Agricultural partnerships take root across Africa

2nd Annual Report on private-sector investment in support of country-led transformations in African agriculture

May 2014 | Report produced by the Grow Africa Secretariat
Accelerating investments for sustainable growth in African agriculture in support of the Comprehensive Africa Agriculture Development Programme (CAADP).

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2014 is Africa’s Year of Agriculture and Food Security. In the context of the Comprehensive Africa Agriculture Development Programme (CAADP), the continent’s leaders will renew their commitment to transforming agriculture as a driver of job creation, improved incomes, and access to nutritious food. Over the next decade, we believe Africa can not only feed itself, but also establish itself as a prosperous continent and breadbasket for the world.

Achieving this vision requires solving two related challenges: How to commercialise production by smallholders, who make up 80% of all farms in the region? And how to generate the vast private-sector investment by farmers, SMEs and international companies needed to transform value chains, from farm to fork?

Grow Africa is rallying partners to answer these questions, not in abstraction, but through bold, pioneering, inclusive business expansion, unlocked through collaboration between farmers, companies, governments, NGOs and donors. This annual report shares the progress, challenges and lessons of 2013, and invites a further step change in 2014 and beyond as the continent embarks on the next phase of commitments to agriculture.

The good news is that investment is starting to move, operations are growing, and, encouragingly, companies, finance institutions and investors are all demonstrating a serious strategic intent to work with smallholders and SMEs to expand economic and business opportunities in agriculture. Innovations on business models, finance, technology and public sector interests are combining to improve the commercial equation for investments along agricultural value chains from family farms to processing facilities and service providers.

Although we have made significant progress, investment flows remain too slow to be truly transformative. Only a fraction of Africa’s smallholders are as yet benefitting. The risks and costs of African agriculture are still too high for farmers, SMEs, larger businesses and investors to be globally competitive. Governments must accelerate action to improve the enabling environment in response to market priorities. The private sector must innovate and be willing to take on and share risk. And above all, the quality, focus and scale of collaboration must improve across all partners if we are to truly unlock the promise of our wonderfully rich and fertile continent. Let us work together. It is Africa’s time to grow!

Dr Ibrahim Assane Mayaki
Chief Executive Officer, NEPAD Agency

Strive Masiyiwa
Chairman, Econet Wireless

Co-chairs of the Grow Africa Steering Committee
May 2014
“Time for talking is over. Time for action is now.”

H.E. John Mahama, President of Ghana
The sight of green shoots emerging from a tilled field fills a farmer with hope. It also means hard work ahead to ensure the crop delivers a bountiful harvest. For 2013, companies reporting to Grow Africa on their agricultural investments evoke a similar picture, but at a continental scale.

Investments linked to Grow Africa offer a limited but fascinating window on what is happening with the business of African agriculture. They suggest that the private sector is demonstrating unparalleled dynamism and commitment towards the sector. Investment commitments within the Grow Africa partnership have more than doubled to a total of $7.2 billion, with most to be converted in the next three to five years. Investment is happening, and, for 2013, companies reported $970 million worth against their commitments — the majority of which came through African companies. 80% of investments report being complete, on plan or only facing minor problems with implementation. Where early investments are proving successful, many companies are preparing to scale up their operations.

Companies express a long-term strategic view on African agriculture. Encouragingly, this includes a serious intent to engage smallholders commercially and to add value along the value chain through processing and serving domestic markets. For 2013, companies reported reaching 2.6 million smallholders through new services, sourcing, contracts or training; and creating 33,000 new jobs.

Some pioneering companies are also taking a strategic commercial interest in fostering a next generation of youth entrepreneurs for the sector, and in engaging women smallholders, who are reported as more reliable contractual partners than men. Overall however, when reporting was gender disaggregated, it suggests that men are benefitting more directly from new jobs (58%) and smallholder engagement (79%), which raises important questions about how intervention and innovation can promote greater women’s economic empowerment.

Partnering to scale up

Whilst progress is generally encouraging, it appears inadequate to the scale required for transformation. Roughly 600 million Africans depend on agriculture for their livelihoods, of which Grow Africa partners reached only a few percent. Similarly, sourcing by Grow Africa partners was only marginal when compared against the $40+ billion of estimated annual food imports for Africa. Despite strong interest in African agriculture, private-sector actors — whether large or small, domestic or international — report that the pace of their growth and investment is curtailed by the enduringly high risks and high costs of doing business within the sector.

Partnership is at the root of the new wave of successful agricultural investments. Working together, tripartite partners are reducing risks and costs for African agriculture, and it is this that has accelerated investment to date. Now partners are calling for further collaboration to unlock a truly transformative level of growth and deliver value for investors, producers and consumers alike. Only then will agriculture create jobs, reach smallholders, and economically empower women at the scale that Africa aspires. Grow Africa partners highlight three general areas for catalytic action:

- innovating commercially sustainable agricultural business models;
- making markets competitive; and
- elevating the pace and quality of multi-stakeholder collaboration.

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1 Nigeria dominates Grow Africa’s aggregated figures with over half of all planned and converted investment, and an economy larger than all others combined.
Companies engaging across Grow Africa countries have outlined their investment plans by signing “Letters of Intent”. For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

123 Companies have 174 Letters of Intent (LoIs)

**Planned investment estimated at $7.2 billion**

79 of 123 companies provided data.

### IMPLEMENTATION PROGRESS REPORTED

- 3% Complete
- 15% Performing well
- 31% On plan
- 31% Minor problems
- 16% Major problems
- 5% Cancelled

Data was compiled from 116 of 174 LoIs.

**$970 million of investments made in 2013**

**$875 million of capital expenditure.**

**$95 million of operating expenditure.**

49 of 123 companies provided data.

### OUTCOMES REPORTED FOR 2013

- **33,000 jobs created:**
  - 42% Male
  - 58% Female

- **2.6 million smallholders reached:**
  - 21% Male
  - 79% Female

31 of 123 companies provided data, with 52% of LoI reports being gender disaggregated.

1,547,884 with services
140,418 with sourcing
59,650 with production contracts
602,067 with training
691,984 unspecified

37 of 123 companies provided data, with 41% LoI reports being gender disaggregated.
Innovating commercially sustainable agricultural business models

Smallholders represent 80% of all farms in sub-Saharan Africa and contribute up to 90% of food production in some countries. Within loosely structured value chains, the risks and unit costs are often too high for smallholders to viably access markets, inputs and services. This in turn impacts the viability of companies undertaking value-adding activities such as processing. Investment and growth will only happen inclusively, if smallholder production can be commercialised and agricultural SMEs made more resilient.

This report is packed with companies pioneering new business models for working with smallholders and adding value upstream. Partners are connecting around specific opportunities and structuring themselves into closer, more stable relationships within value chains in order to mitigate risks, generate economies of scale, increase efficiency, justify investment and enable greater, more equitable value capture. Business-to-business linkages are filling value-chain gaps. Farmers are aggregating themselves into commercially robust structures. Governments, donors and NGOs are playing a catalytic role to overcome pre-competitive barriers, while technology is dramatically reducing transaction costs for provision of information and financial services.

Despite the progress, the need for commercially sustainable agricultural business models remains central to unlocking investment at a transformative scale. Grow Africa’s partners call for catalytic action to overcome the following constraints, with bold and innovative businesses leading the way:

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Inclusive Business Models</td>
<td>Farmer aggregation.</td>
</tr>
<tr>
<td></td>
<td>Value-chain partnerships.</td>
</tr>
<tr>
<td></td>
<td>Non-commercial support for pre-competitive activities.</td>
</tr>
<tr>
<td>2 Market information</td>
<td>Structure available data to improve accessibility and relevance.</td>
</tr>
<tr>
<td></td>
<td>Technology to expand data access.</td>
</tr>
<tr>
<td>3 SME access to finance</td>
<td>Value-chain financing.</td>
</tr>
<tr>
<td></td>
<td>Blended finance e.g. patient or catalytic funds.</td>
</tr>
<tr>
<td>4 Skills</td>
<td>Invest in developing and professionalising people working in agriculture.</td>
</tr>
<tr>
<td></td>
<td>Expand extension services.</td>
</tr>
</tbody>
</table>

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Even the most robust business plan will fail if the broader enabling environment is not conducive. Across Africa, companies report that improvements to infrastructure, policy and market regulation are steadily reducing the cost of doing business and opening up agricultural economies, but the frustratingly slow pace of this change is a drag on growth.

Adequate infrastructure is vital. Without affordable access to power and water, manufacturing is unviable. Without decent roads, transport costs can be greater within a country than shipping a commodity from Southeast Asia. Storage is vital to reducing postharvest losses and evening out supply against demand. With limited budgets, better dialogue between government and the private sector is enabling more targeted infrastructure investments. For example, the Nigerian government honoured its pledge to one company that the road from Abuja to Lakoja would be improved within the year. Public-private partnerships are also financing infrastructure. In Kenya, Netafim is bringing drip irrigation to smallholders through an innovative financing model with USAID and local banks.

Policy improvements often involve general reforms to improve the ease of doing business, as demonstrated by the World Bank’s ranking of Rwanda as the top global reformer of 2014. Specific agricultural policy improvements are less numerous, although the enactment of a new Ghanaian seed law is promoting commercialisation of improved inputs. Tackling land policy remains politically awkward in many countries, with ambiguous tenure presenting a major challenge to everyone operating in the sector. Trade policy is also problematic: changes to import rules disrupt the stability and viability of domestic value chains, currency rules lead to foreign exchange shortages, and non-enforcement of agreed regional policy on seed homologation makes development of better varieties uneconomic.

Finally, effective market regulation is slowly making the sector more open and competitive. In Africa as elsewhere, agricultural economies can be constrained through vested interests engaging in rent-seeking – the manipulation of the social or political context to extract value without actually improving productivity. Companies and governments both report struggling to overcome this in its various forms, whether legal – such as political lobbying or informal cartels blocking new market entrants – or illegal – such as graft or bribery. For example, one country reports that established sugar importers sought to protect their interests through a campaign to paint a major new sugarcane hub/out-grower scheme as a land grab. Elsewhere, companies attempting to import machinery have faced requests for bribes. There are positive stories in which reforms are making the economy more open, transparent and competitive. In Nigeria, the government dramatically reduced graft within its fertiliser subsidy by distributing directly to farmers through an e-wallet.

Companies in every Grow Africa country cited the quality of roads as a constraint.
Overall, the private sector recognises progress, but calls for urgency and leadership from government to make markets more competitive, particularly in respect of the following constraints:

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Infrastructure</td>
<td>• Targeted infrastructure investments to unlock commercial opportunities.</td>
</tr>
<tr>
<td></td>
<td>• Public-private financing.</td>
</tr>
<tr>
<td>2 Open, well-regulated agricultural economies</td>
<td>• Whistle-blowing schemes for bribery.</td>
</tr>
<tr>
<td></td>
<td>• Technology to eliminate graft.</td>
</tr>
<tr>
<td></td>
<td>• Transparency for public tenders.</td>
</tr>
<tr>
<td>3 Trade policy</td>
<td>• Enforce regional policy on seed homologation and food trade to create larger regional markets.</td>
</tr>
<tr>
<td>4 Land policy</td>
<td>• Land-titling.</td>
</tr>
<tr>
<td></td>
<td>• Voluntary Guidelines on the Responsible Governance of Tenure.</td>
</tr>
</tbody>
</table>

Elevating the pace and quality of multi-stakeholder collaboration

Dynamic, evolving cross-sector coalitions are propagating targeted investments and value-chain partnerships, and fuelling efforts to make agricultural markets competitive. When combined at a continental level, there are the foundations of a movement in which multi-stakeholder collaboration will continue to drive agricultural transformation, without dependence on any individual organisation or leader to sustain momentum. In any specific country, while the construct of multi-stakeholder collaboration is more fragile, partners cite the same components as crucial to building transformative momentum: multi-stakeholder structures, leadership, coordination and government responsiveness.

Public-private collaboration has usefully shifted from the general to the concrete. Partners are converging around specific value-chain opportunities, or to address particular policy issues, and thereby becoming more action-oriented. Such collaboration is enabled within formal or informal structures for strategy-setting, dialogue and connection. In Rwanda, an Agricultural PPP Working Group is now in place. In Côte d’Ivoire, a steering committee for the national plan for agriculture combines three established consultation groups for the private sector, civil society (including farmers) and development partners.

Systemic change depends upon leadership to push through reforms and give partners confidence and direction. For example, some companies reported that they overhauled their African investment strategy because of the strong and determined leadership within the Nigerian Ministry of Agriculture. Meanwhile in Malawi, a major transition of political leadership has put many company investment plans on hold.

Partners require support and coordination to facilitate investment and enable collective problem-solving, alignment and connections. Bodies such as Tanzania’s SAGCOT Centre and the Rwanda Development Board are serving this function, although they are often under-resourced and stretched to meet the scale of demand for their role.
Finally, companies need a practical solution-oriented relationship with government to resolve issues such as company registration, land tenure, and a license to operate. However, they have found themselves dealing with multiple government agencies, and even basic requirements have taken up to a year to resolve. Greater challenges such as access to land can lead to a total impasse. In contrast, some governments, notably Rwanda, are cited for their responsiveness and clarity.

While all Grow Africa countries are actively nurturing transformative cross-sector collaboration, none as yet have all the elements in place and the following constraints are priorities.

<table>
<thead>
<tr>
<th>Constraint</th>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-stakeholder structures</td>
<td>● Cross-sector working groups.</td>
</tr>
<tr>
<td></td>
<td>● Value-chain partnerships.</td>
</tr>
<tr>
<td>Leadership</td>
<td>● Ensure leadership commitment across parties, and within the civil service to ensure continuity.</td>
</tr>
<tr>
<td>Coordination and alignment</td>
<td>● Establish and finance a semi-independent coordination agency.</td>
</tr>
<tr>
<td>Government responsiveness</td>
<td>● Set up a One-stop Shop to help companies work with government.</td>
</tr>
</tbody>
</table>

Finally, companies need a practical solution-oriented relationship with government to resolve issues such as company registration, land tenure, and a license to operate. However, they have found themselves dealing with multiple government agencies, and even basic requirements have taken up to a year to resolve. Greater challenges such as access to land can lead to a total impasse. In contrast, some governments, notably Rwanda, are cited for their responsiveness and clarity.

While all Grow Africa countries are actively nurturing transformative cross-sector collaboration, none as yet have all the elements in place and the following constraints are priorities.
“Now is the time to get our leaders to commit to a big push towards implementing effective agricultural policies, scale up public investment in agriculture, and catalyse private sector participation in agricultural development.”

Dr. Sipho Moyo, Africa Director, ONE.
REVIEW OF 2013

Highlights Across the Continent

LoIs reference an additional $2.3 billion of investment commitments without specifying exact countries.

1. Burkina Faso
   - Leveraging Growth Poles for scale and momentum.
   - Investment progress reported to Grow Africa for 2013
   - Commitments: 18 LoIs referencing $56 million
   - Investment made: $36 million
   - Smallholders reached: 172,000
   - Jobs created: 1,751
   - Key Crops: rice, cotton, sesame, shea nuts.

2. Cote d’Ivoire
   - Joining Grow Africa to help fulfil ambitions for growth in staple and export crops.
   - Investment progress reported to Grow Africa for 2013*
   - Commitments: 21 LoIs referencing $680 million
   - Investment made: $103 million
   - Smallholders reached: 236,000
   - Jobs created: 1,287
   - Key Crops: cotton, cashew, rice, coffee, cocoa.

3. Ethiopia
   - Transforming agriculture through strong leadership and vision.
   - Investment progress reported to Grow Africa for 2013
   - Commitments: 16 LoIs referencing $20 million
   - Investment made: $29 million
   - Smallholders reached: 174,000
   - Jobs created: 1,040
   - Key Crops: maize, teff, wheat, barley, sesame, chickpea.

4. Ghana
   - Fostering public-private partnerships to boost inclusive agricultural growth.
   - Investment progress reported to Grow Africa for 2013
   - Commitments: 16 LoIs referencing $35 million
   - Investment made: $56 million
   - Smallholders reached: 168,000
   - Jobs created: 1,825
   - Key Crops: cassava, yams, maize, cocoa, rice.

NO RECENT DATA AVAILABLE ON AG GROWTH RATE.

AG GROWTH RATE 2011

4.4% for Cote d’Ivoire
5.2% for Ethiopia
0.9% for Ghana
Kenya
Inviting agri-investors to partner locally.

Investment progress reported to Grow Africa for 2013*

Commitments: 5 LoIs referencing $1.2 million
Investment made: $2.7 million
Smallholders reached: 1,064,000
Jobs created: 77

1.6% AG GROWTH RATE 2011

KEY CROPS:
- cassava
- yams
- maize
- cocoa
- rice

Malawi
Re-gearing towards high-value agricultural exports.

Investment progress reported to Grow Africa for 2013

Commitments: 26 LoIs referencing $177 million
Investment made: $31 million
Smallholders reached: 156,000
Jobs created: 2,750

6.9% AG GROWTH RATE 2011

KEY CROPS:
- maize
- sugar cane
- groundnuts
- pulses

Nigeria
Making agriculture a business opportunity for all.

Investment progress reported to Grow Africa for 2013*

Commitments: 30 LoIs referencing $380.7 million
Investment made: $608 million
Smallholders reached: 3,000
Jobs created: 21,845

7.4% AG GROWTH RATE 2007

KEY CROPS:
- cassava
- rice
- oil palm
- horticulture
- sorghum
- livestock

Tanzania
Pursuing big results now for agricultural growth.

Investment progress reported to Grow Africa for 2013

Commitments: 21 LoIs referencing $34 million
Investment made: $9.7 million
Smallholders reached: 453,000
Jobs created: 1,049

3.4% AG GROWTH RATE 2011

KEY CROPS:
- sugarcane
- maize
- rice
- horticulture
- oilseeds

Rwanda
Wooing investors with Special Economic Zones.

Investment progress reported to Grow Africa for 2013**

Commitments: 5 LoIs referencing $4.9 million
Investment made: $1.4 million
Smallholders reached: 1000
Jobs created: 296

3% AG GROWTH RATE 2013

KEY CROPS:
- potato
- horticulture
- cassava
- maize

Mozambique
Attracting investors to fertile growth corridors.

Investment progress reported to Grow Africa for 2013

Commitments: 20 LoIs referencing $173 million
Investment made: $91 million
Smallholders reached: 22,250,000
Jobs created: 14,300

7.8% AG GROWTH RATE 2011

KEY CROPS:
- cassava
- sugarcane
- maize
- rice
- soybean
- bananas

* Countries in which, as this report went to press, Grow Africa has only undertaken partial data gathering for 2013.
** Countries in which there are relatively few investments to report on because Grow Africa has not yet supported the country with a promotional drive to generate Letters of Intent.
With the world’s fastest growing population and the youngest, by 2050 Africa will have 2 billion people. The rapid population growth and fast urbanization pose a major challenge for food security in Africa. The continent needs to not only grow more food, but also to make sure this food is nutritious, affordable and accessible to the population, while responding to changing consumption patterns. African agriculture must more than double current production levels, while delivering economic opportunity and without compromising environmental sustainability. These challenges can only be turned into opportunities when all stakeholders move beyond business as usual, to collaborate on innovation, partnerships and investments.

To embrace this paradigm, in 2013 the African Union Heads of State and Government adopted a four year strategic plan that saw agriculture among the top line priorities. Furthermore, the African Union declared 2014 the “Year of Agriculture and Food Security”, marking the 10th Anniversary of the Comprehensive African Agriculture Development Program (CAADP) and setting the scene for agricultural transformation.

The last decade of CAADP implementation undoubtedly shaped and clarified Africa’s direction in agricultural development. CAADP provides Africa a well-crafted, home-grown established framework to guide policies, strategies and actions for transforming the sector. African governments and cross-sector partners rallied behind CAADP to push Africa’s agriculture into the centre of the development agenda at national, regional, continental and global levels. Recently the sector has performed well if unevenly across the continent. Since 2003, agricultural GDP grew on average by nearly 4% and public agricultural expenditures rose by over 7% per year (exceeding 12% per year in low income countries) – nearly doubling public agricultural expenditures since the launch of CAADP. We are proud of these inroads and want to magnify efforts to attain the desired impact.

The Year 2014 is, therefore, a clarion call for concerted efforts by governments, farmers, development partners and private sector players to sustain CAADP momentum. 2014 is also a base year for the next decade, as well as a year for defining the Africa we want for the next 50 years under the umbrella of the Africa Agenda 2063 - “A Shared Strategic Framework for Inclusive Growth and Sustainable Development & A Global Strategy to Optimize the Use of Africa’s Resources for the Benefit of all Africans”. The set of goals, actions and targets for the next decade and mid period for 2063 are being defined in 2014.

We believe that concrete action from global, regional and local stakeholders will advance agriculture-led economic growth and contribute to global food security. With higher priority accorded to implementation of well-designed public investments in agriculture, continued progress on policy reforms, and attention to assure inclusion of women, young people and smallholder farmers, Africa will revolutionize its food systems.

There is huge potential for smallholder farmers and other rural communities, in particular women, through access to productive resources to increase yields by accessing the right knowledge, tools, seeds, fertilizers, and market opportunities. Additionally, growing populations provide sources of labour and opportunities for greater innovation and entrepreneurship.

The Annual Report 2013/2014 is a testimony of the possibilities that should be harnessed. Under the right conditions, private sector investment has the potential to drive pro-poor development and strengthen food and nutritional security. We are determined to build on this foundation to scale up commitments made into 2014 and beyond.

Africa is on the rise and poised to bring about its own transformation through agriculture.

H.E. Rhoda Peace Tumusiime
Commissioner for Rural Economy & Agriculture
African Union Commission
“We cannot talk about African dignity without the ability to feed ourselves.”

H.E. Rhoda Peace Tumusiime
Commissioner for Rural Economy & Agriculture, African Union Commission
“We don’t want to help farmers do good. We want to do something transformational, go beyond just poverty reduction and actually create wealth.”

Geoffrey Kirenga, CEO, SAGCOT Centre
GROW AFRICA
Accelerating investments for sustainable growth in African agriculture

Who We Are

Vision: Making agriculture the engine for economic growth.

Purpose: Helping partner countries generate sustainable and inclusive private sector investments towards achieving 6% agricultural growth.

Role: A trusted connector and problem-solver for cross-sector partners.

Targets: We measure the success of investment commitments generated through Grow Africa against:
- Quantity of actual investments
- No. of jobs created
- No. of smallholders reached

Governance: Grow Africa is co-convened by the African Union Commission, the NEPAD Agency, and the World Economic Forum, to generate investment in support of achieving Africa’s plan for agriculture – the Comprehensive African Agricultural Development Programme (CAADP).

Our Steering Committee includes high-level representatives from companies, farmers’ organisations, civil society, government and development partners.

Participation: In principle, participation in Grow Africa is open to all CAADP countries that demonstrate readiness to attract investment aligned to a national strategy for agricultural transformation. Grow Africa currently supports 10 countries across the continent.

PUBLIC SECTOR

Commitments leading to transformation across the value chain from all parties involved.

Joint efforts from all stakeholders.

Financially sustainable through involving the private sector in a meaningful way.

Mutually accountable with progress measured regularly.

PRIVATE SECTOR WITH FARMERS

CIVIL SOCIETY
What We Do

Country systems
We help countries establish the elements for unlocking transformative investment.

Commited partners
We catalyse collaboration between partners committed to African agriculture.

Accelerated inclusive and responsible investment in African agriculture

Specific Investments
We mobilise partners to advance on-the-ground investments that generate shared value.

Knowledge
We support partners across Africa overcome constraints to investment through innovation, learning and tools.

GROW AFRICA’S FRAMEWORK FOR TRANSFORMATION

Framework developed by the New Vision for Agriculture
Milestones in 2013 & 2014

2013

January
- Davos: Grow Africa rallies global leaders to opportunity of African agriculture.

May
- First Grow Africa Annual Report on 2012, 800,000 smallholders reached and $60 million invested by companies with LoIs.
- Grow Africa Annual Investment Forum in Cape Town: Partners review progress, present opportunities, and innovate solutions.
- USAID announces $9.5 million grant to support Grow Africa’s work over 2 years.
- Grow Africa supports Southern African Conference of Agricultural Unions’ AGM.

June
- Nigeria and Malawi, as new Grow Africa countries, announce investment commitments from companies worth over $3 billion and $100 million respectively.

July
- Recruitment begins for Grow Africa’s team.

August
- Grow Africa supports the East African Farmer Federation’s AGM.

September
- First Grow Africa meeting for new Co-Chairs Strive Masiyiwa and Dr Ibrahim Mayaki.

October
- Grow Africa assists ROPPA with Business Forum for farmers in West Africa.

November
- Full Grow Africa team recruited.

2014

January
- Davos: Grow Africa session with global leaders calls scale up of action at scale.
- Swiss Agency for Development and Cooperation announce CHF 600,000 to expand Grow Africa’s work supporting smallholder farmers’ engagement.
- Launch of 2014 Year of Agriculture and Food Security at African Union Summit.

May
- Grow Africa Annual Investment Forum in Abuja.

June
- African Union Summit: Expected to announce major commitments for next 10 years of CAADP.

August

September
Grow Africa’s work to tackle systematic constraints

In 2012, Grow Africa asked farmers, companies and governments what was constraining inclusive investment in agriculture. Three themes emerged as priorities that Grow Africa could help address through its unique convening power:

- **Inclusive business models**: How to pioneer commercial, scalable models that increase value for smallholders?
- **Finance**: How to reduce the risks and costs of providing finance to agricultural SMEs?
- **Marketplace**: How to better connect partners, data and tools to unlock opportunities?

Throughout 2013, Grow Africa has convened partners, designed solutions and catalysed action to tackle these systemic constraints. The following section unpacks what we have learned with our partners, and lays the groundwork for further progress in 2014.

Professionalisation of farmer cooperatives can help secure off-take agreements, as for these Ethiopian barley growers.
THEME 1: INCLUSIVE MODELS

Pioneering commercial, scalable models that increase value for smallholders

Many African smallholders are stuck in a poverty trap that prevents them from improving their productivity and incomes. However, if smallholders can gain some of the value currently captured by middlemen, then their commercial equation changes. Innovative, scalable models for smallholder aggregation are emerging that achieve this shift, and Grow Africa is committed to working with partners to promote them. For investors on a continent where the average agricultural holding is around 10 hectares, understanding such commercial models for smallholder production is absolutely paramount.

AFRICA SMALLHOLDER CYCLE

Breaking the vicious smallholder cycle

Smallholder farmers are caught in a vicious cycle, lacking training, inputs, mechanisation, investment, risk management and market access, which leads to a situation of low productivity, low quality and resulting low income.

Currently, most value chains are relatively unstructured, so that smallholders have to work through middlemen to access markets for inputs, services and outputs. Such aggregation comes at a cost to the smallholder farmer, culminating in margins that are too low to be commercially viable.

However, agriculture offers ample investment opportunities for increased productivity and value realisation along such value chains if they can be more efficiently structured. Stakeholder collaboration can drastically reduce smallholder farmer unit costs for inputs and services, while increasing output sale prices.
Innovative models are emerging across the continent in which partners within a value chain structure themselves into closer, more stable relationships that mitigate risks, generate economies of scale, increase efficiency, justify investment and enable greater, more equitable value capture.

Spotlights featured in this report highlight some examples of such pioneering efforts to structure value chains more efficiently to commercialise smallholder production. In Burkina Faso, Pickou Export Ltd offers a professionally-managed hub for smallholders growing sesame and black-eyed peas across 50 villages. Malawian company Malawi Mangoes is harnessing a hub/out-grower model to train smallholders and integrate them into value chains for bananas and legumes. In Ghana, Premium Foods supports 9 nucleus farmers with financial guarantees to provide farm inputs (seeds, fertiliser and equipment) to out-growers on credit, repaid in-kind with postharvest farm produce.

Alongside better-structured value chains, inclusive business models are adopting other innovations in order to make the smallholder cycle virtuous rather than vicious, including:

- establishing professional management for the hub business rather than expecting smallholders to collectively manage rapidly growing commercial operations;
- forming smallholders into “joint liability groups” with which to establish credit agreements or off-taker contracts. This creates peer pressure to avoid side-selling or defaults. Masara N’Arziki, a producer association formed in Ghana by Yara and Wienco, now achieves a 94% payback rate on the interest-free loans provided for inputs to 9,000 farmers;
- investing in smallholder capabilities to improve productivity; and
- engaging stakeholders to overcome off-farm constraints to smallholder viability, such as last-mile infrastructure or policy changes. For example, in Kenya, NETAFIM, USAID and local banks have partnered to provide innovative financing for drip irrigation.

Grow Africa’s work to pioneer and scale adoption of inclusive models

Helping partners pioneer and scale up models for smallholder production is fundamental to Grow Africa’s work. It is a commercial and developmental imperative for agricultural transformation on a continent with 33 million smallholder farms. In addition to our core USAID funding, the Swiss Agency for Development and Cooperation (SDC) has generously provided additional resources for our work in this area.

Grow Africa is proactively facilitating and supporting a small portfolio of initiatives that are particularly pioneering. For example, the World Food Programme (WFP), a major buyer for grains and pulses, plans to scale up its procurement from smallholder farmers. Using its purchasing power and reach across over 70 countries, WFP aims to generate economies of scale within value chains through broader partnerships. Grow Africa is working with WFP, farmers organisations and companies to establish such value chain partnerships in Tanzania, Malawi and Rwanda. These have scope to operate at an unprecedented scale, engaging hundreds of thousands of smallholders.

Over the next year, Grow Africa will commission evaluations to independently assess the impact of several value-chain partnerships, so that we can promote successful innovations for adoption at-scale by farmers, companies and other partners across the continent.

Partnering with farmers’ organisations

Africa’s farmer organisations are playing a vital role in assisting the continent’s farmers to commercialise production, serving as an important communication channel for promoting best practice to farmers and voicing their interests in multi-stakeholder forums. Grow Africa is actively working with ROPPA in West Africa, EAFF in East Africa, and SACAU in Southern Africa, as well as many national farmers’ organisations. Together we are linking farmers to opportunities, promoting innovations and enhancing representation.

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1 Steve Wiggins & Sharada Keats (2013) Leaping and learning: linking smallholders to markets. ODI.
THEME 2: FINANCE

Reducing the risks and costs of providing finance to agricultural SMEs

Adapting the African proverb about raising children, new wisdom is emerging that ‘It takes a village of partners to raise finance for African agriculture’. Grow Africa is actively helping to convene such partners around financing solutions that can unlock growth for African agribusinesses and strengthening value chains linked to smallholders.

A multibillion financing gap

One estimate suggests $11 billion of investment is needed each year to achieve the aspired expansion of agricultural output in sub-Saharan Africa, a region dominated by smallholder farms. Further finance is needed to build out value-adding agro-processing industries that will generate jobs and wealth.

However, for agri-SMEs and the smallholders within their value chains, the cost of finance is prohibitive, with interest rates sometimes over 35%. Without unlocking access to affordable finance, agricultural growth will be constrained to large-scale investments that are commercially robust but make a limited contribution to Africa’s transformation.

Finance is expensive and limited for SMEs and smallholders because, for commercial finance providers, the actual or perceived risks within agricultural value chains are high. The costs of reaching smallholders with financial services through traditional mechanisms are also prohibitively high.

Turning on the financial tap

Finance will flow when risks and costs are reduced. Various strategies are emerging: inclusive business models, technology, value-chain finance, and blended finance. In combination, they offer a potent mix for value-adding agribusinesses and scaling smallholder production.

The previous section of this chapter unpacked the importance of inclusive business models. For finance providers, they offer the structure, scale and professionalism through which risks and costs are reduced. In particular, grouping semi-commercial farmers into member-owned farmer organisations that are well-governed, properly capitalised and operated under robust business principles plays an important catalysing role in reaching the scale and viability that make farming more financeable. The work to help farmers transition to commercially robust models carries a cost that most private investors are unable to take alone. Instead, support is needed from development actors, whether government, donors or NGOs.

New technology is also making financial services viable in new spaces. Banks and microfinance institutions are using agency banking and mobile banking to reach unbanked farmers in remote areas. These mechanisms are increasingly applied to products such as loans, savings and insurance to reduce costs and achieve scale. Such products are otherwise unaffordable when distributed solely through traditional shop fronts.

Value-chain financing is another promising approach for SMEs and farmer organisations whose business models depend upon commercialising smallholder production. Using forward linkages and underlying contracts within their value chains, such SMEs can transform the creditworthiness risk of an individual farmer into a performance risk of multiple chain actors that mutually depend on each other’s performance. For a finance provider this in turn reduces their risk and increases their willingness to provide debt or equity.

Yet even with better business models, new technology and value-chain financing, much agriculture remains beyond the current scope of commercial finance providers. Blended finance leverages public money to create a financial bridge until agricultural operations become ‘investment-ready’, when returns are high enough and risks are low enough to attract commercial debt and equity. Innovative approaches include matching grants, loan guarantees, catalytic funds, patient capital and smart subsidies.

