breweries, have increasingly adopted sorghum as a replacement for barley in order to localize supply. Opportunities exist to expand sorghum production for breweries and animal feed producers.
- Soya: rapid growth in local consumption (26% annually between 2005-2009) is being driven in large part by the use of soya meal as an input for poultry feed. Soya oil is also in high demand by the paint industry. Globally, soya demand has increased for both biodiesel production and as an input into livestock and poultry feed. Opportunities exist in Ghana to serve the growing local poultry industry through the production and processing of soya.

**Investors interested in learning more about opportunities in Ghana's agri-business sector should contact:**
Ghana Investment Promotion Centre | +233 302 665125(-9) | info@gipcghana.com

“Much of the investment in Africa can come from Africa if we provide the right financing mechanisms and policy environment.”

Jean-Louis Ekra, President, African Export-Import Bank

# Kenya

## A time of transition

Agriculture is of high importance to Kenya, providing 80% of rural employment, 26% of GDP, and 45% of government revenues. The Agricultural Sector Development Strategy (ASDS) for 2010-2020 defined goals for the sector and committed public investment in support of these. One of the major priorities identified in the ASDS is to harness the “Lamu Port–South Sudan–Ethiopia Transport Corridor” (LAPSSET) as a driver of agricultural growth in Northern Kenya, and it was in this area that the Kenyan government requested Grow Africa to help attract agricultural investment.

The LAPSSET seeks major infrastructure improvements along a corridor that links Lamu Port to regional markets in South Sudan, Ethiopia and beyond. A new 32 port berth is planned in Lamu, linked to a new 1,300 km oil pipeline, 1,700 km of new roads, 1,600 km of new railway and 3 new airports. A LAPSSET Regional Agricultural Development Plan aims to harness this new infrastructure through 6 growth areas, each with high potential for agriculture. Specific investment opportunities are being developed for major security crops, horticulture, livestock and irrigation.

The ASDS also highlighted national-level action, to foster a better enabling environment for agricultural growth. This includes a stable microeconomic and policy environment, review of agricultural taxation laws to remove fiscal disincentives, promotion of good governance and security, development and management of infrastructure, and improvement of energy supply.

RESULTS

# Progress in an election year

The election in April 2013 has dominated the attention of Kenyans over the last year. Government leaders and their partners have faced uncertainty and a multitude of distractions over the period. As such, Grow Africa has been unable to sustain a close engagement, and has not gathered progress reports.

As this Report goes to print, Kenyan Ministers are being appointed. Grow Africa looks forward to re-engaging with the Kenyan government in 2013 and helping to rally the private sector to the country's agricultural development agenda.

In mid-2012, a few international companies stated plans to invest in Kenya as part of their "Letters of Intent". Progress reports on these investments are included in this chapter for completeness. All are advancing, but generally remain at a preparatory phase, with Syngenta making especially strong progress.

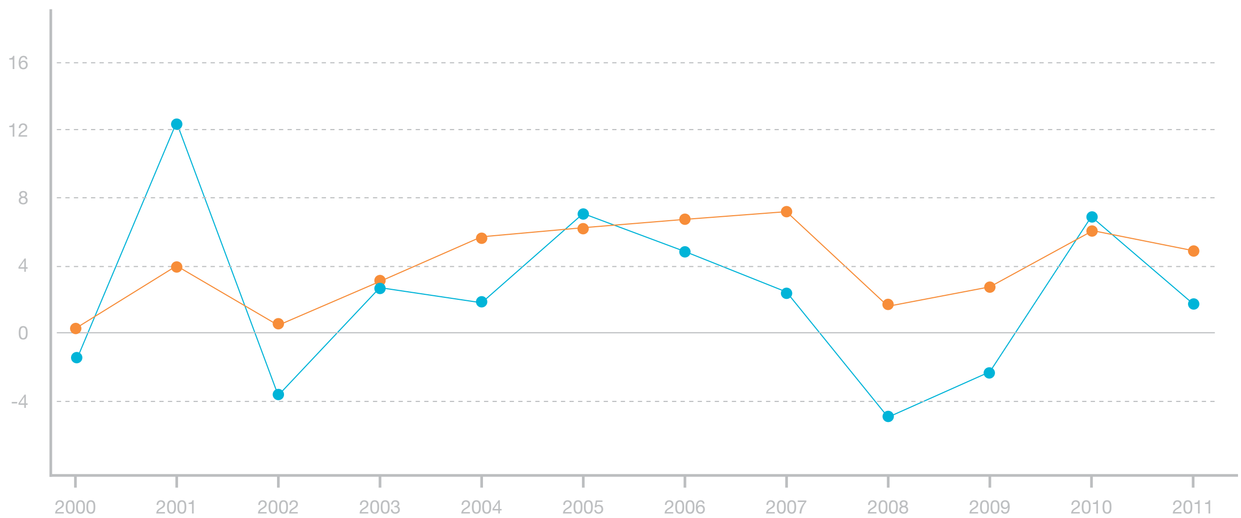
## Macro indicators

Kenya's GDP growth rates have declined slightly from the average annual 4.1% growth seen in the 1980s to an average of 2.2% in the 1990s and 3.6% in the 2000s. Despite a strong period of steadily increasing growth from 2002 to 2007, Kenya's GDP growth fell to 1.7% in 2008 but rose to 4.4% by 2011.

The country has witnessed erratic agricultural growth since 1990, with the sector growing at a rate higher than the CAADP 6% target in 2005, but since declining to 3%. The share of agricultural expenditure in total government spending has fallen from an average annual investment rate of 10% throughout the 1980s to 1.9% in 2009. The contribution of agriculture value-added to Kenya's GDP was last reported as 23.13% in 2011.

Kenya is currently on track to halve its poverty rate by 2015. Although rates of impoverishment in the country have risen against the national poverty line since 1990, the share of the population living on less than $1.25 a day declined by 52.3% from 1990 to 2005. At current rates of growth and performance of the agricultural sector, Kenya is unlikely to meet the first Millennium Development Goal target for child hunger reduction by 2015, and will require around 10% annual growth in agriculture to be back on course to meet that goal.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2005 | Rural poverty: Rural population at rural poverty line in 2005 | Child malnutrition: Children under 5 based on height for age in 2008 |
|---|---|---|---|
| 5.1% | 43% | 49% | 35% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

http://one-org.s3.amazonaws.com/us/wp-content/uploads/2013/03/Ag-fullreport-single-130326-small.pdf
http://www.worldbank.org/en/news/press-release/2012/12/05/energizing-kenya-s-economy-and-creating-quality-jobs
http://databank.worldbank.org/data/databases.aspx
http://www.resakss.org

# Status on Letters of Intent

| | Goals | Progress |
|---|---|---|
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial small-holders, emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ■ Started country-specific market research.<br>■ Yet to start discussion with partners.<br>■ Country visit scheduled for 2013.<br>■ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Jain Irrigation | In line with the national Vision 2030 strategy, contribute to developing irrigation and enabling infrastructure by:<br>1. developing an integrated agricultural cluster in an area identified as suitable; and<br>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing. | ■ $4 million project underway with National Irrigation Board for smallholder irrigation and integrated agricultural development in Kibwezi. |
| Swiss Re | Develop micro-insurance solutions to agricultural risks by investing in-kind to support development of sustainable agri-risk management markets, with a view to assisting farmers with production risk coverage, accessing finance, and engaging in higher income-generating activities. | ■ Collaborations in place for International Finance Corporation-supported projects to help the advancement of agricultural risk transfer markets.<br>■ Conducted training and local awareness events.<br>■ At pan-African level, 180,000 smallholders reached. |
| Syngenta | Continue to invest in the development of smallholder farmers, including women and youth, by:<br>1. rolling out the Uwezo smallholder program, including training and demonstration farms;<br>2. building a strong retail channel through training and development using the company's Retailer Engagement and Advancement Program (REAP); and<br>3. developing Horticulture Centers of Excellence (HCEs) with USAID to train farmers on horticulture production and market access. | ■ Extension workers hired for the Uwezo program and the HCEs.<br>■ Through the HCE project, setting up training program for farmers on horticulture best practices.<br>■ Working closely with USAID/Fintrac, and the CAB International initiative Plant Wise.<br>■ Young farmer nurseries being set up.<br>■ HCEs aim to reach 8,000 smallholders directly; Uwezo program will reach a few thousand smallholders with affordable packs of inputs, training and knowledge.<br>■ Around 1,000 stockists and distributors trained under REAP. |
| Vodafone | Contribute to increasing the productivity, incomes and resilience of smallholders by:<br>1. establishing the Connected Farmer Alliance with USAID and TechnoServe;<br>2. optimizing supply chains by strengthening linkages and feedback loops between smallholders and large agri-businesses; and<br>3. improving access to secure, timely payments and other financial services. | ■ Negotiated 3-year, $10 million Connected Farmer Alliance partnership agreement with USAID and TechnoServe (working in Mozambique, Kenya, and Tanzania).<br>■ TechnoServe hired overall program manager, in-country manager and researchers to map value chains and identify priorities where mobile solutions can best be of support.<br>■ Developed selection criteria for agri-business partners (currently engaging several in Kenya) as well as the measurement and impact assessment process. |

KENYA

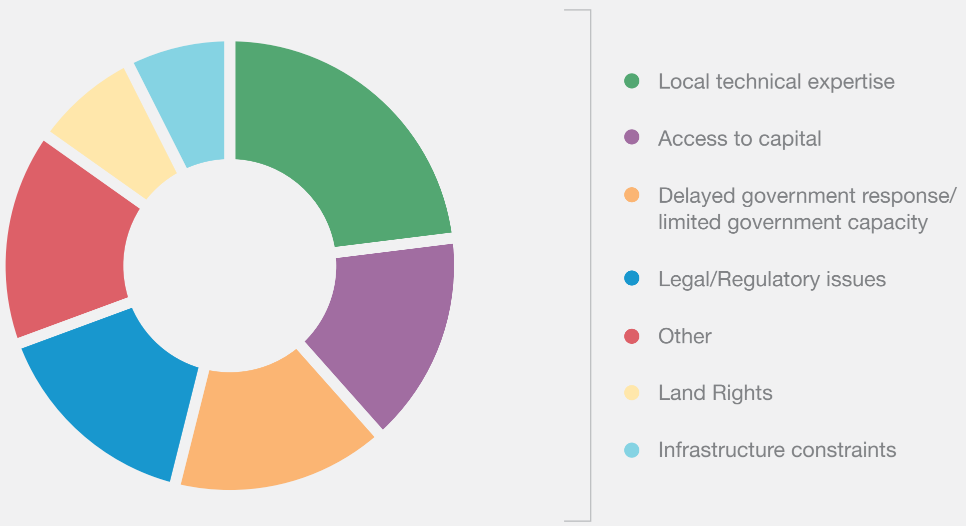
# Constraints identified by the private sector

Companies prioritized the following constraints. If addressed they could strengthen the enabling environment and unlock further investment.

1. Lack of strong local farming expertise: combined with a generally reluctant mindset towards agriculture, particularly among younger and more urbanized generations, poses challenges. The increasing age of today's farmers raises questions about the sustainability of large-scale agricultural development.

2. Low access to capital: stemming also from the application of high commercial interest rates by banks (of around 20% p.a.). In addition, there are very few guarantees for funds, placing another constraint on younger farmers without collateral. Lacking access to key markets, farmers are unable to sell produce easily yet are faced with poor storage facilities. Without the ability to invest in local capacity or infrastructure, growth has been limited.

## KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN KENYA



"The transformation of agriculture in Africa is happening. If smallholders have access to land and high value chains, then the impact on poverty reduction and income will be great."

Shenggen Fan, Director General, IFPRI

2.5 Country Report

# MOZAMBIQUE

## Favorable enabling conditions offer potential for investment

Mozambique has a clear vision for the long-term growth of its agricultural sector. This is captured in its CAADP compact and the 10-year Strategic Plan for Agricultural Sector Development (PEDSA). The PEDSA details steps to unleash the vast potential of Mozambican agriculture by creating an integrated, prosperous, competitive and sustainable agriculture sector.

The PEDSA focuses on 6 growth corridors, optimizing the alignment of activities through the public, private and development sectors. Three corridors – Nacala, Zambezi Valley and Beira – are particularly targeted as they hold most of the country's water resources, display high agricultural potential, as well as integration potential with domestic, regional and international markets.

The Plan also prioritizes 16 agricultural commodities ranging from rice and soybeans to oilseeds and pulses, with each corridor focusing on specific commodities. Agricultural growth will be pursued through a 'cluster' approach, allowing smallholder production to benefit from economies of scale and making farming more reliable and profitable.

Four key elements already in place make it viable for the country's potential to be tapped:

- Good agro-climatic conditions: vast tracts of largely unutilized arable land, fertile soil and ample rainfall, as well as tremendous irrigation potential from major rivers;
- Strong market dynamics: a strong and growing economy, extensive import substitution opportunities, and a strategic location enabling access to regional and international markets;
- Government commitment to market-driven growth: agricultural development seen as critical to the country's development, business incentives provided, and specific agencies (such as the Centre for Agriculture Promotion – CEPAGRI) set up to organize and assist investors in the agriculture sector; and
- Enabling environment for investments: significant private-sector and infrastructure investment, and numerous innovative public-private partnerships operating.

RESULTS

# Innovative partnerships attract committed investors

In recent years, the government, CEPAGRI and other partners have demonstrated leadership in defining a clear national strategy focused on the country's agricultural growth corridors and key value chains. In 2012, Mozambique saw this start to attract serious private-sector interest.

17 companies signed "Letters of Intent" through Grow Africa, articulating concrete investments in multiple commodities spanning cotton, livestock and cashews, and all along the value chain from seeds and mechanization to insurance. Most of these companies spent 2012 laying the groundwork for commercial operations, such as training farmers, securing land, signing contracts, and building storage or processing facilities.

As yet, only a few companies well-advanced in their efforts are demonstrating increased outputs, such as SABMiller, which purchased 4,000 MT of the cassava from 1,200 farmers in 2012 as part of their local sourcing strategy for their cassava-based beer "Impala". JFS Holdings increased their cotton sourcing in 2012 to 27,000 MT from over 40,000 farmers, and invested in a new cotton gin to increase processing capacity. Given the strong foundations laid in 2012, the next year promises more substantial and tangible results in terms of production and revenue.

Underpinning the boost in private-sector activity are a number of innovative public-private partnerships (PPPs) operating in Mozambique. These have provided a vital bridge from the aspirations enunciated by the PEDSA to an enabling environment that is now attracting investment. Some of the more successful PPPs underway include:

- the Beira Agricultural Growth Corridor (BAGC), with its $20 million Catalytic Fund;
- the $25 million loan guarantee facility provided by the Alliance for a Green Revolution in Africa (AGRA) and Standard Bank;
- PROIRRI, a $70 million irrigation program run by the government and the World Bank;
- Agrifutoro, a USAID program promoting agri-business; and
- ProSavana, an agri-business development partnership between the governments of Mozambique, Japan and Brazil.

## Macro indicators

Agriculture is an important contributor to the Mozambican economy, contributing over 20% to GDP. With a rich natural resource base and stable macroeconomic and political environments, annual GDP growth averaged 7.4% between 2000 and 2008, while the agricultural sector grew at an average of 5.4% over the same period. While poverty and hunger have both declined over this period, Mozambique is currently not on track to achieve the first Millennium Development Goal (MDG).

Given recent progress, however, Mozambique shows potential to achieve the MDG goal of halving poverty by 2015, but only if it is able to achieve the CAADP target of 6% agricultural growth or higher.

Mozambique did maintain growth rates above the 6% target between 2005-2008. With an increase in the area under cultivation, greater use of animal traction, and the spread of new agricultural technologies (promoted as part of the government's "Green Revolution"), it was predicted that the sector would maintain a growth rate above 7% in the 2007-2008 season (with 6.8% recorded for 2007). However, due to seed shortages (especially in the south) and floods in central Mozambique, some projections for agricultural output were less certain in their outlook (OECD 2008).

Mozambique has been allocating less than the CAADP target of 10% of its total budget to agricultural spending. Between 2004 and 2007, the share allocated to the sector declined from 6.2% to 3.9% – a low figure compared to its neighbors in the Southern African Development Community (SADC) region.

A recent study by the International Food Policy Research Institute shows that Mozambique has the potential to gain from greater regional integration by tapping into potential markets for agricultural commodities in neighboring and more developed countries such as South Africa. To do so, however, will require higher gains in productivity and therefore investments in agricultural research and development and infrastructure.

Poverty:
Population below
$1.25 a day in 2008

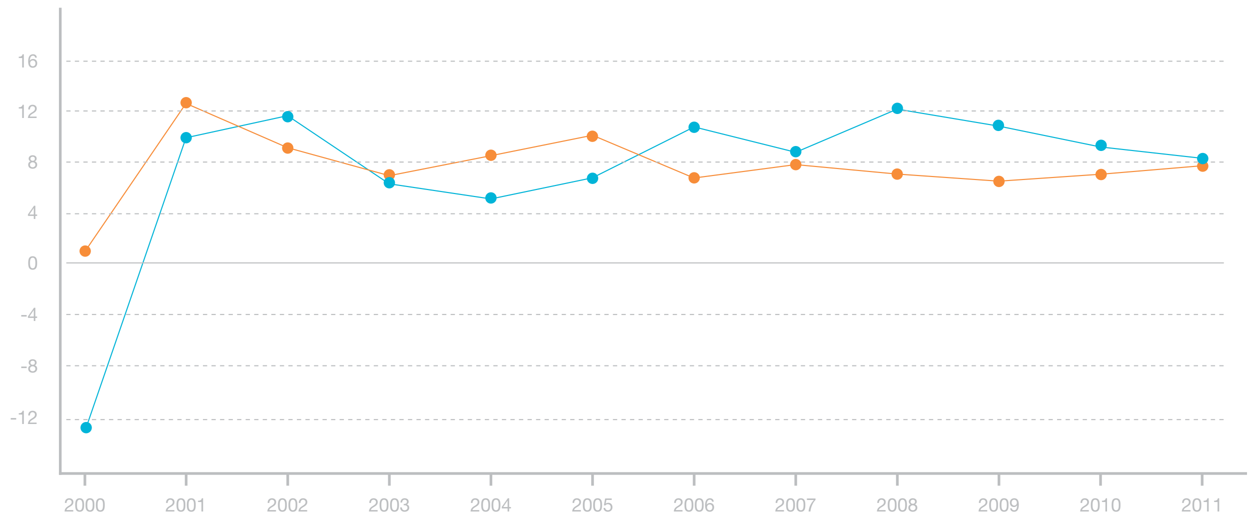
**60%**

Rural poverty:
Rural population at rural
poverty line in 2008

**57%**

Child malnutrition:
Children under 5 based
on height for age in 2008

**44%**




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

http://databank.worldbank.org/data/databases.aspx http://www.resakss.org http://www.oecd.org/dataoecd/13/6/40578303.pdf

MOZAMBIQUE

# 2012 action for transformation

## Leadership and alignment

- Agricultural transformation receives a high level of priority from the country's top leadership, including the President and Prime Minister. CEPAGRI has launched a National Agri-business Forum which meets regularly, engages the private sector, brings together major stakeholders, and disseminates information on investment opportunities.