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1 Alliance for a Green Revolution in Africa (AGRA), 2013, Africa Agriculture Status Report: Focus on Staple Crops.
It takes partners

While there is no one single approach to successfully financing agri-SMEs and the smallholders they link to, there is one recurrent theme – the need for partnership. The road to solving the finance gap can only be effectively traversed when agri-chain actors, commercial and non-commercial finance providers, development organisations and governments undertake the journey together.

Grow Africa’s Working Group on Finance

As access to finance is a systemic constraint facing agricultural SMEs and commercially-minded smallholders across the continent, unlocking it demands unprecedented collaboration between partners. In response, Grow Africa has convened a Working Group on Finance, comprised of leading experts from across banks, agribusinesses, NGOs and international bodies. The Group acts as a think-tank to develop finance models and connect potential partners, in response to the general and specific challenges faced by planned investments being advanced by Grow Africa’s partner companies.

In early January 2014, the Working Group kick-started activities at a meeting in Dar-es-Salaam, with participants including representatives from ABSA Barclays, AGCO, AgDevCo, CARE, Equity Bank, IDC, IFAD, Opportunity International, Save the Children, Syngenta and WFP. The Group is co-chaired by Yara and Rabobank. A project manager has been generously seconded to Grow Africa by Rabobank to provide secretariat support to the Group’s work.

Concretely, the Group is initially convening teams to work on focus projects where finance solutions are required to unlock specific value chains or overcome systemic constraints. One team is asking how to integrate 30,000 Rwandan smallholder farmers into commercial supply chains for potatoes and finance increased production. Other teams are asking similar questions about smallholder production of maize in Northern Ghana; sugar in Mozambique, Kenya and Tanzania; and maize and pulses in Malawi, Tanzania and Rwanda. Finally, a team is looking systemically at how to develop new or improved blended-finance instruments that support inclusive agribusiness models.
Is this a real business opportunity?

Whether it is a smallholder asking “Should I buy a bag of better-quality seeds?”, or a company asking “Should I build a cold storage warehouse?”, both face the same problem – accessing accurate data to guide their decision-making. The viability of their investment decision depends upon what is happening along the value chain: input prices, transport costs, commodity prices, credit rates, seasonal weather, and who is operating in specific localities.

An enormous amount of data is available on African agriculture in both the public and private spheres, but it is chaotically structured, siloed and frequently too generalised or out-of-date to be of use for business decisions. Development partners such as the UN’s Food and Agriculture Organisation (FAO), the International Food Policy Research Institute (IFPRI) and the World Bank provide considerable data on food prices, soil quality, crop yields, and smallholder households. Commodity exchanges, mobile phone companies, and business information services have increasingly robust information on prices, logistics, input markets, and other transactions critical to smallholder productivity.

However, sourcing all this information and bringing it together to develop a specific business proposal is a laborious and imperfect process, with companies consistently asking Grow Africa for help in creating compelling business cases.

Who will partner with me?

Once a business opportunity emerges, there is always a need for multiple players to collaborate along a value chain to convert it to reality. Which farmers are growing beans? Who will be the off-taker? Where will the capital come from? Fragmented information reflects fragmented communication between market participants and pre-competitive stakeholders. This makes it difficult for potential value-chain partners to connect around an opportunity and easy for a few well-connected participants to control a value chain, reducing competition and capturing the majority of the value at the expense of smallholders.

Grow Africa’s web portal: a virtual commons to connect partners and information

As the mobile boom in Africa has connected millions to cellular voice and SMS services, the expansion of 4G data services is poised to transform African economies. Internet access to rural areas of Africa will enable communities to benefit from more and better market information, and will connect smallholders to investors, support services and markets.

In 2014, Grow Africa will develop an enterprise business network for SMEs in the African agribusiness community to connect to other firms and organisations within their country, across the globe, or from the Grow Africa Secretariat’s partner network. In the second stage of development, the platform will connect existing digital services to the low-bandwidth, mobile and social media appropriate for reaching rural African markets.

As well as connecting partners for collaboration on business opportunities, the platform will help access data for commercial decision-making, and host data analysis applications including the Gap Analysis Tool for Agriculture (GATA) that is under development.
Functionality of Grow Africa’s web portal

Social Business Network
- Open network for farmers and SME’s companies to interface with information and opportunities
- Community network for Grow Africa partners to connect and collaborate

Public / Private Data
A platform of platforms to aggregate multiple data sources and make them accessible for decision-making

Tools
- Gap Analysis Tool for Agriculture
- Plus more to come through partnerships and Development Kit

Timeline for development

June 2014: Launch
- Social Business Network to connect and promote African agribusinesses.
- Lightweight integration with social media, open data and user functionalities.
- Agricultural value chain piloted and available for exploration on the Gap Analysis Tool.

September 2014: Social website as foundation for growth
- Expanded integration of datasets
- Online collaboration piloted through value-chain partnerships
- Tailored user experience
- Pipeline of business opportunities

2015: Integrated digital services platform
- Connecting to and exchanging data with global partners to drive agricultural growth across Africa
- Engaging farmer organisations to promote adoption by smallholders through mobile applications
The Gap Analysis Tool for Agriculture

Grow Africa’s GATA tool is a web-based analysis instrument to assist governments, policymakers, farmers and farmer organisations, as well as companies, in establishing and prioritising potential agricultural projects. GATA enables the user to identify value-chain gaps, essential farmer capabilities and investment opportunities. The tool is crop-specific; hence, for each value chain, a “stages of excellence” framework will allow users to benchmark current capabilities and enabling factors that determine farmers’ performance and their ability to generate income from their crops. This then generates a list of investment options and their associated impact on yield, selling price, labour costs and postharvest losses. By calculating the Net Present Value (NPV) of each individual investment option, the tool determines the viability of smallholder farmers closing gaps in the value chain and generating more income.

For government agencies, companies or farmers themselves, the tool will help determine the likely economic impact of any potential decisions, providing a more informed basis for devising strategic priorities to promote improved agricultural practices that are also commercially sustainable. Maize is the first value chain that has been developed as a prototype, with other value chains to follow.

You can explore GATA as it is launched at www.growafrica.com/gata

GATA is being developed with generous support from our Knowledge Partner: A.T. Kearney.

MAIZE VALUE CHAIN EXAMPLE
Over the years, Burkinabe agricultural growth has generally been limited by low productivity owing to climate conditions and land access constraints, but even more so due to limited access to agricultural inputs and equipment, including mechanisation. Indeed, only 44% of farmers have access to mechanisation across the country, while only 15% use improved seeds.

Agro-processing, in turn, remains largely a small-scale industry not always up to the standard necessary to access regional and international export markets, and is therefore considered a priority sector for development.

Aimed at addressing these significant and persistent challenges, in 2010 the Government of Burkina Faso (GoBF) adopted a five-year Strategy for Accelerated Growth and Sustainable Development (SCADD). As part of this strategy, an agricultural investment plan – the Rural Sector National Programme (PNSR) – was also developed around two main axes: increasing and diversifying sustainable production of agricultural products, and improving the productivity and competitiveness of livestock products.

In pursuance of its SCADD target of accelerating annual GDP growth to an average of 10%, the GoBF has chosen to implement a number of substantive measures, aimed at creating a more conducive enabling environment, and has also embraced a “Growth Poles” approach to attracting and accelerating private-sector investments in agriculture. The approach is predicated on an integrated offering of agricultural goods and services in high-potential areas endowed with facilitative infrastructure, secure land tenure and good water management. It is anticipated that the concentration of activities and partnerships in designated Growth Poles will produce a multiplier effect, helping to foster further collaborative synergies around innovative market-oriented agricultural projects.

The first such Growth Pole to be established – Bagré – has been structured as a public-private partnership (PPP) and is managed through the Prime Minister’s Office. Essentially serving as a pilot, the initiative is expected to yield a significant increase in economic activity and private-sector investment, boost agricultural production and processing, and generate employment. Current efforts are focused on ensuring the effective completion of infrastructure works to enable agricultural activities to commence in early 2015, with a view to Bagré playing a pivotal role in advancing Burkina Faso’s strategy for garnering private-sector investment to spur agricultural growth.
2013 IN REVIEW

PROGRESS

Steady inroads are being made to ease the path for agri-investors

In 2013, companies with Letters of Intent (LoIs) for Burkina Faso demonstrated a determination to advance their investments in Burkinabe agriculture despite a difficult business environment. Some small to medium-sized domestic companies expanded their operations, but often slowly due to financial constraints and frequently with support from development partners. Several larger investors undertook field visits and feasibility studies but held back from serious commitments. The most substantial growth and investment was seen in companies focussed on export commodities, such as cotton, sesame and shea nuts, for which Burkina Faso has ideal growing conditions. It is these ventures that have reached the most smallholders and created jobs, largely by embracing inclusive business models.

In parallel with company efforts, the government has taken significant steps to improve Burkina Faso’s enabling environment, starting with the passing of two major laws: one providing guidance on the channelling of investments and the other dealing with PPPs. An agricultural investment code is being developed in consultation with stakeholders from all agri-sectors, while a National Committee has also been set up to address the issue of rural land tenure security.

A Presidential Agency for Investment has recently been instituted to put into action the national strategy for investment in all sectors. In order to ensure the effectiveness of the Agency’s work with regards to agriculture, efforts will need to be focussed on strengthening coordination and establishing a clear division of roles with other government agencies with responsibilities in the sector, in particular the Ministry of Agriculture and the Prime Minister’s Office.

Significant progress has also been made in developing road networks and connecting production zones to marketplaces.

An institutional structure to manage and control Growth Poles was established by decree in 2013, with priority value chains identified along the Growth Poles. Potential PPP opportunities are also in the process of being packaged to share with investors, with a view to generating interest in the scaling-up of a number of pilot projects that have proved successful.

More specifically, two calls for expressions of interest in land allocation within the Bagré Growth Pole were issued during 2013, targeting both domestic and international companies and investors. At the time of this Report going to print, the official process of land attribution was still on-going due in part to delays in infrastructure work over the past year. As a consequence, agricultural activities are currently not expected to commence before early 2015. The Bagré Growth Pole has nevertheless taken advantage of this delay to review its overall approach and look for ways to further enhance its PPP approach and investment promotion strategy.

Last but not least, at the request of domestic companies, an annual meeting between the private sector and the GoBF (with representation from various Ministries) has just been launched. The aim of this multi-stakeholder forum is to find solutions for bottlenecks encountered by the private sector in developing and expanding their businesses, and to explore how the government can support these companies.
LETTERS OF INTENT
The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing “Letters of Intent”. For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

18 Companies have Letters of Intent (LoIs)

Planned investment estimated at $56 million

9 of 18 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 13% Performing well
- 27% Major problems
- 33% Minor problems
- 20% On plan
- 7% Cancelled

15 of 18 companies provided data.

$36 million of investments made in 2013

$36 million of capital expenditure.
$29,000 of operating expenditure.

6 of 18 companies provided data.

OUTCOMES REPORTED FOR 2013

1,751 jobs created:

53% 47%

5 of 18 companies provided data, of which 60% was gender disaggregated.

172,000 smallholders reached:

16% 84%

6 of 18 companies provided data, of which 33% was gender disaggregated.

75,323 with training
97,500 unspecified
## 2013 action for transformation

### Leadership and alignment

- Strong involvement and commitment from Ministers and the President to further develop and invest in agriculture.
- The President actively promotes agricultural investment in Burkina Faso abroad.
- Enhanced coordination across government agencies would improve the establishment and development of PPPs.

### Risk mitigation and financing

- Discussions are on-going with financial institutions (including the International Finance Corporation - IFC and commercial banks) to set up credit guarantees and insurance schemes.
- Capacity-building underway to strengthen SOFIGIB (a finance and interbank guarantee company), and guidelines prepared for establishment of an Agricultural Entrepreneurship Development Fund.

### Strategy setting

- Within the national growth strategy, the country CAADP investment plan (PNSR) was adopted in 2012 as a framework for engaging the private sector and developing PPPs.
- The government has adopted a “Growth Pole” approach, starting with Bagré, led by the Prime Minister’s Office.
- Specific support and subsidies have been provided to the cotton and seed sectors as key national priorities.
- An Agricultural Investment Code is being developed following several consultations with stakeholders from all agri-sectors.

### Infrastructure and policy

- Efforts have been made to develop the road network and connect production zones to marketplaces.
- With World Bank (WB) support, the government has plans to build 100 storage facilities across the country.
- A national electricity/power project plans to commence in 2014, with support from the EU, WB and the African Development Bank (AfDB).
- Current project to review all existing laws on land rights and tenure (which at present are not consistently applied) and consolidate them into a single law.
- A National Committee for Land Security in rural areas has been established.

### Investment pipeline

- Some investments (including outside Grow Africa’s scope) and financial instruments are likely in the pipeline, however they are not always clearly communicated or accessible to all.
- The "Maison de l’Entreprise" (a “one-stop shop” for business support services) has a role to play in channelling investments and connecting SMEs with growth opportunities.
- Priority value chains within Growth Poles have been identified. Building on feasibility studies, potential PPP opportunities are being packaged for promotion with investors to scale up successful pilot projects.

### Delivery and implementation

- The "Maison de l’Entreprise" provides a “one-stop” shop for investors seeking information and investment opportunities, and also channels financial support for SMEs.
- A Presidential Agency for Investment was recently created to implement the national strategy for investment, though much remains to be done to make it operational and ensure effective coordination with other government agencies.
- More transparency and communication on investment opportunities and availability of financial support would greatly benefit the private sector, especially domestic companies.
Together with cotton, sesame is a traditionally important cash crop for Burkina Faso, which ranks as one of West Africa’s leading sesame seed-producing countries. Owing to the plant’s drought-resistant qualities, sesame has been cultivated almost throughout the entire country, providing a significant source of income to many smallholder farmers. Yet with the crop being grown on land parcels averaging between 0.5 ha and 3 ha, the challenge for these farmers is accessing markets and obtaining a fair price in return for their limited produce.

Based in the Sanmatenga Province in the Northern Central region, Pickou Export Ltd was established by a local entrepreneur and has succeeded in developing a network of 800 smallholder farmers across 50 villages to cultivate 750 ha, with long-term plans to expand to 20,000 ha over 5-10 years and reach a total of 2,000 smallholders across more than 100 villages. It is also envisaged that a processing unit will be set up to produce sesame oil.

The company negotiates a fair price for all its growers and is enabling farmers to access export markets, facilitated by the construction of two 200-tonne capacity warehouses for storage and gathering. With food security being of particular concern in the region, sesame is also being intercropped with cowpeas for local consumption. In addition, a 200 ha field school has been established to improve cultivation techniques, quality and yields to benefit all participating farmers. Maintaining gender parity has been a firm priority since the inception of the project, with women being well-represented (almost up to 50%).

An interesting recent development is the facilitation by Grow Africa of links between Pickou Export and APME.2A (a Burkinabe agency for the promotion of agricultural SMEs), which, together with the “Centre International de Développement et de Recherche” (CIDR), has developed an inclusive business paradigm known as the “Entreprise de Services et Organisations de Producteurs” (or ESOP) model, which has begun to yield positive results in Burkina Faso.

The model involves operating through a private company in which smallholder farmers can become shareholders for up to 40% of the capital. The CIDR and APME.2A have recently set up a regional investment fund covering Mali, Benin, Togo and Burkina Faso, which is looking for other opportunities to invest at scale. Interest has been expressed in Pickou Export as a candidate for the inclusive ESOP model, while Pickou Export in turn has already started working on improving its business model and looking at the best way to restructure the company to enable its network of smallholders to become participating shareholders.

Smallholders stand to benefit substantially from the increased market access, improved negotiating position (for both product and input prices), greater stability, and reduced risk that the ESOP model offers. This is in addition to the empowerment that shareholder status clearly brings, giving smallholders a say in company decisions affecting their livelihoods and future.
Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Access to affordable finance**, long-term credit and guarantee funds were cited by domestic companies as the main barriers to increasing their working capital. A lack of resources and business management expertise were also considered impediments to preparing and submitting solid business cases to obtain loans from financial institutions.

2. **Information and coordination** on the enabling environment, availability and accessibility of financial instruments and investment opportunities were seen as limited. It was felt that improved clarity/transparency and enhanced communication on which specific agency leads on investments, project implementation and partnerships would highly improve the investment and business climate.

3. **Limited infrastructure**, including for road networks, storage facilities and electricity, have hampered market access and the development of high agriculture potential regions. As a consequence, the sector remains largely dependent on smallholder farmers – with low output and yields - facing difficulties to scale up their activities to a commercial level. In addition, the delayed implementation/operationalisation of Growth Poles, such as Bagré, has limited access to land for companies that had planned to scale up their production, develop out-grower schemes and inclusive business models, and expand their activities.

An estimated 35% of Burkina Faso’s GDP comes from the export of cotton.
Agriculture makes up 33.8% of Burkina Faso’s economy, but growth in the sector has been extremely volatile, fluctuating between negative 10% and positive 20% on an almost annual basis, thus falling short of the 6% CAADP growth target as frequently as meeting it. Roughly half of the rural population (which comprises 80% of all Burkinabe) are directly engaged in agriculture as an economic activity, with a slight majority of that agricultural labour force composed of men. Burkina Faso’s agricultural sector currently produces sorghum, maize, millet and pulses in significant quantities. It produces 8% of Africa’s annual sorghum production. Over the last decade, public-sector spending on agriculture has generally been in line with the CAADP expenditure target of 10% of the total national budget.

Burkina Faso is ranked at 154th globally and 24th out of 47 in sub-Saharan Africa in the Ease of Doing Business report. Cross Border Trade and Getting Credit are both areas particularly requiring improvements. While Burkina Faso has 11.9 million mobile GSM connections (roughly 2-thirds of the population), there is no 3G data capability to those connections. Digital agribusiness services are therefore limited to those providing basic services such as mobile money, call-back services or configuration settings.

For the 17.4 million people living in Burkina Faso, poverty has only declined from 56.5% in 2003 to 44.6% in 2009. Malnutrition measured by the number of underweight children is high even compared to other sub-Saharan countries at 26.2% of the population. The agricultural sector is therefore critical both to achieving poverty reduction for the vast majority of Burkinabe, who live in rural areas, but also for achieving food security to ensure that the population reaches adulthood in good health.

**THE LONG VIEW**

Persistent poverty and malnutrition make steady agricultural growth a priority

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**CAADP TARGETS**

<table>
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<tr>
<th>Child malnutrition: % of children under 5 underweight</th>
<th>Poverty: % living below $1.25/day</th>
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<tr>
<td>26.2%</td>
<td>44.6%</td>
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(World Development Indicators 2010) (World Development Indicators 2009)

**Public agriculture expenditure share in total public expenditure 1990 - 2010**

Source: www.resakss.org
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 17,420,000
Rural population: 12,362,000

Population Economically Active in Agriculture

Total: 7,435,000
48.2% Rural
51.8% Urban

Ease of Doing Business - Rank of 189 Countries

Overall 154
Starting a Business 125
Getting Credit 130
Protecting Investors 147
Trading Across Borders 174
Enforcing Contracts 108

Top 10 Crops by Production (tonnes)

1,923,805 Sorghum
1,556,316 Maize
1,078,374 Millet
666,524 Pulses
485,000 Sugarcane
319,390 Rice
310,759 Groundnuts
113,345 Yams
92,817 Sweet Potatoes
24,305 Soybeans

Source:
Status on Letters of Intent

In 2013, no further companies directed Letters of Intent to Burkina Faso.

In 2012, 14 companies directed Letters of Intent to Burkina Faso (with 4 more making reference to working in the country).

### African Cashew Initiative (ACI)

Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Côte d’Ivoire, Ghana and Mozambique, by:

1. convening investments from corporate partners (around $21 million);
2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organisations;
3. utilising matching grant funding to assist private-sector projects to enhance farmer productivity; and
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.

- 271,617 farmers trained since 2009 (around 20% being women), increasing additional net income by approximately $18.2 million.
- Introduced Cashew Matching Grant Fund enabling private-sector partners to design and implement projects for farmer linkages and improved planting material.
- 16 projects (total investment of $7.86 million) are being implemented in Burkina Faso, Ghana and Mozambique.
- Improved planting material in Burkina Faso, Ghana and Mozambique benefiting 74,500 cashew farmers, with another 48,600 directly benefiting from Matching Grants.
- Introduced Master Training Programme to develop key knowledge-holders as trainers in the cashew value chain.

### AGCO

Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by:

1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

- Conducted field trips to Bagré.
- Evaluated opportunities for agricultural training centre of excellence and demonstration farm.
- Private-sector member participating in consortium for the Competitive African Rice Initiative (CARI) for West Africa and Tanzania, with the objective of reaching at least 120,000 smallholders over 5 years (10,000 in Burkina Faso, at least 30% being women) and developing downstream value-chain structure.

### Agence Deli Internationale (ADI)

Create a modern hibiscus processing plant that will contribute to:

1. developing production of varieties adapted to various uses;
2. collection and selection of hibiscus suitable for local processing;
3. production of juices, soft drinks, sweets, tea and infusions from hibiscus, through the addition of other local raw materials; and
4. promoting the development of small family farms, with a special focus on working with rural women.

- Slow progress due mainly to a lack of access to credit at interest rates lower than 8% and with payment deferral terms beyond a year.
- Promising opportunities identified, in particular in Japanese tea market, with plans also underway to prospect the Middle-Eastern and American markets.
- Potential funding from the Danish development cooperation service (DANIDA) is being explored, while a proposal has already been submitted to the ADB for financial support under the Agriculture Fast Track Facility.
### Goals

**Competitive African Cotton Initiative (COMPACI)**

Contribute to improving the livelihoods of smallholder cotton farmers by:
1. convening investment in the cotton value chain from corporate partners to train farmers in soil/water conservation, balanced crop rotation, and business principles;
2. expanding cotton demand by promoting the “Cotton made in Africa” brand; and
3. linking smallholders to larger markets by partnering with the “Better Cotton Initiative”.

**EBT-Trading**

Support the production and marketing of all-season cereal and food crops (maize, cowpea, sesame and certified seeds) through joint-venture farms at 3 sites (Koumbo, Kakao and Bagré Growth Pole), utilising drip irrigation technology.

**Ecobank**

Continue to work towards improving access to affordable finance for the agriculture sector through:
1. providing $3.36 million in direct lending and via microfinance institutions that on-lend to the sector, estimated to result in over 60 new loans of around $50,000 each with an average maturity of 1.5 years;
2. securing an accompanying portfolio guarantee from USAID covering 50% of the potential losses from this lending; and
3. in 2014, pursuing a partnership with DANIDA to support value-chain financing for maize, shea nuts, livestock, Arabic gum and cowpea.

**Groupe Velegda**

Contribute to improving smallholder productivity and livelihoods by advancing a project to farm 600 ha of rice and maize and establishing a rice husking plant.

**Pickou Export**

Develop a significant network of smallholder sesame and cowpea farmers by:
1. establishing a 1,600 ha farm to launch the project (with coverage to be expanded to 20,000 ha over 5-10 years);
2. providing training to introduce improved cultivation techniques (equipment and certified seeds);
3. creating a 400 ha production field school;
4. constructing a storage warehouse and delivering a “one-stop” shop for produce buyers; and
5. setting up a sesame oil extraction plant.

### Year 2 – Progress update

- Continuing with strategic investment plans through to 2015.
- In partnership with the Aga Khan Group, reached over 24,000 smallholders to purchase around 33 tonnes of seed cotton.
- Trained around 21,000 smallholders in 2013.
- Plans underway to invest $1.5 million over 2013-2015 to reach 25,000 farmers.
- Kourbo and Kakao farms already operating with maize, cowpea and sesame, and seed production, with plans to improve irrigation on these sites.
- Exploring options for a feasibility study to advance progress on proposed joint venture with Savent Brokers and smallholder producers of rice, maize, soya and seeds in Bagré, which has been held up by delays affecting the overall Bagré Growth Pole project.
- 44 projects financed for a total of 1,886 million CFA Francs in the non-cotton sector.
- USAID’s credit guarantee set up and commencing operation (via the Development Credit Authority – DCA).
- Efforts underway to finance value chains and facilitate access to credit for specific projects in the Bagré Growth Pole.
- Invested 16 million CFA Francs in the 50 ha allocated to date (situated in Bagré), which have been developed with maize, soya and sesame.
- Water irrigation pumps installed in early 2014 to boost productivity of exclusively rain-fed crops on these 50 ha.
- Responded to a Bagré Call for Applications with a view to securing a further 500 ha – awaiting land allocation.
- A 200 ha production field school is in place, and 750 ha is being cultivated by 800 smallholder farmers, with further progress constrained by a lack of working capital to buy inputs.
- Sesame produced is being exported to Egypt, while cowpea is servicing the local market.
- Two 200-tonne warehouses have been built, with a 500-tonne facility under construction.
- Efforts underway to partner with APME.2A to strengthen the value chain and further develop the nucleus farm model.
<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 2 – Progress update</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRO-AGRO</strong></td>
<td>Contribute to agricultural job creation and improving food self-sufficiency and nutrition through the development of 100 ha (50 ha in Sourou and 50 ha in Bagré) for production of 4,500 tonnes of potatoes, by: 1. establishing three taproots; 2. supporting mechanisation of potato production; 3. creating 30 permanent and 350 seasonal jobs; 4. constructing a potato storage unit; and 5. expanding activities in Bagré to cultivate 125+ ha (including for seed production), with construction of additional storage facilities.</td>
</tr>
<tr>
<td>600 million CFA Francs already invested, with a funding proposal submitted to the AfDB's Agriculture Fast Track Facility. 3 permanent jobs created. Current annual production: 800-1,000 tonnes.</td>
<td></td>
</tr>
<tr>
<td><strong>Société Agro-Pastorale et de Services (SAPAS)</strong></td>
<td>Contribute to creating a more efficient and modern unit for poultry and by-product production and marketing by: 1. diversifying and modernising SAPAS’ production farm and facility in Loumbila (Oubritenga Province) through investment in more upgraded equipment (a feed production unit, hatchery, modern poultry farming buildings equipped against the heat and climate change, etc.), trained staff, and a professional management system; and 2. doubling production capacity (from the current 12,000 laying hens on 2 ha).</td>
</tr>
<tr>
<td>9 new jobs created. Carried out an environmental impact study. Actively seeking low-interest finance to progress investment plans.</td>
<td></td>
</tr>
<tr>
<td><strong>Société Burkinabé des Corps Gras (SBCG)</strong></td>
<td>Contribute to advancing the development of the palm oil value chain by supporting the establishment of a 5 billion CFA Franc palm oil production plant to produce both quality edible oil and laundry soap.</td>
</tr>
<tr>
<td>SBCG set up by palm oil importer and reseller Société industrielle et Commerciale du Faso (SICOF) for the purposes of the project. 4.6 billion CFA Francs already invested, with factory and 2 oil tankers built and equipment purchased. 500 million CFA Franc loan approved to start operations. Business plan prepared to assist in sourcing a further 5.3 billion CFA Francs to upscale activities.</td>
<td></td>
</tr>
<tr>
<td><strong>Société d’Exploitation des Produits Alimentaires (SODEPAL)</strong></td>
<td>Contribute to adding value to local agricultural resources by supporting an agribusiness complex project (worth 2.1 billion CFA Francs) based on the production of: 1. pre-cooked foods and nutritional supplements from agricultural, livestock and forest products to combat malnutrition in children, pregnant/lactating women, and the elderly; 2. confectionary items utilising fruits and vegetables; and 3. spirits utilising forest products.</td>
</tr>
<tr>
<td>Submitted a proposal for funding under the AIDB's Agriculture Fast Track Facility. Seeking financial support to buy equipment and increase storage capacity to facilitate production. Contacted by the World Food Programme Nutrition department to explore partnership opportunities.</td>
<td></td>
</tr>
<tr>
<td><strong>Swiss Re</strong></td>
<td>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.</td>
</tr>
<tr>
<td>Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets through IFC-funded projects. Supported the implementation of a pilot weather risk transfer scheme. At pan-African level, 300,000 smallholders reached.</td>
<td></td>
</tr>
</tbody>
</table>
### Goals

**Union Conannet des Étuvées de Riz de Bagré (UCERB)**

Contribute to creating female employment in the agricultural sector and improving the quality of rice production by:

1. Supporting the construction of a 15 million CFA Franc storehouse with a capacity for 200 tonnes of rice, to decrease current stock losses; and
2. Providing UCERB’s 460 women members with a job and income.

**Yara**

1. Cultivate long-term partnerships with government to incorporate the national agriculture strategy into a broader development context, and to co-create a national strategy for holistic, in-country fertiliser market development; and
2. Promote comprehensive end-to-end value chain initiatives and cluster-based approaches, and build up local crop-specific plant nutrition knowledge.

### Year 2 – Progress update

- 200-tonne warehouse built (with financial support of Oxfam Intermón), with 2 more of 500 tonnes planned.
- Actively seeking credit to buy quality equipment.
- Application submitted for 100 ha in Bagré Growth Pole.
- Exploring the viability of expanding the membership base to 1,000 women and ways of providing members with training in relevant skills.

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

#### Goals

**Jain Irrigation**

In line with the national growth strategy (SCADD), contribute to developing irrigation and enabling infrastructure by:

1. Contributing proprietary agricultural and irrigation technology and know-how, expertise in capacity building, market linkages, processing capabilities, and solar technology;
2. Convening investments in irrigation and enabling infrastructure for the creation of storage, handling, supply-chain, procurement and processing infrastructure; and
3. Working with partner countries to select priority value chains and regional locations to develop a feasibility study for this integrated approach.

**SAREPTA**

Contribute to developing the shea and vegetable oils value chain by installing a plant for the production of cooking oils and by-products (cake and soap) and supporting the marketing of these products.

**United Phosphorus (UPL)/Advanta**

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.
FORWARD LOOK

PRIORITIES FOR PROGRESS

Better access and infrastructure will help bolster Growth Poles approach

The main priorities that emerge for the next year are as follows:

- leveraging Bagré as a flagship Growth Pole: including by enhancing promotion and communication of investment opportunities offered by the project with a value-chain approach, setting up a pilot catalytic fund based on lessons learnt and experiences from other countries (such as Mozambique), and ensuring that companies to which land is allocated have inclusive business models;

- developing and promoting other Growth Poles: including Sourou (with a potential of 30,000 ha of irrigated land, only 13% of which has been cultivated so far), Kompienga and Samendéni (with the construction of a dam under way, and a total area 23,600 ha to be cultivated);

- boosting infrastructure: in all Growth Poles, improved mechanisation and irrigation are key to moving from small-scale farming to commercial agriculture, with more land cultivated and better yields;

- creating a conducive enabling environment: including by finalising the proposed bill on land and the Agricultural Orientation Law (due to be voted on by the end of 2014), as well as developing a strategy for raising the international profile of agri-investment opportunities in Burkina Faso to attract private-sector interest;

- tapping into the potential of the livestock sector: by addressing the key factors holding back its growth, including limited access to markets and laboratories, inadequate hygiene standards and a shortage of cold storage infrastructure;

- increasing locally-produced agricultural inputs: to improve access to quality inputs for all farmers and farms;

- stepping up agro-processing activity: with enhanced transformation and value-addition for locally-produced products being a priority in all value chains; and

- supporting agri-SMEs: with capacity building, technical support and facilitated access to finance.
The following investment opportunities have been prioritised by the Government of Burkina Faso:

**Multiple prospects offered by Growth Pole well-served with essential resources**

As a linchpin in the GoBF’s agricultural growth strategy, the Bagré Growth Pole project is supported by the World Bank with a $115 million investment, supplementing $200 million already invested in the region by the Burkinabe government, and backed by an ambitious 5-year development programme (for the period 2012-2017). The active involvement of the Prime Minister’s Office in the management of the Growth Pole further ensures that priority is accorded to improvement in institutional capacity, development of infrastructure and services, and support to SMEs.

Declared a “Public Utility Zone”, investors in the region are able to access attractive 99-year leases. With the 1.7 billion cubic meter capacity Bagré dam providing water and electricity (currently 16 MW, with an extension planned), and the availability of accessible arable land, the area is well-suited to cereal cultivation and processing. In particular, rice – which is the fourth most-produced cereal and the most imported in the country (accounting for 60% of domestic consumption) – represents a major opportunity for import substitution, with Bagré offering around 30,000 ha suitable for rice production. The area also lends itself to the possibility of developing a variety of other activities, including truck farming, animal husbandry, fishery, and niche and emerging products.

**Points of contact for investments**

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Adamou Nikiêma  
Manager, Promotion of Investments, Bagrépôle | ada_nick2003@yahoo.fr

Fishery is one of several attractive opportunities at the Bagré Pole.
Agriculture is the backbone of the Ivorian economy, employing 70% of the labour force, contributing 30% of GDP and 60% of export earnings, and producing more than 10.7 million tonnes of food per year. Overall, production is not intensive and yields are low. Exports are key to the country’s development, with the main export products being cocoa, coffee, cotton, cashew, oil palm, rubber, pineapple, mango, banana poyo, wood and tuna. While Côte d’Ivoire is the leading cocoa producer worldwide, its agriculture is diversified and based both on small and medium-sized family farms as well as large industrial operations, with significant potential to scale up production. Nevertheless, after ten years of civil strife and crisis, the sector faces multiple challenges.