## Strategy setting

- A 10-year strategic plan for agricultural development (PEDSA) is in place and being implemented across the country's 6 growth corridors.
- Three corridors (Nacala, Zambezi Valley and Beira) are prioritized due to their comparative advantage as geographic basins hosting key value chains geared towards demand from target markets.
- Approval of the PEDSA and the CAADP investment plan has paved the way for programs and initiatives that are addressing a number of issues including:
  1. fertilizers and related regulation;
  2. mechanization, with service centers being built in partnership with AGCO; and
  3. the formulation of an agri-business plan to implement a seeds program.

## Investment pipeline

- Government is working to remove bottlenecks for investment, such as by fast-tracking land acquisition, investing in infrastructure, and enhancing the overall policy environment (including with regards to taxation and minimum wage provisions).
- Officials are reaching out to both 'conventional' and 'non-conventional' potential investors in the Middle East, Brazil, Japan, India and elsewhere.

## Risk mitigation and financing

- A $20 million Catalytic Fund is in place to support the growth and development of commercial agriculture and agri-business in the Beira corridor.
- Innovative drought insurance products to cover risks in cotton production, for instance, have been introduced in the Beira corridor jointly by Hollard and BAGC secretariat.
- Also in place are a poultry credit line, and leasing services for mechanization.
- The government is in the process of setting up a guarantee fund to facilitate the lowering of interest. However, the resources available remain inadequate given the magnitude of the challenge and the fact that these are only deployed in the Beira Corridor.

## Infrastructure – soft and hard

- The government and its public and private-sector partners have made significant investments in infrastructure. Examples include improving road networks, communications systems, and railways, with some mining companies leading the way.
- New agri-facilities include cold room storage, greenhouses, agro-processing infrastructure, and irrigation systems.
- The enormity of the need for infrastructure means the government is actively looking for ways to mobilize additional resources for infrastructure development.

## Delivery and implementation

- CEPAGRI is dedicated to facilitating partnerships, and the BAGC secretariat provides coordination support.
- Regular reporting of progress through the National Agri-business Forum and other investment meetings that are convened on a quarterly basis but cover all sectors.

Investors are provided with a package of investment incentives. These include fiscal incentives, such as exemption from import duties on equipment and low rates of corporate income tax (between 2%-5%), as well as reduced land costs (50-year lease agreement at $1 per ha p.a.). CEPAGRI is dedicated to facilitating agricultural investment opportunities across the country, with support from the government's Office for Economic Areas with Accelerated Development (GAZEDA) earmarked for the Nacala Economic Zone. Innovative and successful public-private partnerships are underway including the Beira corridor partnership.

## Spotlight: Beira corridor – unlocking finance through catalytic funding

A $20 million catalytic finance instrument has played a business incubator role in supporting 12 medium-sized investments to date in farming enterprises within the Beira corridor, where less than 3% of arable land has been put to commercial agricultural use.

The Catalytic Fund is a social venture capital fund that supports early-stage businesses, helping to kick-start commercially-viable agriculture in the Beira corridor region. It aims to demonstrate that it is possible to develop profitable agri-businesses with major social benefits. All applicant businesses must demonstrate direct benefits for smallholder farmers and local communities, with the Fund providing low-cost funding of between $100,000 to $1,000,000 to eligible businesses.

Recipients must agree to enter into a joint venture with AgDevCo, the manager of the Catalytic Fund, to develop the business opportunity. AgDevCo works closely with project sponsors to make the business "bankable" and secure third-party debt and equity investment as quickly as possible. The Fund aims to recover its capital and make a financial return (likely to be in the range 5-10% in US$ terms overall).

Companies that have benefited from catalytic funding span a wide range of business activities, including: market-based extension, trading and processing (e.g. Empresa de Comercialização Agricola Ltd – ECA); commercial hubs and outgrower operations (e.g. Tsetsera Farm, Phoenix Seeds and Guita Chickens); and fruit production, packaging and marketing (e.g. RDI Lda, FruitManica and Lucite Empreendimentos). These start-ups required initial investment capital but existing financial institutions were reluctant to lend or invest in equity as the former had no banking or credit track record.

Two years since the launch of the Catalytic Fund, more than half of the start-up businesses in its portfolio have been able to raise third-party investment alongside capital from the Fund itself. For instance, with AgDevCo support, ECA secured a three-year off-take agreement with Cervejas de Moçambique worth $3 million in revenues. ECA intends to boost the incomes of at least 10,000 smallholder farmers in central Mozambique while introducing sustainable farming practices. As farmers have a substantial 45% stakeholding in ECA, they also stand to share in the benefits of processing and marketing.

Phoenix Seeds, which produces, processes and distributes new, improved and locally-adapted seed varieties for grains and pulses, was successful in accessing Africa Enterprise Challenge Fund resources.

The BAGC secretariat has also facilitated the development of outgrower relationships both with newly-created companies and existing businesses in the corridor that did not require finance but lacked capacity to forge such ties. As a result, smallholder farmers in the corridor have been able to access agricultural services such as good-quality seeds and fertilizers, which has significantly impacted on their farming and livelihoods.

## Spotlight: Investment in greenhouses and cold rooms boosts horticulture

In 2012, CEPAGRI and the Maputo Municipal Council partnered to have two cold rooms with a total fresh produce storage capacity of 66 MT constructed on the outskirts of city at the Zimpeto wholesale market. The Zimpeto cold rooms are now being used to store tomatoes, onions and potatoes, significantly extending their shelf life and generating more profit for producers, who previously incurred heavy losses through deterioration, particularly during peak harvesting seasons. It is expected that the running of these facilities will be handed over to a private management company.

In response to high post-harvest losses, CEPAGRI also constructed cold-room and packaging facilities in Moamba town, a major production zone in Maputo Province. These comprise 8 containers with a total capacity of 264 MT.

The impact of these investments in infrastructure is already being felt. Horticultural farmers throughout the southern regions of Mozambique are taking advantage of these facilities, particularly those from Maputo and Gaza provinces, where the government has also installed 14 greenhouses in addition to existing private-sector installations. As a result, both the greenhouses and cold rooms are set to significantly boost horticulture production.

## Spotlight: Mechanization strategy brings service centers and tractors to farmers

The Strategy for Agricultural Mechanization was passed by the Mozambican Cabinet in August 2012. Among other things, the Strategy provides for the construction of service centers to support local farmers through access to various types of inputs, ranging from seeds and fertilizers to machinery and financial services.

In terms of machinery, the centers will lease tractors and offer related maintenance services. In addition, the government is in the process of buying 110 tractors to be delivered to the service centers. The tractors will then be managed by the privately-run centers and rented out to farmers. The tractors will be distributed to all provinces of the country.

## Spotlight: Zambézia rice irrigation rehabilitation set to double production

The governments of Mozambique and the Netherlands are jointly funding an approximately $23.5 million rehabilitation and expansion of the irrigation scheme for rice production in Maganja da Costa district, Zambézia Province. The project, covering 3,000 ha and benefiting 5,000 small producers, is at an advanced stage of development, with implementation expected to start in 2013.

The Dutch government, through its ORIO infrastructure development facility, will contribute 50% of the funding. The rehabilitation and expansion works are expected to be labor-intensive, thus generating more than 2,000 jobs for people in the local community. It is envisaged that once the scheme is fully operational, productivity of rice will more than double, from less than 1500 kg/ha today to some 3000 kg/ha, thus substantially raising the incomes of local farmers.

## Spotlight: BCFTP – sustainable cotton through public-private cooperation

2012 saw the launch of an innovative shared financing vehicle, which brings together governments and private-sector partners to make cotton production in Mozambique more environmentally, socially and economically sustainable.

The Better Cotton Fast Track Program (BCFTP) was developed by the Sustainable Trade Initiative (IDH) together with leading brands, NGOs, and other funders to channel funds directly to farmer training and improvement programs designed around the Better Cotton standard (bettercotton.org/better-cotton). With average seed cotton yields of only 450 kg/ha, among the lowest productivity rates in the world, the ultimate goal is to mainstream the sustainable production of cotton in Mozambique through cooperation between the private sector, government and civil society.

The BCFTP allows the Better Cotton Initiative (BCI) and its partners to reach more regions, train more farmers and produce more cotton. As a result, it is anticipated that by 2015, BCI farmers will be producing well over 1 million metric tons of Better Cotton. The Program is financed through retailer investment, which is matched by a fund created by IDH, Rabobank Foundation, a Dutch financial cooperative, and the Interchurch Organization for Development Cooperation (ICCO).

The specific project in Mozambique involves establishing farmer field schools, developing training material, and conducting trainer training programs. Activities are being implemented by the country's most important cotton trader, Olam, and the government through the Cotton Institute of Mozambique (IAM) and other organizations.

Over a period of 5 years, the project intends to provide training to a total of 80,000 cotton farmers in 810 villages throughout the country, producing a total of 45,000 MT of cotton lint. The average farmer in this sector earns between $150-180 p.a., and only has two hectares of land – one for subsistence farming and one for cotton production. A key focus is therefore increasing farmer livelihoods by 50-75% through higher productivity and lower costs. The training also addresses social and environmental issues including soil health, water management, pesticide use, improved seed varieties, and crop quality enhancement. A spillover benefit of the training is improved productivity on subsistence crops.

Additional information on the BCFTP and its projects is available at www.idhsustainabletrade.com/bcftp.

### Spotlight: UPL/ADVANTA – demo plot know-how transfer produces multiplier effect

In partnership with Mozfoods and others, UPL/ Advanta has launched 5 on-farm schools throughout Mozambique, focused on supporting improved maize and rice cultivation.

The initiative sees each partner playing a specific role, with:

- Mozfoods assisting in the selection of farmers and locations for the on-farm schools, and facilitating field days and farmer meetings for technical training;
- local extension departments supporting the above activities and providing traditional and certified seeds for use on demonstration plots; and
- Advanta furnishing hybrid seeds, fertilizers, and technical knowledge and methodology, as well as facilitating the farmer meetings and field days.

As the project moves forward, the goal is to focus on training government extension officers, who will then be equipped to pass on technological inputs and methodologies to farmers.

UPL is firmly committed to this approach to transferring technology and best practices in cultivation. Its experience has shown that using a host farmer with a demonstration plot to guide as much as 150 other local farmers in improved cultivation practices ensures optimal seed use, as well as being ideal for achieving scale.

### Spotlight: Sunshine Nut Company – a cashew processing venture adding social value

After more than a year of product development and forging supply-chain relationships with shelling companies and farmers in Mozambique's major cashew growing regions, the Sunshine Nut Company will soon be offering a retail line of roasted cashews under its own logo and private labels.

The company is focusing its efforts on building the cashew value chain in Mozambique, whilst offering a reliable outlet for farmer produce sourced at a fair price. At the center of its investment is a food processing facility located in the industrial free trade zone in Matola.

The Sunshine Nut Company, owned and managed by a former Hershey Chocolate executive, was developed using a shared-value model called "The Sunshine Approach" based on the following quadruple bottom line:

- Financial: manufacturing in free trade zones and promoting efficiencies in transport and packaging;
- Environmental: reducing carbon footprint by reducing packaging and transport of raw materials;
- Social: fair pricing of farmers' harvests, community reinvestment of 30% of the company's net profits, and contributing another 30% of profits to care for orphans and vulnerable children; and
- Transformational: hiring adult orphans to work in its factory, offering them education and training in cooperation with local universities, and investing a further 30% of profits in new food processing companies to grow the concept in different countries and product categories.

Its products will soon be on the shelves of Whole Foods and Pick 'n Pay stores, with the company also selected to take part in Pick 'n Pay's Small Business Incubator Program. Consumers across Africa, North America, and Europe will be offered a choice of four roasted cashew flavors.

### Spotlight: Vodafone – mobile solutions alliance to drive agri-transformation

The Connected Farmer Alliance, a new $10 million partnership between Vodafone, USAID and TechnoServe, offers an opportunity to kick-start a next wave of mobile solutions and drive inclusive and sustained agricultural growth in Kenya, Tanzania, and Mozambique.

The Alliance believes that mobile agriculture solutions have the potential to improve the livelihoods of rural men and women by dramatically improving their access to income and finance, increasing transparency and reducing transaction processes, driving productivity through increased information, and building resilience for times of crisis. It also aims to lower the costs and risks for agri-businesses of sourcing from smallholders.

The Connected Farmer Alliance will, over a three-year timeframe, design, develop and deploy gender-inclusive, commercially-viable mobile solutions for the agriculture sector, with a goal of enabling 500,000 smallholder farmers to increase productivity and income, while offering agri-businesses the ability to increase revenues.

The partnership was formalized in the latter half of 2012, and start-up activities are already underway which have resulted in:

- five workshops conducted by Vodafone and TechnoServe to begin mapping the value chains and identifying the priority areas where mobile solutions could be of best support. So far, this includes maize, rice, horticulture, and sorghum, with other potential areas in the pipeline. Technical development has also started for all the product sets identified;
- the development of agri-business selection criteria, together with a measurement and impact assessment process;
- the engagement of over 10 businesses from across the agriculture industry, including several in Mozambique; and
- the hiring by TechnoServe of a number of staff critical to the development of the program, including an overall program manager, country managers, business advisors and researchers.

## Spotlight: Lozane Farms – GA investment forum meeting seeds fruitful business opportunity

Lozane Farms CEO, Bakir Lozane, was selected to be a part of Mozambique's country delegation to the 2012 Grow Africa Investment Forum in Addis Ababa. En route to Addis by plane, he met a fellow Mozambican representing Gani Comercial who was also on his way to the Forum. Their discussions in-flight and subsequently at the Forum brought to light a potential business partnership opportunity.

Lozane Farms was already in the process of securing a high-interest bank loan in order to honor its contractual agreement with 322 smallholders (to whom it supplied seeds) to purchase their soya at a set price, in addition to recouping its initial seed investment in-kind. At the same time, Gani Comercial was looking to procure soya supplies.

Upon arriving back in Mozambique, Bakir Lozane received a text from the Gani Comercial representative expressing his company's interest in buying, at a fair price, all the soya that Lozane Farms could aggregate from these smallholders. After a series of text messages and a mobile money transfer, Lozane had a new client willing to pay up-front for 250 MT of soya.

Pivotal in cementing this relationship of trust was Lozane's participation in the Mozambican delegation to the Grow Africa Investment Forum, culminating in a partnership which eliminated the company's need to secure a costly bank loan.

The two companies have maintained their business relationship since, with Lozane Farms expanding to work with 425 farmers, who all benefit from having a ready end-buyer in place for their produce.

Mobile phones can offer smallholders access to market prices, insurance, weather, and banking.