Approved in 2009, the national Strategy for Relaunching Development and Reducing Poverty 2009-2013 (DSRP) sets as one of its main objectives “the creation of jobs and wealth through support to the rural sector and the promotion of the private sector as an engine of growth”. The priority areas for achieving this goal have been identified as: (i) increasing agricultural productivity in connection with the modernisation of farming practices; (ii) the efficient organisation of value chains by strengthening the involvement of grassroots organisations and safeguarding the interests of smallholder farmers; and (iii) the promotion of food crop production by guaranteeing its financing conditions and improving access to markets.

The National Plan for Agricultural Investment 2010-2015 (PNIA) stems from both the Master Plan for Agricultural Development 1992-2015 and the DSRP, and is structured around 6 main programmes: (i) improving the productivity and competitiveness of agricultural production; (ii) the development of value chains; (iii) improving the governance of the agricultural sector; (iv) capacity-building of stakeholders in the development of agriculture; (v) sustainable management of fisheries resources; and (vi) forest rehabilitation and recovery of the timber industry.

It is expected that the implementation of the PNIA will lead to the creation of 2.4 million jobs and to an agricultural growth rate of 9%, which should in turn induce GDP growth of 6.8%. The overall cost of the PNIA is estimated at $4 billion. The main sources of funding are the Government of Côte d’Ivoire (GoCI) and development partners, with a particular focus on the private sector, to which 24 million ha of arable land will be made available for investments.
2013 IN REVIEW

PROGRESS

Major public and private investment pledges pave the way for agricultural renewal

Significant achievements and progress have been made over the past year, mainly with regards to the enabling environment, infrastructure and public-private partnerships (PPPs). Although much remains to be done, the government and its donor partners mobilised around $480 million in 2013 for the implementation of the PNIA, making it 37% funded. The PNIA Steering Committee has been set up. Officially launched last September, it is expected that this structure will further facilitate and accelerate the PNIA’s implementation in an inclusive manner.

An Agricultural Orientation Law is currently being developed. This law will be key in providing the legal framework to establish and implement policies and strategies for agricultural development in Côte d’Ivoire. Despite the existence of a law on land use and rights (the Rural Land Law), which was adopted in 1998, its provisions have barely been applied and a National Programme for Land Security has accordingly been set up to work on resolving these issues as a top priority.

Major road and air infrastructure has been rehabilitated and developed to facilitate and provide access to production zones and markets, especially between the North and South of the country, with agribusiness activities in the North having been particularly affected by the decade-long crisis. Indeed, more than $44 million was spent between 2008 and 2013 on a number of reconstruction programmes.

Support to PPPs and private-sector projects and investments has been a prime imperative for the GoCI, which has prioritised eleven specific value chains. The implementation of initiatives for seven of these commenced in 2013, including rice, cashew, oil palm, banana, coffee and cocoa. In the rice sector, for instance, Côte d’Ivoire produced 1 million tonnes in 2013, hence meeting 70% of national demand compared to only 38% in 2011.

Côte d’Ivoire has demonstrated its commercial attractiveness through the New Alliance process by generating over half a billion dollars worth of planned investment targeting both crops for domestic consumption (such as rice) and export (including rice and cotton). Initial reporting suggests these investments are advancing well, generating jobs, and impacting upon significant numbers of smallholders. Some of the private-sector investments and PPP success stories to date include:

- investments of $35 million by Olam in a cashew processing unit in the Bouaké region, which is the largest in Africa with an annual capacity of 30,000 tonnes. Olam has also built a cocoa bean processing plant worth $62 million in San Pedro, and over the next three years plans to invest more than $200 million in Côte d’Ivoire;
- together with the National Rural Development Support Agency (ANADER), Cargill supported 60,000 cocoa farmers from 100 cooperatives and invested $3.7 million between 2011 and 2013. The company also plans to distribute more than 600,000 high-yielding cocoa plants; and
- a rice joint venture established as a PPP between the NOVEL Group, Syngenta Foundation AGCO and the District of Yamoussoukro, and implemented by YAANOVEL, is expected to generate 15,000 jobs for an investment of $215 million.
LETTERS OF INTENT

The Year in Numbers

With Côte d’Ivoire newly joining Grow Africa, we have not yet established relationships with all companies with Letters of Intent – especially domestic ones. Hence, at the time of publication of this report, progress reports had only been gathered from a selection of international companies. For 2013, the following statistics aggregate any data shared by these few companies in the spirit of mutual accountability.

21 Companies have Letters of Intent (LoIs)

Planned investment estimated at $680 million

16 of 21 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 20% Performing well
- 60% On plan
- 0% Minor problems
- 0% Major problems
- 20% Cancelled

5 of 21 companies provided data.

$103 million of investments made in 2013

- $55 million of capital expenditure.
- $48 million of operating expenditure.

4 of 21 companies provided data.

OUTCOMES REPORTED FOR 2013

- 1287 jobs created:
  - 70% Female
  - 30% Male

  3 of 21 companies provided data, of which 67% was gender disaggregated.

- 236,000 smallholders reached:
  - 25% Female
  - 75% Male

  5 of 21 companies provided data, of which 40% was gender disaggregated.

<table>
<thead>
<tr>
<th>Services</th>
<th>47,732</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sourcing</td>
<td>79,807</td>
</tr>
<tr>
<td>Production</td>
<td>5,334</td>
</tr>
<tr>
<td>Training</td>
<td>80,464</td>
</tr>
<tr>
<td>Unspecified</td>
<td>75,750</td>
</tr>
</tbody>
</table>

4 of 21 companies provided data.
Leadership and alignment

- The PNIA agricultural investment plan has been devised by the four sector-related Ministries – Agriculture; Animal and Fishery Resources; Water and Forestry; and the Environment, Urban Safety and Sustainable Development – together with the Ministry of Health and the Ministry for African Integration.

- A PNIA-implementing Steering Committee has been launched, comprising a Technical Secretariat (headed by the Ministry of Agriculture) and 3 Consultation Groups for: 1) development partners, 2) the private sector, and 3) civil society and farmers. However, the Committee has not yet held a meeting.

Strategy setting

- In August 2012, a Detailed Investment Plan (PID) was adopted by the Cabinet to support the implementation of the PNIA.

- Under the National Development Programme 2012-2015 (PND), agriculture has been identified as a priority sector and a key driver of growth and employment.

- Specific value-chain strategies are currently being developed and in some cases amended.

Investment pipeline

- Investment opportunities have been promoted through public-private events organised by and in Côte d’Ivoire. As a result, 10 development poles for rice were each attributed to a private-sector investor entrusted with responsibility for development along the entire value chain. For other value chains, several investors have expressed interest in investing.

- In June 2013, through the New Alliance for Food Security and Nutrition, Cote d’Ivoire attracted 21 Letters of Intent from companies that referenced over half billion dollars of planned investment.

- Major donor investments in agriculture have begun to flow. The French development agency (AFD) will provide $150 million in a first tranche of budgetary support for the sector. The World Bank is contributing $50 million towards PNIA implementation, particularly to develop the rubber, coffee/cocoa and oil palm value chains. Under the 11th European Development Fund, agriculture and food security remain priorities for Côte d’Ivoire.

Risk mitigation and financing

- Some consultations between the public and private sectors have taken place to ascertain priority projects and implementation structures and approaches.

- Scope for improvement remains, however, as regards concrete and specific measures by government to delineate PPP and private-sector investment frameworks.

Infrastructure and policy

- Main reforms have been implemented for the coffee/cocoa (2011-2012) and cotton and cashew (2013-2014) value chains.

- Major road and air infrastructure work has been undertaken to facilitate access to production zones and markets. The AFD’s funds will target infrastructure, in particular to build and rehabilitate hydro-agricultural dams.

- With support from France and the EU, a National Programme for Land Security has been launched to urgently address unresolved land use and rights issues associated with the fraught implementation of the 1998 Rural Land Law.

- Development of an Agricultural Orientation Law is in progress to provide a framework for implementation of agricultural development policies and strategies.

Delivery and implementation

- The PNIA Steering Committee, Technical Secretariat and Consultation Groups are in place and responsible for coordination and implementation follow-up on the PNIA and New Alliance Country Cooperation Agreement.

- Implementation of the PNIA would benefit greatly from regular meetings of the Steering Committee and enhanced cross-sector coordination.
SPOTLIGHT
World Cocoa Foundation – Improving livelihoods through mobile technology

Approximately 70% of the world’s cocoa currently comes from West and Central Africa. In Côte d’Ivoire alone, more than 1 million people are engaged in cocoa production. However, with commodity price fluctuations determining chronic under-investment in efforts to improve persistently low crop yields, cocoa-growing communities are exposed to high risks of income insecurity and poverty.

Yet with more than 85% of Ivorian farmers already owning or having access to a mobile phone, the use of mobile technology to provide information capable of increasing farmer output, incomes and livelihoods presents a viable and low-cost solution. Indeed, studies to date on mobile agricultural extension services have found that demand-driven information, when complemented by participatory programmes, creates tangible change for smallholder farmers.

CocoaLink seeks to tap into this opportunity by providing growers with low-cost mobile services. Farmers use their phones to access information on good agricultural and management practices, enabling them to apply this knowledge in ways that meaningfully impact on their farming and business practices with proven results.

CocoaLink is additionally exploring further services that support literacy, livelihoods and local capacity-building efforts in Ghana and Côte d’Ivoire. These include mobile banking, data exchange and collection, agricultural input messaging, and other premium enhanced services that contribute to financially sustaining the programme’s messaging service.

The information – delivered for free to farmers through voice and SMS/text messages – covers good farming practices, farm safety, child labour, health, pest and disease prevention, postharvest handling, and crop marketing. Data is also collected through the CocoaLink system for monitoring and evaluation purposes.

CocoaLink is formed through a unique public-private partnership that includes the World Cocoa Foundation (WCF) and Orange, CocoaLink Côte d’Ivoire is expected to reach more than 100,000 of the country’s cocoa farmers. The initiative draws on WCF’s current programme work, both with cocoa farming communities, where education and livelihoods training are being provided, as well as with institutional and government partners, to enhance and complement benefits accruing to farmers.

The initiative’s company partners include Archer Daniels Midland (ADM), Barry Callebaut, Cargill, Nestlé, Olam, Transmar and The Hershey Company. Other CocoaLink supporters include Le Conseil du Café-Cacao (CCC), ANADER, World Education Inc., and the Grameen Foundation. It is funded by USAID’s Feed the Future Partnering for Innovation Program.

Further information on the programme can be obtained at: http://worldcocoafoundation.org/wp-content/uploads/CocoaLink-Summary.pdf

CONSTRAINTS

As Côte d’Ivoire is a new partner country, Grow Africa has not yet consulted companies on the key constraints they face in advancing their investments in Ivorian agriculture.
“In our tradition, cocoa farming was only reserved for men. We fought for our right to some land and the Nestlé Cocoa Plan supports us.”

Agathe Vanier, President of COPAZ women’s cooperative.
THE LONG VIEW

Ivorian economy underpinned by feeding a chocolate-hungry world

After a decade of crisis, much of the available data is out-of-date and at times contradictory regarding trends in agriculture and its impact on Ivorian development. Most recent information from the Ministry of Agriculture states that agriculture employs 70% of the labour force, contributes 30% of GDP and 60% of export earnings, and produces more than 10.7 million tonnes of food per year. ReSAKSS data up to 2011 shows the sector growing at about 3% during the 2000’s and was last recorded as exceeding the 6% CAADP growth target in 2000. Public expenditure on the sector held steady during this period at roughly 3% of annual spending and did not reach the 10% CAADP expenditure target.

While Côte d’Ivoire produces yams, cassava, sugarcane in significant volumes according to FAO, it is cocoa and to a lesser extent cotton that dominate the agricultural economy. Côte d’Ivoire is the largest source of cocoa to the global market, accounting for 37% of all production worldwide according to the International Cocoa Organisation (ICCO).

Côte d’Ivoire is ranked at 167th worldwide and 30th out of 47 in sub-Saharan Africa for ease of doing business. Getting Credit, Protecting Investors and Trading Across Borders are areas highlighted as requiring particular improvement. The country provides an attractive environment for digital agribusiness services, with 19.6 million mobile GSM connections (9 out of 10 persons), 3% of which are 3G data connections.

Poverty data was last recorded in 2008 at a rate of 23.8%, and the last available data on malnutrition was for children who grew up in the shadow of the first Ivorian civil war with 29% of children under 5 being recorded underweight in 2007 – but figures are now needed for a whole new generation.

CAADP TARGETS

<table>
<thead>
<tr>
<th>Year</th>
<th>CAADP Target</th>
<th>Child malnutrition</th>
<th>Poverty</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>20%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>1992</td>
<td>25%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>1994</td>
<td>30%</td>
<td>15%</td>
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<td>1998</td>
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<td>5%</td>
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<td>2000</td>
<td>45%</td>
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<td>2002</td>
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<td>2004</td>
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<td>2006</td>
<td>60%</td>
<td>0%</td>
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</tr>
<tr>
<td>2008</td>
<td>65%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2010</td>
<td>70%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Public agriculture expenditure share in total public expenditure 1990 - 2010

Source: ReSAKSS 2014 - www.resakss.org
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

<table>
<thead>
<tr>
<th>Total population:</th>
<th>20,805,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural population:</td>
<td>9,680,000</td>
</tr>
</tbody>
</table>

Ease of Doing Business - Rank of 189 Countries

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>167</td>
</tr>
<tr>
<td>Starting a Business</td>
<td>115</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>130</td>
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<tr>
<td>Protecting Investors</td>
<td>157</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>165</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>88</td>
</tr>
</tbody>
</table>

Top 10 Crops by Production (tonnes)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yams</td>
<td>5,674,696</td>
</tr>
<tr>
<td>Cassava</td>
<td>2,412,371</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>1,866,748</td>
</tr>
<tr>
<td>Cocoa</td>
<td>1,650,000</td>
</tr>
<tr>
<td>Plantains</td>
<td>1,577,043</td>
</tr>
<tr>
<td>Rice</td>
<td>725,000</td>
</tr>
<tr>
<td>Maize</td>
<td>654,738</td>
</tr>
<tr>
<td>Cashew Nuts</td>
<td>450,000</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>417,770</td>
</tr>
<tr>
<td>Rubber</td>
<td>256,000</td>
</tr>
</tbody>
</table>

Goals

**African Cashew Initiative (ACI)**
Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Côte d’Ivoire, Ghana and Mozambique, by:
1. convening investments from corporate partners (around $21 million);
2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organisations;
3. utilising matching grant funding to assist private-sector projects to enhance farmer productivity; and
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.

**AGCO**
Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by:
1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

**Competitive African Cotton Initiative (COMPACI)**
Contribute to improving the livelihoods of smallholder cotton farmers by:
1. convening investment in the cotton value chain from corporate partners to train farmers in soil/water conservation, balanced crop rotation, and business principles;
2. expanding cotton demand by promoting the “Cotton made in Africa” brand; and
3. linking smallholders to larger markets by partnering with the “Better Cotton Initiative”.

Year 1 – Progress update

Across all countries:
- 271,617 farmers trained since 2009 (around 20% being women), increasing additional net income by approximately $18.2 million.
- Introduced Cashew Matching Grant Fund enabling private-sector partners to design and implement projects for farmer linkages and improved planting material.
- Introduced Master Training Programme to develop key knowledge-holders as trainers in the cashew value chain.

**AGCO**
- Conducted several field trips.
- Partnering in a rice project with Syngenta Foundation, NOVEL Group and the District of Yamoussoukro to establish an agricultural hub and services structure with a training centre, creating approximately 5,000 new jobs (directly and indirectly).

**Competitive African Cotton Initiative (COMPACI)**
- Continuing with strategic investment plans through to 2015.
- In partnership with the Aga Khan Group, reached over 46,000 smallholders to purchase over 140 tonnes of “Cotton made in Africa” verified seed cotton and produced 61 tonnes of “Cotton made in Africa” verified lint.
- Trained around 41,000 smallholders in 2013.
- Plans underway to invest $6 million over 2013-2015 to reach 45,000 farmers.
Goals

Nestlé

Contribute to enhancing the incomes and security of small-scale farmers through improvements to the productivity and yield cycle of various food and non-food crops by:

1. constructing two research sites (1 in Abidjan and the other in Yamoussoukro) to conduct agronomic research focusing on the production of high-yielding plant varieties and disease-resistant crops (cocoa, coffee, roots and tubers, and cereals), with an investment of around 15 billion CFA Francs for the period 2009-2013.

2. deploying a support project for smallholder farmers, including education and training on best practices and the distribution of high-yield plantlets of coffee and cocoa (12 million cocoa plantlets and 27 million coffee plantlets to be distributed by 2020), with an investment of at least $40 million for the period 2011-2020.

Year 1 – Progress update

- Completed Zambakro Experimental Farm (in Yamoussoukro) in December 2013.
- Hired around 50 staff to work on 2 responsible sourcing programmes: Nestlé Cocoa Plan and Nescafé Plan.
- Developed and distributed a farmers’ illustrated manual, in partnership with traders, Coffee and Cocoa Board, ANADER, and the National Centre for Agriculture Research (CNRA); trained around 26,140 farmers.
- Distributed over 1 million high-yield cocoa/coffee plantlets.
- Paid the first premiums to 2 coffee cooperatives (a first in the coffee cluster), as a reward for achieving 4C Compliant status in December 2013.
- Implemented a pilot Child Labour Control and Monitoring system.
- The Fair Labor Association analysed Nestlé’s cocoa supply chain and made recommendations accordingly.
- Built 23 schools in Côte d’Ivoire.
- Signed a Memorandum of Understanding with the CNRA in February 2014.

Rabobank/International Finance Corporation (IFC)

Contribute to improving access to finance for small and medium-sized agribusinesses by:

1. establishing a new non-bank agribusiness finance institution to operate in Nigeria, Côte d’Ivoire and Ghana, aiming for a portfolio of over 200 customers (the West Africa Agribusiness Development Corporation – WAAD); and

2. building capacity of local agro-sector professionals to maximise benefits of increased access to finance.

With respect to the WAAD project:

- Identification of and negotiation with potential shareholders continued throughout 2013. To this end, Rabo-Development and the IFC are in on-going talks with a number of multinational food and agriculture companies.
- Various policies (HR, credit, treasury) have been prepared in anticipation of operations commencing; Board charter also drafted.
- Business plan has been confirmed as still pertinent.

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.

With respect to agri-risk transfer markets:

- Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets.
- Concluded preparations for weather risk transfer scheme.
- At pan-African level, 300,000 smallholders reached.

World Cocoa Foundation

Roll out two new initiatives as part of WCF’s $40 million Cocoa Livelihoods Programme (CLP) in Ghana and Côte d’Ivoire:

1. investing $3 million in a Matching Grants programme 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

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.

With respect to the CLP:

- Reached over 45,500 smallholders through improved natural resource and general management practices, and around 750 smallholders with assistance to access loans.
- Cultivated 116,000 ha under improved pest, disease and fertility management techniques.
- Approved 5 Matching Grants in second phase of the CLP; plans exist to hire additional staff in 2014.
- Conducted impact evaluation and numerous field visits.
- Received Walmart Foundation grant to train women farmers in good agriculture practice and business management.
- Piloted Digital Green technologies for cocoa extension, with plans to expand in 2014.
Goals

**Association of Natural Rubber Trades in Côte d’Ivoire (APROMAC)**

Contribute to improving rubber plantation productivity and benefiting around 76,000 rubber planters and their families, as well as companies and employees engaged in rubber processing, by:
1. operating, in conjunction with the Interbranch Fund for Agricultural Research and Advice, a mechanism for financing agricultural research and advisory services (providing around 2 billion CFA Francs for 2012-13 but set to be maintained for subsequent years); and
2. operating a Rubber Development Fund to finance an action plan covering creation of plantations, training and track maintenance (worth 5.2 billion CFA Francs in 2012 but to be renewed each year).

**Barry Callebaut**

Contribute to increasing the productivity of cocoa smallholder growers, reaching 35,000 beneficiaries through the ‘Horizon Cacao’ project by investing 4 billion CFA Francs to establish a technical college to train instructors and provide advice and inputs.

**Cemoi**

Contribute to improving the livelihoods of cocoa producers through the Processor Alliance for Cocoa Traceability and Sustainability (PACTS) project, with funding of 0.5 billion CFA Francs a year, by:
1. promoting the quality of Ivorian cocoa;
2. increasing productivity to over 1 tonne/ha; and
3. increasing the incomes of around 40,000 cocoa producers.

**Export Trading Corporation (ETG)**

Contribute to enhancing rice production, processing and marketing through a 25 billion CFA Franc rice development project implemented in partnership with CI Trading.

**General Alimentaire Africaine (GAA)**

Contribute to enhancing the rice production and processing value chain by investing 2 billion CFA Francs in a rice-growing programme involving the installation of husking units and support for 7,500 smallholder farmers.

**Groupe CEVITAL**

In partnership with the CICA company, develop an integrated project with rice producers that will support value chain development and promote the mechanisation of rice farms in the Bounkani region of north-east Côte d’Ivoire, through an investment of 100 billion CFA Francs.

**Compagnie d’Investissement Céréaliers (Groupe CIC)**

Develop an integrated rice project in partnership with local rice farmers in the south-western region of Haut-Sassandra, supporting production, promotion of mechanisation, processing and marketing through an investment of 20 billion CFA Francs.

**Groupe Louis Dreyfus**

Contribute to increasing food security and reducing poverty in the Poro (Korhogo), Tchologo (Ferkessédougou) and Bagoué (Boundiali and Tingrela) regions, by investing 22.2 billion CFA Francs in:
1. establishing an integrated project in partnership with rice growers to include a pilot farm, improved means of production, and collection, processing and marketing of rice; and
2. creating a PPP to rehabilitate irrigation infrastructure and building on existing processing units; and
3. building socio-economic infrastructures for the rural populations in the project area.

**INTERCOTON**

Contribute to improving cotton-based crop system productivity and benefiting around 90,000 smallholder cotton growers, their families and cotton companies by maintaining a sustainable mechanism for financing agricultural research and advisory services (providing around 1.2 million CFA Francs for 2012-13 but to be renewed from year to year).

**NERE**

Contribute to increasing storage capacity for fish stocks by investing 1 billion CFA Francs to construct 3,000 tonnes of storage.
### NOVEL Group
Create an integrated agro-industrial rice production, processing and marketing hub (through a partnership with AGCO and Syngenta Foundation that has instituted a joint venture with the District of Yamoussoukro called YAANOVEL), and, with a planned investment of 62.5 billion CFA Francs in the project, establish 10,000 ha for industrial plantation and 5,000 ha for individual growers, including:
1. the creation of a farm dedicated to the promotion of mechanisation, with a modern seed centre;
2. the rehabilitation and expansion of developed areas;
3. the establishment of a complete rice processing unit, with electricity cogeneration capability; and
4. the establishment of storage silos and warehouses.

### Société Ivoirienne de Productions Animales (SIPRA)
Contribute to improving food security through increased poultry production by:
1. investing 17 billion CFA Francs to double poultry production over the next 6 years; and
2. investing 3.5 billion CFA Francs to create an agricultural complex in southern Côte d’Ivoire to increase egg output by 70 million (and eventually 110 million), ultimately feeding almost 3 million consumers.

### Société Nationale d’Alimentation (SONAL)
Contribute to increasing fish storage capacity in the interior of the country (where fish stocks often run out) by investing 3 billion CFA Francs to purchase a 7,000-tonne capacity cold store.

### SUD Industries
In partnership with the Yebe WOGNON farmers’ group, contribute to the development of the rice and livestock value chains in northern Côte d’Ivoire by:
1. investing 100 billion CFA Francs in rice production, processing and marketing, including creating and developing rice growing areas (with a focus on mechanisation of farm operations), providing support to 32,000 producers, and processing and marketing rice; and
2. investing 10 billion CFA Francs in livestock production – specifically providing support to livestock breeders, creating and operating a dairy farm for the production of milk, yoghurt and other dairy products, and establishing marketing and distribution channels for meat and dairy products.

Investors are sought to establish operations at several livestock stations that have fallen out of use.
Further developing PPPs and facilitating private-sector investment have been identified by the GoCI as key to unlocking agricultural growth in the country. In order to foster these, the following focus areas and priorities have been ascertained for the year ahead:

**Enhancing the enabling environment**
- Development and adoption of the Agricultural Orientation Law by the Cabinet and the National Assembly.
- Supporting implementation of the Rural Land Law and clarifying the status of former government-owned concessions, with resolution of the land tenure issue being a prerequisite for achieving the GoCI’s ambitions to boost agricultural growth. A World Bank- and EU-supported initial pilot phase has enabled an implementation framework for the law to be set up and launched, and has resulted in measures to secure land in 103 localities. Greater resources are nevertheless still needed to extend these efforts to the entire country.

**Fostering private-sector investment**
- Providing support to value-chain stakeholders to finalise and implement a sector-specific self-financing strategy for pooling resources, and a funding strategy for commercial farms and inclusive business models.
- Further developing feasibility studies and projects by value chain.
- Developing comprehensive studies on competitiveness and statistics and data per industry sector and per cluster.
- Setting up a system to fast-track the development of SMEs, while identifying the needs and type of support required.
- Further strengthening infrastructure to enable access to markets across the country, and in particular so as to reconnect the Northern and Southern regions.
- Promoting further investment in irrigation schemes and infrastructure.

**Promoting a value-chain approach and diversification**
- Encouraging enhanced diversification of agricultural production.
- Supporting the promotion of cotton, cashew and rice as key value chains, which could potentially be scaled up to a level comparable to cocoa and coffee. Along with cotton, cashew has gained considerable importance, with Côte d’Ivoire now being the second-largest producer after India, and with aspirations of increasing production up to 600,000 tonnes by 2016 and reaching a target of 35% local processing as opposed to the current 5%.

PRIORITIES FOR PROGRESS

**FORWARD LOOK**

**Partnership and investment key to strengthening value chains for priority crops**
The following investment opportunities have been identified by the Government of Côte d’Ivoire:

**Maize production boost to meet variegated demand**

Investments are sought in a project aimed at producing an additional 300,000 tonnes of maize per year to meet the needs of different categories of users within Côte d’Ivoire, including industrial animal feed manufacturers, breeders, brewers and consumers, as well as to fill sub-regional demand.

**SME cashew transformation initiative**

Support is required for a project working to develop small-scale processing units for cashew transformation by SMEs and establish incentives for the operation, the overall aim being to create 80 husking units with a 2,500-tonne capacity and 32,000 jobs by 2015.

**Establishment of rice poles to serve growing local demand**

Domestic rice consumption is increasing steadily by 6% a year, with domestic production unable to meet the demand, resulting in an export dependency of up to 64% in 2009. With a view to tapping into this import substitution opportunity, investor interest is sought in a rice poles project aimed at supporting production (with access to inputs, irrigation schemes, improved crop management and agricultural research), agro-processing and marketing, so as to enable domestic production to be boosted to 1.9 million tonnes by 2016. The establishment of a food security stock is also envisaged.

**Land rehabilitation and development for rice and vegetable crops**

Further resources are required to progress a project for the rehabilitation and development of 100,000 ha of lowlands for rice cultivation and 10,000 ha for vegetable production, the expected outcomes being production of approximately 1 million tonnes of paddy rice and 100,000 tonnes of vegetables, as well as the creation of around 200,000 jobs for farmers.

**Rehabilitation of ranches and breeding stations**

Only five of ten livestock ranches and breeding stations forming part of a rehabilitation project spanning various regions of the country are currently operational. Further investments are sought to restore these farms to operation for the production of sheep, beef and dairy products.

**Points of contact for investments**

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Director General, Directorate General for Planning, Project Control and Statistics, Ministry of Agriculture | couln@yahoo.com

**Djakariya Coulibaly**
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Ethiopia

Transforming agriculture through strong leadership and vision

Contributing nearly half of national GDP and half of all employment, agriculture is a key sector for Ethiopia’s rapidly growing $118.2 billion economy. Equipped with a competitive labour market and serving as a major regional hub with easy access to both the Common Market for Eastern and Southern Africa (COMESA) and the Middle-Eastern market, Ethiopian agriculture offers promising rewards for companies and a viable economic strategy through which the government can further its goals of reducing poverty and food insecurity.

To that end, the country is pursuing a collaborative and balanced approach to transforming this pivotal sector. The 5-year Growth and Transformation Plan for 2011-2015 (GTP) and the Agricultural Development-led Industrialization (ADLI) strategy both offer a long-term vision and a mechanism for aligning efforts and initiatives behind those goals. The GTP objectives focus on enhancing the productivity and production of smallholder farmers and pastoralists, strengthening market systems, improving private-sector participation and engagement, expanding the area of land under irrigation, and reducing the number of chronically food-insecure households.

By collaborating with a strategic array of related partners, the Agricultural Transformation Agency (ATA) plays a leading role in ensuring the GTP’s aims are fulfilled through partnership initiatives across three different levels: for each priority value chain (e.g. maize, teff, wheat, barley, sesame and chickpea), for each system or step of a value chain (e.g. soils, seeds, cooperatives and markets), and in respect of cross-cutting issues (e.g. technology access, gender and climate).

Ethiopia has its sights firmly set on ensuring domestic value-addition, with a view to building the local agro-processing industry and leveraging private-sector experience to help the Government of Ethiopia (GoE) strengthen agricultural value chains. Several initiatives have been put in place with these purposes in mind, ranging from the provision of fiscal incentives to the building of hard infrastructure.

There is a clear understanding within Ethiopia, across organisations and agencies, on the importance of agriculture – a focus driven by government and widely-supported among the various pillars of society. This shared journey of Ethiopians towards transforming agriculture, so as to enable the country to live up to its immense potential, is steadily bearing fruit and gaining momentum.
Of the 16 companies with Letters of Intent (LoIs) for Ethiopia, most report steady progress with their investments in 2013. Working in partnership with government and farmer associations, a number of these projects are poised for operational scale-up. Separately, Heineken and Diageo are both engaging growing numbers of farmer cooperatives in a significant boost in the quality and quantity of barley production. GUTS Agro Industry has secured an off-taker in the World Food Programme (WFP) to whom they will supply processed chickpeas as a supplementary food. Yara invested in a potash project, while the ATA has carried out soil analysis and developed a framework for fertiliser blending across the country.

Meanwhile, government agencies actively improved the enabling environment for sector investment into agriculture in Ethiopia. Direct seed marketing was launched, allowing private seed companies to create parallel channels of distribution and marketing. This in turn enabled a greater number of farmers to access seed. Access to finance improved through input credit schemes, and a Rural Finance Strategy was developed with support from the Prime Minister’s Office for the implementation of the Rural Financial Services Program (RFS). The Ethiopian Investment Agency (EIA) also moved closer to its goal of becoming a one-stop shop for investors.

The maize value chain particularly benefitted from cross-sector collaboration. A bumper harvest for 2013 meant a large quantity of maize was available for processing and food aid purposes. The ATA facilitated a new Maize Alliance between the GoE, farmer cooperatives, USAID and WFP’s Purchase for Progress (P4P) programme, leading to WFP’s largest worldwide purchase from farmer cooperative sources. Another case in point is the completion by Dupont of a new storage warehouse and seed conditioning plant, which alongside the new multi-partner Advanced Maize Seed Adoption Program (AMSAP) should help further boost smallholder production.

A few LoI companies did not advance plans as well as hoped. These expressed frustration that – as their investments were not directly aligned to ATA priorities – they did not receive the support needed to forge partnerships and overcome constraints. Constructively, the ATA recognised this high demand for support to companies and has accordingly established a dedicated Public-Private Partnerships (PPP) Management Unit within the ATA to fill this gap.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing “Letters of Intent”. For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

16 Companies have Letters of Intent (LoIs)

Planned investment estimated at $20 million

$29 million of investments made in 2013

$26 million of capital expenditure.

$3 million of operating expenditure.

OUTCOMES REPORTED FOR 2013

1,042 jobs created:

174,000 smallholders reached:

52,320 with services

11,760 with sourcing

11,760 with production contracts

3,735 with training

98,002 unspecified
Leadership and alignment

- High-level government support (including from the Prime Minister’s office and key Ministries) makes a national priority of facilitating the connection of smallholder farmers to viable, sustainable markets.

- Cooperative Unions, NGOs, local government and agriculture agencies all increased their understanding and practical engagement with market-led agricultural transformation.

Strategy setting

- The GTP and the ADLI strategy offer a clear national vision and approach for transforming the sector.

- Priority value chains are well-established as a guide for investment.

Investment pipeline

- Partnerships between companies, farmers cooperatives, the GoE and donors are catalysing investments within key value chains.

- Investment pipelines could be strengthened by further involvement of catalytic partners such as donor organisations, microfinance institutions (MFIs) and NGOs, as well as through further improvements to the enabling environment for private sector development and investments.

Risk mitigation and financing

- Risk mitigation and insurance structures for smallholder farmers are still at very early stages, with the Swiss Re/Oxfam R4 programme offering a progressive model.

- Cooperative Unions improved their provision of support to financing smallholder production.

- Domestic companies have significant liquidity constraints and very limited tools available with which to overcome them.

- Policy barriers limit external financing solutions and foreign exchange availability.

Infrastructure and policy

- Agriculture is predominantly rain-fed, and few smallholders can access the irrigation needed to boost yields.

- Major road networks are reasonable and improving, but rural feeder roads still constrain market access significantly.

- While some new warehousing was constructed, limited storage facilities continue to contribute to price spikes and wastage.

Delivery and implementation

- The ATA is the coordinating agency for implementation of Ethiopia’s agricultural strategy. Its PPP Unit offers a focal point with government for companies looking to enter agro-processing in ATA’s focus crops.

- The Ethiopia Commodity Exchange (ECX) offers a pioneering new marketplace that serves all market actors, from farmers, traders and processors to exporters and consumers.

- The GoE’s agriculture extension network is well-established and reaches farmers throughout the country.
Soil analysis helps farmers evaluate the productivity of their land and maximise the efficiency of fertiliser use. Smallholder farmers in Ethiopia have traditionally relied on government extension agents to provide them with information and guidance for these purposes. However, the country does not have sufficiently current soil fertility maps to support farmers and policymakers in their decision-making.

The Ethiopian Soil Information System (EthioSIS) project was launched in January 2012 to set up a government-managed system that provides information on soil conditions by district. Data from EthioSIS improves and supports local fertiliser processing capacity with information on relevant blends for specific regions of the country.

Building on EthioSIS data, four farmer cooperative unions are soon set to institute and manage fertiliser-blending plants as independent profit-driven business units. This will be in line with the Ministry of Agriculture’s identification of the establishment of fertiliser-blending plants as a priority under its 2011 Soil Fertility Research and Management Roadmap, a document which is designed to help realise Ethiopia’s target of doubling 2010 agricultural production levels by the end of implementation of the GTP in 2015.
CONSTRANTS

Catalytic action needed on infrastructure, trade policy, and partnerships

Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Shortage of last-mile infrastructure**: Whilst Ethiopia is currently advancing key infrastructure projects, this is often inaccessible to smallholders. Rural feeder roads are poor, limiting access to markets. Ethiopia’s high reliance on rain-fed agriculture means improved irrigation capacity for smallholders could greatly enhance their productivity. Limited storage in turn means that crops need to be sold quickly to avoid wastage.

2. **Protectionist trade policies**: Certain protectionist trade policies present constraints to domestic and international companies alike. Specifically, financial regulations limit access to foreign exchange, while national fertiliser regulations make bringing in fertiliser for commercial development difficult.

3. **Limited partnership support for domestic companies**: Pre-competitive challenges remain a significant barrier to investment and growth. Only with greater support from catalytic partners such as donor organisations, MFIs and NGOs can companies transform value chains to a point of commercial viability and self-sustaining growth. These problems are particularly acute for domestic companies. The ATA has played a vital role on convening such partnerships, but mostly for ambitious projects involving multinationals. Domestic companies would welcome greater engagement with the ATA in facilitating the partnerships and support that could unlock their business growth.
Agriculture makes up nearly half of Ethiopia’s economy, making it one of the top 4 most agriculturally-based economies in the world. Since 2005, growth in the sector has stabilised at rates consistently above the 6% CAADP target. Roughly half of the rural population is directly engaged in agriculture as an economic activity, with a slight majority of that agricultural labour force composed of men. Ethiopia’s agricultural sector currently produces maize, sorghum, wheat, sugarcane and pulses in significant quantities, generating 9% of Africa’s annual maize production. Since 2004, Ethiopia has significantly increased agricultural spending as a percentage of its annual budget, raising it from 5% to 21.2% and far exceeding the CAADP expenditure target.

Ethiopia is placed 125th in global rankings and 11th out of 47 in sub-Saharan Africa in the Ease of Doing Business report. The country is particularly well-ranked with respect to contract enforcement. However, Starting a Business and Protecting Investors are both areas in need of particular improvement. Ethiopia is one of the most attractive environments on the continent for digital agribusiness services, with 22.1 million mobile GSM connections, 39% of which are 3G data connections, making it the most data-enabled mobile market out of the Grow Africa countries.

For Ethiopia’s 96.5 million persons, extreme poverty (percentage of people living on less than $1.25/day) declined from 39% in 2005 to 30.7% in 2011. Child malnutrition is still extraordinarily high compared to other sub-Saharan countries, with 29.2% of children under 5 being underweight.

Against this backdrop, Ethiopia’s stabilised agricultural growth is integral for progress towards achieving the Millennium Development Goals, especially for the vast majority of citizens who live in rural areas.

CAADP TARGETS

<table>
<thead>
<tr>
<th>Child malnutrition:</th>
<th>Poverty:</th>
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<tbody>
<tr>
<td>% of children under 5 underweight</td>
<td>% living below $1.25/day</td>
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<tr>
<td>(World Development Indicators, 2011)</td>
<td>(World Development Indicators, 2011)</td>
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<tr>
<td>29.2%</td>
<td>30.7%</td>
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</tbody>
</table>

Public agriculture expenditure share in total public expenditure 1990 - 2010

Source: ReSAKKS 2014 - www.resakks.org
SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 96,506,000
Rural population: 79,347,000

Population Economically Active in Agriculture

Total: 37,026,000
55.0% Rural
45.0% Urban

Ease of Doing Business - Rank of 189 Countries

Overall 125
Starting a Business 166
Getting Credit 109
Protecting Investors 157
Trading Across Borders 166
Enforcing Contracts 44

Top 10 Crops by Production (tonnes)

6,158,318 Maize
3,604,262 Sorghum
3,434,706 Wheat
2,700,000 Sugarcane
2,690,165 Pulses
1,781,652 Barley
1,185,050 Sweet Potatoes
863,348 Potatoes
742,297 Millet
350,000 Yams

Source: ReSAKKS 2014 - www.re sakss.org
**Goals Year 1 – Progress update**

**Heineken**

*Increase the agricultural production capacity of rural households and limit the dependence on imported malt barley.*

- Government, NGO and local MFI partners identified; Partnership Agreements created.
- High-yielding barley varieties introduced, tested and registered by the Ethiopian authorities.
- Multiplication of new Heineken seed varieties underway, including on-farm demonstrations.
- Around 1,600 farmers reached with initial training and support in the form of finance and inputs.
- Cooperative and nucleus farmer out-grower models established.

**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.

- Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets through International Finance Corporation-funded projects.
- Held local trainings and awareness-raising events.
- At pan-African level, 300,000 smallholders reached.

**Goals Year 2 – Progress update**

**AGCO**

*Contribute to capacity building, knowledge transfer on the agronomic system and the intensification of agriculture and farming mechanisation* by:

1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

- Conducted several field trips.
- Collaborating with the Kulumsa Technical Training Center (with German Ministry of Agriculture and the GoE as partners).
- Conducted meetings and discussions with ATA, USAID and other institutions on joint initiatives.
- Exploring farm projects with domestic partners.

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**In 2013, 1 company directed a Letter of Intent to Ethiopia. (with 1 more reporting progress under a Letter of Intent which makes reference to working in the country).**

**In 2012, 14 companies directed Letters of Intent to Ethiopia.**
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<thead>
<tr>
<th>Company</th>
<th>Goals</th>
<th>Year 2 – Progress update</th>
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<tbody>
<tr>
<td>Diageo</td>
<td>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 tonnes p.a. by 2016 for local use and export.</td>
<td>In partnership with the ATA, NGOs and farmers’ cooperatives, advanced the implementation of scalable barley value chain project in Sebeta. Conducted market research, field visits and regional coordination workshop. Scaled up operations by nearly 50% to reach around 1,100 smallholders, sourcing from around 550 ha using improved technologies during the second year of the pilot programme; plans exist to scale up to reach 6,000-8,000 smallholders in 2014. Completed strategic alignment for next 5 years; committed to invest $1.5 million (2012-2016); aiming to attract additional processing and off-take investments, partners and funding.</td>
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<tr>
<td>DuPont</td>
<td>Contribute to increasing the productivity and sustainability of smallholders by: 1. investing in a new seed warehouse/conditioning plant; 2. co-developing a rapid soil information system for farmers; and 3. partnering to improve smallholder maize productivity through increased hybrid adoption.</td>
<td>New seed warehouse/conditioning plant completed and operational. Soil Testing Programme cancelled as no longer a priority for the GoE. Multi-partner Advanced Maize Seed Adoption Program (AMSAP) launched: steering committee formed, manager hired, 320 lead farmers identified, 20 farmer agro-dealers selected and trained, and 775 persons (including extension workers and farmers) trained. Conducted multiple field visits to align stakeholders, and working with partners to scale up to reach 75,000 smallholders.</td>
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<td>GUTS Agro Industry</td>
<td>Foster the development of local farmers and supply partners by: 1. expanding food processing operations into baby foods, iodised salt, and corn-soy blends; 2. integrating further up the value chain in chickpeas; and 3. increasing local sourcing of maize, soybeans and chickpeas by 40-50,000 tonnes.</td>
<td>Reached 10,000 smallholders through three cooperative unions. Signed Memorandum of Understanding with WFP for production of chickpea-based ready-to-use supplementary food for a project which involved the WFP Country office in Ethiopia, the GoE, USAID, and PeSEco. Grant agreement with USAID (ACDI/VOCA) for production of chickpea-based product.</td>
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<tr>
<td>Hilina Enriched Foods</td>
<td>Help improve the daily income and nutritional status of smallholders by: 1. expanding agreements with smallholders who (through cooperative unions) supply chickpeas, unshelled and shelled peanuts, and soybeans; 2. introducing commercially-viable nutritionally-rich products; 3. developing industry/university links to make improved technologies available to farmers; and 4. increasing local sourcing of cereals and legumes from 32,500 tonnes to 50,000 tonnes by 2015.</td>
<td>Construction of a National Agrifood Laboratory almost complete; This laboratory will fill the R&amp;D gap and address quality issues to enable improved products to meet international standards and fetch better prices for smallholder farmers. Expanding operations in agro-processing and exploring regional trade opportunities.</td>
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<td>Jain Irrigation</td>
<td>In line with national 2015 poverty reduction targets, contribute to developing irrigation and enabling infrastructure by: 1. developing an integrated agricultural cluster in an area identified as suitable; and 2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing.</td>
<td>Currently partnering with METEC Metals and fabrication industry to produce irrigation technology and scale up initiatives for developing irrigation and infrastructure.</td>
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<tr>
<td>Goals</td>
<td>Year 2 – Progress update</td>
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<td><strong>Mullege</strong></td>
<td>Scale up coffee operations and catalyse investment in other value chains by: 1. increasing local sourcing of coffee, oilseeds and pulses; 2. extending partnerships with local/international companies; and 3. directly impacting 90,000 smallholders by 2015.</td>
<td>- An initial investment of over $2 million made on the project, with plans to raise this to $5 million in the next 3 years. - Processing area (for product drying and seedling preparation) expanded and living quarters for additional workforce constructed.</td>
</tr>
<tr>
<td><strong>Netafim</strong></td>
<td>Contribute to advancing irrigation systems for smallholders by: 1. piloting a household irrigation system, targeting 40-50,000 smallholders over 5 years; 2. introducing large-scale drip irrigation projects in chickpea and/or sugarcane, in partnership with other companies working along the value chain; and 3. exploring 3 export-oriented projects in cooperation with local company partners in the coffee and banana value chains.</td>
<td>- Completed pilot project in household irrigation based on Family Drip System. - Collaborating with local partners on export-oriented projects, mainly in sugarcane, coffee and banana value chains.</td>
</tr>
<tr>
<td><strong>Omega Farms</strong></td>
<td>Contribute to adoption of enhanced chickpea growing methods by: 1. sharing improved chickpea production trial results with interested smallholders; 2. expanding commercial chickpea farm activities that create linkages with smallholder out-growers; and 3. exploring opportunities to partner with other investors to integrate chickpea into processing activities (e.g. a plant to produce chickpea powder and hummus).</td>
<td>- Committed to exploring opportunities to partner with other investors to integrate chickpea into processing activities.</td>
</tr>
<tr>
<td><strong>Syngenta</strong></td>
<td>Launch productivity partnerships providing advice, knowledge transfer, and solutions to farmers by: 1. developing at least one value-chain partnership; 2. partnering with at least one large-scale farm to support development of specific crops; 3. bringing in new technology, such as seed varieties; and 4. investing in farmer training.</td>
<td>- Expanding partnership with Fair Planet to commercialise vegetable seeds and train smallholders; conducted several field visits. - Value-chain partnership on chickpeas cancelled due to low priority for ATA. - Conducted initial trials for tomato and planning to improve market connectivity in 2014; demonstrated 600% yield increases compared to Ethiopian average. - Partnering with several large-scale farms (Saudi Star, SMP, Karaturi, Ruchi, and Jittu) to provide know-how, genetics and inputs, reaching 9,300 ha. - Reached 44,000 smallholders through improved biotechnologies.</td>
</tr>
<tr>
<td><strong>United Phosphorus (UPL)/Advanta</strong></td>
<td>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.</td>
<td>- Partnering with the International Fertilizer Development Center (IFDC). - Conducting large-scale demonstrations of new sorghum seed technologies, which are better yielders and would improve productivity and farm incomes.</td>
</tr>
</tbody>
</table>
Goals

**Yara**
Build plant nutrition knowledge and co-develop national fertiliser market by:
1. developing an integrated approach to horticulture and coffee value-chain initiatives;
2. creating a tailored agronomic package (of people, tools and services) to support national priorities;
3. fast-tracking business investment programme to link trade and distributor model aligned to specific crops;
4. providing technical support to plant nutrition development capacity.

**Year 2 – Progress update**
- Invested more than $60 million to date in developing a potash project in Dallol.
- Undertook technical missions in consultation with the ATA and other stakeholders, especially in the coffee and horticulture sectors.
- Supported introduction of water-soluble technology for horticulture.
- Contributed to GoE’s National Fertiliser Blending Programme as a discussion partner; continuing to sell commodities under the national tender system.
- Supported national soil survey through soil sample analysis in coordination with the ATA.

The following investment plans exist, but no progress report has been shared for 2013.

**Goals**

**Bank of Abyssinia**
Contribute (along with Zemen Bank) to improved financial inclusion and mechanisation of agribusinesses by targeting lending facilities to agricultural equipment suppliers and leasing companies, in order to enable farmers to acquire necessary equipment and enhance farming yields.

**Zemen Bank**
Contribute (along with the Bank of Abyssinia) to improved financial inclusion and mechanisation of agribusinesses by targeting lending facilities to agricultural equipment suppliers and leasing companies, in order to enable farmers to acquire necessary equipment and enhance farming yields.

Highway investments are improving market access, but feeder roads remain a constraint.
Through its PPP Unit, the ATA is currently supporting the Ethiopian Investment Agency (EIA) to transform itself into a world-class investor promotion and management agency. Being the key focal point for all investors entering the economy, this would be a crucial step towards improving the enabling and supporting environment for investments in agriculture and agro-processing. In addition, the PPP Management Unit within the ATA is identifying key business opportunities within Ethiopian agriculture and building investor profiles and detailed case studies for them. Work has begun on the maize value chain and products such as corn flakes, snacks and starch, with other crops to follow, such as teff and chickpea. The PPP team is now also working to support the private sector beyond investment, looking to learn from experiences of companies and share these with the EIA to develop policy recommendations.

The GoE is focused on promoting value-addition, specifically on agriculture through agro-processing. There are currently 7 industrial zones being developed, including specific agro-processing-focused zones. Further, the Ministry of Industry is working with the UN agencies UNIDO and FAO on analysing the practicality of building Integrated Agro Food Parks (IAFP), to help SMEs gain from economies of scale and reliable infrastructure. Infrastructure investments will also play an enabling role, including the Ethio-Djibouti Rail Network, which is expected to be completed by mid-2015 and will provide easy access to the port in Djibouti.

The ATA continues to support scale-up of successful value-chain initiatives. For example, for 2014 the WFP’s P4P programme has contracted 29 farmers’ cooperative unions to deliver 40,000 tonnes of maize, doubling last year’s volume. The Commercial Bank of Ethiopia has committed nearly $5 million in financing for the initiative.

Other key initiatives of the ATA and its partners include:

- **EthioSIS and fertiliser blending**: the ATA is currently developing a detailed soil map for Ethiopia that will identify key nutrient levels and deficiencies. This will be supported by 4 fertiliser-blending plants that are being constructed, and will provide targeted customised fertilisers to help improve soil nutrition, and, hence, agricultural output.

- **Rural Finance Strategy**: The Rural Financial Services Program (RFS) is an initiative developed by the GoE to increase credit access to rural households, raise aggregate savings, and enable the emergence of a robust rural financial system. With the finalisation of a strategy for the Program and the Prime Minister’s approval, the government is now forming a project team to implement the RFS.

- **The Ministry of Agriculture has launched the Direct Seed Marketing initiative**, which allows private seed companies to directly sell and market their products to farmers, farmer cooperatives and unions. This is a landmark step for the seed sector, which has been highly regulated in the past, with all seed flowing through state-owned agencies. This is a key area for private seed companies to enter and support the initiative through involvement in the piloting and eventual roll-out across Ethiopia.
The following investment opportunities have been identified by the ATA:

**Import substitution opening for malt barley production**

The Ethiopian malt barley market is fast-growing at 15-20% per year, driven by corresponding growth in beer consumption of approximately 20% p.a. Demand for malt barley is expected to grow from 58,000 tonnes in 2011 to 133,000 tonnes in 2016, while competition is limited and unable to offer a high-quality product. Brewers are importing 60% of their malt requirements, creating attractive prospects for investment in domestic production of high-quality malt barley.

**Teff processing offers as-yet untapped export possibilities**

Teff is an indigenous gluten-free crop of Ethiopia with unparalleled nutritional value. Ethiopia would serve as an ideal base to create retail products for developed markets, such as Europe and the US. Teff goods have taken off in niche bakeries throughout these regions but have not yet been marketed at scale, providing a great first-mover advantage. Major product possibilities include bread, biscuits and snacks.

**Growth market investment scope in priority-accorded maize value chain**

Maize production has been growing at around 10% over the last 10 years, with all maize in Ethiopia currently non-GMO. Increasing urbanisation and income levels have led to a significant demand for corn snacks and corn flakes. Ethiopia imports over 50% of its current corn flakes consumption. This is expected to rise even further, based on the roughly 30% increase in annual demand over the last 8 years. Competition is low with the market served by only one domestic player and highly-priced imports. In addition, given the crop’s acknowledged status as a priority value chain for the purposes of the national Growth and Transformation Plan, there is also a considerable government focus on promoting and facilitating investments in maize production and processing.

**Point of contact for investments**

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

**Thebesta Yohannes**
Ethiopian Agricultural Transformation Agency | +251 011 557 0685 | thebesta.yohannes@ata.gov.et

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Major brewers are engaging farmer cooperatives to expand barley production.
Ghana was one of the first countries to sign a CAADP compact in October 2009, with the national Medium-Term Agriculture Sector Investment Plan (METASIP) providing a 2011-2015 investment roadmap which recognises the importance of supporting agriculture through a value-chain approach and the inclusion of smallholder farmers.

Amongst the identified priorities are improved growth in incomes, increased economic competitiveness, enhanced integration into domestic and international markets, sustainable management of land and the environment, and more robust institutional coordination. Rectifying Ghana’s north-south economic and social divide is also at the heart of its economic and agricultural strategy, with the Savannah Accelerated Development Authority (SADA) initiative established precisely with the aim of attracting investments to growth corridors in the north.

Ghana’s vision is that of creating “a modernised agriculture culminating in a structurally transformed economy and evident in food security, employment opportunities and reduced poverty”.

Yet rapid urbanisation and rising per-capita income have led to an increasing demand and consumption of staple crops, widening the gap between demand and supply that is currently filled through a boost in imports. This is despite the country’s significant potential to scale up its agricultural production to not only meet rising domestic demand but also produce staples for export within the region.

With a view to tapping this potential, a new approach has been adopted focused on fostering public-private partnerships (PPPs) to facilitate and accelerate private-sector investment. Though much remains to be done to improve coordination, scale up inclusive business models and further develop commercial agriculture, this shift in paradigm has begun to yield concrete dividends for inclusive growth in Ghanaian agriculture.
Over the past year, some key initiatives have been taken to support the implementation of the METASIP national investment plan, including the introduction by the Ministry of Finance of a PPP-based policy approach.

Particular attention has been paid to reviewing seed laws and regulations to facilitate private-sector investment for the commercialisation of improved inputs, with the aim of enhancing productivity and increasing smallholders’ incomes. Patenting is also being considered as an incentive for scientists involved in plant breeding and other fields. Production of certified seed and planting materials are as a result already picking up.

Recent efforts of the Ghana Standards Authority on the front of improved laboratory services have also allowed Ghanaian products to reach new markets, such as Lebanon (mangoes) and South Africa (bananas).

New instruments and institutions such as the commodity exchange are being established, and the Ghana Commercial Agriculture Project (GCAP), an initiative supporting inclusive agribusiness, is now operational and conducting a land diagnostic survey (of land use and rights).

A new Agribusiness Development Division within the Ministry of Food and Agriculture (MOFA) has also been launched and is already up and running.

An increasing number of alternative financing options are becoming available, including the Export Development and Agricultural Investment Fund (EDAIF) and the Out-grower and Value Chain Fund (OVCF), though access to finance for domestic companies seeking to expand remains a challenge.

Noteworthy private-sector investment and PPP success stories to date include:

- the launch of Eagle Lager beer by SABMiller and MOFA in March 2013, based on locally-sourced and processed cassava;
- investments by Olam comprising $55 million in a wheat processing plant in Tema, creating 650 jobs; establishment of a new 60,000-tonne cotton ginning facility at Wa in the northern sector, with 8,500 farmers engaged as suppliers; and $117 million in small loans to farmers; and
- the launch by leading quality rice producer GADCO of a community private partnership in Sogakofe currently cultivating 920 ha out of 5,000 ha available, engaging smallholders through nucleus farms with an investment of approximately $2 million.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing "Letters of Intent". For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

16 Companies have Letters of Intent (LoIs)

Planned investment estimated at $35 million
7 of 16 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

0% Complete
40% Minor problems
0% Performing well
27% Major problems
27% On plan
7% Cancelled

15 of 16 companies provided data.

$56 million of investments made in 2013

$53 million of capital expenditure.

$3 million of operating expenditure.
9 of 16 companies provided data.

OUTCOMES REPORTED FOR 2013

1,825 jobs created:
59%
41% 168,000 smallholders reached:
16%
84%

6 of 16 companies provided data, of which 67% was gender disaggregated.

56,331 with services
23,579 with sourcing
21,326 with production contracts
82,099 with training
34,966 unspecified

10 of 16 unspecified provided data, of which 40% was gender disaggregated.
Leadership and alignment

- Continuous support from sector Ministers since completion of country CAADP investment plan METASIP in 2010.
- A multi-stakeholder working group has been meeting at least quarterly since 2011.
- Momentum of initially strong initiatives has flagged, mainly due to a lack of clarity on measures needed for real action and limited systematic coordination between lead government agencies and other key players.
- Major interest from local companies to work through the Private Enterprise Federation (PEF) to establish collaborative public-private dialogue and connect with potential investors.

Strategy setting

- Priority value chains identified in line with METASIP and policy directions to pursue food security-enhancing and income-growth commodities.
- Existing technical and financial resources from MOFA and other government agencies and partners need additional boost to enable implementation of the CAADP Compact, the New Alliance Framework, and the METASIP Steering Committee’s annual work plan.
- Increased government support to facilitate private-sector investment in agriculture could also make a valuable contribution towards achieving CAADP goals.

Risk mitigation and financing

- The current macroeconomic state makes access to the many local financing opportunities challenging, while alternative risk products introduced are still in nascent stages.
- Prototype financing instruments are available through various projects, with MOFA currently undertaking a stock-take to review and harmonise these. These efforts are additional to on-going advocacy for an agriculture fund and value-chain analysis directed at informing value-chain financing.

Infrastructure and policy

- Some physical infrastructure is in place in large and small irrigation facilities, with other opportunities offered by existing projects.
- The National Development Planning Commission (NDPC) and Ministry of Finance have launched plans for developing fully-serviced agriculture estates; NDPC is also facilitating the formulation of a national infrastructure plan.
- Physical infrastructure remains a challenge, though efforts under GCAP and Power Africa will serve to address some energy-related and smaller infrastructure needs.

Delivery and implementation

- MOFA’s Policy and Planning Department plays an important coordination role, as well as managing a sector M&E framework for generating several high-profile progress and trends reports (e.g. ReSAKSS), but would benefit from improved technical and logistics capacity.
- With the Agriculture Sector Working Group focused on coordinating policy, the Ghana Investment Promotion Centre (GIPC) not primarily concerned with agriculture, and MOFA’s newly-established Agribusiness Unit yet to be road-tested, there remains a lack of targeted coordination on investment.
The average Ghanaian farmer is 55 years old. With agriculture as a key economic pillar, contributing 30% of GDP, and in a country where 15- to 24-year-olds constitute a quarter of the population and suffer 25% unemployment rates, there is a compelling need to inspire a new generation of agricultural entrepreneurs. But young people see farming as grandma’s work – laborious, boring and promising minimal financial reward.

Premium Foods, a leading grain-product supplier and processor has operated in Ghana within the maize, rice and soybean value chains for 19 years. It aims to unlock the economic potential of a cadre of young agri-entrepreneurs through an expansion of its innovative Go-Farming pilot project.

Ghanaian grain production is typically conducted by smallholders on farm-holdings averaging 0.8 ha. Their significant distance from market locations limit farmers’ access to inputs, technical services critical to improving their output, as well as locations where they can sell their produce. Substantial demand has thus arisen for a system that coordinates the demand and supply of both on- and off-farm services, technical know-how and inputs, and which includes the aggregation of produce for markets to help guarantee returns for all investments in agribusinesses.

Specifically targeting smallholders, women and young farmers, “Go-Farming” involves the facilitation, strengthening and integration of actors in the grain value chains to create an efficient, profitable and sustainable grains industry. With support from USAID/ADVANCE, a pilot was launched across 11 districts of Ghana’s 3 northern regions to integrate around 5,700 farmers into PFL’s supply chain over a 2-year period. Under the project, Premium Foods financed 9 nucleus farmers to provide input credit (seeds, fertiliser and equipment) to out-growers, repaid in-kind by the out-growers with produce on harvest. With 90% repayment of the input credit reached, the pilot project was highly successful, due in large part to Premium Foods’ control of the value chain from seed to sale and its work in instituting a ready market for the farmers’ produce, helping to reduce farmers’ postharvest losses by at least 40%.

The expanded pilot programme will consolidate the lessons of the initial pilot’s “preferred supplier model” by scaling up the existing “Nucleus farmer/Out-grower” approach to obtain more volumes of quality raw materials (maize, rice and soybean) at competitive prices. Through 54 nucleus farmers engaged as aggregators over a 5-year period, the out-grower schemes aim to reach 50,000 smallholder farmers and help secure an 80% increase in out-grower incomes. Premium Foods will continue with its principle of not taking more than two-thirds of net production off smallholders, thereby reducing the risk from “side-selling” by farmers.

As a private-sector and market-driven initiative led by Premium Foods, the programme in expanding on the pilot is incorporating innovations to achieve wider agribusiness efficiency gains. It aims to harness this greater value by stimulating youth interest in agricultural enterprise through a Young Entrepreneurial Service Providers (YESP) development project. The project anticipates installing 648 young entrepreneurs (25% being women) at the helm of service provision SMEs, which will be instrumental in providing services to the increased number of nucleus farmers and smallholders registered under the expanded programme, and result in an anticipated 20% boost in Premium Foods’ processing capacity.
CONRAINTS

Companies call for improved SME finance, coordination and infrastructure

Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Access to timely and appropriate financing** remains a major challenge. The shortage of capital, together with a lack of experience on how to develop a solid business and financial case to trigger access to funding, are often the main barrier to SMEs starting up or developing a business. In addition, agriculture remains a high-risk sector for financial institutions, leading to very high interest rates that make loans unaffordable for most agri-entrepreneurs.

2. **Coordination and alignment** of government agencies would benefit from more clarity regarding which agency (MOFA or GIPC in particular) leads on investments and project implementation. Although there has been some improvement on this front, more consultation, dialogue and coordination with private-sector organisations (such as the PEF) would facilitate a better alignment of agricultural investment.

3. **Limited infrastructure development**, particularly in terms of connecting the northern and southern regions of the country. The reduced quality and low density of the road network, combined with a lack of storage facilities, impacts significantly on market access and post-harvest losses for smallholder farmers. This has seriously hampered economic development and private-sector investment in the northern region, which remains underdeveloped despite an increased number of government initiatives and efforts (including GCAP and SADA).
Agriculture makes up 22.7% of Ghana’s economy and – with the exception of 2006-07 – has maintained growth over the past 15 years, frequently surpassing the 6% CAADP growth target. Roughly half of the rural population is directly engaged in agriculture as an economic activity, with a slight majority of that agricultural labour force composed of men. Ghana’s agricultural sector currently produces cassava, yams, cocoa and maize in significant quantities. The country is the 2nd largest source in the global cocoa value chain and accounts for 18% of global cocoa production, and produces 12% of Africa’s annual yam production. Up until the financial crisis of 2008-09, Ghana had been increasing agricultural expenditure as a percentage of its annual budget and had met its CAADP expenditure target. Since the crisis, however, agricultural expenditure has dipped slightly to 9.1% of public spending.

Ghana is classed as a highly-competitive business environment, ranking 67th globally and 5th out of 47 in sub-Saharan Africa for ease of doing business. It is particularly well-ranked with respect to facility of obtaining credit, contract enforcement and protecting investors. Ghana is also one of the most attractive environments on the continent for digital agribusiness services, with 27.7 million mobile GSM connections (more than 1 per person), 26% of which are 3G data connections.

For Ghana’s 26.4 million people, extreme poverty has declined from over 50% in the early 90s to 28.1% in 2011, and the country has achieved lower middle-income status. Malnutrition is now relatively low compared to other sub-Saharan countries at 14.3% of the population. Ghana’s steady agricultural growth makes an important contribution towards achieving the Millennium Development Goals, especially for the 12.2 million people living in rural areas.
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population
- Total population: 26,442,000
- Rural population: 12,203,000

Population Economically Active in Agriculture
- Total: 6,637,000
- 45.2% of total population is economically active in agriculture
- 54.8% of rural population is economically active in agriculture

Ease of Doing Business - Rank of 189 Countries
- Overall: 67
- Starting a Business: 128
- Getting Credit: 28
- Protecting Investors: 34
- Trading Across Borders: 109
- Enforcing Contracts: 43

Top 10 Crops by Production (tonnes)
- 14,547,279: Cassava
- 6,638,867: Yams
- 1,949,897: Maize
- 879,34: Cocoa
- 481,134: Rice
- 475,056: Groundnuts
- 279,983: Sorghum
- 179,684: Millet
- 148,000: Sugarcane
- 135,000: Sweet Potatoes

Sources:
### Goals

**African Cashew Initiative (ACI)**

Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Côte d’Ivoire, Ghana and Mozambique, by:

1. convening investments from corporate partners (around $21 million);
2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organisations;
3. utilising matching grant funding to assist private-sector projects to enhance farmer productivity; and
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.

**Year 2 – Progress update**

- Across all countries:
  - 271,617 farmers trained since 2009 (around 20% being women), increasing additional net income by approximately $18.2 million.
  - Introduced Cashew Matching Grant Fund enabling private-sector partners to design and implement projects for farmer linkages and improved planting material.
  - 16 projects (total investment of $7.86 million) are being implemented in Burkina Faso, Ghana and Mozambique.
  - Improved planting material in Burkina Faso, Ghana and Mozambique benefiting 74,500 cashew farmers, with another 48,600 directly benefiting from Matching Grants.
  - Introduced Master Training Programme to develop key knowledge-holders as trainers in the cashew value chain.

**AGCO**

Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by:

1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

**Year 2 – Progress update**

- Conducted several field trips.
- Concept Phase underway with partners for a Nucleus Farm, Training Centre/Academy, and out-grower scheme; arrangements in progress to secure initial equipment.
- Private-sector member participating in consortium for the Competitive African Rice Initiative (CARI) for West Africa and Tanzania, with the objective of reaching at least 120,000 smallholders over 5 years (30,000 in Ghana, at least 30% being women) and developing downstream value-chain structure.

**Agriserv**

Actively engage across the value chain with a goal to impact three major areas:

1. hybrid maize: introduce hybrid, high-yielding and drought-tolerant maize seeds to Ghana capable of lowering farmers’ production costs and improving profits;
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
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.

**Year 2 – Progress update**

- Succeeded in having hybrid maize seeds registered in Ghana and released on the market.
- Partnership network extended, bringing maize seed distribution closer to approximately 18,000 acres across Ghana.
- Added value to the livestock industry by making locally-produced yellow maize available, serving as a better animal feed option than the previously-used white maize.
- In 2014, a new “Agricultural Automotive Services” initiative has been established to mechanise activities spanning land preparation to transportation from fields to markets and end-consumers.
- Also in the process of setting up an “Agri-manpower” service, to provide workers to smallholders and commercial farms from a shared labour pool.