MOZAMBIQUE

# Status on Letters of Intent

17 companies directed Letters of Intent to Mozambique (with 3 more making reference to work in the country).

| | Goals | Year 1 – Progress update |
|---|---|---|
| African Cashew initiative (ACi) | Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Cote d'Ivoire, Ghana, Mozambique, by:<br>1. convening investments from corporate partners (approximately $21 million);<br>2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organizations; and<br>3. utilizing matching grant fund to assist private sector projects to enhance farmer productivity. | ▪ Staffing and process in place.<br>▪ Several project partners identified.<br>▪ Increased local processing capacity due to new investments through ACi.<br>▪ Development of sector strategies supported by providing sector analysis, organization of stakeholder meetings and experiences sharing during implementation.<br>▪ Supported foundation and supervised operation of Farmer-based Organizations (FBOs).<br>▪ Across Africa, 240,000 farmers trained since 2009, and invested a portion of around $32 million (reaching 330,000 smallholders). |
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Started country-specific market research.<br>▪ Conducted meetings and in-depth discussion with Ministry of Agriculture and CEPAGRI, global partners and local institutions.<br>▪ Conducted 1 investor conference and 3 field trips to identify location for Future Farm and Training Center; shared proposal with the Ministry of Agriculture.<br>▪ In planning phase to identify the value of in-kind investment required in agriculture.<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Cargill | Contribute to building sustainable market-based agribusinesses by:<br>1. participating in a 5-10 year public-private partnership to improve grain production, combining risk management tools, investments in agri-infrastructure, and farmer training programs – to increase yields and farm incomes for an estimated 16,000 smallholders; and<br>2. providing $1.35 million to improve farmer vocational education opportunities in Northern Mozambique. | ▪ Established partnership with Aga Khan Foundation, agricultural university and government ministry to improve vocational training. Cargill's support for this partnership will fund students' tuition, critical infrastructure improvements, training equipment, curriculum improvements, and faculty recruitment and development.<br>▪ Ongoing discussion with government ministries, USAID, and exploratory conversations with other public- and private-sector actors and select NGOs on potential for collaboration around grain value chains.<br>▪ In process of setting up new country operations.<br>▪ Tuition support for 400 students in agricultural vocational training. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Competitive African Cotton Initiative (COMPACI) | Contribute to improving the livelihoods of smallholder cotton farmers by:<br>1. convening investment in the cotton value chain from corporate partners to train farmers in soil/ water conservation, balanced crop rotation, and business principles;<br>2. expanding cotton demand by promoting the "Cotton made in Africa" brand; and<br>3. linking smallholders to larger markets by partnering with the "Better Cotton Initiative". | ▪ Strategic and investment plans completed through 2015.<br>▪ Plan for further investment of \$3 million over 2013-2015 to reach 60,000 farmers.<br>▪ Over \$550,000 invested by private partner (Plexus Cotton), reaching around 25,000 farmers in 2012. |
| Corvus Investments International | Contribute to integrating export horticulture investments/projects by:<br>1. currently planning (as an advisor and investor) and looking to expand 3 projects with a collective scope of \$140 million;<br>2. potentially partnering in rice, grains, tropical fruit, and vegetable production value chains in the Beira, Nacala, and Maputo corridors; and<br>3. Over several years, significantly growing agri-investment portfolio in the country. | Developed the following investments:<br>▪ a 200 ha melon farm in the north;<br>▪ a 500 ha banana farm in the south;<br>▪ a 3,000 ha of integrated livestock and extensive/ intensive cropping, including abattoir complex, in the south; and<br>▪ a 500 ha macadamia farm. |
| ENICA | Capitalize on opportunity to supply bananas to regional and international markets by:<br>1. planting 300ha in 2013 with intended growth to 1,000 ha by 2015;<br>2. achieving a strong production model as an anchor for the larger area; and<br>3. hiring 400 workers annually initially, extending business linkages with up to 15 local companies, and impacting smallholders through improved agricultural techniques and new crops. | ▪ Surveying potential project area, including aerial photo to give information for detailed design; negotiating detailed soil analysis to inform design of the plantation/ irrigation/water supply and building construction (with launch of operations anticipated in early 2014).<br>▪ Negotiating with 1,500 ha project to link production with post-production supply chain.<br>▪ Conducted land occupational survey for first 1,000 ha, with representatives from local, district and provincial government and land users – as part of request for land-use rights. |
| Jain Irrigation | In line with national 2020 malnutrition and poverty reduction targets, contribute to developing irrigation and enabling infrastructure by:<br>1. developing an integrated agricultural cluster in an area identified as suitable; and<br>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing. | ▪ Supporting \$2 million investment in sugarcane farm (Pure Diet). Completed preparatory design phase and ready for implementation. |
| JFS Holding | Increase cotton production and industry capacity by:<br>1. investing in expanded cotton production (to 22,000 MT by end of 2012) and increased ginning capacity (to 30,000 MT per year by end of 2012);<br>2. exploring investment in oil crushing and refining capacity; and<br>3. participating in the Better Cotton Initiative, bringing the initiative to all its smallholders by 2015. | ▪ Exploring pilot commercial farming in food crops.<br>▪ Plan to become part of BCI and benefit farmers by 2015.<br>▪ Completed oil crushing study.<br>▪ Extended \$1 million of credits, in-kind and as cash, to cotton farmers last season.<br>▪ Increased cotton production to 27,000 MT (gin in place already) and ginning capacity to 30,000 MT per year. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Khulima Púnguè Agricultura e Serviços (KPAS) | Invest in diversified crop production in the Beira Corridor by:<br>1. focusing on a balance of crops with short- versus longer-term returns;<br>2. planting 100 ha (10 maize seed, 10 soya, 10 potato, 30 litchi, 20 avocado, 20 mango), while also working with smallholders in an outgrower scheme; and<br>3. partnering with other companies further up the value chain to create a more integrated offering | ▪ Working with 30 farmers to grow seed and providing technical assistance in management practices, including on how to generate profits, which seed to grow, why/where to sell, and quality standards.<br>▪ Working with farmers association in cooperation with government.<br>▪ Formally requested land-usage rights to expand operations. |
| Lozane Farms | Expand the market for smallholder crops by:<br>1. investing in a seed processing plant in Alto Molocue in Zambézia province, while planning to negotiate off-take agreements of orange-fleshed sweet potatoes to countries in the region and outside Africa;<br>2. increasing soya bean and maize seed production in response to growing demand from the chicken industry; and<br>3. partnering with new investors (domestic or international) to integrate further up the value chain, including in agro-processing. | ▪ Started contracts with farmer group leaders, now in the process of entering into MOUs with individual farmers.<br>▪ Investing in a seed processing plant as demand grows ($150-180,000).<br>▪ Extending business linkages and partnerships with local companies to foreign partners.<br>▪ Formal relationship with 425 maize and soya (intercropping) farmers for seed supply and procurement. |
| Rei do Agro | Boost own-farm production and extension program impact by:<br>1. increasing production/procurement/off-take agreements in soybeans to 2,000 MT, maize to 700 MT, and sunflower to 400 MT;<br>2. expanding extension farmer program from 30 farmers with 250 ha, to around 50 farmers with 500 ha;<br>3. extending business linkages with local companies to ten partners; and<br>4. directly impacting on 50 smallholders through soybean extension program | ▪ 700 ha of soya planted on farm and 330 ha with 60 extension farmers – these farmers are now expanding their land under production.<br>▪ Constructed silos with 2,500 MT storage capacity. |
| SABMiller | Contribute to improving crop quality, yields and increasing local sourcing by transferring and up-scaling existing cassava processing model to develop the cassava value chain, expanding production to enhance smallholders' productivity, and ensuring the provision of appropriate agricultural extension services. | ▪ Executed cassava value-chain project in partnership with the Dutch Agricultural Development and Trading Company (DADTCO) and the International Fertilizer Development Center, including farmer extension support and sourcing of cassava for local processing by DADTCO.<br>▪ Sales figures for cassava beer brand "Impala" significantly ahead of projections, with strong growth anticipated.<br>▪ Cassava program reached over 1,400 smallholders (training: 600; service provision: 1,400), resulting in the purchase of over 4,000 MT from 1,200 farmers in 2012. |
| Sunshine Nut Company | Combine social with financial capital in a new cashew processing venture by:<br>1. reaching $20 million in sales, with 50 roasting and 1,000 shelling employees, while buying raw cashew nuts from around 50,000 smallholders; and<br>2. enhancing the community, with 1/3 of net distributions going to farming communities in "hands-up" assistance, 1/3 to care for orphans and vulnerable children, and 1/3 to help create similar food processing companies. | ▪ Plan to open factories as teaching facility for food processing, in conjunction with universities.<br>▪ Working on collaboration with Whole Foods and Pick 'n Pay for sale of roasted cashew products.<br>▪ Committed to strengthening local cashew industry with The Sunshine Approach. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Swiss Re | Develop micro-insurance solutions to agricultural risks by investing in-kind to support development of sustainable agri-risk management markets, with a view to assisting farmers with production risk coverage, accessing finance and engaging in higher income-generating activities. | ▪ Collaborations in place for International Finance Corporation-supported projects to help the advancement of agricultural risk-transfer markets.<br>▪ Conducted training and local awareness events.<br>▪ Exploring pilot weather risk-transfer scheme.<br>▪ At pan-African level, 180,000 smallholders reached. |
| United Phosphorus Limited (UPL) | Contribute to improving productivity and income of small and marginal farmers of interest crops (corn, sorghum, sunflower, canola, rice, cotton, forages, legumes and vegetables) through technology transfer via on-farm training schools (3,000 trainees planned in 1st year), and by acting as key input and knowledge partner to large farms. | ▪ Building partnership for improved rice and maize cultivation with government, agriculture extension services, and commercial farms with outgrowers.<br>▪ Finished 1st phase of planting and primary training to set up 5 on-farm training schools in 2012.<br>▪ Currently reaching about 750 smallholders. |
| Vodafone | Contribute to increasing the productivity, incomes and resilience of smallholders by:<br>1. establishing the Connected Farmer Alliance with USAID and TechnoServe;<br>2. optimizing supply chains by strengthening linkages and feedback loops between smallholders and large agri-businesses; and<br>3. improving access to secure, timely payments and other financial services. | ▪ Negotiated 3-year $10 million Connected Farmer Alliance partnership agreement with USAID and TechnoServe (working in Mozambique, Kenya, and Tanzania).<br>▪ TechnoServe hired overall program manager, in-country manager and researchers to map value chain business.<br>▪ Developed selection criteria for agri-business partners (currently engaging several in Mozambique), as well as the measurement and impact assessment process.<br>▪ Conducted 5 workshops to map value chains and identify priorities where mobile solutions can best be of support. |

The following investment plans exist, but no progress report has been shared to date:

| | Goals |
|---|---|
| Itochu | Create sustainable agri-relationships with farmers, government, donors and other private-sector actors by:<br>1. expanding existing operations to sesame, soy and other commodity production, processing and trading, in cooperation with the Mozambican government and the Japan International Cooperation Agency (JICA); and<br>2. exploring opportunities for investment in warehouse, silo and other commodity logistic operations. |
| Nippon Biodiesel Fuel Co. Ltd (NBF) | Contribute to strengthening food and energy security in un-electrified villages by:<br>1. establishing supply chains for rice production, processing and distribution in three additional districts; and<br>2. expanding biofuel production by providing 1,800,000 jatropha saplings to more than 6,000 farmers. |
| Sumitomo Corporation | Contribute to increasing local sourcing and forging local partnerships by:<br>1. undertaking a feasibility study for fertilizer urea production from indigenous natural gas; and<br>2. exploring a partnership with a local company for the commercialization of agro-chemicals products. |
| Toyo Engineering Corporation (TOYO) | Contribute to filling the fertilizer application and availability gap by undertaking further detailed feasibility studies for the Urea Fertilizer Complex Project in Beira, with support from the Mozambican government and JICA. |

MOZAMBIQUE

# Constraints identified by the private sector

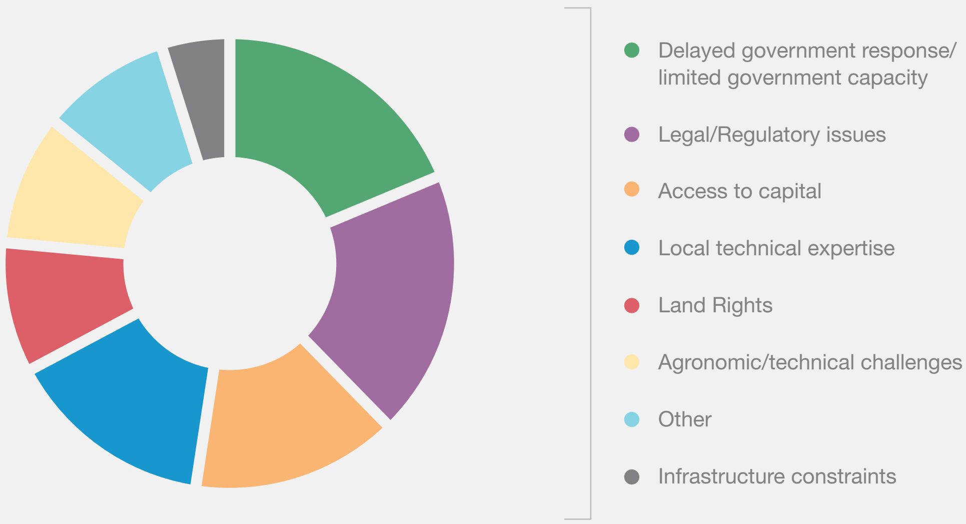
Companies prioritized the following constraints. If addressed they could strengthen the enabling environment and unlock further investment.

1. The government's capacity to respond promptly is the most commonly encountered roadblock. The government has had difficulties following up with investors in a timely manner, impacting the overall pace of investment plans. Holdups in receiving government approvals (and grant disbursements) have also delayed implementation of projects.

2. Legal and regulatory issues also present a challenge, including high import duties, high export costs, a lack of internal alignment within agencies for provisional registration for seeds, and partner agencies adopting a rigid stance. Unclear land tenure policies have also led to uncertainty; given the already high-cost and slow land clearance procedures, the ambiguity around land titles has further held up the process. Investments would move forward more quickly if both government and investors could adopt a "problem-solving" mentality to resolving start-up challenges speedily and clearing red tape.

3. Lack of adequate external funding to implement technical solutions for building farmer capacity, including training and incentives to make farmers more market-oriented, and creating a simpler process of selecting high-yielding, disease-resistant seed varieties. Public-private partnerships can help to facilitate this training and process design.

## KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN MOZAMBIQUE



# Mobilizing finance and wooing strategic investors

Mozambique enjoys a strong and increasingly attractive investment climate, with viable opportunities across numerous value chains providing an attractive window for investors. The main focus for the next year or so will be to mobilize finance to implement Letter of Intent activities.

With regard to investment openings, 12 strategic opportunities have been identified as having the highest investment potential. These are

- Rice: an attractive opportunity to invest in a rice mill with significant margins and meaningful social impacts (Beira corridor);
- Soybeans: investing in a soy extraction and refining center with inputs and training to integrate new smallholders farmers into the supply chain (Zambezi corridor);
- Bananas: a mid-sized banana plantation in an existing banana-growing region (Nacala corridor);
- Poultry: significant potential for import substitution, taking advantage of considerable demand arising from the working population in the growing mining, oil and gas sectors;
- Sugarcane: a high level of focus on sugarcane has created an enabling environment for success. More competitive sugar farmers could raise production and export more;
- Maize: domestic and regional markets are large, with growing sources of demand;
- Cotton: a historically strong crop sector due to excellent agro-ecological conditions and export potential. Opportunities exist for export of high-quality cotton lint and processing of cotton seed into oil and cake;
- Fruits and vegetables: the tropical climate favors a large number of fruit and vegetables such as pineapples and mangoes. There are also opportunities for tapping into large markets in Maputo and South Africa for vegetables;
- Cashew: once the world's leading producer and exporter of cashew nuts before the civil war, demand both in value and quantity in the international market is increasing, with extensive opportunities for investment in cashew processing for export markets;
- Cassava: there are potentially significant market opportunities for this the country's most consumed crop, thanks to the development of new processing technologies and a mobile processing unit;
- Livestock: potential exists for production of pig, cattle and goat for local consumption, with excellent export opportunities for goat meat to the Middle East; and
- Forestry: large commercial plantations are already being developed in the country's northern and central regions, with continuing growth opportunities fuelled by global demand for sustainable timber production.


The Mozambican government is establishing service centres to promote mechanisation.

## Investment and partnering opportunities

The following specific investment opportunities have had business cases developed:

### Rice supply gap offers fruitful milling partnership prospects

A major gap exists between domestic rice production and demand in Mozambique, which has the 3rd highest rice consumption in the SADC region and produces 38% of demand, with the rest imported from Asia. Without increased local production, this gap will only grow due to a projected 7% p.a. demand increase. Yet Mozambique's climate and soil are well-suited to year-round production. Significant investment is underway by government, the private sector, and development partners which should dramatically extend irrigation coverage and improve rice yields. With rice paddy production projected to increase, there will be a shortage of adequate milling in the country, giving rise to a specific opportunity. With an investment of $1 million, a small-sized milling facility, strategically located in the well-connected Beira Corridor, could potentially yield margins of 20-22%, support 7-14,000 ha of rice fields, and provide a major boost to the farming efforts of 3-5,000 smallholders.

### Growth in soybean market gives scope for a win-win soy refining investment

Local demand for soybeans is rising due to the development of the poultry and soy oil sectors. Poultry soybean consumption is growing in all of Southern Africa and is projected to continue expanding in Mozambique over the next decade. There is also increasing producer interest in processing crude soy oil locally, which fetches prices around 22% higher than for vegetable oil blends. With the current high dependence of downstream markets on imported inputs, and soy oil producers needing to import the vast majority of crude oil for refinement, significant opportunities arise to refine unutilized oil byproduct and substitute crude soy oil imports. Business openings therefore exist across the value chain, including in soybean processing and refining. A soy extraction and refining center, set up with an investment of approximately $4.5 million in the Zambezi Valley corridor (an area currently attracting significant infrastructure and other investment from China and Rio Tinto), would serve 3,500-4,000 ha (80% outgrowers), generate possible margins of 22-24%, and potentially reach around 1,600 smallholder farmers.

### Opportunity for year-round banana crop potential to feed regional import demand

Mozambique is ideally placed to serve banana supply gaps in the Middle East, the Mediterranean, and to some extent Southern Africa, with shipping transit times over half those for Asian and Latin American imports, and the benefit of tariff-free supply to Europe. Year-round production potential also enables supply to countries such as South Africa, which can only grow crop during part of the year. Lower farm-to-port costs and reduced crop disease incidence also add to Mozambique's competitive advantage as a regional import supplier. An interesting prospect thus exists for value chain integration, in the form of a $5-6 million investment in a 300 ha mid-sized commercial plantation situated in Nampula (in the existing banana region of the Nacala Corridor), allowing broader involvement from farm production through to delivery, and leveraging nearby producers to achieve scale at a lower investment. Side opportunities in processing (e.g. drying and jamming) provide an outlet for products not meeting export-quality standards and command higher margins than fruit sales to local markets. Typical yields range from 36-40 MT/ha, generating achievable margins of 15-20%. Planned upgrades to the port of Nacala also enhance export potential.

**To express interest in or learn more about these opportunities, contact:**

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> "Smallholder farmers are a sleeping giant in Africa. That sleeping giant needs to be mobilized into collective action groups."

Dyborn Chibonga
Chief Executive Officer of the National Smallholder Farmers' Association of Malawi

# Nigeria

## Agricultural powerhouse joins Grow Africa

At the core of Nigeria's transformation agenda is the need to diversify its economy. The agriculture sector is leading this drive with the launch in 2012 of the Agricultural Transformation Agenda (ATA), with goals to add 20 million MT to the domestic food supply – or 5 million MT per year – by 2015, and create a total of 3.5 million jobs also by 2015. This is the biggest push by government to grow agriculture in the country's history. The focus is on expanding domestic food production, reducing import dependency and expanding value addition to locally-produced agricultural products. The ATA builds on the foundations laid via the CAADP process and provides a blueprint for action.