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**Status on Letters of Intent**

In 2013, no further companies directed Letters of Intent to Ghana.

In 2012, 12 companies directed Letters of Intent to Ghana (with 4 more making reference to working in the country).
### Ghana

#### Goals

**Armajaro**  
Help establish community-based farmer organisations (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.

**Year 2 – Progress update**

- Trained 21,330 farmers (30% being women) to UTZ Certification Standard, resulting in around 32,000 ha of land under improved sustainable cocoa management practices.
- GPS-mapped 32,000 ha of cocoa fields, culminating in unprecedented understanding of growing practices and exact farm sizes (enabling use of correct quantities of agrochemicals).
- Developed 24 demonstration plots to train farmers in good agri-practices to improve cocoa yields.
- Established 13 community-managed hybrid cocoa seedling nurseries, providing farmers with 220,000 seedlings in April/May.
- Launched 12 ICT-resourced Village Resource Centres in cocoa farming communities to enhance child education opportunities.
- Invested $655,000 (additional to Year 1 investments), generating 17 new jobs.

**Ecobank**  
Continue to work towards improving access to affordable finance for the agriculture sector by:

1. Promoting market access, ensuring market supply consistency, and enhancing market return;
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; and
3. Expanding access to finance to include nucleus farm operators, aggregators and traders, processors, agro-inputs and supply companies, transportation and mechanisation services companies, or farm-based organisations.

**Year 2 – Progress update**

- Provided in excess of $1.6 million in loans to agri-SMEs in the rice, maize and soya value chains, with an additional $2 million targeted by year end 2014.
- Financed two major farmers groups made up of around 3,000 out-growers and nucleus farmers, creating reliable market linkages for them.
- Liaising with USAID/FINGAP to explore and attract more agri-SMEs in the target value chains to Ecobank’s financing support.
- Working with the Ghana Grains Council to finance the construction of quality warehouse facilities in Northern Ghana, to ensure the success of the warehouse receipts system.

**Finatrade**

1. Expand sourcing beyond current cocoa, cashew nut, sugar and rice to include maize and soya;
2. Increase cocoa procurement to reach 60,000 farmers producing 150,000 tonnes by 2015;
3. Support access to credit and production resources, training programmes, and award schemes; and
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.

**Year 2 – Progress update**

- In conjunction with joint venture partner GADCO, launching a hi-tech rice mill in April 2014.
- Procurement subsidiary, Akuo Adamfo Marketing Company Ltd, is on the way to obtaining its cashew export licence.
- Working on setting up a new joint venture with Arysta Lifescience to locally manufacture agri-inputs (from Q1 2015), leveraging Finatrade’s distribution network to increase farmer yields and incomes.

**Ghana Nuts**

1. Promote soya by:
   - Increasing procurement from 25,000 tonnes to 70,000 tonnes by 2015;
   - Advancing mechanised production and investing in increased processing capability; and
   - Extending business linkages and partnerships to 60 partners to drive efficiency in crop and animal production, processing and marketing – impacting 25,000 smallholders;
2. Target to expand into maize by:
   - Expanding procurement/processing (50,000 tonnes by 2015);
   - Doubling the area under cultivation to 1,000 acres and source 3,000 tonnes by 2013; and
   - Designing a pilot project to test the viability of yellow maize for the poultry industry.

**Year 2 – Progress update**

- Lol cancelled, but aiming to have a further Letter signed by new company Nuts for Growth Ltd (N4G), with the aim of procuring, processing and exporting shea nuts, maize and soya while:
  a. ensuring sustainable integration of rural women in the global supply chain through N4G’s Women for Change (W4C) procurement initiative; and
  b. using shea processing by-product for power generation.
## Goals

### Injaro Agricultural Capital Holdings

1. Invest a minimum of $5 million in-country (through subsidiary Injaro Agricultural Venture Capital Ltd) to develop 5 agriculture/agribusiness ventures by 2015 that support:
   - production and supply of improved seeds to smallholder farmers;
   - capacity building in agricultural SMEs; and
   - increased investment in the agricultural sector;
2. **Play a catalytic role in the agri-sector** by furthering job creation, wage growth, increased local procurement, mobilisation of additional finance, and creation of a tax base.

### Premium Foods

Renew and expand procurement partnerships with local stakeholders by working to 2015 targets of:

1. recruiting 25,000 new farmers as key producers in the maize, rice and soya value chains in northern and southern Ghana, and training 200+ new tractor/combine harvester operators;
2. increasing smallholders’ productivity of maize by 40%, soya by 20% and rice by 60%, through access to technical support, mechanisation and other inputs, including improved seed/agrochemicals; and
3. improving access to warehousing services for 15,000 smallholders or 30,000 tonnes of storage; and
4. throughout 2014, increasing the number of nucleus farms and smallholder out-growers participating in the Go-Farming pilot project, and engaging young entrepreneurs to provide services to them.

### Rabobank/International Finance Corporation (IFC)

Contribute to improving access to finance for small and medium-sized agribusinesses by:

1. establishing a new non-bank agribusiness financial institution to operate in Nigeria, Côte d’Ivoire and Ghana, aiming for a portfolio of over 200 customers (the West Africa Agribusiness Development Corporation – WAAD); and
2. building capacity of local agro-sector professionals to maximise benefits of increased access to finance.

### SABMiller

1. Target to bring cassava processing technology to Ghana (through Ghanaian subsidiary ABL) via autonomous mobile processing units (AMPUs);
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
3. Work closely with the Ghanaian government for the creation of farmer cooperatives to give farmers better access to credit and loans.

## Year 2 – Progress update

### Injaro Agricultural Capital Holdings

- Commitments of approximately $9 million made to 7 companies in 5 countries, including 3 in Ghana.
- As investments in Ghana now total just under $4 million, Injaro is on track to meet or exceed its $5 million target by 2015.
- Based on investment pace, Injaro expects its Ghana-based portfolio companies to employ over 400 people and positively impact over 30,000 low-income persons and rural smallholders.

### Premium Foods

- Expanded Go-Farming Programme: initial 2-year pilot completed and now being scaled up to include a Young Entrepreneurial Service Providers development project.
- Negotiations conducted for partnerships with farmer groups, nucleus farmers and community heads.
- 5,576 smallholder out-growers recruited and engaged into PFL’s supply chain, with input supply credit disbursed to all nucleus farmers for distribution to smallholders.
- Partnerships developed with the Crop Research Institute, the KNUST University, and the University of Ghana, Lagon to provide technical trainings.

### Rabobank/International Finance Corporation (IFC)

- Identification of and negotiation with potential shareholders continued throughout 2013. To this end, Rabo-Development and the International Finance Corporation are in on-going talks with a number of multinational food and agriculture companies.
- Various policies (HR, credit, treasury) have been prepared in anticipation of operations commencing; Board charter also drafted.
- Business plan has been confirmed as still pertinent.

### SABMiller

- Expanded operations to a second AMPU and 3 new platforms to source for “Eagle”-brand cassava beer.
- Purchased cassava from over 1,103 farmers, with expected future increase to 1,500-2,000.
- Improved technical and manufacturing capabilities of ABL.
- In partnership with IFAD and its sponsored Root and Tuber Improvement and Marketing Programme, launched initiative to introduce improved stem material and farmer training on sustainable agriculture.
- On-going partnership with the Dutch Agricultural and Trading Company and the International Fertilizer Development Center for cassava processing and extension services.
- Improved transportation and smallholder reach by purchasing root collection trucks.
- Invested approximately $1 million in the cassava sector in 2013.
## Savannah Farmers Marketing Company (SFMC)

1. Improve farmer efficiency, yields, quality and sustainability, and hence incomes; and
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.

- SFMC's agribusiness centre is working with 2,000 smallholder farmers, providing various services ranging from ploughing to post-harvest storage and marketing support.
- Actively seeking investments to increase working capital with a view to expanding activities.

## World Cocoa Foundation (WCF)

Roll out two new initiatives as part of WCF’s $40 million Cocoa Livelihoods Program (CLP) in Ghana and Côte d’Ivoire:

1. investing $3 million in a Matching Grants programme 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
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.

- Reached over 33,000 smallholders through improved natural resource and general management practices, and around 2,650 smallholders with assistance to access loans.
- Cultivated 82,500 ha under improved pest, disease and fertility management techniques.
- Approved 3 Matching Grants in second phase of the CLP; plans exist to hire additional staff in 2014.
- Conducted impact evaluation and numerous field visits.
- Received Walmart Foundation grant to train women farmers in good agriculture practice and business management.
- Piloted Digital Green technologies for cocoa extension, with plans to expand in 2014.

## Yara

1. Develop a world-class fertiliser production facility (overall investment of $1.5-2 billion), combined with development of regional fertiliser hubs and holistic value-chain initiative;
2. Cultivate long-term partnerships with government to incorporate the national agriculture strategy into a broader development context, and to co-create a national strategy for holistic, in-country fertiliser market development; and
3. Promote comprehensive end-to-end value-chain initiatives and cluster-based approaches, and build up local crop-specific plant nutrition knowledge.

- Exploring development of a $22 million revolving fertiliser terminal in the port of Tema, though a lack of clarity on the national fertiliser subsidy programme and quota system has led to a focus on safeguarding existing operations and limited progress on the new facility.
- Continued to support Masara N’Arziki Farmers’ Association to increase farmers’ knowledge on crop nutrition and agronomic practices, resulting in higher smallholder incomes and yield increases of up to 300%.

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

### Goals

#### Jain Irrigation

In line with the national target of achieving middle-income status by 2015, contribute to developing irrigation and enabling infrastructure by:

1. Contributing proprietary agricultural and irrigation technology and know-how, expertise in capacity building, market linkages, processing capabilities, and solar technology;
2. Convening investments in irrigation and enabling infrastructure for the creation of storage, handling, supply-chain, procurement and processing infrastructure; and
3. Working with partner countries to select priority value chains and regional locations to develop a feasibility study for this integrated approach.

#### United Phosphorus (UPL)/Advanta

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.
FORWARD LOOK

PRIORITYs FOR PROGRESS
Alignment and coordination will ensure new and existing partnerships bear fruit

Whilst greater efforts to step up coordination between government agencies and with the private sector are anticipated, there is also a need to improve alignment amongst various initiatives and to ensure complementarity rather than duplication. In this respect, priorities for the year ahead include:

- strengthening MOFA’s Agribusiness Development Division, including building capacity and coordination with the GIPC and formulating an internal strategy for how to respond to investment opportunities;
- commencing annual mapping of interventions against METASIP to identify gaps;
- addressing postharvest challenges for preservation and value addition along the value chain;
- consideration of lower-cost and improved-access energy alternatives to support processing and transformation units;
- improving road infrastructure for better access to markets, with the possibility of PPP and/or matching grants;
- facilitating private-sector access to information on investment and finance opportunities, initiatives, and providing support to the PEF for establishing an electronic database;
- development by GCAP of model lease agreements to guide both investors and landowners in negotiations, with provision of support for the formulation of a national framework for out-grower and contract farming arrangements;
- promoting services offered by facilities such as the EDAIF and OVCF, reforming venture capital, and exploring the possibility of establishing a farmers’ pension scheme;
- fostering economically sustainable development of agricultural value chains in conjunction with efforts to advance the growth of established investment zones, such as SADA and South East Volta; and
- following through on MOFA’s plans already underway to hold a roundtable conference in 2014 with a focus on local investors and exploring opportunities in Ghana, building on the efforts of MOFA’s Agribusiness Development Division and GCAP.

In March 2013, SAB Miller launched Eagle, a cassava beer, in Ghana, and expects to source from over a 1000 smallholders.
The following investment opportunities have been identified by the Government of Ghana:

Prospects in pilot integrated value chains

Openings exist for investors interested in furthering the development of maize and soya value chains integrated with poultry in Ghana’s ecological region designated as the Transitional Zone.

Contact: Emmanuel Asante Krobea, Director Crop Services | krobeasant@yahoo.com

Scope for partnerships in commercial agriculture

The Government of Ghana has engaged the World Bank and USAID in supporting the previously-mentioned GCAP agricultural development project.

The project comprises three components, with the first focused on improving the overall investment climate for agricultural development in Ghana (including strengthening investment promotion infrastructure, facilitating secure access to land, and project management). Efforts under this component are aimed at clarifying and strengthening the rights and obligations of investors, government and affected communities. They will also help facilitate access to land by reducing search costs to potential investors through the expansion of a database of suitable landholdings (the “Land Bank”), and by building on emerging mechanisms for appropriately matching potential investors with landowners.

The second and third components are focused on forging PPPs and smallholder linkages in the SADA and Accra Plains regions. These components will provide support for facilitating private investments through PPPs in inclusive commercial agricultural arrangements, complementary public investments, and technical assistance.

Contact: Alabi Bortey, Coordinator GCAP | alabibortey@gmail.com

General point of contact for investments

Investors interested in learning more about opportunities in Ghana’s agribusiness sector should contact:

Ghana Investment Promotion Centre | +233 302 665125(-9) | info@gipcghana.com
Kenya

Inviting agri-investors to partner locally

Kenya’s Vision 2030 affirms agriculture as the country’s economic backbone, and as vital to attaining its ambition of “a globally competitive and prosperous country with a high quality of life”. Accounting for almost 30% of GDP, 65% of exports and 60% of total employment, the sector is key to delivering on Vision 2030’s target of 10% annual economic growth. The country’s agricultural private sector is vibrant and established, and actively seeking to modernise and expand both production and value-adding activities.

The national Agriculture Sector Development Strategy (ASDS 2010-2020) provides a strategic framework for transforming agriculture into a profitable, commercially-oriented, and regionally- and internationally-competitive sector that generates jobs, increases income and delivers food security. Vision 2030 focuses these efforts on the following value chains: dairy, maize, coffee, tea, potatoes, meat and meat products, nuts, fruits and cereals.

In 2013, the newly-elected government led a process of devolution, with the new Kenyan Constitution introducing two distinct and interdependent levels of government – national and county. The 47 counties headed by governors have new powers, funds and responsibilities, including to foster locally-appropriate agricultural development. While national government plays an enabling, strategy-setting and coordinating role, it is at the county-level that agribusinesses are encouraged to forge public-private partnerships (PPPs) that unlock investment and growth.

The Agricultural Sector Coordinating Unit (ASCU) provides a cross-government body to manage Kenya’s agricultural strategy, and is actively hosting opportunities for the private sector to engage with county governors on prospects for investment and partnership. Additionally, the Government of Kenya (GoK) is seeking private-sector partners for a flagship one million-acre irrigation and food security project in Galana-Kulalu at the coast, with some $40 million earmarked for the initiative’s first phase.

Due to last year’s political transition, Grow Africa has not yet supported Kenya with a promotional effort to generate Letters of Intent (LOIs) from companies. This year sees the commencement of this process, and with new clarity and direction amongst Kenyan partners, the GoK is already proactively inviting companies to collaboratively develop such investment plans.
A fresh start seeks to tap private-sector dynamism in agriculture

With the ushering in a new government, 2013 witnessed a fresh start for Kenya’s relationship with Grow Africa. While the “Lamu Port-South Sudan-Ethiopia Transport Corridor” (LAPSSET) remains an important national infrastructure priority and long-term driver of agricultural growth, the government is now focused on more immediate strategies to boost investment in the agricultural sector.

The President has made private sector-led development in agriculture a manifesto priority for his government. Public-sector leaders are actively pioneering approaches to achieve this in the context of the newly-devolved government structures. For example, governors now have funds for agricultural mechanisation, and counties have convened investment forums through which to engage directly with the private sector on opportunities in their area. The GoK has recognised that the new governmental structure will elevate the need for strategic coordination to provide targeted and aligned support to counties. To this end, the ASCU (the sector’s coordinating body) is restructuring to incorporate multiple Ministries and the Kenya Investment Authority (KenInvest).

Whilst this extended period of transition and restructuring has left many companies feeling disconnected from their public-sector partners, the private sector has nonetheless remained dynamic and optimistic about agriculture in the country. Five companies have LoIs with Grow Africa that reference a commitment to advance investments in Kenya. Of these, most are scaling up bottom-of-the-pyramid approaches to serve Kenya’s large smallholder market with services. For example, Syngenta served over a million smallholders with affordable packs of inputs, and Vodafone reached increasing numbers through mobile financial and information services. The Kenya Private Sector Alliance (KEPSA) and the Kenya Agribusiness and Agro-industry Alliance (KAAA) offer strong and mature apex organisations that are promoting agricultural partnerships and investment.

Some of this private-sector optimism stems from widespread improvements to infrastructure in the country. New mega-highways, such as the Thika Superhighway and the Northern and Southern Bypasses, opened up new markets by reducing the time and cost of getting goods between major urban and rural centres. New rural roads enabled new opportunities for commercially-viable production. Additionally, the government has committed to major irrigation projects both at county-level (through the National Irrigation Board) and as part of its flagship Galana-Kulalu project.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing "Letters of Intent". Grow Africa has not yet worked with Kenya for a targeted promotional effort to generate such commitments, so we have relatively few companies from which to gather progress reports. Nonetheless, for 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

5 Companies have Letters of Intent (LoIs)

Planned investment estimated at $1.2 million
1 of 5 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 0% Performing well
- 50% On plan
- 25% Minor problems
- 25% Major problems
- 0% Cancelled

4 of 5 companies provided data.

$2.7 million of investments made in 2013

$2.4 million of capital expenditure.

$300,000 of operating expenditure.
3 of 5 companies provided data.

OUTCOMES REPORTED FOR 2013

77 jobs created:
37%
63%

1,064,000 smallholders reached:
24%
74%

1,003,932 with services
12,932 with training

2 of 5 companies provided data, of which 50% was gender disaggregated.
4 of 5 companies provided data, of which 50% was gender disaggregated.
Leadership and alignment

- President has made agriculture a political priority.
- Sector Ministries (Industrialisation and Enterprise Development, Agriculture, Environment, Lands and East African Affairs) are now working together with the private sector to advance agricultural investment.

Strategy setting

- The ASDS is aligned to CAADP and Vision 2030, and is backed by a Medium Investment Plan.
- County governments are developing Agriculture Strategy Development plans.
- Priority value chains are based on strategic thrust of the ASDS and flagship projects for implementation of Vision 2030.

Investment pipeline

- The domestic private sector, through the KAAA, is convening stakeholder sessions to identify opportunities for investment.
- A number of county governments have convened investment forums to attract new investments to their area. The KAAA will work with the County Forums to run parallel Agribusiness Forums.
- A coordinating team has been convened by ASCU to identify priority value chains and will also follow through on the implementation of LOIs.

Risk mitigation and financing

- A review of agricultural insurance products is underway to highlight needs for service development.
- $20 million has been earmarked for an agribusiness fund to de-risk and leverage commercial bank lending to smallholder and commercial farmers.
- Consultations have taken place between financial institutions on how to reduce the cost of credit. The intention is develop an agriculture financing strategy.

Infrastructure and policy

- The National Irrigation Board is supporting county governments to put 500 acres (spread across the counties) under irrigation.
- The GoK has identified a one million-acre flagship project for irrigation and food security in Galana-Kulalu, with $40 million allocated for the first phase.
- Funds allocated to mechanise agriculture have been used by county governors to purchase tractors to facilitate production and lower the costs of land preparation.
- The GoK has begun an ambitious programme to generate 5,000 MW of power by 2016, up from the current 1,860 MW.

Delivery and implementation

- The ASCU is strengthened and now incorporates the Ministry of Industrialisation and Enterprise Development, the Ministry of Environment, the Ministry of Lands, and the Ministry of East African Affairs as well as to integrate issues within the purview of both national and county governments.
Gravity-based drip irrigation can make a transformative impact on the productivity of smallholders in limited-rainfall areas by extending growing seasons, thereby expanding market opportunities during times when prices for their crops tend to be higher. Low-volume drip-irrigation technology can maximise productivity without requiring additional investment in infrastructure, such as pumps or electricity, and is suitable for plots of small sizes. Combined with good agricultural practices, such systems increase yield and quality and optimise water efficiency by reducing run-off, leaching, and soil erosion.

Netafim, an Israeli-based drip irrigation company, sought to roll out its Family Drip System (FDS™) in Kenya, but the primary barrier to smallholders accessing drip irrigation was the initial capital outlay involved. However, a new partnership between Netafim, USAID and local commercial banks is demonstrating how cross-sector collaboration can overcome such barriers to help establish crucial last-mile agricultural infrastructure.

In order to expand drip irrigation to more smallholders, Netafim has teamed up with an agricultural finance-consulting firm to structure a non-collateral lending programme through local commercial banks. Loans will be provided to smallholders based on the earning potential of the drip irrigation system. The necessary work to structure and expand Netafim’s work with smallholders has in turn been made commercially viable by a grant from USAID’s Feed the Future Partnering for Innovation scheme.
Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Administrative and regulatory barriers to business**: the requirements for establishing new businesses are complex and at times opaque, with companies required to visit multiple government agencies to acquire registration, work permits and so on, taking up inordinate amounts of time. Simplified regulations and a one-stop shop could reduce the transaction costs for new and existing business ventures.

2. **Limited level of public-sector engagement**: private-sector entities require constructive action-oriented relationships with the public sector to identify constraints and work in partnership to overcome them. The last year of transition and restructuring has made both government and its development partners inward-looking. Companies and farmer organisations seek a more collaborative and concrete level of engagement moving forward. For example, seedling nurseries, which offer a potential opportunity to foster youth entrepreneurs, require crucial public-sector support.

3. **Shortage in local financial and risk-transfer expertise**: the cost of finance remains high for smallholders and agri-SMEs, but while risk management could help mitigate this, such services currently remain underdeveloped. Limited local technical expertise on agricultural risk-transfer insurance is a challenge, particularly as regards local distribution channels to a large client base. Regulatory and public-sector support is accordingly needed in building domestic markets for insurance products in order for the commercial provision of these services (including to the agricultural sector) to become viable.
THE LONG VIEW

Food insecurity and rising poverty makes inclusive agriculture a priority for the rural and urban poor

Agriculture makes up 29.9% of Kenya’s economy, but has not exhibited steady growth, undergoing significant variations year-on-year and only on one occasion reaching the 6% CAADP growth target. Roughly 40% of the rural population is directly engaged in agriculture as an economic activity, with a slight majority of that agricultural labour force composed of men. Kenya’s agricultural sector currently produces sugarcane, maize, potatoes and bananas in significant quantities, contributing 6% of Africa’s annual sugarcane production. Kenyan agricultural public expenditure has not met CAADP expenditure targets, hovering at only 4% of public expenditure since the 2000s.

Kenya comes in at 129th position in global rankings and 12th out of 47 in sub-Saharan Africa for ease of doing business. The country is particularly well-ranked with respect to obtaining credit but lags in areas such as cross-border trade and contract enforcement. Kenya is an attractive environment for digital agribusiness services with a well-established ICT cluster and 32.3 million mobile GSM connections (more than two-thirds of the population), 11% of which are 3G data connections.

For the Kenyan population of 45 million, poverty actually increased during the 2000s and is now estimated at over 43.4%. Malnutrition is relatively low compared to other sub-Saharan countries with 16.4% of children underweight. Nonetheless, many Kenyans are still food insecure, especially in rural and slum areas of urban cities. Food takes up about 70% of household budgets, such that when food prices rise it creates agitation for higher wages, which in turn weakens the country’s competitiveness. Ensuring that economic growth in Kenya is shared with the rising number of poorer households is critical to reversing the trend away from reaching the Millennium Development Goals, particularly for the 34 million people living in rural areas.

CAADP TARGETS

<table>
<thead>
<tr>
<th>Child malnutrition:</th>
<th>Poverty:</th>
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<tbody>
<tr>
<td>% of children under 5 underweight</td>
<td>% living below $1.25/day</td>
</tr>
<tr>
<td>(World Development Indicators, 2009)</td>
<td>(IFPRI Harvest Choice, 2005)</td>
</tr>
</tbody>
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| 16.4% | 43.4% |

Public agriculture expenditure share in total public expenditure 1990 - 2010

Source: www.resakss.org
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 45,546,000
Rural population: 34,065,000

Population Economically Active in Agriculture

Total: 14,512,000

Ease of Doing Business - Rank of 189 Countries

Overall 129
Starting a Business 134
Getting Credit 13
Protecting Investors 98
Trading Across Borders 156
Enforcing Contracts 151

Top 10 Crops by Production (tonnes)

1. Sugarcane 5,822,633
2. Maize 3,600,000
3. Potatoes 2,915,067
4. Bananas 1,394,412
5. Cassava 893,122
6. Sweet Potatoes 859,549
7. Pulses 845,903
8. Wheat 441,754
9. Tea 369,400
10. Sorghum 166,627

Source: ReSAKKS 2014 - www.resakss.org
Status on Letters of Intent

Kenya has not yet worked with Grow Africa to undertake a promotional effort to generate Letters of Intent.

Nonetheless, in 2012, 5 companies issued Letters of Intent that made reference to working in Kenya.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 2 – Progress update</th>
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| **AGCO** Contribute to capacity building, knowledge transfer on the agronomic system, and the ** intensification of agriculture and farming mechanisation** by: 1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren; 2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and 3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital. | • Conducted several field trips.  
• Explored participation (concept phase) for a potato 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 with production risk coverage, accessing finance, and engaging in higher income-generating activities. | • Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets by expanding R4 Rural Resilience Initiative and International Finance Corporation-funded projects.  
• Held local trainings and awareness-raising events.  
• At pan-African level, 300,000 smallholders reached. |
| **Syngenta** Continue to **invest in the development of smallholder farmers**, including women and youth, by: 1. rolling out the Uwezo smallholder programme, including training and demonstration farms; 2. building a strong retail channel through training and development, using the company’s Retailer Engagement and Advancement Programme (REAP); and 3. developing Horticulture Centres of Excellence (HCEs) with USAID to train farmers on horticulture production and market access. | • Rolled out the Uwezo programme to 1 million smallholders through small affordable packs of inputs and training; expanding programme through lead farmer model and use of technology.  
• REAP programme rolled out to over 800 retailers; training focused on improving links to retailers, technology transfer and appointment of young person representatives.  
• In partnership with USAID, set up 7 HCE centres to train farmers on horticulture production and market access; 19,000 farmers reached to date and 850 ha cultivated with improved tools and productivity; plans exist to hire additional staff in 2014. |
## Goals

| Vodafone |  
|---|---|
| **Contribute to increasing the productivity, incomes and resilience of smallholders by:** | **Year 2 – Progress update** |
| 1. establishing, with USAID and TechnoServe, the Connected Farmer Alliance (CFA) for operation in Mozambique, Kenya and Tanzania to provide mobile agriculture solutions increasing resilience to shocks for 500,000 rural smallholders, of which approximately 150,000 will be women; | • In 2nd year of 3-year (Sept 2012-Sept 2015) CFA; reached 7,863 smallholders to date through management training in the 3 Alliance countries. |
| 2. optimising supply chains by strengthening linkages and feedback loops between smallholders and large agribusinesses; and | • Completed initial market research and field visits in Kenya. |
| 3. improving access to secure, timely payments and other financial services. | • Conducted stakeholder meetings and needs assessment for 7 supply-chain clients. |

The following investment plans exist, but no progress report has been shared for 2013.

### Goals

**Jain Irrigation**

In line with the national Vision 2030 strategy, contribute to **developing irrigation and enabling infrastructure** by:

1. developing an integrated agricultural cluster in an area identified as suitable; and
2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing.
FORWARD LOOK

PRIORITIES FOR PROGRESS

A focus on forging concerted public-private action to deliver the national vision

Kenyan agriculture benefits from Presidential-level commitment, a comprehensive strategy, and a dynamic private sector. Upcoming years will focus on concrete implementation through collaboration between the public and private sectors, both at national and county levels. To support growth in agriculture, country partners have identified the following priority areas for progress in 2014 and beyond:

- establishing a one-stop shop for companies that need to work with government on advancing investments;
- structuring financial instruments – such as a dedicated agribusiness fund – to bolster alternative agricultural initiatives amongst smallholder farmers, expand agribusiness ventures and support crop-specific value-addition initiatives;
- creating appropriate incentives to attract FDI through special economic zones, free-trade zones, industrial parks and clusters, and industrial mapping;
- instituting enabling policies and changes to improve global competitiveness and the ease of doing business;
- building attractive sectors where the country has a natural comparative advantage, including livestock, dairy, fisheries and horticulture;
- encouraging growth and investment for SMEs;
- Strengthen delivery capabilities, especially for structures such as the ASCU to concretely act on growth strategy targets for the sector; and
- advancing long-term infrastructure projects, such as the LAPSSET corridor and national expansion of irrigation, including by using public funds to leverage private investment.

Additionally, from 2014, Grow Africa will support Kenya in undertaking a promotional push to generate LoIs from committed companies.
For the Grow Africa Investment Forum 2014, Kenya has prioritised the dairy, meat products (leather), rice, mangoes, passion fruit, cashew nuts and soya value chains for B2B opportunities. The rationale is based on food security and the ability to increase incomes and create jobs, especially for young people and women. More generally, the following investment opportunities have been identified by the GoK:

**Rising domestic demand for rice offers good commercial prospects**

Rice is Kenya’s third most popular cereal and domestic consumption is rising 12% per year. Kenya produces just 110,000 of the 300,000 tonnes consumed locally each year, with the shortfall made up by costly imports from Asia. Import substitution offers a commercial opportunity that would attract government support in part to protect Kenyans from fluctuations in global food prices. In addition, a newly-developed IR522 strain of rice (which requires less water) has been created by the Kenya Agricultural Institute in partnership with the International Rice Research Institute in the Philippines, offering good prospects for a boost in rice production.

**Livestock and dairy potential of largest herd in the region waiting to be tapped**

The Government of Ghana has engaged the World The full potential of livestock and dairy in Kenya remains untapped, with huge growth possibilities for beef, leather products, and milk and milk by-products. With the largest dairy herd in east and southern Africa, Kenya has the capacity to meet local dairy demand as well as target regional markets. To facilitate the growth of these markets, Kenya’s government is set to initiate a programme for modern commercial livestock and dairy farming, focusing on securing forward contracts for various livestock and dairy products.

**Flagship irrigation scheme will open up new land for production**

The government has launched a programme to irrigate at least one million acres of land on the Galana-Kulalu Ranch. The transformation will entail production, harvesting and storage, agro-processing, packaging, and distribution and marketing along agricultural supply chains. Implementation has begun, with a pilot phase covering 10,000 acres of land aimed at drawing lessons on the performance of various crops, focusing on food crops, fruits (mangoes, passion fruit and avocado), livestock and fish. Beginning from the 2014-15 fiscal year, irrigation of 100,000 acres of land will be rolled out by the government to benchmark production costs and sale prices.

**New cashew sector project is set to crack the commercial nut**

Kenya’s ailing cashew industry, which provides a basic livelihood to 60,000 farmers, is set for a boost. Under a project involving the government, research scientists, processors and producers, aging trees will be replaced, farmers educated, credit made more readily available and market access improved. The Nut Processors Association of Kenya projects cashew output could quadruple by 2015 from the current 10,000 tonnes a year. Partners in the initiative include the Ministry of Agriculture, the Kenya Agricultural Research Institute, the African Cashew Alliance and the Cashew Growers Association. The scheme also involves distributing 180,000 seedlings every year for the next five years, training producers to better manage their harvested nuts, and forming farmers’ associations to facilitate better access to credit for inputs.

**Freshly-bored aquifer unplugs irrigation options for Turkana drylands**

A government-funded borehole has tapped the largest aquifer discovered in Kenya’s dry northwest region – Turkana County. The new source opens up prospects for a range of agricultural opportunities in the area, especially through irrigation.
New opening to create shared value for smallholders in Kenyan agribusiness

The Kenyan Agribusiness and Agro-industry Alliance (KAAA) and Enterprise Solutions to Poverty (ESP) have created an Action Platform with the objective of creating shared value with 3 million farmers by 2030 through company initiatives, collaboration and PPPs. Leaders of some of Kenya’s top agribusinesses and banks have participated in building the key activities of the Action Platform and have indicated their intention to lead and act as anchor supporters for the initiative. These include: BIDCO, Brookside, Nestlé, Syngenta, Sangana, Sasini, Vegpro, Equity Bank, Kenya Commercial Bank, the IFC, the Cereals Millers Association, and Amiran, with other leading agribusinesses and financial institutions invited to join. KAAA and ESP will serve as both catalysts and coordinators of the Platform’s work.

Points of contact for investments

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Ms Sicily Kanini Kariuki, Principal Secretary, Ministry of Agriculture | +254 20 2718870

Ms Lucy Muchoki, CEO, PANAAC & Coordinator, Kenya Agribusiness and Agro-industry Alliance | lmuchoki@kaaa.co.ke

Dr Moses Ikiara, Managing Director, Kenya Investment Authority | +254 730 104200 | info@investmentkenya.com
“We need a race to the top so that we have policies and regulations that protect human rights, the environment and that reduce poverty.”

Winnie Byanyima, Executive Director, Oxfam International
Malawi

Re-gearing towards high-value agricultural exports

Malawi is an attractive agri-investment destination due to its relatively abundant means of production, access to markets, and improving enabling environment. The country is endowed with a plentiful water supply, covering over 21% of its land area and giving the country huge irrigation potential for winter cropping, which, if efficiently managed, could ensure its transition to a net food exporter.

The country’s economy remains predominantly agro-based, with the sector accounting for more than 80% of export earnings and providing a livelihood for 85% of the population. Smallholder farmers contribute around three-quarters of agricultural production, with cropping systems dominated by a maize-based rainfed cropping system.

The Government of Malawi (GoM) launched the Green Belt Initiative in 2012 with a view to using the available water resources to increase production, productivity, incomes and food security at both household and national levels for economic growth and development. During the same year, the Office of the President and Cabinet spearheaded significant policy reforms geared to improving the environment for doing business.

2012 also saw the adoption of Malawi’s National Export Strategy (NES). Aimed at providing a 2013-2018 roadmap for developing a productive base for export competitiveness and economic empowerment, the NES prioritises clusters including for oilseed, sugarcane and manufactured products. The strategy is also central to accomplishing Malawi’s desired move into the export of high-value goods and services and to reducing Malawi’s reliance on the export of raw and semi-raw commodities, which have hitherto left Malawi’s poor and vulnerable exposed to the impact of commodity price fluctuations, crop failures, aid shocks and climate change.
The GoM joined the Grow Africa partnership in mid-2013 and has worked hard to create an enabling environment through various policy reforms (including the removal of export bans on all crops except maize) and by enacting legislation (such as the Anti-Money Laundering Act and the Credit Reference Bureau Act) for increased access to finance, which is being supported by various donors. Discussions on value-chain partnerships have been initiated, particularly on sugarcane.

The GoM has also commenced works on 530 ha (out of 6,293 ha) of the Chikwawa Green Belt Irrigation Scheme in Salima district. These include building a lake pump station, booster pump station, reservoir, pipeline, site office, workshop, ablution block and pivot areas, with overall progress at 80%. Under the Scheme, the GoM has secured lines of credit for $10 million and $40 million respectively from the Indian government for irrigation and mechanisation, as well setting up a sugar processing plant in Salima district.

However, the country has been grappling crises on several fronts, including a huge devaluation of the Malawi Kwacha, inflation, a major financial scandal (“cashgate”), as well as being immersed in election preparations, which has seen this initial impetus grind to a near halt. This has been compounded by the Minister of Trade and Investment, a champion of the New Alliance partnership, being chosen as running mate for the incumbent president in the May 2014 elections. These circumstances culminated in a cabinet reshuffle, a change of focus by the government and its development partners, and the suspension of aid by some donor agencies, with the net result that during late 2013 and early 2014 attention was significantly diverted from advancing efforts to unlock agricultural investment in Malawi.

Despite the backdrop of declining public-sector support, companies showed tremendous leadership in converting their commitments into actual investments. They invested in new or existing processing facilities and reached more smallholders through origination, capacity building and improved farming methods (e.g. Malawi Mangoes, Agora, RAB Processors, Universal Industries, and FUM). Others went further and also created a joint venture to overcome the problem of access to finance (BERL, NASFAM, Afri-Nut, and ExAgris). However, despite companies actively communicating key challenges to the government, the lack of public-sector support means that some companies have either cancelled planned investments or have reported suboptimal progress.
LETTERS OF INTENT

The Year in Numbers

26 Companies have Letters of Intent (LoIs)

Planned investment estimated at $177 million
19 of 26 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 44% Performing well
- 22% On plan
- 17% Minor problems
- 6% Major problems
- 11% Cancelled

18 of 26 companies provided data.

$31 million of investments made in 2013

- $25 million of capital expenditure.
- $6 million of operating expenditure.

9 of 26 companies provided data.

OUTCOMES REPORTED FOR 2013

2,750 jobs created:
- 5 of 26 companies provided data, of which 60% was gender disaggregated.

- 24% women
- 76% men

156,000 smallholders reached:
- 8 of 26 companies provided data, of which 38% was gender disaggregated.

- 62,000 with services
- 22,700 with sourcing
- 21,000 with production contracts
- 36,000 with training
- 75,750 unspecified

19% women
81% men
Leadership and alignment

- President Joyce Banda attended 2013 Grow Africa Investment Forum and led Malawi delegation to London meeting in July 2013.

- A high-level taskforce jointly chaired by relevant ministers and heads of donor agencies is up and running, though lacking sufficient representation of key government officials to drive implementation.

- 2013 saw a ministerial reshuffle and government attention diverted away from progressing agricultural priorities to deal with huge currency devaluation and inflation, “cashgate”, and 2014 election preparations.

Risk mitigation and financing

- Government legislation enacted to ease access to finance.

- Donor initiatives include: USAID $4 million partial loan guarantee for funding warehouse receipts and agri-SMEs; UNDP co-financing for innovation challenge fund in support of NES priority clusters; and long-term foreign currency-denominated lending for small and medium-sized (primarily agricultural) export investments from the European Investment Bank in partnership with a local commercial bank.

- Interest rates nevertheless remain prohibitively high and LoI companies perceive these ostensibly “top-down” initiatives as not responding to their financial needs.

Strategy setting

- Agriculture Sector Wide Approach (ASWAp) is in place and focuses on agriculture-led growth, supporting CAADP pillars and implementing Malawi’s Growth & Development Strategy.

- Although ASWAp and the NES highlight the importance of private-sector investment, they struggle to attract the comprehensive participation and collaboration from all ministries and stakeholders required to ensure their effectiveness.

- Economic Recovery Plan unveiled in July 2012 promotes investment and policy reform in key sectors but has recently stalled in the run-up to May 2014 national elections.

Infrastructure and policy

- Various policy reforms introduced, including removal of export bans on all crops except maize and on-going review to bring Seed Act in line with regional seed-variety release procedures and trade.

- Key policy challenges impacting private-sector agri-investment still need addressing, including the contentious Land Bill and the National Agricultural policy.

- Physical infrastructure works (rural road networks and market and storage facilities) are required to improve access to markets. High cost of electricity and transport are also continuing concerns.

Investment pipeline

- 7 bankable investment opportunities for value-chain partnerships have been profiled and are consistent with priority clusters identified in the NES.

- A number of Letter of Intent (LoI) companies have started strategic discussions which could result in partnerships across value chains.

- The Malawi Investment and Trade Centre (MITC) is in place as the ‘one-stop shop’ for investors, but needs sufficient capacity and authority to effectively facilitate investments.

Delivery and implementation

- Limited coordination between the various GoM departments responsible for facilitating investments (Ministries of Agriculture, Trade, Lands, Water, Finance and Roads), while the effectiveness of sector working groups established in agriculture and trade to coordinate and monitor implementation progress remains constrained.

- Delivery mechanisms such as the MITC are not adequately resourced and empowered.
Around 4 million small-fruited mango trees grow along the shores of Lake Malawi. Over 85% of the fruit from these trees is wasted every season. The founders of Malawi Mangoes (MM) spotted a business opportunity that could leverage this oversupply, turning what was close to a zero-value product for smallholders into a lucrative source of income.

MM realised that by “top-work” grafting internationally-recognised mango varieties onto the small-fruited trees, it was possible within 18 months to turn trees producing low-value local mangoes into trees producing improved high-income-generating varieties.

Trading since January 2011, the company is currently constructing a world-class fruit processing facility in the Salima district, with commercial trials due to take place in 2014. However, the mango season in Malawi only lasts for approximately 2.5 months in a year and cannot guarantee year-round supply to the factory. MM has accordingly decided to expand into banana processing, sourcing produce exclusively from its anchor farms during the initial years (to ensure disease protection and best-practice production), while mangoes will be sourced 100% from smallholders for the first 3 years.

All MM farms will be Rain Forest Alliance-certified, a key indicator of proper soil management, environmental protection and agriculture sustainability, with MM’s banana plantation on-track to becoming the first such certified banana plantation in Africa by mid-2014.

Widespread interest in these operations from regional and international customers has boosted MM’s demand for guaranteed supplies of high-volume/high-quality mangoes, bananas and other produce for processing, in turn requiring local smallholders to improve farming techniques and expand production to fill this gap.

To address this need, and building on Malawi’s Green Belt Initiative, MM in partnership with the ImagineNations Group will establish a 500 ha Incubator Farm as a revolving training resource, leased every year to a new “class” of 1,000 smallholders. Participating growers will be guided in cultivating target crops using MM-endorsed farming practices, in close proximity to MM’s processing plant and with MM also facilitating market linkages. It is envisaged that within 5 years the Incubator Farm will have trained over 5,000 mostly young people in higher-value horticulture and irrigation techniques while being linked to a guaranteed market, with knock-on benefits for community farming practices once they return to their village plots.
Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Access to finance**: Prohibitively high interest rates and lending conditions are preventing growth. Agribusinesses require large working capital, yet interest rates of over 40% are constraining private-sector development of the sector. In addition, a number of donor initiatives already in place and aimed at addressing this constraint are perceived by the private sector as not responding to the kind of long-term perspective that is paramount for agricultural projects to be transformational and sustainable.

2. **Access to certified seed**: The way in which seed monitoring is structured significantly restricts access to good seed varieties, despite the existence of Malawi-ratified Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) protocols on sharing seed varieties across the region. Unlocking this constraint would stimulate agricultural development in the country through the full implementation of the SADC Harmonised Seed Regulatory System.

3. **Access to land and water**: The GoM has committed to releasing 200,000 ha (with supporting infrastructure) for large-scale commercial agriculture by 2018. Companies are suggesting a pilot scheme be introduced (involving 3,000-5,000 ha of irrigated land in several locations across Malawi) as a basis for eliciting learnings to enable the right parameters to be set for the roll-out of the full 200,000 ha, and have indicated their willingness to invest in pivot irrigation on these farms.

The Green Belt Initiative will tap in to Malawi’s enormous water resources for agricultural production.
The Malawi economy is largely agro-based, with agriculture contributing around 38% of GDP. Roughly a third of the rural population is directly engaged in agriculture as an economic activity with a large majority of that agricultural labour force composed of women (60 percent). Malawi’s agricultural sector currently produces Cassava, Maize, Potatoes, and Sugarcane in significant quantities. It produces 12 percent of Africa’s annual Potato production.

During the period 2006-10, Malawi experienced strong economic growth averaging 7.1%. This provided the GoM with sufficient fiscal breathing space to redirect spending to growth-enhancing programmes, such as the Farm Input Subsidy Programme (FISP), with up to 28.9 percent of annual public expenditure into agriculture – far exceeding the CAADP target. This public investment further advanced agricultural growth and contributed to a decline in poverty for Malawi’s 16.8 million persons, from the extreme of 73% in 2005 to 61% in 2010. Malnutrition is relatively low compared to other sub-Saharan countries at 13.8% of the population.

However, owing to ill-advised macroeconomic policies, such as rising budget deficits in an overvalued exchange rate regime, the economic situation worsened, with real GDP growth declining from 6.5% in 2010 to 1.9% in 2012. During this same period, the International Monetary Fund’s Extended Credit Facility (ECF) programme with Malawi was also declared off-track, leading to a decline in donor support for the country.

Since April 2012, President Joyce Banda’s government has embarked on economic and governance reforms to address Malawi’s macroeconomic imbalances and encourage resumption of donor support. Recent indications suggest an improving macroeconomic environment with slowing year-to-year headline inflation and the stabilisation of the Kwacha. Malawi’s economy is projected to grow at 5% in 2013 up from 1.9% in 2012, in addition to a 5.7% rise in agricultural output. With 84% of Malawians living in rural areas, rural growth through agricultural transformation is clearly critical as Malawi strives to reduce the number of its people living in absolute poverty.

CAADP TARGETS

<table>
<thead>
<tr>
<th>Child malnutrition: % of children under 5 underweight (World Development Indicators 2010)</th>
<th>Poverty: % living below $1.25/day (World Development Indicators 2010)</th>
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<tbody>
<tr>
<td>13.8%</td>
<td>61.6%</td>
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</table>

Public agriculture expenditure share in total public expenditure 1990 - 2010

Source: www.resakss.org
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 16,829,000
Rural population: 14,115,000

Population Economically Active in Agriculture

Total: 5,527,000

Ease of Doing Business - Rank of 189 Countries

Overall 171
Starting a Business 149
Getting Credit 130
Protecting Investors 80
Trading Across Borders 176
Enforcing Contracts 145

Top 10 Crops by Production (tonnes)


Source: ReSAKKS 2014 - www.resakss.org


Goals Year 1 – Progress update

**Afri-Nut**
Contribute to adding significant value to Malawi groundnut production and creating additional income for groundnut producers by:
1. increasing European aflatoxin standard- and Fairtrade certification-compliant groundnut production to 4,000 tonnes p.a.;
2. designing, contracting and building a new groundnut processing factory and ordering and importing new machinery; and
3. providing training and employment for smallholder farmers in the sector.

- Significantly improved the quality of groundnut processed, but only produced 300 tonnes of compliant product, with the target for 2014 being 1,500 tonnes.
- Completed the design phase of the groundnut processing factory.
- Training programme will start in 2014. Currently working on a £3 million project with the Dutch government to expand the groundnut processing facility and take more produce from smallholders.
- Plans are also underway for a joint venture with BERL, ExAgris Africa and NASFAM to form Afri-Oils, which will entail setting up operations at a separate new oil production facility, which will source around 8,000 tonnes of groundnuts from farmers.

**AGCO**
Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by:
1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

- Further in-country exploration visits planned.
- Efforts to forge links in the regional cluster with Mozambique, Tanzania and Zambia are envisaged.

**Agora**
Help forge empowering linkages between grass-root farmers and urban high-quantity consumers of farm output commodities (such as maize, soya beans, groundnuts, sunflower and pulses) by:
1. building and commissioning a $4.7 million Toor Dhal (or pigeon pea) plant in Malawi’s southern region, with anticipated production volumes of 28 tonnes a day; and
2. purchasing appropriate land to accommodate storage space and production plant ($0.5 million), procuring plant equipment ($2.4 million), building and commissioning warehouses and factory ($1.8 million), and training employees in production and packaging of finished product.

- Sourced around 15,000 tonnes of commodities from the company’s outlet shops in the south, between 30-40,000 tonnes from the centre, and 20-30,000 tonnes from the north through its networks. Approximately 50% is directly sourced from smallholders (of whom about 70% are female).
- Secured $3 million to start constructing a 4,000 sq. m. facility to house its entire operations, including warehouses (ready within 7-8 months) and Toor Dhal plant (completion expected within 2 years).
- Sharing plans and engineering requirements with Indian leading brand Laxmi Toor Dhal, which will buy from the factory once production commences.
**Alliance One Tobacco (Malawi) - AOM**

Produce support and investment for developing and empowering smallholder and women growers by:

1. upscaling production (for all sales including under the Integrated Production System – or IPS, contract marketing and auction) from 36,000 to 300,000 tonnes of maize, from 1,600 to 145,000 tonnes of soya, from 6,800 to 40,000 tonnes of flue-cured tobacco, and from 50,000 to 90,000 tonnes of burley tobacco;
2. increasing related employment from 71,000 to 181,000;
3. expanding land utilised in production from 61,000 ha to 181,000 ha; and
4. developing one or more academies to enhance growers’ agronomic and business abilities, and establishing one or more research farms to develop world-class high flavour/aromatic burley styles.

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**Bio Energy Resources (BERL)**

Develop the production, processing and trade of oilseed commodities (jatropha nuts for bio-fuel/feriliser and sunflower seed for cooking oil and animal feed) for domestic consumption by contributing to:

1. local value addition (reducing imported cooking oil requirement by $45-50 million p.a.) through enhancing its oilseed processing facility with an additional oil press and further seed/oil cleaning and storage equipment worth $600,000; and
2. rural household incomes, poverty reduction and food security through the enrolment of additional beneficiaries benefiting from annual incomes generated via sales of sunflower seed.

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**Bunge**

Contribute to sustainably ensuring food security and high-quality agri-products by:

1. working with smallholders in partnership with organisations like the Farmers Union of Malawi, the Clinton Development Initiative, and the National Smallholder Farmers Association of Malawi to promote the growing, structured marketing and export of soya beans worth $9 million for 2013-14; and
2. across sub-Saharan Africa, investing in agribusiness, food and ingredients, and sugar and bioenergy.

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**Citrefine Plantations Malawi**

Contribute to boosting production of high-value oils (such as eucalyptus, geraniums and lemon grass) as inputs for insect repellents and cosmetics by:

1. investing $2.5 million over five years to increase the Viphya Forest Reserve plantation by 1,500 ha, with a potential yield over 50 tonnes of oils p.a. and revenues (at present all from exports) of $2 million p.a.; and
2. improving nursing and seedling, developing a smallholder out-grower scheme, increasing tree planting, supporting ecotourism in the forest reserve, improving electrification, and doubling employees to 600 people.

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**Year 1 – Progress update**

- 2012 government approval for IPS officially gazetted in 2014.
- In respect of IPS smallholder farmers, scaling up production of burley to 26,000 tonnes, flue-cured to 9,000 tonnes (doubling smallholder volumes from 2,500 to 5,000 tonnes) and maize to around 55,000 tonnes.
- Expanded agronomy department by 200 people in preparation for wider rollout of IPS, training 21,000 smallholders.
- Cultivated 19,000 ha under new technologies and improved methods.
- Financed input for farmers worth $20 million, invested additional $1.3 million on new technology in factory, $1.1 million in agronomy, and purchased a 670 ha farm for R&D.
- Proceeding with reduced-scale proof-of-concept on sustainable soya production.
- Economies of scale for expansion necessitated 2 additional oil presses, but the required finance has not been realised.
- As at end of 2013, discussions were underway with ExAgris Africa, NASFAM and Afri-Nut to form a joint venture known as Afri-Oils to operate a larger capacity oilseed production facility, which will take over BERL’s business and likely require its Letter of Intent to be reissued in the new entity’s name.
- Original 2013 business plan called for procurement of 20,000 tonnes of crops for export, only 5,000 tonnes of which were sourced, from 1,700 smallholder farmers in the central region of the country.
- The business has been idled, with operations expected to recommence in 18-24 months, depending on economic conditions.
- Produced and exported 2.5 tonnes of lemon eucalyptus oil (LEO) to South Africa.
- Planted 700 ha of lemon eucalyptus (target of 240 ha for 2014), with trial plots of 230 ha of lemon eucalyptus and 5 ha of lemongrass (including 15 ha with out-growers) expected to yield 4 tonnes of LEO in 2014.
- Invested $2.25 million since 2009 with foreign private-investor loans.
- Produced around 2 million seedlings in nursery to plant for oils.
- Employed 200 people plus 4 volunteers on various programmes.
- Developed a small ecotourism project centred on a company-run guesthouse.
Goals

<table>
<thead>
<tr>
<th>Competitive African Cotton Initiative (COMPACI)</th>
<th>Year 1 – Progress update</th>
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<tbody>
<tr>
<td>Contribute to improving the livelihoods of smallholder cotton farmers by:</td>
<td>• Continuing with strategic investment plans through to 2015.</td>
</tr>
<tr>
<td>1. convening investment in the cotton value chain from corporate partners to train farmers in soil/water conservation, balanced crop rotation, and business principles;</td>
<td>• In partnership with Plexus Cotton Limited and Great Lakes Cotton Company, reached over 53,000 smallholders to purchase around 10 tonnes of seed cotton, of which approximately half is “Cotton made in Africa” verified, and produced over 1.7 tonnes of “Cotton made in Africa” verified lint.</td>
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<tr>
<td>2. expanding cotton demand by promoting the “Cotton made in Africa” brand; and</td>
<td>• Trained around 39,000 smallholders in 2013.</td>
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<tr>
<td>3. linking smallholders to larger markets by partnering with the “Better Cotton Initiative”.</td>
<td>• Plans underway to invest $3.4 million over 2013-2015 to reach 65,000 farmers.</td>
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<tr>
<th>Dairibord Malawi Private (DML)</th>
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<tr>
<td>Progress export-oriented growth in milk production through commercialisation by:</td>
<td>• Invested in 3 new collection centres for smallholders; installations complete but still chasing electricity company for power connection, with centres due to commence operating from 1 March 2014.</td>
</tr>
<tr>
<td>1. investing $3 million in small-scale dairy development and the set-up of three large-scale commercial anchor farms, as well as purchasing equipment for value addition targeting both domestic and export markets; and</td>
<td>• No progress on commercial anchor farms due to absence of suitable partners with land, and lack of reasonable-cost medium- to long-term financing vehicles.</td>
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<tr>
<td>2. importing at least 100 dairy animals for distribution to small-scale farmers, providing training and support to smallholders, and identifying local partners with suitable land for investment in commercial dairy farming, thereby creating at least 450 new jobs.</td>
<td>• Purchased equipment for value addition in Q4 2013, with plans to invest further in 2014 depending on supply response.</td>
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<td>• Full-time extension worker hired to support farmers.</td>
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<td>• Expenditure to date estimated at $400,000.</td>
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<tr>
<th>ExAgris Africa (EAA)</th>
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<tr>
<td>Contribute to enhancing certified seed and agri-food production by:</td>
<td>• Completed electrification on an estate for irrigating around 280 ha.</td>
</tr>
<tr>
<td>1. investing around $2 million in completion of 450 ha of electrified irrigation, mechanised groundnut grading, soil fertility improvement and extended use of arable land;</td>
<td>• Engaged with government through technical working group on availability of certified seed in Malawi.</td>
</tr>
<tr>
<td>2. increasing the value of non-tobacco exports of over $1 million (paprika and groundnuts) and employing 200 additional staff, while creating 1,500 part-time jobs; and</td>
<td>• Cropping plan for non-tobacco commodities increased by 250 ha (50 ha for paprika and 200 ha for groundnuts), which will deliver around 400 tonnes of additional seed.</td>
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<tr>
<td>3. contributing 500 tonnes of maize/maize flour, 500,000 litres of vegetable oil, and 75 tonnes of beef to the national food basket, while supplying 200 crossbred heifers annually to smallholder dairies.</td>
<td>• Targeting to buy more groundnuts (350 tonnes) and paprika (200 tonnes) from same group of roughly 15,000 smallholders in 2014.</td>
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<td></td>
<td>• 20,000 smallholders registered and 50 head of cattle supplied.</td>
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<td></td>
<td>• In talks to form the Afri-Oils plant oil production joint venture with Afrinut, BERL and NASFAM.</td>
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<th>Farmers Union Malawi (FUM)</th>
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<tr>
<td>Promote the participation of farmers in the design, implementation, and monitoring of policies and programmes to improve their livelihoods by contributing $2.5 million annually towards:</td>
<td>• With support from Swedish organisation We Effect, established demonstration plots on how to economically produce cotton, and built capacity of Cotton Farmers Association of Malawi to effectively engage in national cotton negotiation meetings.</td>
</tr>
<tr>
<td>1. strengthening farmers’ competitiveness in various agricultural value chains through development of agricultural cooperatives, promotion of agribusiness, market access and policy advocacy; and</td>
<td>• Trained farmers on collective marketing, enabling those adopting changed practices to fetch price premiums up to double their prior selling price.</td>
</tr>
<tr>
<td>2. increasing the production and marketing of strategic agricultural commodities such as cereals, oilseeds, fruits, vegetables and dairy by more than 500,000 smallholders and approximately 500 medium and large-scale farmers.</td>
<td>• Ran farmer training workshops on how to engage with Malawi’s Agricultural Commodity Exchange (with support from USAID-funded company DAI).</td>
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<tr>
<td></td>
<td>• Strengthened farmer organisations’ policy engagement capability at local, district and national levels (with funding from USAID).</td>
</tr>
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## Goals

### Malawi Mangoes
Deliver positive development outcomes to Malawians through a viable commercially-driven agribusiness by:

1. constructing a 10,000 sq. m. world-standard fruit processing facility, with over 100,000 tonnes of fruit processed every year (sourced also from smallholders);
2. developing and irrigating over 350 ha of Rainforest Alliance-certified farmland initially and a further 1,000 ha in the following year, one-third being smallholder land capable of generating incomes of over $10,000 p.a. per farmer; and
3. establishing an out-grower scheme involving 2,000-3,000 smallholders, yielding an average net benefit of over $100 per household.

### Year 1 – Progress update
- Building an international-standard fruit processing facility in Salima, with a large-volume customer already secured.
- Registering and working with over 4,000 smallholder mango growers (one-to-one relationships, now being organised into collectives).
- Irrigated 68 ha (out of target 350 ha), as required G8 enabling support has not yet kicked in.
- Necessary machinery either imported or commissioned, with commencement of operations only delayed by onset of rainy season.
- Recruited all key staff, with over 500 currently employed.

### Monsanto Malawi
Contribute to strengthening hybrid seed, vegetable and crop-protection product value chains by:

1. advancing existing testing efforts, focusing on the introduction of high-quality and high-yielding conventional hybrid seed maize varieties and Bollgard insect-protected cotton; and
2. investing working capital to enable normal business operations and meet all biosafety standards prior to commercial introduction.

### Year 1 – Progress update
- Introducing high-quality, high-yielding conventional hybrid seed maize varieties and Bollgard insect-protected cotton.

### Mpatsa Farms
Add value to existing farming and aquaculture operations through an investment of approximately $2 million to:

1. introduce irrigation farming for rice, cotton, soya and maize, soliciting irrigation expertise and purchasing irrigation equipment; and
2. expand its aquaculture venture by breeding fish species such as chambo, makumbi and catfish, involving the construction of additional dams and the introduction of cage culture.

### Year 1 – Progress update
- Constructed 2 additional dams and put in various fish types, then stopped and channelled resources to tobacco farming.
- Bought 3 pumps (198 hp, 174 hp and 125 hp respectively) to enhance irrigation.
- Switched from rice and cotton production to tobacco commercial farming due to preferential pricing; initial 60 ha increased to 180 ha in February 2014, with expected average yield of 2.5 tonnes/ha.

### National Smallholder Farmers’ Association of Malawi (NASFAM)
Improve the livelihoods and market access of smallholders by:

1. enlarging NASFAM’s seed multiplication and supply programmes for groundnuts, soya and pigeon peas to reach over 100,000 smallholders, particularly expanding certified seed supply for commercial sale to 1,000 tonnes p.a.;
2. developing rice export markets for 250 tonnes p.a. and increasing groundnut and soya trading to local and external markets by 3,000 tonnes; and
3. providing $3 million worth of production training to smallholders annually.

### Year 1 – Progress update
- Hired 10 additional staff.
- Procured and distributed certified seed to, and expanded programming to reach, 41,000 smallholders.
- In talks to form the Afri-Oils plant oil production joint venture with Afri-Nut, BERL and ExAgris Africa.

### Panthochi Seed Company
Improve access of local farmers to high-quality certified seeds by:

1. expanding seed production to create self-sustainability and income independence of smallholders; and
2. subject to the GoM meeting commitments under the NES, purchasing farming machinery to assist in up-scaling the company’s seed production.

### Year 1 – Progress update
- Produced early maturing seeds, and sensitised customers to the need for conservation agriculture, crop diversification, and cultivation of trees that will help rehabilitate soil fertility.
- Donated seeds to winter farmers in Mulanje and Nsanje as partnership negotiations failed.
- Mass production currently hampered as operations are performed manually; the farming, grading, processing and packaging machinery required to up-scale will not be available for another 3-5 years.
### Press Agriculture (PAL)

**Goals**

Strengthen agricultural commodity value chains by:

1. restructuring its operations and expanding in seed cropping and marketing to fill the certified seed availability gap, as well as oilseed production (groundnuts, soya and sunflower);
2. investing $5 million over five years in oil crushing and refining, and livestock production for beef and related products; and
3. conducting out-grower schemes, using PAL’s estates as anchor farms to train and improve local farmers’ production capacity.

**Year 1 – Progress update**

- Cancelled Letter of Intent.
- Planned investments put on hold due to funding problems, as the cost of finance in Malawi remains very prohibitive and the macroeconomic environment has been judged unconducive.

### RAB Processors

**Goals**

Expand the market for smallholder inputs to fortified and nutritious food products by:

1. increasing the production of leguminous crops to expand Malawi’s export base whilst improving the nutritional status of the population;
2. contributing investment of $8-10 million, along with knowhow and resources, to identify investment and technical partners, carry out R&D, and impart skills and guidance to farmers; and
3. conducting research to add value to basic legumes (such as groundnuts and soya beans) to produce textured vegetable protein, quality edible oils and high-energy supplements.

**Year 1 – Progress update**

- A factory with a capacity for processing around 30,000 tonnes of soya is under construction and due to commence operations from June 2014.
- Sourced produce directly from around 30,000 smallholders around the country.
- Planning to hire around 100 staff between April and September 2014.
- Working with Global Compact to ensure compliance with best practice for responsible agri-investment.
- The GoM is expected to facilitate direct linkage with farmers through contract farming.

### Seed Co Malawi (SCM)

**Goals**

Develop and market certified crop seeds by:

1. investing $8 million to build a new processing complex in Lilongwe, including modern offices, a warehouse, and a seed processing plant for maize, soybean and beans;
2. installing a $1 million cotton acid de-linting plant in Lilongwe; and
3. developing improved rice varieties with a Consultative Group on International Agricultural Research (CGIAR) partner.

**Year 1 – Progress update**

- Letter of Intent cancelled following a restructuring of the company’s shareholding in November 2013.
- All engagements entered into prior to this will require re-endorsement before to be recognised.

### Swiss Re

**Goals**

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.

**Year 1 – Progress update**

- Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets through International Finance Corporation-supported projects.
- At pan-African level, 300,000 smallholders reached.

### Universal Industries

**Goals**

Contribute to value addition of locally-grown commodities by:

1. producing breakfast cereals with local rice and maize, entailing supply chain organisation, technical backstopping, machinery procurement and job creation;
2. producing extruded soya TVP, and, through collaboration with the Malawi Industrial Research and Technology Development Centre (MIRTDC), a complete “instant” soya meal by adding dehydrated vegetables sourced from SMEs to be created in the value chain; and
3. using defatted soya flour from oil processing as a base for the fully locally-made instant nutritious porridge (Nutri Gluco Phala).

**Year 1 – Progress update**

- Secured board approval for installation of soya processing line and oil refinery, with operations, staff recruitment and procurement of produce for the new processing facility due to commence in March 2014. Oil refined will be used internally as import substitution.
- Produced flavoured, high-protein basic soya pieces.
- Produced nutrition soya bar aimed at pregnant women and nursing mothers.
- Intensive collaborative research underway with MIRTDC for production of a complete “instant” soya meal, expected to be on-shelf within one year.
The following investment plans exist, but no progress report has been shared for 2013.

### Goals

**Export Trading Group (ETG)**
- Pursuing integrated farming, trading and processing of agricultural commodities through an end-to-end supply-chain solution by:
  1. investing $20 million to establish an integrated cotton processing facility in Blantyre, supply-chain infrastructure and expanding soya bean, pigeon pea and maize processing facilities;
  2. expanding processing capacity by 100,000 tonnes, and extending silo, warehouse and transport capacity to handle an additional 50,000 tonnes of commodities;
  3. setting up a tractor and farm equipment showroom and training centre in Lilongwe; and
  4. working with smallholders for the transfer of technology and best practices.

**Illovo Sugar Malawi (ISML)**
- **Enhance domestic food crop production by:**
  1. investing around $30 million to increase sugar production by 30,000 tonnes p.a. through incremental expansions at ISML’s Dwangwa and Nchalo estates;
  2. up-scaling its food crop production by planting 50 ha of maize at both estates in 2013; and
  3. investing approximately $800,000 to develop 50 ha of irrigated food crops and produce three rotational crops p.a. at Kaombe estates, to be expanded to 100 ha in 2014, with support from the GoM, and ISML’s community trust and development partners.

**Limbe Leaf Tobacco Company (LLTC)**
- **Promote wellbeing, financial security and environmental sustainability in tobacco production and handling through investment of at least $30 million to:**
  1. expand LLTC’s farmer contracting programme and increase the average maize yield from 1.8 to 3.3 tonnes/ha by 2014, increasing household agricultural income from $280 to $600 p.a.; and
  2. provide pre-financing and guarantees to banks for pre-contracted smallholders, inputs (e.g. fertiliser, seed), technical extension services, and water management training, as well as support for a long-term reforestation programme.

**Standard Bank Malawi**
- **Improve access to financial services for individual growers and local and international agribusinesses by:**
  1. advancing commodity and production finance in pursuance of Malawi’s NES, in particular for the oilseed cluster, to increase productivity and in-country value addition; and
  2. over the first twelve months, financing projects in line with the NES.

**Tapika Food Products**
- **Improve the food security, nutritional status and livelihoods of farming households through honey production (as an additional activity to their traditional crop cultivation) by investing $1.5 million to expand the company’s bee-keeping project to other regions of the country, benefiting an estimated 4,000 families (subject to the GoM meeting commitments under the NES).**

*Afri-Seed seeks equity investors to expand its groundnut seed production.*
FORWARD LOOK

PRIORITIES FOR PROGRESS

Election outcome likely to shape priorities ahead

The overarching short- to medium-term goal is to turn agriculture into a pivotal driver of economic growth through commercial up-scaling and value addition, and make it a catalyst of wealth creation for commercial farmers and their communities.