Through radical policy reforms, reduced role of government, and expanded incentives for the private sector, this initiative will ensure an enabling environment for private-sector investment and modernize and industrialize Nigeria's agriculture. With support from all levels of government, Nigeria's agricultural agenda will achieve the following:

- Shift agriculture activities from government-owned to a government-'enabled' and private sector-driven process through deregulation and enhanced private sector engagement;
- Transform the financial landscape through innovative financing approaches to stimulate developments in the sector across the value chain;
- Concentrate investments in infrastructure to unlock economies of scale for food processing and value-added activities, which create ideal operating environments; and
- Strengthen the policy and investment climate to attract private-sector investment and improve competitiveness.

In early 2013, Nigeria announced it would engage with Grow Africa to support its ambitious agenda for the sector. Groundwork is underway to launch a first round of investor "Letters of Intent" in mid-2013. Hence, this country chapter serves not as a full progress report, but rather by way of introduction to the opportunities presented as one of Africa's agricultural powerhouses gears up for a historic agricultural transformation.

RESULTS

# Policy reforms and investment incentives yield rapid dividends

Nigeria's aggressive agriculture policy agenda and new private-sector investment incentives are already bearing fruit. In its first year, domestic food supply increased by 8.1 million MT, representing 41% of the sector's cumulative target for 2015, and created 2 million new jobs, exceeding its target by 200,000. These renewed efforts have also seen the launch of the "Nagropreneurs" initiative, aimed at creating a new generation of young commercial, market-driven farmers.

In terms of investment, in 2012, the agenda attracted $8 billion in commitments for current and upcoming agriculture projects across the value chain. This includes projects by Dominion Farms, Cargill, SAB Miller and AGCO – the world's largest manufacturer of Massey Ferguson tractors. The World Bank, African Development Bank, the US Agency for International Development (USAID), the International Fund for Agricultural Development (IFAD), the Overseas Private Investment Corporation (OPIC) and the UK Department for International Development (DFID) have in total committed $1.25 billion for Nigeria's agriculture sector. The Bill & Melinda Gates Foundation has in turn selected Nigeria as a priority country for its investment in agriculture, while the Tony Elumelu Foundation, Ford Foundation and United Nations Development Programme (UNDP) are providing significant technical support.

Nigerian companies  are upbeat about taking advantage of the agricultural transformation agenda. Dansa Foods, of the Dangote Group, is establishing a tomato processing plant in Kano as well as a fruit concentrate processing plant; Famag-Jal has a large investment in Halal-certified meat processing plants in Abuja; Teragro of the Transcorp Group has invested in the processing of fruits in Benue State; and Flour Mills of Nigeria, Multitrex and Olam have all begun deploying capital to develop new agricultural operations. The Leventis Group has also embarked on new investments to revive all its previously abandoned farms and processing facilities, all down to the new reforms in the agricultural sector. On the Nigeria Stock Exchange, shares in agricultural companies (PRESCO, Okomu Oil) are now the best-performing stocks, and in the space of one year, the government reports that there has been a tangible shift in the perception of agriculture, from a development program to a viable business.

## Macro indicators

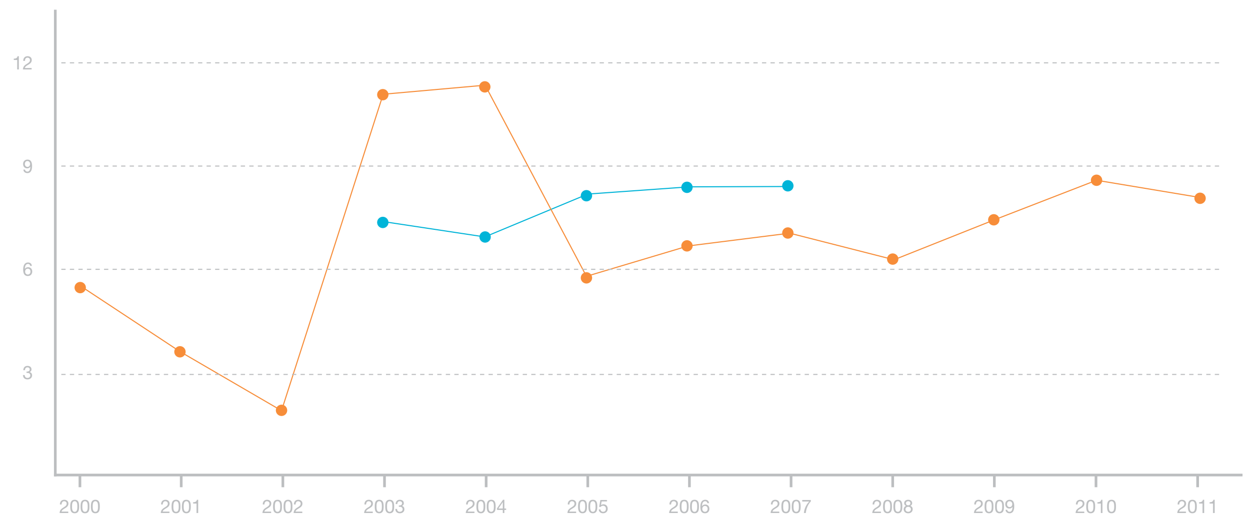
With an estimated 2009 population of 154 million people, Nigeria is the most populous country in Africa. While witnessing strong economic growth in the 1970s due to expansion in its oil industry, growth slowed in the 1980s to an average annual rate of 0.6%. Recently, the economy has begun to recover, with a GDP growth rate averaging 5.8% in the 2000's, rising to about 7% this decade.

The agricultural sector in Nigeria has seen increasingly strong performance across the 1980-2009 period, from an average annual growth rate in the 1980s and 1990s of 3.5% to around 7% in the 2000s. Annual rates have thus been sustained above the CAADP target of 6%.

Nigeria is not allocating the CAADP target of 10% of its national budget to the agricultural sector, and has not done so since 1986. Between 2003 and 2009, Nigeria allocated an average of 3.6% of its total budget to agriculture, a rate similar to that of other countries in the region. In 2011, this dropped to 1.7% ($492 million) according to a recent report by the ONE Campaign.

Nigeria is not on track to achieve the Millennium Development Goal of halving poverty and hunger by 2015. Against both the national and international poverty lines, rates of impoverishment have been increasing since 1990. In the case of the national poverty line, poverty rose by 36.4% between 1990 and 2005; in the case of the international poverty line, the increase is even greater at 56%. Because of the size and growth of the country's population, the absolute number of impoverished has also increased dramatically. Meanwhile the incidence of child malnutrition fell by 21.4%, but this reduction was not sufficient to put the country on track to halve its 1990 rate.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2010 | Rural poverty: Rural population at rural poverty line in 2004 | Child malnutrition: Children under 5 based on height for age in 2008 |
|---|---|---|---|
| 1.7% | 68% | 64% | 41% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

http://databank.worldbank.org/data/databases.aspx
http://www.resakss.org
http://one-org.s3.amazonaws.com/us/wp-content/uploads/2013/03/Ag-fullreport-single-130326-small.pdf

NIGERIA

# 2012 action for transformation

Nigeria's Ministry of Agriculture and Rural Development is targeting its resources at efforts that promote agriculture as business, both through investment facilitation, policy reforms and innovative public-private partnerships to unlock investment.

Senior Advisers experienced in investment facilitation and private-sector engagement have been recruited to help drive the transformation agenda. They serve as a first point of contact for investors seeking to engage with the Ministry and will guide agri-business companies through the process of establishing their businesses, particularly regarding supply-chain, logistics and technology issues.

The Ministry states that it has embarked on the most radical reforms of the agricultural sector in decades, with the focus being on ending the business-as-usual approach of the large public sector crowding out private-sector investments in agriculture. It launched what it calls a "government-enabled, private-sector-led transformation", which involves putting in place new waves of incentives to attract foreign and local investors into the sector. New fiscal incentives to drive the agricultural transformation, including zero tariff and duty on agricultural machinery and equipment, have been announced by President Goodluck Jonathan.

> "We will industrialize the agriculture sector and make it a new money spinner for farmers and the country."
>
> Dr. Akin Adesina, Nigerian Minister for Agriculture

Nigeria's agricultural revolution is also being supported with a financial revolution. Government is prioritizing expanding farmers' access to financial services, to allow them to build their productive assets, diversify income sources, and enhance their resilience. The Central Bank of Nigeria established a $350 million risk-sharing facility (NIRSAL) to reduce the risk of lending by banks to farmers and agri-businesses. The facility will leverage $3.5 billion of lending from banks to agriculture. It will also reduce interest rates paid by farmers from 18% to 8%. In 2013, NIRSAL will share risks with banks to lend $400 million to private-sector seed and fertilizer companies and agro-dealers, with the aim of making agricultural inputs available to 5 million smallholder farmers within the year across the country. Government is also recapitalizing the Bank of Agriculture to lend at single-digit interest rates to farmers, while the Ministry is working with Germany's KfW to create an impact investment fund for agricultural finance, with the goal of injecting the equivalent of $130-260 million in capitalization.

14 high-production food areas (or Staple Crop Processing Zones) have been designated by government to benefit from efforts aimed at creating an enhanced climate for attracting further investment. Concentrating on higher-value crops and regions with existing markets, Nigeria is working to generate opportunities for the private sector through infrastructure upgrades, incentives and a favorable regulatory environment.

## Spotlight: Input subsidies through mobile phones end corruption

One key policy reform introduced in 2012 was aimed at tackling decades of corruption in the country's fertilizer sector. In a radical change of practice, government no longer procures or distributes fertilizers, which are now sold directly to farmers by fertilizer companies. The old system, under which government bought and sold seeds, was fraught with corruption, with grains sold to farmers as seed. To ensure that poor farmers are able to source fertilizers and seeds without political interference, a new scheme called Growth Enhancement Support (GES) was launched providing targeted support to five million farmers per year or 20 million farmers within four years. Under the scheme, registered farmers receive e-wallet vouchers on their mobile phones which they can redeem for fertilizer and seeds from agro-dealers.

## Spotlight: Cooperation with state governments attracts investors

The Ministry of Agriculture has launched a major push to work more closely with state governments to help drive investments into their agricultural sectors by decentralizing operations – efforts which are paying off. For example, the Ministry successfully attracted a $40 million investment in commercial rice production in Taraba state from the US agri-investment company Dominion Farms. Dominion has already commenced its operations and is investing on 30,000 ha of land, with young commercial farmers, in what is hoped will enable the substitution of around 15% of all rice currently imported into the country.

Others have also been attracted to Nigeria by the new drive. Cargill, Flour Mills of Nigeria and the Transcorp Group have embarked on a major investment that will produce 250,000 MT of starch from cassava, to replace all the corn starch the country currently imports, as well as new investments to produce 100,000 MT of sweeteners from cassava syrup. Similar successes include the securing of investors in pineapple concentrates in Cross River and Benue states, tomatoes in Kano, and sorghum in Borno and Jigawa. The largest manufacturer of Massey Ferguson tractors in the world, AGCO, also began operations in Nigeria in the last year, investing over $100 million in new tractor assembly plants and tractor parts and supply services in Ekiti, Enugu, Kaduna, Rivers, and Ogun states.

### Spotlight: Public-private partnerships to improve nutrition

Nigeria released 3 pro-Vitamin A cassava varieties, in partnership with the International Institute of Tropical Agriculture, the Global Alliance for Improved Nutrition (GAIN) and the Bill and Melinda Gates Foundation. In collaboration with the International Potato Center, Nigeria is also promoting orange-flesh sweet potato (which is rich in beta carotene) with the goal of reaching 1 million households by 2015. Further initiatives see the country working with Dangote on a nutritional supplement factory in the North, as well as exploring opportunities to engage DSM, Nestle, GAIN, and Harvest Plus to create viable businesses that promote improved nutrition.

FORWARD LOOK

## Catalyzing new investment commitments

Nigeria will continue implementation of its ambitious Agricultural Transformation Agenda, through effective strategy-setting and coordination, enabling policy reforms, measures to improve financial access and infrastructure, partnership brokerage, and investment facilitation.

A process is underway for global and domestic companies to sign Letters of Intent to be announced in mid-2013 within a new “Country Cooperation Framework” for Nigeria to be developed under the umbrella of the New Alliance for Food Security and Nutrition. With support from USAID, the government is working with the Monitor Group (now part of Deloitte) to advance these. Investment deals with multinationals, a group of South African investors, and another group of American investors worth more than $8 billion in total are close to being finalized.

### Investment and partnering opportunities

Through government-designated Staple Crops Processing Zones, the Ministry of Agriculture is focusing on developing value chains, especially to create value-added products from staple crops, by means of an aggressive import substitution program and other policies that will increase food production. These efforts raise some key investment opportunities, including the following:

#### Cassava

Nigeria is the largest producer of cassava in the world (with 34 million MT produced per annum), and has put in place policies to encourage the cultivation of drought-tolerant crops like cassava and the development of markets to enhance resilience in food systems. Fiscal policies are being used to encourage the use of cassava for the production of high-quality cassava flour (to replace some of the wheat imported for use in bread and confectionaries), starch, dried cassava chips (for export), high fructose cassava syrup (for sweeteners), sorbitol and ethanol. Cassava bread, made out of 20% cassava flour and 80% wheat flour, has hit the market in Nigeria, and is cheaper than 100% wheat flour bread, which will put over $1 billion back into the pockets of cassava farmers and processors. The country has already attracted major global players, such as Cargill, Unilever and Nestle, to invest in the production of starch, sweeteners and sorbitol from cassava.

#### Rice

The ATA agenda has progressed a rice intervention program, which boosted local rice production by a further 690,000 MT in 2012 – 140% higher than the target set for the year. New fiscal measures have been announced by Nigeria’s President raising tariffs for brown rice and levies on imported finished rice with a view to encouraging local rice production. In response, 13 new private-sector mills have been established in the last 12 months, buying and processing local paddy. The total capacity of the new mills is 240,000 MT. Local rice has been rolled out into the market on a commercial scale by Ebony Rice, Ashi Rice, Mikap Rice and Umza Rice, with its high quality, taste and price helping to displace imported rice.

To ensure that Nigeria has industrial capacity in place for international quality grade milled rice that can compete with imports, the Ministry of Agriculture and the Ministry of Finance have concluded arrangements to facilitate the acquisition of 100 large-scale integrated rice mills, with a total capacity of 2.1 million MT, to be located across the country and owned and operated by the private sector. As a consequence, for the first time in Nigeria's history, the country will have the potential to mill sufficient rice to replace all current imports, as well as become an exporter of finished rice to other African countries, opening up significant opportunities.

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**To express interest in or learn more about these opportunities, contact:**

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"We are committed to engaging all stakeholders to create a stronger global food system. Engaging the private sector is an important part of that effort, to bring investment, innovation and efficiency into partnership efforts."

Sarita Nayyar, Managing Director, World Economic Forum

# Rwanda

## High-value “Premium Agriculture Investment Hubs”

Agriculture is a major engine of growth for the Rwandan economy. Its modernization is one of the six pillars of Rwanda’s Vision 2020. Over the last decade, Rwandan agriculture has made major advances: productivity and production for a number of crops have sharply increased and consequently improved rural incomes.

The Government of Rwanda (GoR) is committed to creating an enabling environment in which the cost of doing business is reduced so that private-sector operators can flourish and assume an increasingly important role in the agriculture sector. This is clearly spelt out in the latest agriculture sector strategy (the PSTA III), which builds on the country’s first two agriculture sector strategic plans.

To this end, Premium Agriculture Investment Hubs have been identified, which will act as production areas for specific commodities to ensure sufficient production volume for investors. Government facilitation includes investment in farmer organization and professionalization, and where necessary, in production systems. The private sector is expected to invest along the chain in a specific production hub based on their particular areas of interest. This may include knowledge centers, inputs, and diverse value-addition activities such as processing.

RESULTS

# Agriculture driving national development

Agricultural production increases have had a positive impact on both sector growth and reducing rural poverty. Over the last five years, average per capita income has tripled while average poverty levels at national level have gone down by 12 percentage points (3rd Integrated Household Living Conditions Survey - EICV III), driven largely by interventions to move agriculture from subsistence to a market economy. In that same period, the share of underweight children under 5 was reduced from 29% to 11%.

A land consolidation policy of government encourages farmers to bulk their land to increase volumes of specific commodities and thus market share. This, combined with access to inputs through agro-dealerships, has seen yield of maize increase sixfold, wheat threefold, and potatoes over fivefold in the last five years alone. It is worth noting that some Vision 2020 goals, such as GDP per capita and the percentage of farmers using fertilizers, were already exceeded in 2010, and have since been revised to drive further improvements.

Despite this progress, there remains significant scope to boost private-sector investment into the sector. In 2012, the Ministry of Agriculture (MINAGRI) and the Rwanda Development Board (RDB) advanced considerable improvements to the enabling environment, and developed detailed investment opportunities. The priority now is to identify more investors ready to respond. Despite Grow Africa not conducting a formal process to generate Letters of Intent for Rwanda in 2012, 3 companies articulated investment intentions as part of multi-country plans. All these companies are advancing their intended plans, most notably Jain Irrigation, with a $4 million integrated agriculture and irrigation development underway for smallholders, and preparatory work on a bean processing opportunity that was originally identified by the RDB.