Within this broad perspective, the focus in 2014 will be on reviewing the Investment and Export Promotion Act to strengthen the legal mandate of the MITC, developing policies and legislation for the establishment and management of Special Economic Zones, and re-examining fiscal incentives with a view to improving the enabling environment.

The GoM will also be working towards readying the Chikwawa Green Belt Irrigation Scheme in Salima to commence operations in 2014, and will continue to source initial investment capital for irrigation infrastructure while at the same time promoting public-private partnerships to ensure a commercial outlook for agricultural enterprises. In particular, the GoM will be seeking a private, medium-scale anchor farmer to partner with to boost agricultural production under the scheme. The model will be replicated in other identified schemes under the Green Belt Initiative.

The government will also be investing in developing dry ports at strategic points within transport corridors, boosting rail infrastructure, developing technology-based investments, and aggressively promoting commercial-scale agriculture and value addition in the sector.

Nevertheless, as Malawi heads to the polls in May 2014 for presidential, parliamentary and local elections, the outcome will most likely have a strong bearing on the elected government’s priorities for agriculture.

For the private-sector companies that signed Letters of Intent, three immediate priorities stand out corresponding to the previously-cited constraints identified by them, namely, access to finance, certified seed, and land and water resources.

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

Investment and Partnering Opportunities

Opening to invest in groundnut seed production

Malawi has a history of supplying high-quality groundnuts to the global market, used primarily in the confectionary industry, although a number of other end-uses and by-products exist including peanut oil, snacks, livestock feed and input into ready-to-use therapeutic foods (RUTFs).

Malawi’s above-average yields and high production volumes make it an ideal country from which to serve growing groundnut demand. However, concerns over aflatoxin – a fungus that infests groundnuts due to excess moisture in the postharvest phase – have resulted in the country losing much of its global share of the market, and can be attributed to poor postharvest handling techniques employed by groundnut producers, who are predominantly smallholder farmers.

To tap into this lucrative market opportunity, established seed processor Afri-Seed is seeking equity investors to inject $1.5 million into its groundnut seed production business (for a 49% stake in the company), with the aim of achieving production levels of around 7,500 tonnes p.a. of European aflatoxin standard- and Fairtrade certification-compliant seed. The investment...
will be used to procure inputs, machinery, equipment and storage facilities, with around 1,300 women farmers in Salima, Kasungu and Mchinji also engaged.

Other nut value chain opportunities include:
- investing in an existing plant processing peanuts into a paste that can be marketed both locally and abroad, such as for use in peanut butter, RUTFs and flavourings;
- investing in a plant producing peanut oil for both domestic (import substitution) and export markets; and
- investing in simple value addition to raw groundnuts through salting, roasting and packaging as snack food for domestic and regional markets.

**Key partner sought for expansion into Textured Soy Protein (TSP) production**

The high nutrition value of soybeans, as well as their popularity in a variety of traditional meals (particularly in Asia) and their inclusion in numerous products especially as a healthy alternative to other oils and as a protein replacement for meat, make soybeans an exceptionally versatile crop.

Malawi is a major regional soybean producer and is well-positioned to serve local and regional markets through expected increases in production levels. RAB Processors is seeking a strategic partner to invest $6 million in plant and equipment to diversify into the production of TSP.

A leading company in the agro industry in Malawi operating since 1983, RAB Processors specialises in value addition and trading in locally-grown produce. The company is a pioneer in nutritional, fortified food products in Malawi and is helping to improve the quality of life of the underprivileged and malnourished.

**Prospects in pigeon pea production and processing**

Malawi is a highly-attractive destination for investment in the pigeon pea value chain. It has strong market potential both domestically and globally, particularly in India, Europe and North America. Within Malawi, pigeon peas exhibit the highest production growth of all crops analysed and the third-highest local consumption growth (around 8%) after groundnuts and cassava, respectively.

The crop’s nitrogen-fixing properties represent an added boon for the close-to 1 million smallholders engaged in pigeon pea production, who often do not have access to the necessary inputs required to otherwise maintain soil health.

Specific investment opportunities exist in the pigeon pea industry, including:
- investing in an established dhal processing plant principally for export to markets in Asia (especially India), Europe and North America; and
- investing in irrigation for large-scale pigeon pea cultivation, enabling year-round production for sale both domestically and to international markets.

The primary investment would be in setting up the irrigation scheme, although there is potential to combine this with government investments, such as the Green Belt Initiative. The anticipated use of a nucleus-centred out-grower scheme is also likely to help ensure sufficient land can be acquired to maximise output.

**General point of contact for investments**

Potential investors wishing to express their interest or find out more should get in touch with:

**Joshua Nthakomwa,**
Director of the Investment Promotion and Services, Malawi Investment and Trade Centre (MITC) | jnthakomwa@mitc.mw | +265 (0) 1 770 800 (landline) | +265 (0) 888 858 374
Mozambique

Attracting investors to fertile growth corridors

Agriculture is a key priority for the Mozambican government as a means to reducing poverty and attaining food security. The country’s 10-year Strategic Plan for Agricultural Sector Development (PEDSA) outlines a vision of an integrated, prosperous, competitive and sustainable agriculture sector. The strategy targets 6 corridors as key catalysts to drive agricultural development in the country and align efforts across the public, private, and development sectors. These corridors were strategically selected for their huge crop and food production potential and with a view to promoting greater social and gender equity within the country.

Mozambique boasts ideal growing conditions – plentiful water supply combined with diverse microclimates – to support a broad range of agricultural commodities. The government is also committed to improving the business environment in the country, working with other stakeholders to implement reforms in key areas, and, consequently, attracting more investment to the sector. Institutional support is offered through government agencies dedicated to facilitating investment, such as the Centre for Agriculture Promotion (CEPAGRI) and the Investment Promotion Centre (CPI), as well as through a number of incentives, such as exemption on equipment importation duties, reductions in corporate income taxes, and low-cost land. A National Agribusiness Forum has also been established to enable the private sector to access and exchange information on investment opportunities within the country.

With these conducive conditions in place and its easy access to major international markets, Mozambique is attracting a growing number of serious agricultural investors.
2013 IN REVIEW

PROGRESS

High investor interest demands scale-up of facilitation support

In early 2013, 17 companies signed Letters of Intent (LoIs) for Mozambique linked to Grow Africa. These outlined company plans to contribute to sustainable agricultural development through specific investments in numerous commodities and value chains. During 2013, many of these advanced positively if slowly. A few companies made great progress, such as SABMiller’s 450% growth in their locally-sourced cassava beer, and Sunshine Nuts, whose factory is now exporting to South Africa and the US.

The majority of companies reported progress in laying the necessary foundations for future scale-up, especially of smallholder sourcing and production. For example, Corvus is investing in a 600 ha macadamia farm, and Cargill surveyed the country for suitable out-grower farm locations and established the basis for long-term off-take agreements to source maize from 50,000 smallholders by 2018. Nearly all companies making progress are working in partnership with donors, NGOs, the government or impact investors to help overcome pre-competitive barriers to investment.

However, despite this progress by companies and the country’s overall attractiveness, the private sector is cautious about investing due to a range of constraints, including poor access to infrastructure, bureaucracy, cost of finance, taxes, policy and regulatory issues, and limited technical capacity. Several planned investments were severely delayed, revised or cancelled for such reasons. The government, along with some partners, is working to overcome these barriers by making major upgrades to road and rail networks, keeping central bank interest rates low, providing loan guarantees, and clarifying processes for investors through the creation of manuals for investing in the country.

CEPAGRI has also established a small investor facilitation team to service companies in need of investment assistance or basic agribusiness information. Given growing demand from a wide range of potential investors, a dedicated consultant was hired (with USAID funding) to support those companies with LoIs. To date, the facilitation team has attended to the needs of 71 companies, both national and international, some of which CEPAGRI continues to provide assistance to after the initial inquiry. A number of companies have advanced significantly with registration and expansion of their activities within the country. The facilitation team has also assisted the signing of an investment agreement with the Dutch Agricultural Trade and Development Company (DADTCO), and helped broker a Memorandum of Understanding between an international firm and the Mozambican Cotton Institute.

Nevertheless, increasing demand from new and long-standing partner companies is stretching CEPAGRI’s capacity. Investor facilitation efforts would be greatly improved if assistance could be accompanied by data collection, compilation and dissemination, with partners also supporting additional staffing within the current structure.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing “Letters of Intent”. For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

20 Companies have Letters of Intent (LoIs)

Planned investment estimated at $173 million

4 of 20 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 7% Complete
- 20% Performing well
- 33% On plan
- 27% Minor problems
- 7% Major problems
- 7% Cancelled

15 of 20 companies provided data.

$91 million of investments made in 2013

- $90 million of capital expenditure.
- $1 million of operating expenditure.

6 of 20 companies provided data.

OUTCOMES REPORTED FOR 2013

1430 jobs created:

- 67% Male
- 33% Female

225,000 smallholders reached:

- 67% Male
- 33% Female

2201 with sourcing
56,873 with training
166,880 unspecified

5 of 20 companies provided data, of which 60% was gender disaggregated.

10 of 20 companies provided data, of which 30% was gender disaggregated.
Leadership and alignment

- Agriculture is a key priority for the Mozambican government.
- The country’s top leadership is highly committed to improving the business environment and consequently promoting profitable and socially-inclusive agribusiness.

Strategy setting

- PEDSA, a ten-year strategic plan for agricultural development, targets 6 corridors to align efforts across the public, private, and development sectors.
- The World Bank’s Sustainable Irrigation Development (PROIRRI) project is strategically aligned to PEDSA and supports development of out-grower schemes within the Beira Corridor through irrigation schemes.

Investment pipeline

- The government, with other partners, aims to unlock private investment by targeting public efforts at key constraints, including infrastructure, equipment, scientific research, knowledge and expertise levels, and policy-setting, and by clarifying processes for investors.
- Three priority corridors (Nacala, Zambezi Valley and Beira), offer a focus for generating and coordinating investment.

Risk mitigation and financing

- A dedicated Catalytic Fund raised an initial $20 million for the Beira Agricultural Growth Corridor (BAGC) and fills a gap by providing affordable risk capital for early-stage agribusinesses that are unable to access commercial markets.
- Access to affordable finance is still a major challenge for SMEs. Interest rates are above 20% and commercial banks usually require 100% collateral.
- Government is working to keep Central Bank interest rates low.

Infrastructure and policy

- Significant investments have been prioritised by the government to address infrastructure bottlenecks, with significant upgrades currently being made to road and rail networks.
- The government has publicly advised its intentions to electrify most of the country, while the implementation of prepaid electricity meters is already underway.

Delivery and implementation

- CEPAGRI and the CPI offer institutional support, and are dedicated to assisting private-sector investors and facilitating investments.
- The National Agribusiness Forum has been launched by CEPAGRI to engage the private sector, as well as other major stakeholders, to access and circulate information on investment opportunities within the country.
- The possibility exists of a Public-Private Partnership Working Group being set up to enhance collaboration and communication between investors and the public sector.
Few agricultural SMEs are able to access the finance they need. In addition to being faced with resistance from regular banks due to the high risk attached to agricultural activities, they are also either too large for microfinance, or too small to attract interest from development finance institutions and private equity funds, which typically will not consider investments of less than $5 million.

Yet the cases of two Mozambican agribusinesses – Empresa de Comercialização Agrícola (ECA) and Lozane Farms – show what can be achieved by innovative approaches that unlock finance for this so-called “missing middle”.

ECA, a local start-up maize marketing company, received debt and equity investment through the AgDevCo-managed BAGC Catalytic Fund, enabling it to work with 900 smallholders in central Mozambique, organise them into small groups, facilitate access to improved inputs and credit, and provide extension advice and a guaranteed market at fair prices. The company achieved a 100% recovery on input credit and expanded its farmer base to 2,200 for the 2012-13 season. Today, ECA is working with over 2,500 smallholders, has storage and milling facilities capable of handling 10,000 tonnes p.a. of maize, and having forged partnerships with SABMiller, Cargill and Bühler, is now well-placed to go to scale.

Agri-product and seed producer Lozane Farms works with farmer groups, providing them with seeds and mechanised services on a credit basis. The farmers have proven both reliable and successful customers, returning 100% of the credit and starting to pay in advance for seeds. However, Lozane Farms capacity to meet growing demand was limited by a need for capital to extend credit to more farmers, and to expand the area of land used for seed production. Banks viewed the business as too high risk, so a traditional loan was unaffordable.

In 2013, Lozane Farms established a partnership with Bunge Ltd as a ready end-buyer for maize, thereby significantly reducing the risk within their value chain. Together they developed a business plan for a small-scale maize processing project to be implemented in the Alto Molocue district. The plan was presented to the Africa Enterprise Challenge Fund (AECF) in Maputo and approved in January 2014 for a grant of $1.5 million. This then unlocked matching funds from partner companies and third-party equity investment funds of $3.3 million. Access to this capital will enable Lozane Farms to scale up to work with more than the current 450 smallholders, use a larger portion of its landholdings for seed production (at present limited to around 250 ha out of the 1200 ha), and consequently create more jobs and increase smallholder incomes.

By combining donor funds with professionally-managed commercial capital, initiatives such as AgDevCo and AECF create blended finance solutions that are enabling investors to tolerate the higher risks and costs inherent in agriculture, and to offer innovative financial products geared to servicing opportunities with the potential to achieve social impact at scale. When combined with value-chain partnerships to reduce risk, smallholder production can become commercially compelling.
Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Infrastructure limitations**: Whilst Mozambique’s vast and thinly-populated tracts of potential arable land are an asset, the infrastructure to viably engage in commercial agricultural production is often simply lacking. Companies usually have to establish their own electric lines, roads or irrigation, adding considerable costs to new investors in any area. Inadequate road and rail networks, limited warehousing and cold storage, and inefficient ports all add further costs and cause production losses.

2. **Cost impact of bureaucracy and land policy**: Inefficient bureaucratic processes, high import duties and export costs, and unclear land tenure policies and land clearance procedures cost the private sector significant time and consequently impact on the expense of investment.

3. **Access to capital**: Commercial interest rates for meticais (the Mozambican currency) are considerably high, often above 20%, while USD loans cannot be obtained without engaging in exports. Financial institutions also usually require a minimum of 100% collateral, which many SMEs are unable to afford. This struggle to access affordable capital represents a major drag on growth for domestic agribusinesses.
Agriculture makes up 30.2% of Mozambique’s economy, and, while previously erratic, agricultural growth has stabilised close to the 6% CAADP growth target since 2003. Roughly half of the rural population is directly engaged in agriculture as an economic activity. A notable majority of that agricultural labour force is composed of women (65.2%), making their economic empowerment vital to ambitions for inclusive agricultural development. Mozambique’s agricultural sector currently produces cassava, sugarcane, and maize in significant quantities. It produces 7% of Africa’s annual cassava production. The country’s public expenditure on agriculture has never reached the CAADP target of 10% of the national budget, but over the past 10 years has nonetheless remained consistently close to 6% of public spending.

Mozambique is placed 139th in global rankings and 15th out of 47 in sub-Saharan Africa for ease of doing business. It is particularly well-ranked with respect to protecting investors. Within Africa, Mozambique is considered average in terms of the level of digital agribusiness services, with 12.7 million mobile GSM connections (roughly half the population), 15% of which are 3G data connections.

For its population of 26.5 million people, extreme poverty (persons living on less than $1.25/day) declined from the extreme of 74.7% in 2003 to the still heavy burden of 59.6% in 2008. Malnutrition is relatively low compared to other sub-Saharan countries, with 15.6% of children underweight. Agriculture makes an important contribution to this progress towards achieving the Millennium Development Goals, especially for the 18 million people living in rural areas.

**THE LONG VIEW**

**Women farmers must play key role to ensure steady sector growth**

CAADP TARGETS

<table>
<thead>
<tr>
<th>Child malnutrition: % of children under 5 underweight (World Development Indicators 2011)</th>
<th>Poverty: % living below $1.25/day (World Development Indicators 2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.6%</td>
<td>59.6%</td>
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</table>

Public agriculture expenditure share in total public expenditure 2000 - 2010

Source: www.resakss.org
SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 26,473,000
Rural population: 18,013,000

Population Economically Active in Agriculture

Total: 9,788,000
65.2% Rural
34.8% Urban

Ease of Doing Business - Rank of 189 Countries

Overall 139
Starting a Business 95
Getting Credit 130
Protecting Investors 52
Trading Across Borders 131
Enforcing Contracts 145

Top 10 Crops by Production (tonnes)

10,051,364 Cassava
3,393,904 Sugarcane
1,177,390 Maize
900,000 Sweet Potatoes
602,406 Pulses
470,000 Bananas
280,000 Rice
239,000 Sorghum
205,000 Potatoes
112,913 Groundnuts

Source: ReSAKKS 2014 - www.resakss.org
Status on Letters of Intent

In 2013, no further companies directed Letters of Intent to Mozambique.

In 2012, 17 companies directed Letters of Intent to Mozambique (with 3 more making reference to working in the country).

<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 2 – Progress update</th>
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<tbody>
<tr>
<td>非洲腰果倡议 (ACI) Contribute to increasing competitiveness of cashew production and processing in Benin, Burkina Faso, Côte d’Ivoire, Ghana and Mozambique, by:</td>
<td>Across all countries:</td>
</tr>
<tr>
<td>1. convening investments from corporate partners (approximately $21 million);</td>
<td>✓ 271,617 farmers trained since 2009 (around 20% being women), increasing additional net income by approximately $18.2 million.</td>
</tr>
<tr>
<td>2. linking processing industry to farmer groups so processors can source up to 60% of raw cashew stock directly from farmers or their organisations;</td>
<td>✓ Introduced Cashew Matching Grant Fund enabling private-sector partners to design and implement projects for farmer linkages and improved planting material.</td>
</tr>
<tr>
<td>3. utilising matching grant funding to assist private-sector projects to enhance farmer productivity; and</td>
<td>✓ 16 projects (total investment of $7.86 million) are being implemented in Burkina Faso, Ghana and Mozambique.</td>
</tr>
<tr>
<td>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.</td>
<td>✓ Improved planting material in Burkina Faso, Ghana and Mozambique benefiting 74,500 cashew farmers, with another 48,600 directly benefiting from Matching Grants.</td>
</tr>
<tr>
<td></td>
<td>✓ Introduced Master Training Programme to develop key knowledge-holders as trainers in the cashew value chain.</td>
</tr>
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<td></td>
<td>In Mozambique specifically:</td>
</tr>
<tr>
<td></td>
<td>✓ Increased advisory support to public and private extension services as well as governmental actors to strengthen their capacity in the cashew sector.</td>
</tr>
<tr>
<td></td>
<td>✓ Increased quality and quantity of local cashew production.</td>
</tr>
<tr>
<td>AGCO Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by:</td>
<td>Conducted several field trips.</td>
</tr>
<tr>
<td>1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;</td>
<td>✓ In 2013, merged AGCO proposal for demonstration farm and training centre (shared with the Ministry of Agriculture in 2012) with Cargill’s proposal for a nucleus farm and out-grower scheme (with Cargill as lead partner); currently in negotiation phase.</td>
</tr>
<tr>
<td>2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and</td>
<td></td>
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<tr>
<td>3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.</td>
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</tbody>
</table>
### Goals

**Cargill**
Contribute to building sustainable market-based agribusinesses by:
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 programmes to increase yields and farm incomes for an estimated 16,000 smallholders; and
2. providing $1.35 million to improve farmer vocational education opportunities in Northern Mozambique.

**Competitive African Cotton Initiative (COMPACI)**
Contribute to improving the livelihoods of smallholder cotton farmers by:
1. convening investment in the cotton value chain from corporate partners to train farmers in soil/water conservation, balanced crop rotation, and business principles;
2. expanding cotton demand by promoting the “Cotton made in Africa” brand; and
3. linking smallholders to larger markets by partnering with the “Better Cotton Initiative”.

**Corvus Investments International**
Contribute to integrating export horticulture investments/projects by:
4. currently planning (as an advisor and investor) and looking to expand 3 projects with a collective scope of $140 million;
5. potentially partnering in rice, grains, tropical fruit and vegetable production value chains in the Beira, Nacala and Maputo corridors; and
6. over several years, significantly growing agri-investment portfolio in the country.

**ENICA**
Capitalise on opportunity to supply bananas to regional and international markets by:
1. planting 300 ha in 2013 with intended growth to 1,000 ha by 2015;
2. achieving a strong production model as an anchor for the larger area; and
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.

### Year 2 – Progress update

**Cargill**
- Feasibility studies completed and operations moving to scale.
- Received legal status in June 2013 enabling recruitment of employees and purchasing of crops to commence operations.
- Surveyed country to locate suitable out-grower farm locations.
- Commissioned model farm economic analysis on specific parcels of land; findings due April 2014.
- Completed partnership agreement with AgDevCo for long-term off-take arrangements to source maize from 50,000 smallholders in Beira corridor by 2018.
- Plans exist to expand local team, hire 125 seasonal workers to handle grain, and establish 25 buying stations and 5 grain storage sites in 2014.

**Competitive African Cotton Initiative (COMPACI)**
- Continuing with strategic investment plans through to 2015.
- In partnership with Plexus Cotton Limited, reached over 95,000 smallholders to purchase around 16 tonnes of “Cotton made in Africa” verified seed cotton, and produced over 6 tonnes of “Cotton made in Africa” verified lint.
- Trained around 46,000 smallholders.
- Plans underway to invest $3.2 million over 2013-2015 to reach 60,000 farmers.

**Corvus Investments International**
- A 600 ha macadamia investment is proceeding to implementation in Chimoio.
- A new 500 ha banana farm is commencing operations in the Sabie region of Maputo Province.
- The planned livestock project is now only a dairy project in the Boane region of Maputo province.

**ENICA**
- Partnered with an international strategic partner to help meet high initial investment required, however, due to financial constraints, the project has not yet progressed.
- Other alternatives have been explored and two potential partnerships are being negotiated:
  - a PPP (focusing on banana) with the Agricultural Research Institute of Mozambique (IIAM) and their Centro de Formação em Frutas Tropicais in Namialo, to provide access to water, management assistance and support to microprocessors; and
  - a proposal to acquire equity in and manage a fruit plantation (for 300-500 ha of banana) in Maputo Province with the same LOI objectives but focusing on the South African market.
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<tr>
<td><strong>JFS Holding</strong></td>
<td><em>Increase cotton production and industry capacity by:</em></td>
</tr>
<tr>
<td></td>
<td>1. investing in expanded cotton production (to 22,000 tonnes by end of 2012) and increased ginning capacity (to 30,000 tonnes p.a. by end of 2012);</td>
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<tr>
<td></td>
<td>2. exploring investment in oil crushing and refining capacity; and</td>
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<td>3. participating in the Better Cotton Initiative, bringing the initiative to all its smallholders by 2015.</td>
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<tr>
<td><strong>Lozane Farms</strong></td>
<td><em>Expand the market for smallholder crops by:</em></td>
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<td></td>
<td>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;</td>
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<td></td>
<td>2. increasing soya bean and maize seed production in response to growing demand from the chicken industry; and</td>
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<td></td>
<td>3. partnering with new investors (domestic or international) to integrate further up the value chain, including in agro-processing.</td>
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<tr>
<td><strong>Rei do Agro</strong></td>
<td><em>Boost own-farm production and extension programme impact by:</em></td>
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<td></td>
<td>1. increasing production/procurement/off-take agreements in soybeans to 2,000 tonnes, maize to 700 tonnes, and sunflower to 400 tonnes;</td>
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<td></td>
<td>2. expanding extension farmer programme from 30 farmers with 250 ha, to around 50 farmers with 500 ha;</td>
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<td>3. extending business linkages with local companies to ten partners; and</td>
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<td>4. directly impacting on 50 smallholders through a soybean extension programme.</td>
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<tr>
<td><strong>SABMiller</strong></td>
<td><em>Contribute to improving crop quality and yields and to 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.</em></td>
</tr>
<tr>
<td></td>
<td>1. In partnership with DADTCO, launched a new Mark III autonomous mobile processing unit in Inhambane and created 2 new platforms for cassava processing.</td>
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<td>2. Cassava programme reached over 4,750 smallholders through direct sourcing and training, resulting in over 1,605 tonnes being purchased from 2,200 smallholders.</td>
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<td>3. Increasing market demand for “Impala” beer brand and over 450% growth in 2013 shows significant opportunity to expand and develop cassava sector further to the benefit of smallholder farmers.</td>
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<td>4. Improved transportation and smallholder reach by purchase of root collection trucks.</td>
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<td></td>
<td>5. Sourcing maize and sugar from smallholders.</td>
</tr>
</tbody>
</table>
### Sunshine Nut Company

**Goals**

Combine social with financial capital in a new cashew processing venture by:

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
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.

**Year 2 – Progress update**

- Factory started production in September 2013 and has achieved target production output.
- Exclusive roll-out of company product line to countries will occur through partnerships with Pick ‘n Pay for South Africa and Whole Foods for the US.
- Secured brokerage and distribution commitments in both South Africa and the US for nationwide distribution; strong interest registered from major retail establishments to carry the company product line.
- Plans underway to expand secondary roasting operations with larger buildings on site within the Beluluane free trade zone in Matola.
- Planning the implementation of Project Sunshine; working with various governments, NGOs and cashew shelling operations to vertically integrate in order to establish traceability, organic certification and value addition at village level.

### Swiss Re

**Goals**

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.

**Year 2 – Progress update**

- Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets through International Finance Corporation-funded projects.
- Supported the implementation of a pilot weather risk transfer scheme.
- Held local trainings and awareness-raising events.
- At pan-African level, 300,000 smallholders reached.

### United Phosphorus (UPL)/Advanta

**Goals**

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.

**Year 2 – Progress update**

- Permission granted to import seeds for sorghum, rice and oilseeds for testing.
- Partnered with big local company to organise farmer schools; 2nd year of demonstrations/testing, with 6 demos conducted and technology showcased to 300 farmers.
- Seeking approval for rice seed technology.
- Working on a forage development project in partnership with the International Fertilizer Development Center (IFDC) to improve animal health, nutrition and milk productivity.

### Vodafone

**Goals**

Contribute to increasing the productivity, incomes and resilience of smallholders by:

1. establishing, with USAID and TechnoServe, the Connected Farmer Alliance (CFA) for operation in Mozambique, Kenya and Tanzania to provide mobile agriculture solutions increasing resilience to shocks for 500,000 rural smallholders, of which approximately 150,000 will be women;
2. optimising supply chains by strengthening linkages and feedback loops between smallholders and large agribusinesses; and
3. improving access to secure, timely payments and other financial services.

**Year 2 – Progress update**

- In 2nd year of 3-year (Sept 2012-Sept 2015) CFA; reached 7,863 smallholders to date through management training in the 3 Alliance countries.
- Conducting feasibility studies in Mozambique.
The following investment plans exist, but no progress report has been shared for 2013.

## Goals

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Itochu</strong></td>
<td>Create sustainable agri-relationships with farmers, government, donors and other private-sector actors by:</td>
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<tr>
<td></td>
<td>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</td>
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<td></td>
<td>2. exploring opportunities for investment in warehouse, silo and other commodity logistics operations.</td>
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<tr>
<td><strong>Jain Irrigation</strong></td>
<td>In line with national 2020 malnutrition and poverty reduction targets, contribute to developing irrigation and enabling infrastructure by:</td>
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<td></td>
<td>1. developing an integrated agricultural cluster in an area identified as suitable; and</td>
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<tr>
<td></td>
<td>2. adopting modern technology in irrigation, agronomic practices, harvesting, supply-chain management and produce processing.</td>
</tr>
<tr>
<td><strong>Khulima Pungue Agricultura e Servicos (KPAS)</strong></td>
<td>Invest in diversified crop production in the Beira Corridor by:</td>
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<td></td>
<td>1. focusing on a balance of crops with short- versus longer-term returns; and</td>
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<td></td>
<td>2. planting 100 ha (10 maize seed, 10 soya, 10 potato, 30 litchi, 20 avocado, and 20 mango), while also working with smallholders in an out-grower scheme; and</td>
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<tr>
<td></td>
<td>3. partnering with other companies further up the value chain to create a more integrated offering.</td>
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<tr>
<td><strong>Nippon Biodiesel Fuel Co. (NBF)</strong></td>
<td>Contribute to strengthening food and energy security in un-electrified villages by:</td>
</tr>
<tr>
<td></td>
<td>1. establishing supply chains for rice production, processing and distribution in three additional districts; and</td>
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<tr>
<td></td>
<td>2. expanding biofuel production by providing 1,800,000 jatropha saplings to more than 6,000 farmers.</td>
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<tr>
<td><strong>Sumitomo Corporation</strong></td>
<td>Contribute to increasing local sourcing and forging local partnerships by:</td>
</tr>
<tr>
<td></td>
<td>1. undertaking a feasibility study for fertiliser urea production from indigenous natural gas; and</td>
</tr>
<tr>
<td></td>
<td>2. exploring a partnership with a local company for the commercialisation of agro-chemical products.</td>
</tr>
<tr>
<td><strong>Toyo Engineering Corporation (TOYO)</strong></td>
<td>Contribute to filling the fertiliser application and availability gap by undertaking further detailed feasibility studies for the Urea Fertiliser Complex Project in Beira, with support from the Mozambican government and JICA.</td>
</tr>
</tbody>
</table>
The strength and clarity of Mozambique’s long-term vision for agricultural growth and development is amply documented in its PEDSA strategy. Nevertheless, the government acknowledges that there are certain barriers preventing investments from being fruitfully directed to the sector.

There is a high-level commitment towards addressing those obstacles identified as having the greatest impact on investment and project realisation. The previously-cited Investor Facilitation Team launched within CEPAGRI stands as confirmation of this and should play an important role in assisting the private sector, and in facilitating investment commitments to progress in a more accelerated and efficient manner.

More generally, the priority areas of focus for the year ahead include:

- investing in infrastructure, with continued implementation of the PROIRRI irrigation project envisaged as pivotal;
- devising and implementing policies that contribute to further enhancing the business environment and attracting investment;
- channelling investments towards high-growth potential areas, such as the central and northern regions of the country;
- increasing domestic production to reduce dependence on imports and improve food security; and
- enhancing the employment and income potential of those engaged in agriculture.

Women make up 65% of Mozambique’s agricultural labour force.
The following investment opportunities have been identified by the Government of Mozambique:

**Rice clusters with natural potential**

The National Rice Strategy has identified four clusters with natural high potential for rice production so that fertiliser use would be minimised. The government and donors are making considerable investments, including in irrigation, with the aim of positively affecting yields over the next five years. Some clusters are no more than 100 km from the port, thereby reducing any logistical costs such as those associated with importing machinery, irrigation equipment and fertilisers.

**Banana production for global markets**

The area around the port of Nacala offers extremely promising prospects for commercial banana production. The climate in northern Mozambique provides optimal conditions for year-round banana growing, with temperatures ranging from 15°C to 30°C. Proximity to the port of Nacala allows for export to major markets, while absence of disease accounts in part for farm-to-gate costs that may be the lowest in the world.

**Soybean opportunities in import substitution**

Soybean is a new but fast expanding crop in Mozambique, with areas of higher potential concentrated in the Centre and North of the country. Soy cake is needed as feed to support growing poultry consumption throughout Africa and is projected to increase at 13% a year in Mozambique. The domestic soy market relies almost entirely on imports, thereby providing significant growth opportunities for investors in local production.

**Points of contact for investments**

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

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Agricultural Promotion Centre  |  +258 82 300 2017  |  abdulcesar@hotmail.com

**Lourenço Sambo**
Investment Promotion Centre  |  +258 21 313 310  |  lsambo@cpi.co.mz
“It’s more risky to finance a smallholder than it is to finance a village, cooperatives or outgrower schemes. Together we stand stronger.”

Berry Marttin, Member of the Executive Board, Rabobank
Nigeria

Making agriculture a business opportunity for all

With 167 million people, Nigeria is Africa’s most populous nation and the 7th largest country in the world. Endowed with the biggest gas reserves on the continent and the 2nd most significant oil reserves, the country recently surpassed South Africa as the continent’s largest economy. Nigeria also has huge potential agricultural assets, with 84 million ha of arable land, a youth labour force projected to reach 110 million by 2020, and 279 billion cubic metres of available water from three of Africa’s 8 greatest rivers.

Yet despite these attributes, Nigeria has been an equally outsized spender on food imports, with a bill totalling $11 billion at the end of 2011. Hence in 2012, the country embarked upon a wide-ranging Agricultural Transformation Agenda (ATA) to harness its agricultural potential and reduce the nation’s food import spend, while creating jobs and expanding value-addition to locally-produced agricultural products. The overall goals of the ATA are to add 20 million tonnes to annual domestic food supply and create a total of 3.5 million jobs by 2015. This represents the biggest effort by government to grow agriculture in the country’s history, builds on the foundation established through the CAADP process, and provides a clear blueprint for action.