## Macro indicators

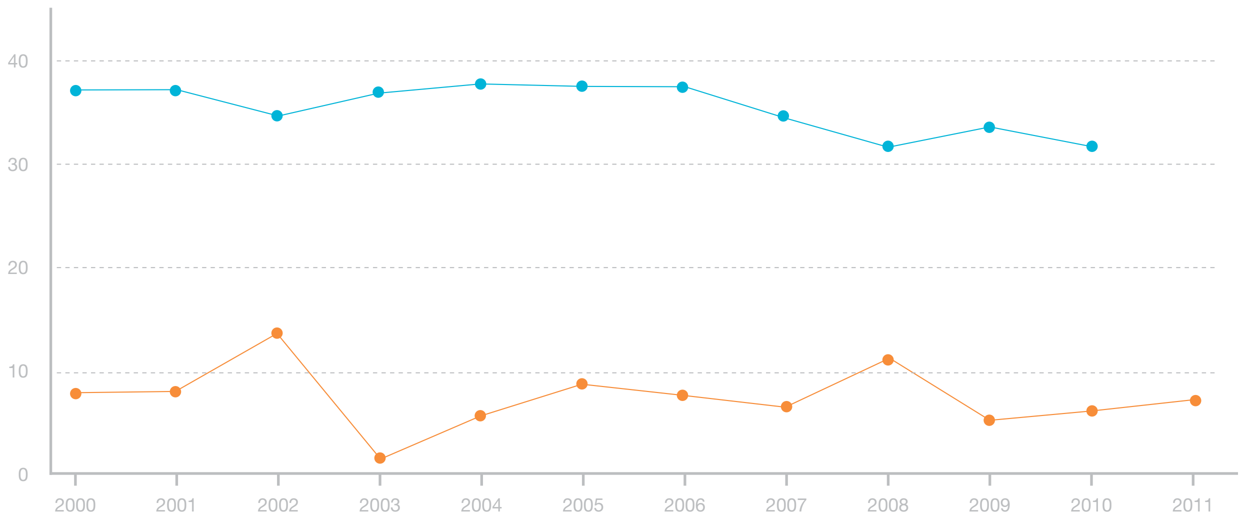
The economy of Rwanda has experienced increasingly robust growth over the past two decades. Following the serious economic contraction (-11.5% growth) witnessed during the Rwandan Civil War and genocide in 1990-1994, the economy experienced a strong rebound, growing at an average annual rate of 15.7% from 1995 to 1999, and 8.2% from 2000 until 2012.

The Rwandan economy is based on rain-fed agriculture, with the sector employing over 80% of the working population. The Rwandan government has made agriculture one of its main priority areas in its quest to achieve the Millennium Development Goals (MDGs) and its Vision 2020 target of achieving middle-income status by 2020. Following trends in the overall economy, agricultural growth bounced back in the late 1990s and throughout the 2000s, maintaining average annual growth of 8.7% from 1995 through to 2009, exceeding the CAADP 6% growth target. The contribution of agriculture value-added to Rwanda's GDP was 33% in 2012.

Agricultural spending forms one of the priority expenditures of the GoR's annual budget, with a focus on increasing productivity in the sector. Over the past five years, allocations to the agricultural sector have increased from 4.2% of the budget in 2008 to 6% in 2011-12. If agricultural-related spending allocated to other institutions is also included, then Rwanda satisfies the 10% commitment made under its CAADP compact.

Since 2000, there has been a significant decrease in the proportion of the population living in poverty, and most noticeably since 2005-06. Between 2001 and 2006, there was a 2.2% decline in poverty, accelerating to 11.8% between 2005 and 2011. The overall decline in poverty for the 10-year period was 23.8%. Despite the remarkable progress Rwanda has made, the country currently remains off track for achieving the MDG goal of halving the 1990 poverty rate by 2015. Nevertheless, analysis of the EICV III data shows that provided the economy continues to grow and inequalities do not increase, the prospects for future poverty reduction are promising.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2010-11 | Rural poverty: Rural population at rural poverty line in 2010-11 | Child malnutrition: Children under 5 based on height for age in 2010 |
|---|---|---|---|
| 10.2% | 44.9% | 48.7% | 44% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

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http://databank.worldbank.org/data/databases.aspx
http://www.statistics.gov.rw
http://www.resakss.org

RWANDA

# 2012 action for transformation

## Leadership and alignment

- Sectoral leaders are convened at the highest level of government – the Prime Minister's Office. The Minister of Agriculture is personally in charge of developing and implementing strategic activities linked to Grow Africa.
- In 2012, sectoral stakeholders met on an ad-hoc basis and initiated discussions on how to accelerate investment. Participants included: MINAGRI and the RDB, development partners, and senior private-sector managers and investors.

## Strategy setting

- The agriculture sector strategy under the PSTA III is fully integrated into the governments' poverty reduction strategy (EDPRS II) for 2013-17. The key focus of both strategies is the promotion and facilitation of private sector-led investments.
- Given the relatively small size but highly-diversified nature of the Rwandan farming landscape, the nucleus land model has been opted for.

## Investment pipeline

- The RDB has worked with MINAGRI since 2008 to build an extensive investment pipeline.
- Specific business cases are available, and scoping work is underway for emergent opportunities.
- Private-sector interest needs elevating in response to pipeline of opportunities.

## Risk mitigation and financing

- MINAGRI is advancing suitable insurance schemes for small-and medium-scale farmers, including weather index insurance to help farmers manage risk of catastrophic shortfalls in production.
- An agricultural guarantee facility and a rural investment facility enable and facilitate investments in agriculture.
- Microfinance initiatives facilitate farmers' access to credit and stimulate savings.

## Infrastructure – soft and hard

- Rwanda ranks as the 3rd easiest place to do business in Sub-Saharan Africa.
- Ongoing improvements to agricultural soft infrastructure include: clear land policy, tax waivers for equipment, an IPO law for inputs, export standards certification, agro-dealer networks, and cooperatization of smallholders.
- Investments in hard Infrastructure are ongoing through: coordinated infrastructure interventions (e.g. developing feeder roads, and energy and water infrastructure), and specific irrigation and land husbandry projects.

## Delivery and implementation

- A high-level inter-Ministerial Steering Committee reports directly to the Prime Minister to ensure quick government response to investor needs, while the RDB ensures conditions exist for successful implementation of investor-driven projects.
- MINAGRI, working with the RDB and other stakeholders, has set up a Delivery Unit to carry forward the Grow Africa process and offer a one-stop shop for investors, to ensure they receive timely and appropriate answers to their questions, guidance and aftercare.

Led by MINAGRI and the RDB, the Rwandan government is providing a core enabling and facilitative role for agricultural development. Specific improvements to the enabling environment underway include:

- designation of premium agri-investment hubs to address the adequacy of raw materials in agro-processing and the development of land leasing procedures;
- prioritization of investments in the required hard infrastructure, such as roads and electricity to the premium investment hubs, in partnership with a number of the GoR's development partners;
- development of 60,000 additional ha of irrigated land by the end 2016. MINAGRI is working with district authorities to develop District Master Plans for Irrigation. It has also earmarked 20,000 ha of land for private-sector irrigation development in the sector strategy. Up to 100,000 ha are also earmarked for terracing;
- repositioning professionalized farmer associations to respond to investor needs;
- making storage facilities and commercial warehouses available to alleviate post-harvest losses;
- establishment of a Catalytic Financing Fund to address a gap in current financing options available to potential investors;
- implementation of the Land Charter and accompanying legal instruments (by June 2013) to facilitate investors' ability to identify suitable land and start operations as quickly as possible;
- provision of tax waivers on most imported agricultural equipment, inputs, and agro-processing machinery;
- intellectual property laws are in place to protect investors dealing in patented seeds, other plant-related materials or inputs;
- the Rwanda Bureau of Standards is constantly upgrading and expanding its capacity to support exporters through testing and certification of raw and processed products, with a directorate set up in MINAGRI to promote import and export certification and to follow up on certification of rule of origin; and
- a countrywide network of agro-dealers has been set up and trained to market and distribute inputs across the country, providing a ready-to-go mechanism for farmers to obtain improved seeds and fertilizers

The government has shown willingness to share investment costs with the private sector where necessary, with an exit strategy. Examples of such public-private partnerships are shown below.

## Spotlight: Bringing quality local fish to market

The Rwandan government has supported Lakeside Fish Farm's pioneering efforts and investment to establish a state-of-the-art fish industry in the country with specifically-designed duty-free exemptions. As well as covering the cost of taking a high-voltage electricity line to the Lakeside Fish Farm site, MINAGRI has also made its brand new fish market available to the company for a fee, to facilitate working with cooperatives to bulk and put good-quality locally-produced fish on the market.

## Spotlight: Rice production supported with irrigation

MINAGRI has also developed an irrigation dam and associated drainage infrastructure with capacity to irrigate 2,000 ha. Part of this hectarage has been made available by the Ministry to Nyagatare Agro Ventures to develop and put into rice production. The investor will install processing capacity for the whole valley, investing in mechanization and producing electricity for sale to the grid from the residues of processing. Government support for the investor's efforts has thus enabled it to pursue other business prospects beyond the primary rice production and processing opportunity.

## Spotlight: Seed plant responds to demand

The need for higher productivity in seed production in Rwanda makes this a field of business with enormous potential. To leverage that opportunity, MINAGRI worked with regional seed companies to meet the country's seed needs, subsequently using the supply created to build demand and appropriate infrastructure for delivery, including a seed plant and a delivery network across the country. Today, thanks to the government introducing intellectual property protections, a number of companies have started production operations in Rwanda and will run the seed plant at a fee, with plans ultimately to purchase it from the government.

### Spotlight: Milk value chain strengthened

Another area that has benefited from MINAGRI investment is milk bulking and processing, through the construction of milk collection and cooling centers around the country and a processing plant in Nyagatare – the district with the highest milk production in the country. Inyange Industries Ltd has since invested in higher processing capacity and has acquired the processing plant from government, as well as taking over the management of cooling centers. The government has subsequently also facilitated a contract between Inyange Industries and Nyagatare Dairy Farmers Union for the supply of 35-40,000 liters of milk a day.

RWANDA

# Status on Letters of Intent

2 companies directed Letters of Intent to Rwanda (with 1 more making reference to working in the country).

| | Goals | Year 1 – Progress update |
|---|---|---|
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial small-holders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Started country-specific market research.<br>▪ Started partnership with the Office of the Prime Minister and MINAGRI.<br>▪ Conducted meetings with government.<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Jain Irrigation | In line with national Vision 2020 goals, contribute to developing irrigation and enabling infrastructure by:<br>1. developing an integrated agricultural cluster in an area identified as suitable; and<br>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing. | ▪ Working on a $4 million integrated agriculture and irrigation development in Nyagatare region for smallholder farmers.<br>▪ Working on a project plan with Monitor Group and the RDB for setting up a bean processing facility. |
| Unilever | Facilitate value-chain partnerships, including by:<br>1. leveraging investment, bringing expertise, and stimulating the supply side by creating market demand, such as by doubling annual sourcing of Rwandan high-grade black tea by 2015; and<br>2. integrating 20-30,000 Rwandan smallholders into supply chains, and improving their livelihoods through sustainable sourcing and investment. | ▪ Field trip completed and investment proposal to government under preparation.<br>▪ Land availability being further investigated to determine the appropriate investment model and maximize benefit to smallholders. |

RWANDA

## Constraints identified by the private sector

As the Grow Africa secretariat has not yet built a large enough network of companies active in Rwanda, data has accordingly not been collected on constraints limiting private-sector involvement.

FORWARD LOOK

## Scaling high value-added processed products

Rwanda has made great strides in identifying and packaging its investment opportunities. These prospects relate to high-value commodities with high output per ha use and a significant potential for value addition. In 2013, Grow Africa will support the government in realizing these opportunities.

MINAGRI – working with the RDB and other stakeholders – has set up a Delivery Unit to carry forward the Grow Africa process and ensure that all investors mobilized through this process are provided with timely and appropriate responses to their queries, together with guidance and aftercare. The Unit oversees implementation of all agreed actions and will monitor investor progress, reporting to the Steering Committee chaired by the Prime Minister. Equipped with high-caliber professionals, the Unit has been furnished with the operational resources to deliver on its mandate. The commencement of regular meetings of the restructured Steering Committee and Delivery Unit was delayed, however, by the reframing of activities to advance the Grow Africa initiative.

Improvements to the enabling environment will be ongoing. Notable new efforts include:

- a Catalytic Financing Fund for medium and large-scale investors linked to Grow Africa is being set up by the Agriculture Investment Task Force, an inter-agency entity; and
- moves to improve cashflow to smallholder farmers through a warehouse receipts program for selected crops, to be implemented by Rwanda's Commodity Exchange, which is currently in the process of being established.

### Investment and partnering opportunities

Three broad categories of investment opportunities are worth highlighting:

- traditional export commodities: there are opportunities to expand into coffee (50,000 ha) and tea (18,000 ha);
- new opportunities in bean value addition, fresh avocado exports, and developing a fertilizer distribution business; and
- emerging potential to scale up existing production in, for example, silk, spices, herbs and essential oils.

The following specific investment opportunities have business cases in place:

#### Coffee production area set to expand thanks to ideal growing conditions

Rwanda has ideal climate, soil, elevation and growing conditions for Arabica coffee. A network of 215 Coffee Washing Stations (CWSs) has already been established, with considerable scope to increase the amount of coffee that is washed and roasted. The area under coffee production is expected to rise by 50,000 ha between 2012 and 2017. If expansion targets are realized, an additional 40 CWSs per year will need to be established to ensure capacity – with a 20 c/kg premium on fully-washed coffee.

The market destinations are in Europe, with major buyers including Armajaro and Starbucks. The price of Rwandan coffee is consistently higher than the New York C-price, reflecting premium quality and targeting of specialty buyers. There are opportunities for international investors with an interest in:

- purchasing existing CWS networks, or setting up new CWSs;
- roasting and packing with toll roasting in Europe, the United States and China;
- expanding into specialty coffees on top of existing production (which is mainly focused on semi-washed Arabica); and
- expanding the area under coffee production.

## Tea demand growth boosts profit and return potential

Tea is Rwanda's second largest export earner, generating close to $65 million in annual revenues. Demand for specialty teas is growing strongly, with global demand requiring the addition of 60 million kg of tea per year to world supply. This trend suggests a high potential for growth in yields by up to 30%. Over the last 2 years, for instance, the Rubaya tea plantation has increased yields by more than 40% through improved agronomic practices.

The area under tea cultivation is set to increase by 18,000 ha between 2012 and 2017, with Rwanda being one of the last places where factor costs remain low. The country also benefits from rich volcanic soil, and high altitude and rainfall that make for favorable growing conditions. Carefully-researched tea varieties are matched with soil conditions. These ideal production factors have led to a number of laudable achievements: in 2011, Rwandan tea achieved the highest price in Africa at the Mombasa Tea Auction, and has been priced consistently higher than international levels. At the 2012 International Tea Convention, Rwandan tea was awarded 1st, 2nd & 4th prizes. Investors can expect $1-3 million annual net profit from tea factories and an IRR of approximately 22%. Opportunities exist for international investors to:

- expand into orthodox loose-leaf and green and white tea varieties, with existing production focused mainly on black CTC (crush, tear, curl); and
- expand into new green fields on 10,000 ha.

The Rwandan government is committing up to $130 million in transport, electricity and water infrastructure around tea estate sites, and is providing $22 million to help improve yields and smallholder productivity.

## Essential oils manufacturer seeks equity investment for growth

The Rwandan community-interest company Ikirezi Essential Oils produces two essential oils – organic geranium oil and patchouli oil, with sales to date being primarily on a bulk-purchase basis. High-quality organic geranium oil is the company's primary product, and more than one ton has been produced for international buyers. Out of 30 tons in world demand, Ikirezi has demand for up to 4 tons at $215-250/kg (0.4 tons sold in 2012). However, patchouli is the base oil of most perfumes, with world demand of around 2,000 tons at $55/kg. Patchouli is therefore planned as Ikirezi's next large-scale crop, with growing trials currently taking place and initial commercial production and sales planned for late 2013.

Ikirezi's business model represents a new approach to farmer involvement based on farming groups. The company has developed farmer group principles to optimize income for farmers and productivity from the land. This approach allows Ikirezi to focus on empowering rural farmers by training and guiding them in the transition from subsistence to commercial farming. The result is a highly efficient, scalable farm management system.

Opportunities for expansion through Ikirezi Essential Oils include:

- increasing the land under geranium cultivation from 20 ha to 250 ha over five years;
- multiplying high-quality patchouli planting material and distributing this to outgrower farmers to cultivate 150 ha of patchouli; and
- commissioning 2 new large-scale distillation facilities, office, drying shed, oil storage and irrigation facilities.

The above growth plans require a mix of debt and equity investment of $980,000 – an infusion which will ensure a sustainable enterprise by 2016, capable of generating $500,000 profit a year by 2017.

## High-price export markets assured for pyrethrum insecticides and pesticides

Pyrethrum is a naturally-occurring botanical insecticide used for the extermination and control of insects, including mosquitoes that transmit diseases to humans and animals. It also has applications in commercial and industrial sectors for fumigation and preservation. As Rwanda is one of the world's major pyrethrum producers, the crop represents an important high-growth export. Competitors in this market include Kenya and Tanzania.

Pyrethrum is produced in Rwanda by some 14,500 small-scale producers under contract to the pyrethrum processor SOPYRWA. Production rose between 2008 and 2011, with a steep increase in 2010-11 that remained constant in 2012. Hectarage under pyrethrum cultivation also followed similar trends, going from 2,272 ha in 2008-09 to 3,200 ha in 2011-12.

Pyrethrum products fetch a high price on export at around $200/kg, with US consumption of approximately 70% of world output of quality refined pyrethrum providing a stable market.

Rwanda boasts a comparative advantage due to its good soil and favorable climate, excellent refining capacity, resilient and well-organized farmers, and unexploited land available for pyrethrum production. The growing decline in Kenya's export and the lack of a refinery in Tanzania also offer an added advantage for Rwanda to boost its production. With raw materials available locally, Rwanda provides potential investors with good investment prospects in the processing of pyrethrum insecticides and pesticides, which are assured ready markets both in Rwanda and other tropical countries affected by mosquitoes and malaria, as well as in those undertaking horticultural activities.

Rwanda therefore offers investors investment opportunities in:

- increasing the area of pyrethrum production; and
- the processing of pyrethrum products (insecticides and pesticides) for both the local and international markets.

## Strategic private-sector partner required for production of high-quality silk yarn

According to FAO experts, Rwanda has an ideal climate for the cultivation of silk yarn, enabling year-round production that increases yields per ha as well as improving farm-gate revenues. Plentiful and cheap labor also means that Rwanda is a cost-effective location for cocoon development and harvesting.

The GoR recently committed to providing 5,000 ha for mulberry bush cultivation and cocoon farming. A national sericulture center has also been established by MINAGRI to train farmers in the process of growing mulberry and developing cocoons. The government is currently looking for a strategic private-sector partner with whom to develop the silk value chain to produce high-quality yarn.

## Investors offered 10-year tax holiday for Flower Park investment project

Rwanda's high land altitude, good soil and water resources constitute favorable conditions for the development of the floricultural sector. Drawing on these geographic and climatic advantages, a strong push from government in support of floriculture exports has translated into positive action and initiatives. These include public investments in infrastructure networks such as roads and communication services crucial for the sector's further development.

Investors in a Flower Park project currently being proposed for development would also qualify for a 10-year tax holiday incentive, aimed at attracting required investment of $10 million. Key features of the project include:

- the development of 650 ha under rose production as a high-value export crop;
- the production of 1.4 billion stems annually;
- the potential to generate an annual revenue of approximately $230 million by 2017 at an average price of $0.20 per stem;
- the provision of 30% equity and a 70% concessional loan at 5-8% interest with a 2-year grace period;
- the provision of suitable land for flower production and basic infrastructure (roads, electricity and water);
- the provision of market-push policies and subsidies on freight logistics to various market destinations;
- the development of local floricultural expertise, including the training of small-scale farmers in methods and techniques of producing quality flowers for export markets; and
- the development of post-harvest technology and cold storage facilities to help maintain the quality of highly-perishable products.

**For further information regarding any of these opportunities please contact:**

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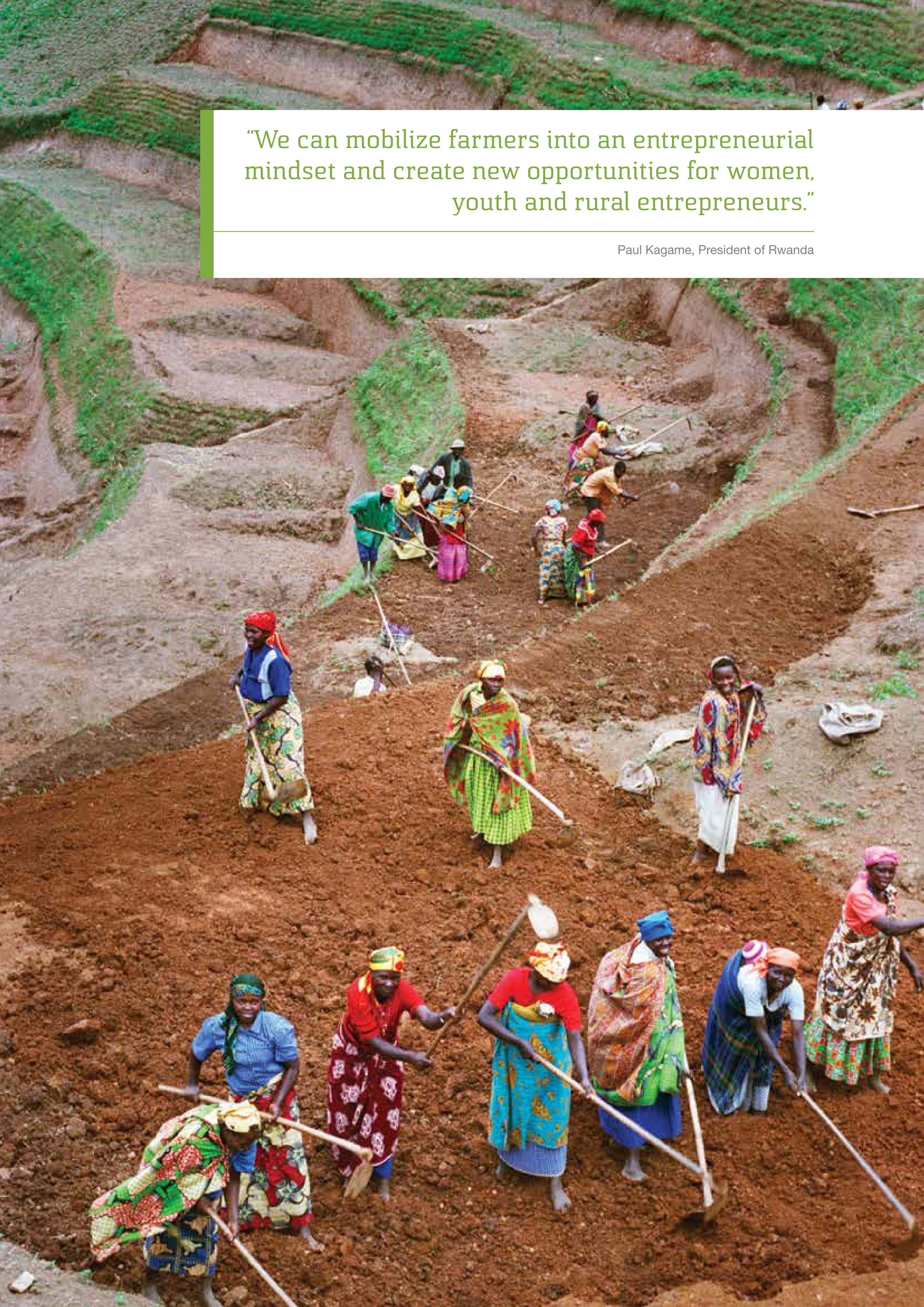
> "We can mobilize farmers into an entrepreneurial mindset and create new opportunities for women, youth and rural entrepreneurs."

Paul Kagame, President of Rwanda



2.8 Country Report

# Tanzania

## Building a corridor for growth

Tanzania has vast natural resources that offer strong potential for significant agricultural growth in crops, livestock and fisheries. A combination of factors make it attractive for commercial investment, including:

- shared borders with eight countries in the East Africa region, providing a large and growing regional market;
- a coastal location with an international port, providing potentially low-cost access to rapidly expanding markets in the Middle East and Asia; and
- substantial natural resources, including good soils, underdeveloped land, and water resources suitable for agriculture.

The government, private sector and development partners have set up an ambitious multi-stakeholder initiative – the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) – with a view to boosting agricultural productivity in the country and the wider region, and thereby pursuing the country's agricultural strategy.

To that end, SAGCOT fosters the growth of "clusters" of profitable agricultural farming and services businesses, with major benefits for smallholders and their communities. It also provides a space for the public- and private-sector partners to work together at a strategic and policy level to address investment-related bottlenecks.

SAGCOT is the first-priority investment area for achieving the goals of Tanzania's Agricultural Sector Development Programme (ASDP) and the Kilimo Kwanza (Agriculture First) Growth Strategy.

RESULTS

# Progress on policy prepares ground for production increases

For Tanzania's agricultural transformation, 2012 witnessed a shift from strategy setting and coalition building to partners making specific commitments and commencing implementation. This was true for both companies advancing investments, and public-sector partners improving the enabling environment.

19 companies signed up to "Letters of Intent", more than any other country supported by Grow Africa.

These companies are now on the ground undertaking foundational work, such as training farmers, negotiating MoUs, testing seeds and techniques, establishing model farms, and agreeing contracts with smallholders. Progress is strongest so far with investments for the inputs supply side, resulting in anticipated growth in the use of fertilizers, seeds and agro-chemicals. For example, Tanseed has reached over 8,000 smallholders with improved maize seed through its growing network of agro-dealers.

The government also made progress against its commitments to strengthen the enabling environment. Notably, land demarcation is proceeding, VAT was waived on farm equipment, an export ban was removed on food commodities, and an Investment Partnership Programme was launched. The government's leadership commitment to the sector, combined with progress on policy improvements, appears to be deepening the confidence of domestic and international investors alike.

## Macro indicators

The Tanzanian economy has been growing consistently since the mid-1990s. Throughout the 2000s, annual GDP growth averaged 6.5%, a rate more than twice that of the previous decade (3.1%).

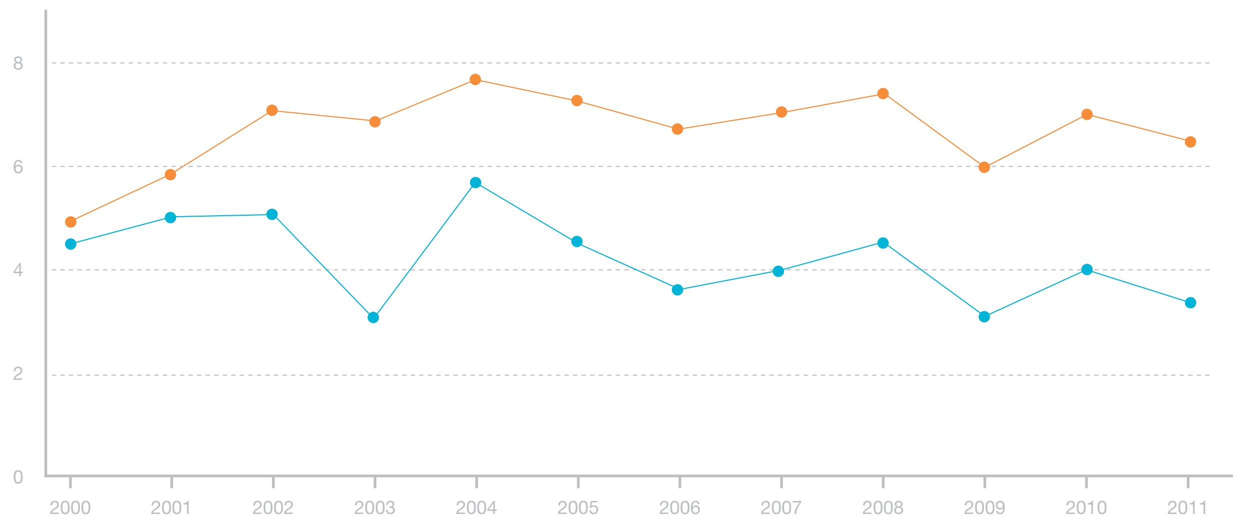
Tanzania's agricultural sector has performed well in recent years, reaching a high of 10.6% growth in 2008. Over the last decade, agricultural GDP growth rates have steadily increased, reaching an annual average of greater than 5% over the course of the 2000s. However, with the exception of 2008, Tanzania's agricultural growth rate still falls short of the CAADP target of 6%. While the country's most recent recorded agricultural growth rate is above the CAADP threshold, the sector may have to grow more to meet the goal of halving poverty by 2015.

While Tanzania has not met the CAADP target of 10% agricultural spending in recent years, it does currently stand at 7% with a public commitment from the government to raise this to 10% by 2015.

Tanzania has the capacity to become a major food-exporting country in the Common Market for Eastern and Southern Africa (COMESA) region given its abundance of natural resources with agricultural potential. However, major investments are still needed to improve access to modern inputs such as seeds, fertilizer, and credit, as well as basic infrastructure such as irrigation, rural feeder roads, transportation, and marketing information technologies.

Although the national poverty rate has been declining over the years, the fall has not kept pace with the Millennium Development Goal (MDG) target reduction rates. In addition, poverty has risen significantly against the international poverty line. On the other hand, Tanzania's child malnutrition rate is less than a percentage point shy of the first MDG target rate for 2005, reflecting the considerable progress the country made in reducing child hunger between 2000-2005.

| Share of government expenditures to agriculture: 2011 | Poverty: Population below $1.25 a day in 2007 | Rural poverty: Rural population at rural poverty line in 2007 | Child malnutrition: Children under 5 based on height for age in 2010 |
|---|---|---|---|
| 6.8% | 68% | 37% | 42.5% |




ANNUAL GROWTH COMPARED FOR GDP AND AGRICULTURE VALUE-ADDITION

● Agriculture; value added (annual % growth) ● GDP growth annual

Data and text sources:

http://databank.worldbank.org/data/databases.aspx
http://one-org.s3.amazonaws.com/us/wp-content/uploads/2013/03/Ag-fullreport-single-130326-small.pdf
http://www.resakss.org

TANZANIA

# 2012 action for transformation

## Leadership and alignment

- Both the President and the Prime Minister have demonstrated exemplary ongoing leadership in prioritizing Tanzania's agricultural transformation, acting as role models across Africa.
- The broader engagement and alignment of leadership has strengthened across stakeholder groups and across government, though with a need for further alignment and a focus on consistent execution.

## Strategy setting

- The ASDP and Kilimo Kwanza define the country's strategic approach to the agriculture sector.
- The Tanzania Agriculture and Food Security Investment Plan (TAFSIP) provides a detailed and budgeted national sectoral plan developed through an inclusive CAADP process.
- The SAGCOT corridor offers a flagship initiative for achieving the goals of TAFSIP through private-sector engagements and has a robust blueprint in place.

## Investment pipeline

- Investment Partnership Program has been launched to attract large-scale investors to the corridor who champion inclusive and sustainable investment models that engage smallholder farmers.
- A 300-participant-strong investor conference in November 2012 led to two sites (Mkulazi and Mkata) being promoted by the Tanzania Investment Centre.
- The SAGCOT Centre aims to improve conversion rate of commitments to actual investments.
- Need of a "one-stop-shop" at government level for investors.

## Risk mitigation and financing

- Establishment of the Tanzania Agricultural Development Bank and the SAGCOT Catalytic Fund are at an advanced final stage.

## Infrastructure – soft and hard

- Government is responding to private-sector priorities for policies that will improve the enabling environment e.g. reviewing lifting crop cess, and waiving VAT on agricultural equipment.
- The UK's Department for International Development (DFID), the EU, and USAID have joined hands in improving the Kilombero–Ifakara road. This is the first of a series of coordinated infrastructure priorities in the cluster.

## Delivery and implementation

- Tanzania was a first mover in developing and testing new models for partnership facilitation, and established the SAGCOT Centre.
- The SAGCOT Centre is not yet fully resourced by partners, and so is constrained in its capacity to execute its mission.
- Coordination capacity within government would also benefit from strengthening with a focus on delivery.

In 2012, the government, the SAGCOT Centre and their partners made demonstrable progress in improvements to the enabling environment, undertaking investment facilitation and advancing public-private partnerships.

## Access to land

The government has begun identifying and demarcating land parcels for investment starting in Kilombero and Rufiji valleys. In Kilombero District, 100 villages out of 102 have been demarcated to ensure smallholder farmers land is safeguarded, essentially fulfilling the August 2012 deadline. The exercise will continue in all SAGCOT areas as resources become available. Progress in establishing a modern land management system that will be cheaper and transparent is at an advanced stage.

## Global and intra-African trade

The government removed its export ban on food commodities, thereby encouraging farmers to increase production and take advantage of the available market within the country and around the region. A comprehensive food security study was carried out and its findings are helping develop alternative policies that safeguard food security and nutrition objectives.

## Investment incentives and business environment

A 2012 finance bill waived VAT on irrigation equipment, tractors, farm implements (including spare parts) and milk processing products. In addition, the government reiterated its intention to lift crop cess. A roadmap addressing critical business environment issues, including the cost of doing business, is now being implemented.

## Infrastructure

Studies have identified improvements needed for roads, railways and telecommunications. USAID, the EU and DFID agreed to support the upgrading of a 103-kilometer road that connects Mikumi and Ifakara in the Kilombero valley, with construction now underway. Further development of irrigation and storage structures is being implemented under various initiatives to support smallholder farmers.

## Innovative finance

Efforts to enhance access to agricultural financing through the establishment of the Tanzania Agricultural Development Bank and the SAGCOT Catalytic Fund are at an advanced final stage.

## Access to productive inputs

Production and trade for all agricultural inputs have been liberalized and there is greater participation of the private sector in inputs trade, including production of seeds, trade of farm implements, fertilizers and agro-chemicals. Government revised the legislation on Plant Breeders' Rights to align it with international procedures for granting plant breeders' rights (established by the International Union for the Protection of New Varieties of Plants - UPOV). The Plant Breeders' Rights Bill has been passed for Mainland Tanzania and the passage of similar legislation on the Zanzibar side is making good progress. This will make Tanzania UPOV-compliant and thus encourage investors in local seed production and trade.

## Investment facilitation

The Investment Partnership Programme has been established and shared widely to potential investors within and outside the country for promotion of the first three commodities (rice, sugar and livestock), as well as for the transport and energy sectors, which are important to ensure a conducive business environment. The Tanzania Investment Centre has established a special SAGCOT desk of 5 officers that will deliver on the Programme.

## Spotlight: TARIPA – partnership in action for rice

Reliable and timely access to high-quality and affordable agricultural inputs is one of Tanzania's smallholders' primary challenges. Rural agro-dealer shops are few, widely-scattered and low on working capital, thus failing to satisfy demand when the planting season sets in. In turn, input producers and importers struggle with the high transaction costs of reaching rural markets and developing reliable supply structures. The market is also flooded with counterfeit products.

Under the umbrella of the Tanzania Rice Partnership (TARIPA), facilitated by the SAGCOT Centre and USAID, a group of domestic and international agri-input companies – including Yara, Syngenta and Tanseed – have partnered on a cluster approach to develop the rural supply network. The companies demonstrate their products in more than 400 trial plots and help train smallholders and village-based advisers. In complement, partners work to develop the rural trade infrastructure. Local agro-dealers are supported to improve skills in business management, input application and agricultural practices, leading to better businesses, advice, revenues and access to credit. The partnership has also supported agro-dealers to employ agronomists as sales representatives and advisers to farmers. These activities link smallholders, agro-dealers and input companies to test and refine the business case of private-sector extension services.

The TARIPA model unites several companies' efforts and is buoyed by the government's seed policy commitments. TARIPA continues to expand, addressing additional value chain gaps through innovative activities. These include financial literacy training for farmers and arrangements between smallholders, financial institutions and large producers for access to inputs, finance and markets. Several partner companies also continue to develop the agricultural supply network: Yara is on track to complete a port terminal in Dar es Salaam for packing and distribution of fertilizers by late 2013; Yara and Syngenta are developing container depots to function as rural outlets in areas without agro-dealers; Vodafone is testing a new information and communications technology (ICT) product for smallholders to access information and alternative markets; and the Syngenta Foundation is piloting a weather-based input insurance product to mitigate risks for rice crops.

With companies leading the way, and government policy reforms enabling greater investment, input markets in Tanzania will continue to mature to the benefit of farmers, agri-businesses, and food insecure populations.

## Spotlight: Strategic engagement between rice growers and government

An initiative is underway to broker a strategic engagement between the Government of Tanzania (GoT) and commercial rice producers (both large and small) through the creation of a Rice Producers' Association. This stems from a realization that the government lacks an interlocutor within the rice growers' community. Consensus has been reached with the Kilimo Trust to make the strengthening of the voice of rice producers a component of a larger project (funded by the Bill and Melinda Gates Foundation) aimed at bolstering the rice value chain. This funding will ensure the soon-to-be-created association has sufficient resources for its first years of operation. It is hoped that a strategy will be developed for the sustainability of the association beyond the life of the project.

The initiative to set up a Rice Producers' Association was triggered by a recent incident. Reacting to signs of food insecurity that led to a hike in rice prices, the GoT decided to exempt 120,000 MT of imported rice from the 75% Common External Tariff of the East African Community. According to the government, this was "to increase the availability of rice at a more affordable price for the resource weak population in the country". The decision sent shock waves through the Tanzanian rice-growing community, and the unexpected import of rice caused the price to drop. For example, the Kilombero Plantation Ltd (KPL) rice plantation has reported that its Dar es Salaam wholesale price dropped by 25%, and that since February it has been selling at prices below its production cost, including for smallholder outgrowers linked to the plantation.

With all actors convinced that they made the right decisions, the questions posed by the incident warrant further independent study, particularly as regards the availability of data that both government and private-sector actors are able to rely on.

The issue has been tabled for discussion during a 6-week government lab on agriculture scheduled to end in April 2013. It is expected that the recommendations which emerge from this meeting of public, private and civil-society decision-makers will address the challenges of securing affordable rice, as well as creating the right stimulus for domestic rice production.

## Spotlight: Monsanto – helping smallholders meet growing food demand

Monsanto has been active in sub-Saharan Africa for over four decades, expanding its partnerships with governments, other private-sector companies, and civil society with a view to fostering agricultural sector growth. The company hopes to provide comprehensive support for smallholder farmers to accelerate their progress to food security, while responsibly conserving natural resources.

Since 2008, Monsanto has served as a key partner in the Water Efficient Maize for Africa (WEMA) Project, a public-private partnership dedicated to providing smallholder farmers with tools to mitigate drought risk and manage insect pressure in sub-Saharan Africa. Led by the African Agricultural Technology Foundation (AATF), the WEMA Project is focused on developing and deploying new drought-tolerant and insect-resistant hybrids across five African countries, namely, Kenya, Mozambique, South Africa, Uganda, and Tanzania. The WEMA varieties will be available royalty-free to a wide range of seed companies, including small and medium enterprises to ensure as many farmers as possible are reached.

The company recognizes, however, that quality seed is only part of what smallholders need to help them meet current and growing food demand in the sub-Saharan region. It has therefore partnered, and is seeking further partners, across the value chain in the SAGCOT corridor. By investing in new approaches to soil health management, broader training and information on best practices, improved access to financial services, and increased market opportunities, Monsanto hopes this integrated support will empower smallholders to maximize the impact of better-quality agricultural inputs and improve the lives of their communities.

## Spotlight: Bagamoyo – beyond poverty alleviation to wealth creation

Agro EcoEnergy is a Tanzania-based agri-business in joint venture with the GoT. This public-private partnership is developing a modern agro-industry project (the Bagamoyo project) on an abandoned state cattle farm in Bagamoyo, approximately 100 km north of Dar es Salaam. The Bagamoyo project will include the establishment of a greenfield sugarcane plantation of approximately 7,800 ha, with about 3,000 ha of additional land from independent sugarcane plantations (outgrowers).

The Bagamoyo project plans to hire a professional sugarcane management company to manage the outgrower farms, which are organized in nuclei of around 30 smallholders. With the use of best-quality sugarcane seeds, a pivot irrigation scheme, and the GoT committing to take out loans to fund investment in infrastructure on small-scale farmsteads, plantation estate farmers and outgrowers are expected to earn a total averaging \$9 million p.a. over 2 years from previously virtually unproductive farms – a result that is transformational and goes beyond poverty alleviation.

The Bagamoyo farmers and outgrowers have already been approached to produce and supply rice for a company canteen, while women in the Bagamoyo project have also been called on to supply 1,500 chicken eggs daily to the canteen.

The sugar plantation estate is expected to treble sugarcane productivity, while working with small-scale farmers who have never cultivated the crop before.

## Spotlight: TANSEED – investing now to seed future opportunities

TANSEED International has been actively gearing up to respond to increasing seed business opportunities in Tanzania by:

- employing 3 additional seed production staff to facilitate availability and delivery of quality rice and maize certified seed to smallholder farmers, with a view to meeting projected certified seed demand;
- working towards recruiting and training 61 additional contract seed growers on certified seed production, regulations and standards, to ensure adequate availability and supply of high-quality seed;.
- identifying and selecting 112 trained agro-dealers for distribution of TANSEED rice and maize certified seed to facilitate easy access to affordable seed for smallholders in 60 Districts in 20 Regions, in conjunction with a government input-subsidy voucher system; and
- continuing its seed promotion and dissemination activities to increase awareness on the availability and characteristics of improved rice and maize varieties among smallholders, so as to increase their adoption.

TANSEED has also negotiated a number of partnerships along the rice and maize seed value chains as follows:

- with a USAID staples value-chain initiative: to carry out a $130,000 project aimed at producing 250 MT of rice certified seed, benefitting 16,667 smallholders in the SAGCOT zone;
- with the Association for strengthening Agricultural Research in Eastern and Central Africa (ASARECA): to implement an approximately $60,000 nutrition-enhanced seed project, which will support production and distribution of 65 MT of certified quality protein maize seed to benefit 8,125 smallholders;
- with the Aga Khan Foundation's Coastal Rural Support Programme (Tanzania): to train contract seed growers in certified seed production. The initiative will involve 8 farmer groups consisting of 149 farmer members, with the potential to produce around 322 MT of maize, rice and sesame certified seed varieties, and to reach 32,162 smallholders in the country's southern regions; and
- with the International Maize and Wheat Improvement Center (CIMMYT): to run a $17,000 project aimed at supporting multi-location testing of new improved drought-tolerant maize (DTM) hybrids for possible registration in Tanzania, multiplication of breeder and foundation seed classes for using in the production of certified seed, promotion and dissemination of DTM seed varieties, and construction of a cold storage facility for safekeeping of DTM parent seed.

## Spotlight: Armajaro – improving the lives and livelihoods of coffee farmers

In partnership with Coffee Management Services (CMS), a wide spectrum of activities is planned under Armajaro's investment in Tanzania. These include training in sound agronomic and business skills, fostering the organization of well-governed farmer groups, improving access to finance, increasing coffee quality by providing new wet mills and strengthening the market linkages of existing mills, and promoting the distribution of new seed varieties. These and additional measures in the areas of gender participation, renewable energy, livestock and food production will help ensure a sustainable improvement in the income and living conditions of farmers and their families.

Armajaro's investment will not only focus on coffee-related support for producers, but will look at overall shamba (farm) management, taking other crops and livestock into account. By improving productivity and market access for crops such as cassava, maize and beans, the implementing partners will assist smallholders to diversify, as well as increase their income and the food security of the local population. In addition to the inclusion of intercropping and other crop content in the training curricula, there will also be spillover effects from the coffee-related activities, such as the acquisition of enhanced business skills leading to an improvement in overall farm management.

The Tanzanian Rice Partnership unites companies, the government and smallholders to strengthen the rice value chain.

In conjunction with its partners, Armajaro has also trained 20 enumerators (6 female) and 4 supervisors to conduct a baseline survey aimed at better understanding the needs of farmers. To that end, a total of 736 farmers were interviewed in late 2012. Some of the more interesting findings to emerge include: low usage of inputs, low levels of education beyond primary school, and low rates of access to electricity. The survey further indicated that more than 70% of farmers have not had any training in coffee-growing and agricultural extension services, confirming a great need for Armajaro's planned initiatives.

Collaborative efforts are also underway to develop a training course in good agricultural practices, gender inclusiveness, and livestock management. 62 promoter farmers will receive this training during spring 2013, and will then go on to train almost 5,000 registered farmers.

In the course of Armajaro's work in coordinating the baseline study, it became increasingly apparent that female involvement in Tanzania's coffee sector is quite low. Indeed, during the recruitment of enumerators for the survey, very few of the women interviewed displayed an appreciation of the workings of the coffee sector, and even less so as regards operations higher up in the value chain. Armajaro will continue to invest in the training of female staff to increase their understanding of the industry by actively encouraging their involvement in the coffee-buying process and in agronomic activities.

## Spotlight: Syngenta – partnering to transform smallholder agriculture

Syngenta's ongoing efforts to help bring about sustainable agricultural transformation for smallholder farmers in Tanzania are underpinned by its success in building key strategic partnerships.

In partnership with Yara, for instance, its Environment and Climate Compatible Agriculture (ECCAg) project aims to test the environmental sustainability of intensifying smallholder agriculture through improved agronomic and input protocols, while also improving farmer productivity and profitability.

Working with Tanzania's Sokoine University of Agriculture and the Dakawa Rice Research Institute, the project has set up five rice and five maize smallholder trial plots to compare farmer practice with the Yara-Syngenta protocol on productivity, profitability and environmental impacts.

The project's 2012 results were very promising, including:

- yield increases of 200-300% for maize and approximately 50% for rice, along with crop quality improvement;
- average income increases of 75%;
- a 20-50% improvement in land-use intensity; and
- improved water-use efficiency, as yields increased without extra water usage.

The project benefitted 50 people directly through increased incomes, and each season a further 500 farmers learnt improved farming techniques and technologies.

Syngenta is also working closely with the KPL rice plantation, one of the first large-scale investments in the country's SAGCOT agricultural corridor, to test new rice seed varieties and provide crop protection solutions. Additional inputs include providing KPL's smallholder outgrowers with training and setting up demonstration farms in the surrounding smallholder communities.

Tanzanian businesses are also benefitting from Syngenta's African Farming Academy, which trains large and small farmers on best practices in farm management and agronomy. The first course took place in early 2013 in Nairobi, with 42 large farm managers from across the continent taking part, including several from Tanzania.

These relationship-driven ventures build on the firm commitment Syngenta has demonstrated to transforming agriculture in Tanzania, both as a founding member of SAGCOT and in contributing to the design and development of a number of SAGCOT's key initiatives, including the Catalytic Fund and the Green Growth Plan.

TANZANIA

# Status on Letters of Intent

19 companies directed Letters of Intent to Tanzania (with 2 more making reference to working in the country).

| | Goals | Year 1 – Progress update |
|---|---|---|
| AGCO | Contribute to capacity building, knowledge transfer on the agronomic system and the intensification of agriculture and farming mechanization by:<br>1. establishing a demonstration farm and training center together with global and local partners (mainly in the value chain), aimed at large- to small-scale farmers, agriculture students and local schoolchildren;<br>2. providing infrastructure and technical support with mechanization, storage and livestock systems, including after-sales services for commercial small-holders, and emerging and large-scale farmers; and<br>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | ▪ Started country specific market research.<br>▪ Conducted meetings and in-depth discussion with PM, Ministry of Agriculture and SAGCOT, global partners and local institutions (e.g. TAHA).<br>▪ In planning phase to identify the value of in-kind investment required in agriculture.<br>▪ Conducted 2 investor conferences, SAGCOT visit planned.<br>▪ Conducting an in-depth research with a consulting company in 2013.<br>▪ At a pan-Africa level, over $50 million invested and more than 100 employees hired locally, with further employment and investments planned. |
| Agrica/KPL | Subject to improvements to road and tax regime, support increased agricultural productivity and commercialization by:<br>1. increasing the reach of the KPL smallholder program from 1,500 to over 5,000 farmer families;<br>2. completing KPL's irrigation system to cover over 3,000ha; and<br>3. constructing biomass power plants totaling 3 MW. | ▪ Awaiting GoT progress on joint strategic investor contract as well as on the removal of crop cess before building the first 500kW biomass power plant.<br>▪ Increased smallholder program to over 4,300 farmer families.<br>▪ Spent over $150,000 building a clinic for the company and neighboring village. |
| Agro EcoEnergy | Produce sugar and renewable energy sustainably by:<br>1. developing a $425 million agro-energy project with sugar mill and bio-refinery via a 7,800 ha sugarcane estate and 3,000 ha outgrower program, both fully-irrigated; and<br>2. producing 125,000 MT of sugar, 8-15,000 m3 of ethanol, and 100,000 MWh/year of renewable electricity to the national grid. | ▪ Negotiated public-private partnership with GoT (Bagamoyo project) to establish a greenfield sugarcane plantation of approximately 7,800 ha, with about 3,000 ha of additional land operated by outgrowers.<br>▪ Hiring professional sugarcane management company to manage the outgrower farms organized in groups of 30 farmers.<br>▪ GoT to fund infrastructure on smallholder plots, including a pivot irrigation scheme. |
| Armajaro | Contribute to supporting the development of smallholder coffee farmers in the Mbeya and Mbina regions, doubling the income of around 25,000 farmers by:<br>1. improving productivity;<br>2. strengthening market linkages; and<br>3. providing access to finance. | ▪ Identified specific villages for farmer trainings to be conducted, currently running baseline surveys in these villages.<br>▪ Partnered with Coffee Management Services Ltd (CMS) to implement this project, Tanzania Coffee Research Institute (TaCRI) to facilitate establishment of tree nurseries, and also signed MoU with Solidaridad and Hivos to conduct training and assist in biogas and livestock projects.<br>▪ Hired & trained 26 employees to conduct baseline survey across 736 farmers.<br>▪ Training in progress of 62 promoter farmers who will then train around 5,000 farmers currently registered.<br>▪ Projects underway in 24 villages reaching around 5,000 farmers; hired project manager and agronomist respon-sible for implementation and monitoring of projects. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Diageo | Contribute to developing and implementing a scalable sorghum value-chain project with a potential to scale up sourcing to 20,000 MT/year by 2016 for local use and export. | ▪ Assessing commercial viability of next phase of sorghum pilot project, in close consultation with stakeholders.<br>▪ Building internal capacity for sourcing of local agricultural materials in order to deliver on business objectives and handle larger volumes of some local agricultural materials. |
| Jain Irrigation | In line with the national Kilimo Kwanza strategy, contribute to developing irrigation and enabling infrastructure by:<br>1. developing an integrated agricultural cluster in an area identified as suitable; and<br>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing. | ▪ Working with Ministry of Water, Ministry of Agriculture, and with SAGCOT to identify investment and project opportunities worth $100 million. |
| Monsanto | Contribute to strengthening maize and vegetable value chains in the SAGCOT corridor by improving access to finance, making 3-5 new maize hybrids available royalty-free to seed companies, strengthening agro-dealer networks, providing farmers with information and inputs, measuring and strengthening soil health, improving nutrition and cash income, and facilitating better grain-market access for farmers. | ▪ On track to release one mid-altitude maize variety for Southern Tanzania in Q1 2013.<br>▪ Developed a pilot project proposal with Opportunity International to establish a financial services branch in Morogoro and a platform to link smallholder farmers and input dealers to finance and other services through mobile technology.<br>▪ developed and formalized a partnership with AGMARK to establish 20 demonstration plots and train 600 agro-dealers.<br>▪ Formalized a partnership with:<br>1. Farm Input Promotions Africa (FIPS-Africa): to distribute seed and best practices to 200,000 farmers, establish 400 nurseries and train farmers on transplant technology;<br>2. Earth Institute: to train and equip partners on the use of soil diagnostic tools, and create a national soil information system; and<br>3. the Muunganisho Ujasiriamali Vijijini program (MUVI): to develop 250 trainer agents to establish 33 demo plots and nurseries, impacting 3,000 farmers. |
| SABMiller | Contribute to improving crop quality, yields and local sourcing by:<br>1. increasing locally-sourced barley each year through subsidiary Tanzania Breweries (end target: to malt 100% locally, including from smallholders); and<br>2. investing in farming programs, providing funding, seed, and assisting with machinery such as power tillers. | ▪ Expanding operations already underway, namely the barley project, which is promoting farming practices that support higher yields, while protecting soil health for the long term by following good crop rotation and input-use practices.<br>▪ Identifying new potential areas and farmers for barley production; focus on ensuring suitability of soil and climate, as pilots in some locations have been hampered by acidic soils.<br>▪ Developing demonstration farm project in partnership with Syngenta, Yara and John Deere for yield improvement, impacting 300 farmers this season.<br>▪ Investing (through Tanzania Breweries Ltd) $1.2 million to assist 200 farmers across 8,000 ha to purchase inputs for 2013 crop; enough seed contracts will be issued in 2013 to grow up to 18,000 tons of malting barley in 2014. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| Shambani Graduates Enterprises | Contribute to meeting national increased annual milk production targets by:<br>1. investing in expanding Shambani Graduates Enterprises' milk collection, processing and marketing; and<br>2. building quality/hygiene capacity of around 400 milk producers to supply 4,000 liters/day, resulting in additional $900 in annual income per farmer. | ▪ Plan to build own processing facilities; secured landsite in a government-designated light industry area.<br>▪ Putting together a business plan with detailed figures to secure financing for expansion plans and new investment, by early 2013.<br>▪ In talks with Heifer International around a Gates Foundation-funded data project. |
| Swiss Re | Develop micro-insurance solutions to agricultural risks by investing in-kind to support development of sustainable agri-risk management markets, with a view to assisting farmers gain production risk coverage, access finance, and engage in higher income-generating activities. | ▪ Collaborations in place for International Finance Corporation-supported projects to help the advancement of agricultural risk-transfer markets.<br>▪ Conducted training and local awareness events.<br>▪ At pan-African level, 180,000 smallholders reached. |
| Syngenta | Contribute to delivering cluster initiatives aimed at developing large farms and surrounding smallholders by:<br>1. supporting the SAGCOT initiative and private-sector partnership;<br>2. supporting the KPL rice plantation and smallholder program (in partnership with Yara and USAID);<br>3. exploring opportunities with other clusters;<br>4. developing the Environment and Climate Compatible Agriculture (ECCAg) approach (with Yara) for smallholder rice and maize farmers; and<br>5. partnering with other companies and USAID to develop a village-based agro-dealer network. | ▪ Hired project team members.<br>▪ Testing seed varieties and crop protection protocols at KPL.<br>▪ Setting up demo sites for smallholder outgrowers for KPL and other geographies.<br>▪ Developing sustainable agriculture protocols (with Sokoine University and the Dakawa Rice Institute).<br>▪ ECCAg project shows an increase in profits between 75-300%, income by 75%, with no extra water or land use. |

Sustainable agricultural practices can help Africa mitigate the impact of climate change.

| | Goals | Year 1 – Progress update |
|---|---|---|
| TAHA | Contribute to promoting and facilitating horticultural investments by:<br>1. mapping horticulture activities/ projects/plans in priority clusters and throughout the SAGCOT corridor;<br>2. being the first point of contact for horticulture-interested parties; and<br>3. presenting SAGCOT at horticulture fora/events. | ▪ Restructured and upgraded management systems.<br>▪ Entered into strategic agreement with SAGCOT Center and Kilimo Trust for collaboration on efforts required to strengthen horticulture industry.<br>▪ Working with several government authorities towards simplifying/waiving import and relevant taxes.<br>▪ Established office in Morogoro with two officers to run a vegetable project.<br>▪ In process of creating pineapple farmers' association.<br>▪ Offered trainings and best practices support for around 3,000 smallholders.<br>▪ Recruited 15 new members and offered training to several partner groups.<br>▪ $4 million to be utilized in implementation of horticulture program, benefiting thousands of smallholders and agri-businesses in the SAGCOT area. |
| Tanseed | Contribute to stabilizing and increasing rice and maize productivity and profitability among smallholders by improving the availability and adoption of affordable, high-quality rice and maize seed varieties, as well as crop management practices that increase yields. | ▪ Employed 3 additional staff and initiated links with potential partners.<br>▪ Supporting nutrition-enhanced quality protein maize project, working with over 8,000 smallholders for production and distribution of seed.<br>▪ Testing of Drought-Tolerant Maize (DTM) hybrids for possible registration in Tanzania.<br>▪ Finalized partnership agreement with USAID to support rice seed production that will benefit 16,667 smallholder farmers produce certified rice seed.<br>▪ Contributed 2,000 kg certified rice and maize seed varieties in small packs to USAID project to conduct production demonstration plots involving 98 farmer associations and 108 villages that will impact nearly 37,000 households.<br>▪ Invested $262,000 along with $27,000 in-kind. |
| TASTA | Contribute to increasing access to improved seed varieties by working with government to reduce the tax burden on the seed market. | ▪ Helped increase access to improved seed varieties (45 seed dealers are affiliated).<br>▪ Collaborating with GoT to reduce tax burden.<br>▪ Received exemption on import duty for "Seed packed for sowing"; work in progress to receive exemption on taxes for seed packing materials.<br>▪ Received interim approval to produce and export seed to Kenya. |
| Unilever | Contribute to improving supply-chain integration of smallholders by:<br>1. setting up value-chain partnerships in tea, leveraging investment (e.g. so as to develop the Mufindi tea estate to double the value of exports by 2020), bringing expertise, and stimulating the supply side by creating market demand;<br>2. improving smallholder livelihoods in tea through sustainable sourcing and investment; and<br>3. exploring local sourcing opportunities for cocoa, vegetable oils, fruits and vegetables. | ▪ Currently finalizing MoU with GoT after field trip and ongoing negotiations with partners to finalize related smallholder support.<br>▪ Field trip to scope local sourcing completed. |

| | Goals | Year 1 – Progress update |
|---|---|---|
| United Phosphorus Limited (UPL) | Contribute to improving productivity and income of small and marginal farmers of interest crops (corn, sorghum, sunflower, canola, rice, cotton, forages, legumes and vegetables) through technology transfer to small and marginal farmers via on-farm training schools (3,000 trainees planned in 1st year), and by acting as key input and knowledge partner to large farms. | ▪ Project is pending approval from GoT.<br>▪ Hybrids are undergoing testing at Selian Agricultural Research Institute (SARI). |
| Vodafone | Contribute to increasing the productivity, incomes and resilience of smallholders by:<br>1. establishing the Connected Farmer Alliance with USAID and TechnoServe;<br>2. optimizing supply chains by strengthening linkages and feedback loops between smallholders and large agri-businesses; and<br>3. improving access to secure, timely payments and other financial services. | ▪ Negotiated 3-year, $10 million Connected Farmer Alliance partnership agreement with USAID and Techno-Serve (work in Mozambique, Kenya, and Tanzania).<br>▪ TechnoServe hired overall program manager and researchers to map value chain business.<br>▪ Developed selection criteria for agri-business partners, as well as the measurement and impact assessment process.<br>▪ First formal partnership agreed with KPL to test how mobile solutions can support its engagement with smallholder rice farmers; expected pilot in April 2013 with an estimated 500 smallholders. |
| Yara | Cultivate long-term partnerships for co-developing national fertilizer market by:<br>1. continuing existing efforts in SAGCOT, specifically the rice value-chain partnership with KPL, and developing an integrated Green Corridor;<br>2. initiating an integrated sustainability approach with the Norwegian Agency for Development Cooperation (NORAD) and the Alliance for Green Revolution in Africa (AGRA);<br>3. developing 2-3 subsequent value-chain initiatives under SAGCOT; and<br>4. developing a pilot initiative with Vodafone and government to field-test cellphone delivery mecha-nisms for improved supply-chain efficiencies. | ▪ Held numerous discussions on project specific activities in SAGCOT and Tanzania as a whole.<br>▪ Construction of the $20 million revolving fertilizer terminal in the port of Dar es Salaam is underway; terminal expected to be fully operational by end of 2013.<br>▪ Developed a more organized and high-quality fertilizer distribution and agro-dealer market network in Tanzania, including an innovative smallholder outreach program.<br>▪ Working in partnership with Tigo - a mobile phone operator - to test mobile agronomy services in two regions of key importance for Yara; expected start up in April 2013. |

The following investment plans exist, but no progress report has been shared to date:

| | Goals |
|---|---|
| Agricultural Council of Tanzania (ACT) | Improve the Tanzanian agri-business environment by:<br>1. assisting in preparation/dissemination of policy papers on constraints to realization of increased investment objectives; and<br>2. providing a platform for information analysis, and dialogue for private and public stakeholders in the sector. |
| Selous Farming | On securing access to long-term financing or an investor with shared vision, strengthen regional cereals and livestock supply chains by:<br>1. expanding livestock from 500 beef breeding cows to 900, and 400 ewes to 1,200;<br>2. expanding processing at abattoir and butchery for meat and poultry products;<br>3. expanding production of seed maize from 150 ha to 400 ha, and soya from 60 ha to 400 ha; and<br>4. establishing a mill to produce quality animal feed. |
| Tatepa | Contribute to enhancing smallholder agricultural development in the Rungwe District by working towards launching the Suma 1.5 MW Hydro Plant project, aimed at benefiting smallholders through lower-cost reliable power and direct employment. |

TANZANIA

# Constraints identified by the private sector

Companies prioritized the following constraints. If addressed, they could strengthen the enabling environment and unlock further investment.

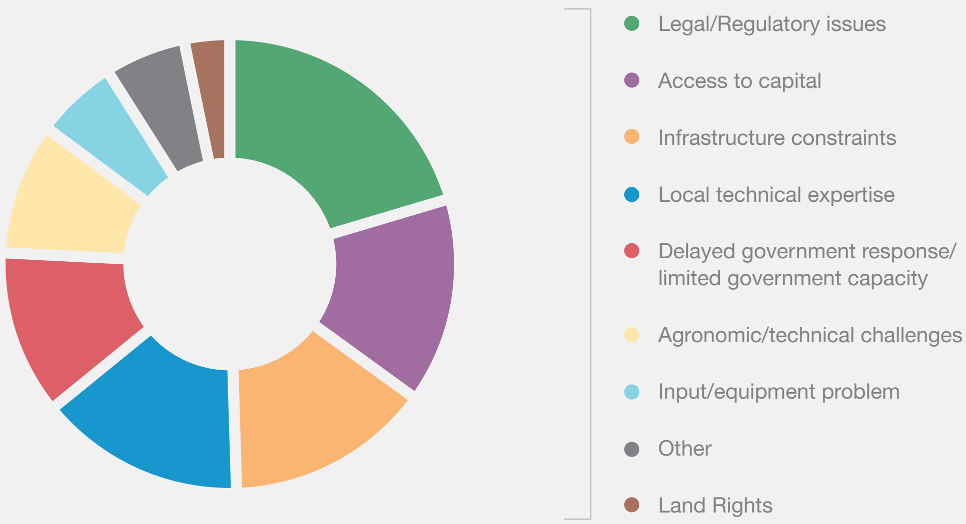
1. Legal/regulatory issues: high taxes across the value chain together with unpredictable tariffs and duties in Tanzania have made it particularly difficult for international investors to budget and plan, affecting imports, production and sales as a consequence. Uncertain import tariffs could add considerable costs to production, while tariff exemptions on commodity imports threaten the profitability of domestic production. A further difficulty in this area concerns the pace of government bureaucratic procedures and project support, such as in issuing permits or providing extension services. A related issue is the necessity of engaging with multiple ministries or agencies, creating a desire for a one-stop shop for agricultural investment.

2. Access to capital: the availability and/or cost of securing local finance, especially debt financing (often involving extremely high interest rates or requiring extensive collateral), has proved a challenge on many projects.

3. Infrastructure constraints: there is a limited availability of enabling infrastructure for agriculture, especially with regards to transport.

4. Other: additional challenges related to difficulties in securing land (stemming from the abovementioned bureaucratic constraints and duplication), bottlenecks in sourcing equipment in-country and when importing equipment from abroad, and a lack of available technical expertise to help build farmer capacity.

## KEY CHALLENGES FACED BY THE PRIVATE SECTOR IN TANZANIA



FORWARD LOOK

# Converting plans into action at scale

SAGCOT is poised for a transformative year in 2013. The groundwork is laid for partnerships, investments and improvements to the enabling environment, all to move from commitment to scalable action. The key priority is to ensure these plans, often many years in the making, achieve their promise. Effective coordination should ensure each action adds momentum to the others, to create healthier and more productive value chains and a transformative impact on the lives of Tanzanians. Specific actions for 2013 include the following:

- Coordination: Fully resourcing the SAGCOT Centre to ensure it has the required capacity to facilitate engagement of stakeholders and drive implementation forward.
- Investment facilitation: An Investment Partnership Program to generate a first wave of investments targeting rice, sugar and livestock, and initiate work on a second wave that is likely to target horticulture, oilseeds and maize.
- Project preparation: Development and promotion of specific business opportunities in the corridor, including for avocadoes, bananas, citrus, post-production facilities for grains, cattle, seed potatoes, Irish potatoes, outgrower farms, mango plantation, and commercial farming blocks for smallholders.
- Trade: Establishing a more stable and transparent trade regime that is free from tariff and non-tariff trade barriers.
- Land: Ongoing demarcation of land parcels and establishing a more transparent land management system.
- Access to finance: Establishing the Tanzania Agricultural Development Bank and the SAGCOT Catalytic Fund.
- Knowledge and skills development: Ongoing improvement of research and extension services through recruitment, training of personnel, and rehabilitation of infrastructure at all agricultural training institutes.
- Market improvement: Strengthening the warehouse receipts system as a basis for establishing a commodity exchange that will facilitate efficient marketing of agricultural commodities.

Sub-Saharan Africa's average actual crop yield is 24% of its potential, compared to 68% in South East Asia.

## Investment and partnering opportunities

The following investment opportunities have been identified by the Government of Tanzania:

### Advantageous market conditions for sugarcane cultivation and supply

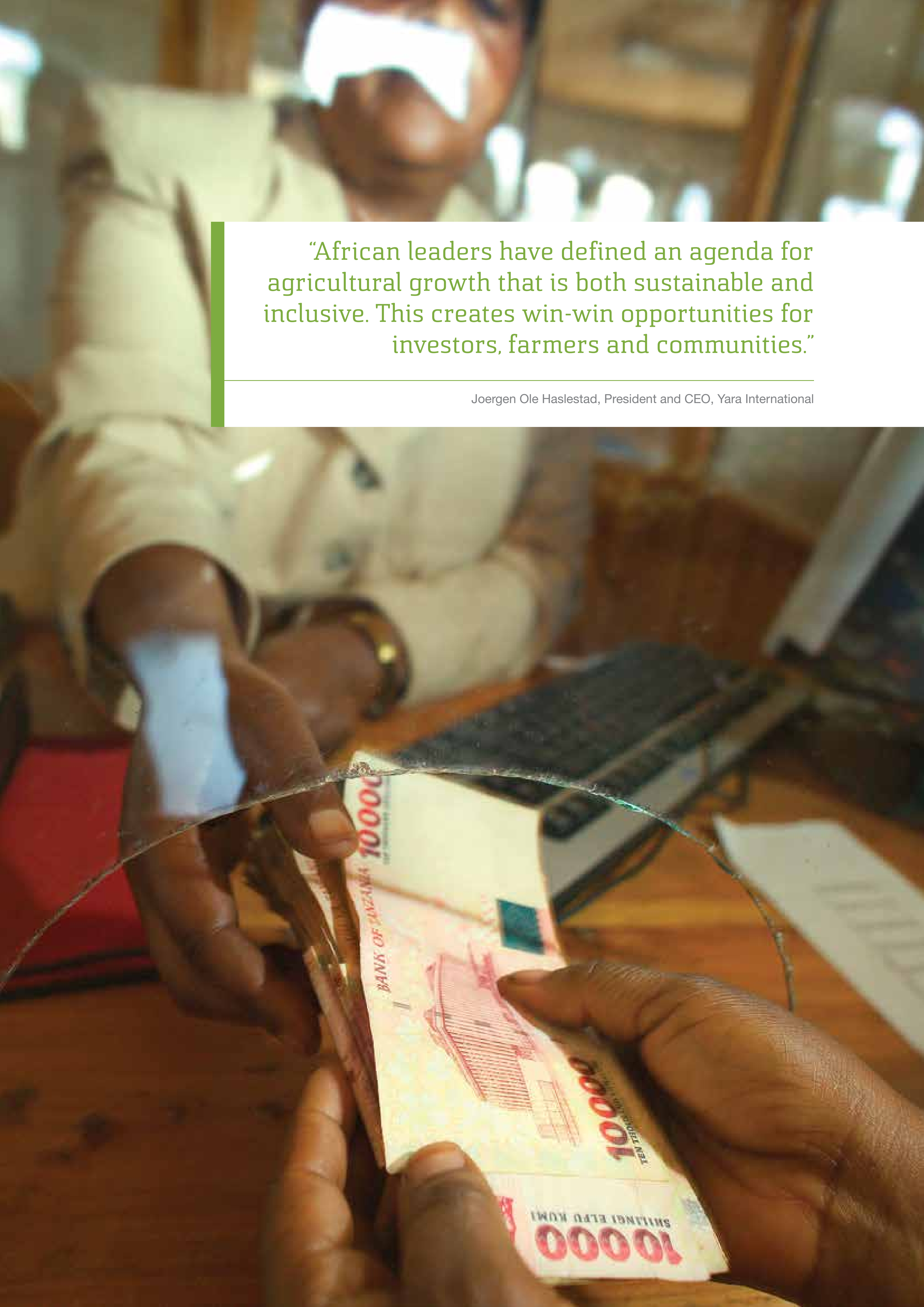
With a rapidly growing population and rising income levels, Tanzania's estimated sugar market growth is 6% p.a. As all 4 of the country's existing investor-rehabilitated sugar estates and mills reach their peak expansion potential, the government has made attracting investors to develop new greenfield sugar projects a top priority, to fill a current 300,000-ton supply gap that is expected to rise sharply. This is in addition to a 400,000-ton supply gap in the tariff-protected EAC common market region, presenting a significant import substitution opportunity. A booming global ethanol market also favors African producers and the local power market, offering strong opportunities for other sugarcane products and by-products. Boasting among the highest average cane yields in the world, one of the most peaceful and stable political environments in Africa, and extensive investor protections, Tanzania holds attractive investment prospects.

### Growing rice supply gap offers a gateway to expanding regional markets

Current low rice yields and the predominance of small-scale rice producers in Tanzania have created openings for investors prepared to introduce the latest techniques and inputs to the market. A boom in urban population growth and a preference among the growing middle classes for rice over other staples has seen local production struggle to keep pace with rising demand, in turn driving imports. Local producers benefit from duty-free access to the rest of the EAC, SADC and COMESA, where demand and imports are also increasing. One major government and donor-supported nucleus-outgrower rice venture has already proven a success, with some outgrowers achieving yields of 8T/ha, Other sites have also been earmarked for similar large-scale initiatives. Tanzania's ideal climatic and soil conditions for rice cultivation, competitive factor costs, and vibrant democratic institutions, all contribute to a stable and enabling investment environment.

### Great investor opportunities in the region's booming livestock products market

97% of Tanzania's growing livestock population, the largest in Southern Africa, is held by smallholders, often characterized by poor productivity and yields. Increases in human population, urbanization and income levels across Africa are boosting demand for meat products, with Tanzania's demand expected to triple by 2030. Yet current growth in livestock supply will not meet this future demand, raising the need for large-scale investments to provide required know-how and capital. The Tanzanian market exhibits significant growth potential, with meat already being exported to the Middle East and neighboring countries. With 10,000ha of prime ranch land now made available to investors through a Tanzanian government agency, together with support for investments in feedlots, abattoirs, meat processors, rendering plants and tanneries, the country offers attractive prospects, backed by significant tax breaks and a package of financial and administrative incentives.




"African leaders have defined an agenda for agricultural growth that is both sustainable and inclusive. This creates win-win opportunities for investors, farmers and communities."

Joergen Ole Haslestad, President and CEO, Yara International

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Accelerating investment for sustainable growth in African agriculture


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