Through radical policy reforms, a reduced role for government, and expanded incentives for the private sector, the initiative is creating an enabling environment for private-sector investment that will modernise and industrialise Nigeria’s agriculture. With support from all levels of government, Nigeria’s ATA agenda has begun to:

- shift the lens through which agriculture is viewed, moving away from treating agriculture as a development activity to a government-enabled, private sector-led priority;
- concentrate investments in infrastructure to unlock economies of scale for food processing and value-added activities in areas known as Staple Crop Processing Zones (SCPZs);
- strengthen the policy and investment climate to attract private-sector investment and improve competitiveness; and
- transform the financial landscape through innovative financing approaches to stimulate development in the sector across the value chain.

Heeding the nation’s call to action, development partners have committed over $2 billion to further the aims of the ATA. These include: the World Bank, the African Development Bank Group, the international development agencies of the UK (DFID) and the US (USAID), UN agencies of the International Fund for Agricultural Development (IFAD), the World Food Programme (WFP) and the United Nations Development Programme (UNDP), and the Bill and Melinda Gates Foundation. Significantly, domestic Foundations such as The Tony Elumelu Foundation have also come on board in support of the ATA.
2013 was a remarkable year for investment in Nigerian agriculture. After receiving a number of verbal investment commitments from the private sector in 2012, the Federal Ministry of Agriculture and Rural Development (FMARD) received formal Letters of Intent (LoIs) from 18 domestic and 11 international companies committing to invest nearly $4 billion in the agriculture sector. During 2013, over half a billion dollars of this was already reported as invested, primarily by subsidiaries of Nigeria Flour Mills that have constructed major new processing facilities for a range of commodities.

Underlying this positive investment story is strong leadership on sector transformation from the government, as, over the course of 2013, it developed and executed many initiatives linked to the ATA. These are changing the structure, capacity and focus of Nigerian agriculture and agribusiness. Progress made over the year includes:

A new investment fund and increased access to finance

During 2013, two government funding initiatives really began to take root and yield results. The Fund for Agriculture Financing in Nigeria (FAFIN) was launched with a target of $100 million and an initial capitalisation of $33 million through finance from the Nigerian Sovereign Investment Authority and the German government fund KfW, with 10% allocated for technical assistance.

The Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) saw lending from Nigerian banks to the agriculture sector rise from 0.7% in 2010 to 5% of aggregate lending portfolios in 2013. Bank lending grew from $21 million in 2012 to $120 million in 2013, with expectations of $240 million in 2014.

Input dissemination facilitation

The Nigeria Growth Enhancement Support (GES) scheme and its lauded “e-Wallet” system continued to grow from strength to strength in 2013 (see spotlight in this chapter). Less than two years into the programme, 10.5 million farmers are registered on the database, and over 6.5 million have been served. The government reports that 750,000 tonnes of fertiliser and 55,000 tonnes of improved seeds were delivered to smallholders with less than 3 ha of land, resulting in the production of 15.5 million tonnes of food.

To reach additional farmers and improve reconciliation capacity, a point-of-sale system and a Touch and Pay (TAP) system using Android tablet technology were also introduced to farmers and to the growing network of agro-dealers supporting the programme. Domestic seed companies were buoyed by the scheme, with their number increasing fivefold to rise from 15 in 2011 to 80 at the end of 2013. Production of improved seed likewise rocketed from 5,000 tonnes in 2011 to 50,000 tonnes in 2013.
Sector value-chain development

In 2013, efforts to improve the production of staple and strategic crops in Nigeria also continued to bear fruit, as witnessed by developments in the following value chains:

- **Cassava**: as Nigeria is the world’s largest cassava producer, FMARD is focused (under the ATA) on expanding the utilisation of cassava products in processed foods in the country. A N10 billion ($63 million) Cassava Bread Fund is helping to fast-track the roll-out of cassava bread brands across the country, and continental supermarket chain, Shoprite, has begun to carry the brands. 5,000 master bakers received training on the use of cassava flour in bread products and 20 high-quality cassava flour milling plants were acquired with the aim of concessioning them to the private sector over the next three years. Beyond cassava flour, a number of private-sector investors, including SABMiller, Unilever, Diageo, Guinness and Cargill, pursued the use of cassava to produce cassava starch, sweeteners, sorbitol, beer and ethanol.

- **Rice**: with the aim of achieving self-sufficiency in rice production by 2015, FMARD supported the improvement of rice production, reporting an increase from 1.4 million tonnes of paddy in the 2012-13 wet and dry seasons to 3 million tonnes in the 2013-14 dry season alone. The dry season paddy programme contributed to a 109% job increase in the sector from 358,993 jobs in 2012 to 751,248 jobs in 2013, which led to an equally valuable 109% growth in the economic value attributed to the rice sub-sector from $900 million in 2012 to $1.9 billion in 2013. In response to the growth in paddy production, rice-milling capacity in Nigeria went up 200% in 2013, with 15 new private-sector integrated rice mills milling 540,000 tonnes of high-quality Nigerian parboiled rice.

- **Oil Palm**: to spur further development of the oil palm sector, the government provided 9 million sprouted seedlings to farmers and private foundations free-of-charge. In turn, four private-sector oil palm investors expanded their integrated operations in plantations and refineries: Okomo Oil Palm invested $16 million in a new mill and expanded cultivation by 12,000 ha; Industrial Development Group (IDG) commenced a $250 million investment; Presco Plc expanded activity in its plantations of 11,760 ha to include processing facilities; and Aggregate Farm Nigeria launched a 20,000 ha plantation by planting a 200 ha nursery.

- **Horticulture**: although Nigeria has one of the largest volumes of fruit production in Africa, 95% of all concentrate juice in the country is imported. To address this, FMARD recruited investors to develop processing facilities.

- **Sorghum**: Dansa Foods and the WFP are forging a catalytic partnership, with Dansa pledging to invest $50 million in a plant to produce fortified foods and cereals using sorghum, maize and soybeans, while WFP committed to purchase these products.

- **Livestock**: Nigeria boasts the 2nd largest population of livestock on the continent. To pursue the $2 trillion global halal meat market, the first Nigerian Halal-certified beef-processing plant was opened after a $6.3 million investment by Famag-Jal Farms. Beyond the red meat industry, Food Concepts invested $55 million in an integrated poultry facility.

Processing infrastructure development programme

To drive value-addition in the sector, FMARD also embarked on a strategic Staple Crop Processing Zone (SCPZ) programme, with designated zones to serve as integrated infrastructure platforms that accelerate investments in large-scale agro-processing. SCPZs offer investors a cost-competitive advantage of roughly 27%. Global food and agriculture company, Cargill, is currently exploring an investment to construct a 90,000 tonne/year cassava starch facility in the inaugural Alape SCPZ. This proposed investment would also involve the development of a cassava agricultural supply chain inclusive of local smallholder farmers to supply the processing facility.

Strengthened FMARD capacity to promote and facilitate private-sector investment

To support its goal of attracting more global and domestic companies and investors to the Nigerian agriculture and agribusiness sector, FMARD established an Agribusiness and Investment Unit (AIU) staffed by expert professionals. The AIU actively attracts and supports investors, whilst also helping facilitate improvements to the enabling environment - including policy, institutions and technology.
LETTERS OF INTENT

The Year in Numbers

Partial reporting for 2013: In June 2013, a selection of companies engaging in Nigeria outlined their investment plans by signing LoIs. With only half a year for companies to progress their investments in 2013, Grow Africa started the reporting process later in Nigeria. Hence, at time of going to press with this report, the data was only partially gathered. The statistics are nonetheless impressive enough that we felt compelled to include them.

30 Companies have Letters of Intent (LoIs)

Planned investment estimated at $3,807 million
26 of 30 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 17% Complete
- 11% Performing well
- 17% On plan
- 33% Minor problems
- 22% Major problems
- 0% Cancelled

18 of 30 companies provided data.

$608 million of investments made in 2013

$578 million of capital expenditure.

$30 million of operating expenditure.

14 of 30 companies provided data.

OUTCOMES REPORTED FOR 2013

21,845 jobs created:

- 40% Men
- 60% Women

6 of 30 companies provided data, of which 33% was gender disaggregated.

3000 smallholders reached:

- 34% Women
- 66% Men

2 of 30 companies provided data, of which 50% was gender disaggregated.
2013 action for transformation

Leadership and alignment

- Strong support and leadership from the Honourable Minister of Agriculture and Rural Development.
- A multi-stakeholder “Champions Group” is being established.

Strategy setting

- The ATA provides strong strategic and operational direction, including defining priority value chains and launching Staple Crop Processing Zones.
- A CAADP Investment Plan is in place.

Investment pipeline

- A FMARD Agribusiness and Investment Unit (AIU) has been established to promote and facilitate sectoral investment.
- Government leadership has stimulated domestic and international interest to inherent Nigerian market opportunities.
- Value-chain partnerships are developing broadly, including an influx of rice millers.
- There are currently not enough commercial growers of high-quality cassava to adequately support cassava flour milling.

Risk mitigation and financing

- Several different financing initiatives and instruments have been initiated but implementation and uptake is still in the very early stages.
- NIRSAL is helping, but beyond NIRSAL there are few financing options for large commercial agribusinesses.
- NIRSAL and FAFIN are not seen as adequate substitutes for planned shutdown of the Commercial Agricultural Credit Scheme when it expires in 2016.
- Concern exists over inconsistent policy implementation, with lack of long-term confidence in reforms.

Infrastructure and policy

- Minimal government provision of infrastructure means many companies must finance their on-farm infrastructure and power generators.
- Lack of standardised government procedures can add costs to doing business, for example, Customs or the National Agency for Food and Drug Administration and Control (NAFDAC) are not fully aligned with FMARD. More generally, permit granting can be slow and exposed to corruption.
- Price volatility and an uneven playing field are caused by smuggling and by import waivers for select producers.

Delivery and implementation

- FMARD and the AIU demonstrate strong capacity for coordination and delivery of initiatives and reforms.
- No functional inter-ministerial group exists to coordinate agribusiness enabling environment improvements, and there appears to be limited communication between ministries and agencies.
- Demand exceeds government capacity to facilitate investments and provide linkages to partners or financing. In some cases, this raises possibility of scaling down planned investment.
- SCPZ company designation is at times slow.
- Companies report that state governments are sometimes easier to work with than the national government.
Since 1967, the Government of Nigeria has had a policy intended to deliver subsidised inputs, particularly fertiliser, to help farmers improve crop yields. Under the longstanding programme, the Federal Government was the sole procurer of fertiliser, which it then re-sold at subsidised prices to distributors for delivery through a complex chain for eventual sale to farmers from Ward-level warehouses. Farmers expected to be charged a fixed and heavily-subsidised price, despite significant differences in handling costs and market forces across the country.

However, the subsidy policy suffered from multiple problems, including wide-scale corruption and inefficiencies. A massive diversion of supply benefitted middlemen and rent-seekers, while some fertiliser was smuggled to neighbouring countries. The lengthy and cumbersome bureaucratic tendering process often caused late delivery of inputs, and despite the considerable fiscal burden to the government, the impact on agricultural productivity was mixed at best. Between 1980 and 2010, over $5.4 billion was spent on fertiliser subsidies but no more than 11% of farmers received these fertilisers, so that over $4.8 billion was estimated as lost to corruption. Furthermore, the system displaced the private sector in the inputs distribution value chain.

In 2012, the Growth Enhancement Support (GES) programme began shifting to an industry system that incorporates private agro-dealers as the purchasers of fertiliser (and seed) from established fertiliser suppliers (rather than the government), giving them responsibility for distribution of the inputs at agreed-upon centres in local communities. This afforded millions of farmers access to the subsidised fertiliser for the first time. The GES “e-Wallet” system also promotes the utilisation of mobile technology to send farmers vouchers that they can redeem at distribution centres.

Small-scale farmers with less than 3 ha of land are entitled to a 50% subsidy on two bags of high-quality fertiliser. In 2012, during the first year of the programme, 1.2 million smallholders were reached. In 2013, 4.5 million farmers redeemed their “e-Wallet” voucher, with the goal being to reach 20 million farmers by 2015.

In the initial two years of the programme 750,000 tonnes of fertiliser has been delivered to farmers, along with 55,000 tonnes of improved seeds. The use of these inputs has resulted in 15.5 million tonnes of food being produced, such that FMARD credits the programme with also providing improved food security to 30 million persons in farming households.

Additionally, over 800 agro-dealers and 25 fertiliser and seed suppliers are registered with the programme and operational. 2012 also saw $192 million of private-sector financing commitments leveraged, aided by guarantees from the Central Bank to commercial banks that allow them to reduce the risk of lending to the fertiliser and seed companies (under the NIRSAL initiative).

Akinwumi Ayodeji Adesina, Minister of Agriculture and Rural Development of Nigeria, was named Forbes’ African of the Year for his reforms to the country’s farming sector, including through the GES programme.
Companies highlighted the following constraints facing their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Infrastructure limitations**: were consistently cited as the greatest barrier to investment, regardless of investor type, size, location or stage of value chain. Feeder roads, energy, storage and processing facilities nearer to farming communities and telecommunications networks in rural areas – all are challenges that impede the expansion of the Nigerian agricultural sector. In part, it was recognition of the need to address these impediments that led FMARD to develop the SCPZ initiative.

2. **Availability of finance**: agriculture, especially primary production, continues to be perceived as highly risky in Nigeria, making access to finance difficult. While funding remains the second greatest challenge cited by companies, initiatives like FAFIN and NIRSAL are starting to address this challenge by “de-risking” agricultural lending and investment.

3. **Difficulty of securing supplies**: with investors heeding the government’s call to establish processing facilities, primary production must keep pace through improved yields and value-chain linkages and a reduction in postharvest losses and side-selling in order to increase security of supply.

4. **Non-optimal policy and regulatory environment**: while the ATA has brought a number of new policy and regulatory changes to the sector, commercial actors believe that further effort is needed to improve competitiveness. Planned government initiatives to raise tariffs on food imports, mandate the inclusion of locally-produced inputs (such as cassava flour), and encourage local staple crop consumption are steps in the right direction. Similarly, while initiatives such as the GES e-Wallet scheme have started to address governance challenges and corruption issues more explicitly, there are still a number of other areas in the overall business environment where weaknesses in governance create leakage in the sector and impede the pace at which agricultural transformation can be achieved.

5. **Shortage of skilled human capital**: skill levels need improving all across the agricultural value chain. Expanded farm-level extension work, agro-dealer training and youth-focused agro-entrepreneur development are all required to ensure more knowledgeable actors operate in Nigeria’s food industry. Growing large domestic and international investment in the sector does however bring with it the promise of useful and much-needed technology transfer.

Agricultural growth has helped reduce Nigeria’s import bill, from $11 billion in 2011 to $8 billion in 2012.
Agriculture makes up about a third of Nigeria’s economy, and over the past three years has been a consistent driver of the overall rise in Nigeria’s GDP surpassing the 6% CAADP agricultural growth target. This growth has helped reduce Nigeria’s import bill from $11 billion in 2011 to $8 billion in 2012, with further reductions expected for 2013.

While only 23% of the country’s population is involved in agriculture, that still equates to about 40 million people, of which nearly 60% are men. Nigeria currently produces cassava, yams, maize, sorghum and vegetables in high quantities, and is the largest producer of cassava globally. The country also boasts a large livestock industry (the second-biggest in Africa) and a growing fish sector. A dominant agricultural producer in the West African region, Nigeria produces roughly 45% of all of the food in the 15-member Economic Community of West African States. Since 2000, Nigeria has consistently funded agriculture to levels between 3% and 7% of its annual budget, but has never reached the 10% CAADP public expenditure target.

A highly-diversified economy, Nigeria ranks 147th globally, and 20th among sub-Saharan African states in the World Bank’s annual “Doing Business” survey. However, regionally it ranks 11th in terms of access to credit, which is indicative of the country’s large and sophisticated financial sector. Nigeria is a uniquely attractive market for digital agribusiness services, with 126.3 million mobile GSM connections, 14% of which are 3G data connections.

In 2013, Nigeria was recognised by FAO for cutting absolute hunger in half three years ahead of the 2015 Millennium Development Goal target. However, for millions of Nigerians, extreme poverty remains persistent and malnutrition also continues to be a significant public health problem. Hence, efforts continue to be focused on improving nutrition levels in the country and to stimulate job creation in the agriculture sector, particularly for youth. The UNDP has assessed that growth in the country needs to be more equitable and broad-based, and that social protection and poverty eradication programmes need to be scaled.

CAADP TARGETS

**Child malnutrition:**

- % of children under 5 underweight (World Development Indicators, 2011)
- 24.4%

**Poverty:**

- % living below $1.25/day (World Development Indicators, 2010)
- 68.0%

**Public agriculture expenditure share in total public expenditure 1990 - 2010**
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 178,517,000

Rural population: 86,628,000

Population Economically Active in Agriculture

Total: 12,578,000

58.8% Women, 41.2% Men

Ease of Doing Business - Rank of 189 Countries

Overall 147
Starting a Business 122
Getting Credit 13
Protecting Investors 68
Trading Across Borders 158
Enforcing Contracts 136

Top 10 Crops by Production (tonnes)

54,000,000 Cassava
38,000,000 Yams
9,410,000 Maize
6,900,000 Sorghum
5,000,000 Millet
4,833,000 Rice
3,400,000 Sweet Potatoes
3,070,000 Groundnuts
2,560,000 Pulses
1,450,000 Sugarcane

Source: ReSAKKS 2014 - www.resakss.org
Status on Letters of Intent

In 2013, 29 companies directed Letters of Intent (LoIs) to Nigeria (with 1 more making reference to working in the country). As previously mentioned, a selection of these companies signed their LoIs in June 2013, providing them with only half a year to progress their investments. Grow Africa therefore started the reporting process later in Nigeria, and at the time of going to press with this report, company updates were only partially gathered.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 1 – Progress update</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AGCO</strong> Contribute to capacity building, knowledge transfer on the agronomic system, and the intensification of agriculture and farming mechanisation by: 1. investing $6-8 million to establish a demonstration farm and training centre in Nigeria, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren; 2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and 3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.</td>
<td>• Conducted several field trips  • Undertook site exploration visits for demonstration farm and training centre as well as for assemblies; concept phase underway for training centre in Ekiti State.  • Private-sector member participating in consortium for the Competitive African Rice Initiative (CARI) for West Africa and Tanzania, with the objective of reaching at least 120,000 smallholders over 5 years (50,000 in Nigeria and at least 30% being women) and developing the downstream value-chain structure.</td>
</tr>
<tr>
<td><strong>Cargill</strong> Contribute to realising the full local and export potential of the cassava value chain by: 1. exploring investment as anchor investor in Alape SCPZ to construct a cassava starch processing facility and a cassava agricultural supply chain; 2. working with the donor community on supply chain development issues including implementation of The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests; 3. conducting location-specific feasibility and due-diligence reports on proposed processing facility and agricultural supply chain.</td>
<td>• Feasibility studies underway.  • Multiple site visits conducted by senior executives.  • In dialogue with several partners and stakeholders in Abuja and in Kogi State/Alape on investment plans and intentions.  • Preparing for launch of environmental, social and economic baseline studies in communities affected by the project.  • Planning to finalise nucleus/out-grower model and farm off-take agreements as well as Memorandums of Understanding (MoUs) with partners in 2014.</td>
</tr>
<tr>
<td><strong>Crest Agro Products</strong> Contribute to adding value to the cassava value chain by establishing a fully-mechanised 15,000 ha cassava plantation and processing plant (with capacity to produce up to 100,000 tonnes p.a. of high-grade cassava starch phased in over 7 years), creating 3,500 jobs directly and 1,500 in ancillary services.</td>
<td>• Project implementation is proceeding according to plan.  • A partnership with the International Institute of Tropical Agriculture has been established and two full-time administrators and two full-time farm staff have been hired.  • A partnership with the Kogi State Government is also in place.  • A fully-mechanised pilot farm of 30 ha has been set up.  • Allocation of land for the main farm has been secured and payments have been made for initial land allocated, along with investments in equipment for the main farm.  • A partnership has been entered into with the SCPZ.</td>
</tr>
</tbody>
</table>
## Goals

<table>
<thead>
<tr>
<th>Dansa Holdings</th>
<th>Enhance local food production and processing by investing in the following value chains:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. pineapples: $14 million in a plantation, and $61 million in processing into concentrate, both in Cross River State;</td>
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<tr>
<td></td>
<td>2. tomatoes: around $18.7 million in production of high-yield seedlings in Kano State, $6.25 million in a greenhouse seedling project, and around $15.6 million in a 1,200-tonne capacity plant for processing into tomato paste;</td>
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<tr>
<td></td>
<td>3. oil palm: around $84 million in large-scale commercial farming, and approximately $115.6 million in processing to reach 500,000 tonnes p.a.; and</td>
</tr>
<tr>
<td></td>
<td>4. dairy, citrus and rubber: around $200 million in pre-farm stage processing in Cross River State.</td>
</tr>
</tbody>
</table>

| Dominion Farms | Contribute to value-addition in the rice value chain through a planned PPP investment of $40 million in Taraba State for growing and processing rice on 30,000 ha, together with an out-grower programme for youth and community farmers on a nucleus farm of 3,000 ha. |

<table>
<thead>
<tr>
<th>Eastern Premier Feed Mills</th>
<th>Help expand animal feed production and supply by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. investing $28 million in building a 1,000 tonne feed mill plant in Cross River State, using 300,000 tonnes p.a. of local crops (including maize and soya beans) to meet increased demand from poultry farmers; and</td>
</tr>
<tr>
<td></td>
<td>2. creating out-grower programmes to engage farmers in cultivation of soya beans and oil palm.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ebony Agro Industries</th>
<th>Upscaling rice milling operations through planned investments totalling $37 million, including:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. $0.5 million in expanding and upgrading the existing rice mill;</td>
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<td></td>
<td>2. $6 million to help establish a rice-husk-fired power station;</td>
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<tr>
<td></td>
<td>3. $15 million in a 3,000 ha demonstration farm in Enugu State, with a USAID MARKETS-supported out-grower scheme for over 4,500 farmers;</td>
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<td></td>
<td>4. $12.5 million to construct a 45,000-tonne rice mill in Enugu State;</td>
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<tr>
<td></td>
<td>5. $3 million to take over and operate the Ebonyi State federal grain silo; and</td>
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<tr>
<td></td>
<td>6. working with the Federal University of Technology – Owerri and the University of Port Harcourt to deliver training and capacity-building programmes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Export Trading Group</th>
<th>Facilitate the procurement of produce and linkages to a world-class supply chain for over 5,000 local fruit farmers by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. investing $50 million over 3 years, including to establish a 50,000-tonne p.a. processing plant for mango, pineapple and citrus fruit; and</td>
</tr>
<tr>
<td></td>
<td>2. partnering and developing farmers’ associations and negotiating with a major beverage company for the sourcing of local fruit as import substitutions.</td>
</tr>
</tbody>
</table>

## Year 1 – Progress update

- Initial investment was made across the pineapple, tomato and oil palm sectors.
- An additional decision to invest another $60 million in sorghum was also taken.

- Commenced construction of support facilities in preparation for farm operations to begin in 2014.
- Plans exist to invest in market research and training next year.

- The project investment has been made and the commissioning is scheduled for February 2014.
- A partnership has been formed with Kaboji Farms to implement the project.

- Initial investment made in rice production and an additional commitment to increase investment been made.

- Invested in set-up but the company is considering scaling back its planned investment due to challenges in the environment – with potential plans to scale up to target over several years.
<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 1 – Progress update</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Concepts</strong></td>
<td>Contribute to generating local employment through expansion of restaurant and food chains by: 1. opening more outlets of flagship “Chicken Republic” chain; 2. modernising and increasing capacity of Butterfield-branded bread bakeries; 3. developing a 15-tonne/month cassava flour mill; and 4. supporting 800 direct jobs and 2,000 indirect work opportunities.</td>
</tr>
<tr>
<td><strong>Heineken</strong></td>
<td>In support of the ATA agenda, drive sorghum productivity improvement with the overall goal of sourcing at least 60% of all agricultural raw materials locally by 2020.</td>
</tr>
<tr>
<td><strong>Rabobank/International Finance Corporation (IFC)</strong></td>
<td>Contribute to improving access to finance for small and medium-sized agribusinesses by: 1. establishing a new non-bank agribusiness financial institution to operate in Nigeria, Côte d’Ivoire and Ghana, aiming for a portfolio of over 200 customers (the West Africa Agribusiness Development Corporation – WAAD); and 2. building capacity of local agro-sector professionals to maximise benefits of increased access to finance.</td>
</tr>
<tr>
<td><strong>ROM Oil Mills</strong></td>
<td>Enhancing the development of the edible oil and refining value chain by investing $84 million in: 1. constructing a crushing and oil refinery in Oyo State; 2. installing a 300-tonne/day palm kernel crushing plant, a 500-tonne/day solvent extraction plant, and a 400-tonne/day oil refinery plant; 3. locally sourcing raw materials; and 4. implementing out-grower programmes to engage local farmers in soya bean and oil palm cultivation.</td>
</tr>
<tr>
<td><strong>Sunbird Bionergy</strong></td>
<td>Contribute to developing and operating vertically-integrated agriculture and bioenergy projects by: 1. investing in a bio-refinery to convert cassava into bioethanol and other high-value products; 2. negotiating annual production contracts with out-growers for cassava; 3. developing and offering financial packages with local banks to support farmers to purchase new equipment; 4. commercialising advanced second-generation bioenergy technology; 5. working with international organisations to deploy new high-yield cassava variants; and 6. building local infrastructure including water treatment and electricity generation plants.</td>
</tr>
</tbody>
</table>
### Goals

**Sunti Farms**

Contribute to expanding sugarcane production and processing (in joint venture with the Golden Sugar Company) through investments of $185 million in:

1. a 10,000 ha plantation to produce 100,000 tonnes p.a. of raw sugar;
2. implementing an out-grower programme to engage local farmers in cultivation and on-site processing of sugarcane; and
3. partnering with other multinational sugar businesses to bring in technical knowledge.

### Year 2 – Progress update

- Investment for the mill has been made and planting is underway.
- Approximately half of the committed capital expenditure has been disbursed.

In 2013, Heineken used 100,000 tonnes of local sorghum in production.
The following commitments were made in 2013, but Grow Africa has not yet collected progress updates.

**Goals**

**Asset & Resource Management (ARM) Company**
Contribute to the development of commercial agribusiness value-chain projects by creating a potential $20 million project investment fund to run for at least 10 years, securing employment in the projects of suitably qualified local people and supporting smallholders through off-take agreements, combined with inputs, technical training, commodity storage and processing services.

**Belstar Capital**
Contribute to enhancing the beef value chain for domestic and export markets with an investment of around $600 million to:
1. develop Halal-certified meat processing and packaging centres;
2. invest in 10 feedlots to fatten cattle, 5 end-to-end integrated meat units, and 5 intensive combined meat and dairy farms; and
3. boost basic infrastructure including power, clean water, and wastewater treatment in support of the above.

**Doreo Partners**
Contribute to lifting smallholders out of poverty through the Babban Gona agricultural franchise by:
1. investing $50 million (by 2015) into expanding Babban Gona in the Kaduna region and southwards to other states;
2. working with 4,000 Trust Groups on 20,000 ha of land (by 2015);
3. tripling the yields of 16,000 smallholders and the prices they receive; and
4. providing training and development to support farmers to graduate from subsistence to business-minded, farmers.

**Dufil Prima Foods**
Contribute to boosting local vegetable oil production and packaging through a $25 million investment in a 500-tonne/day refinery and a 350 tonne/day fractionation and bottling plant in the Lagos Free Trade Zone, directly and indirectly creating employment for 2,000 smallholders.

**Ecobank**
Continue to work towards improving access to affordable finance for the agriculture sector by:
1. lending $30 million over the next year and $100 million over the next 4 years, on favourable terms, to agricultural producers, processors and marketers; and
2. providing technical assistance through training to agri-SME customers.

**Free Range Farms**
Progress the development of an integrated poultry farm with a $50 million investment in:
1. broiler chicken farming producing 1 million birds/month;
2. a hatchery producing 1 million day-old chicks/month;
3. parent farming producing 350,000 hatching eggs/week;
4. a feed mill producing 8,000 tonnes/month;
5. a plant for processing/slaughtering 1 million birds/month; and
6. employing approximately 800 people directly and 2,500 indirectly.

**Industrial Development Group (IDG)**
Develop a production and processing programme for the oil palm and sugarcane value chains, with $246 million invested over 5 years in:
1. creating supply-chain capacity to deliver 500,000 tonnes p.a. of crude palm oil and up to 300 million litres of ethanol from sugarcane by 2030;
2. scaling up operations to cover 200,000 ha to meet growing demand;
3. integrating advanced agricultural and social concepts in bio-farming, bio-energy and community empowerment; and
4. establishing an R&D partnership with the Nigerian Institute for Palm Oil for seed and yield improvement practices and technologies, as well as waste utilisation.
<table>
<thead>
<tr>
<th>Company</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premium Syrups (now known as Agro-Allied Syrups)</strong></td>
<td>Contribute to developing an integrated starch and glucose plant (in joint venture with Flour Mills of Nigeria and Nigerian Breweries), with investments of around $80 million to:</td>
</tr>
<tr>
<td></td>
<td>1. build a 72,000 tonnes p.a. starch plant and a 58,000 tonne p.a. glucose plant in the Kwara State SCPZ;</td>
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<td>2. provide a 10,000 ha cassava plantation (on the Kwara site), with out-grower programmes to engage local farmers in cassava cultivation; and</td>
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<td></td>
<td>3. work with the Dutch Agricultural Development and Trading Company (DADTCO) on mobile cassava processing technology.</td>
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<tr>
<td><strong>PZ Wilmar</strong></td>
<td>Contribute to developing production and processing facilities and forging partnerships in the oil palm value chain, including by:</td>
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<tr>
<td></td>
<td>1. developing 50,000 ha of oil palm plantations together with processing mills in Cross River State;</td>
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<tr>
<td></td>
<td>2. fostering partnerships with smallholders, out-growers and transport logistics providers;</td>
</tr>
<tr>
<td></td>
<td>3. impacting 12,000 people with direct employment and 33,000 with indirect jobs; and</td>
</tr>
<tr>
<td></td>
<td>4. supporting smallholders through education on best management practices.</td>
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<tr>
<td><strong>Teragro Commodities</strong></td>
<td>Scale up operations in the fruit concentrate, cassava and rice sectors by:</td>
</tr>
<tr>
<td></td>
<td>1. investing $15 million to develop a juice concentrate factory in Benue State, processing 75,000 tonnes p.a. of oranges, pineapples and mangoes and impacting on 2,000 smallholders; and</td>
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<tr>
<td></td>
<td>2. partnering with other investors to integrate further up the value chain in other products such as rice cultivation and processing.</td>
</tr>
<tr>
<td><strong>Tropical General Investments</strong></td>
<td>Expand in-country food production, processing and trading operations by investing:</td>
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<tr>
<td></td>
<td>1. $125 million through its subsidiary Chi Ltd in fruit plantations, a fruit juice concentrate factory, dairy farming, and restaurant/fast food outlets;</td>
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<tr>
<td></td>
<td>2. $30 million via its subsidiary Chi Farms Ltd in cattle rearing and fattening and meat processing; and</td>
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<tr>
<td></td>
<td>3. $20 million in tomato farming and tomato paste production.</td>
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<tr>
<td><strong>Umza International Farms</strong></td>
<td>Contribute to developing commercial-scale rice cultivation and processing and creating at least 2,000 direct jobs by:</td>
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<tr>
<td></td>
<td>1. investing $21.5 million over 4 years to develop 5,000 ha for corporate rice paddy farming;</td>
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<tr>
<td></td>
<td>2. investing $1.6 million over 3 years to build a husk-fired power plant;</td>
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<td></td>
<td>3. investing around $4 million over 3 years to build a state-of-the-art paddy processing facility; and</td>
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<tr>
<td></td>
<td>4. partnering with other investors to integrate higher up the value chain.</td>
</tr>
<tr>
<td><strong>Western African Cotton Company (WACOT)</strong></td>
<td>Expand production and processing capacity, and employment and out-grower farmer development, by investing:</td>
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<tr>
<td></td>
<td>1. $40 million over 3 years in a 300 tonne/day soybean crushing plant in Katsina, directly employing 300 people;</td>
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<tr>
<td></td>
<td>2. $15-20 million in a rice mill in Kano or Katsina covering 3,000 ha and 1,500 out-growers, who will be provided with seeds, input credit, extension services and training;</td>
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<tr>
<td></td>
<td>3. $15-20 million in a cassava processing plant, employing 100-150 people; and</td>
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<tr>
<td></td>
<td>4. $20-25 million to double the capacity of an existing sesame seed hulling plant to 24,000 tonnes, while promoting an out-grower programme in Katsina and Gombe States.</td>
</tr>
</tbody>
</table>
In 2014, stakeholders in Nigeria will focus on continued delivery of the Agricultural Transformation Agenda, while considering how to respond to the lessons and feedback from 2013, such as the call for improved (especially power-related) infrastructure and better cross-government alignment on policy, regulation and/or programme implementation. In this respect, priorities for the year ahead include:

- strengthening FMARD’s Agribusiness and Investment Unit with the intent of developing it into a stand-alone Department;
- attracting additional investment and launching more SCPZs in the country;
- improving in particular the outputs of cassava inputs to support efforts to increase supply for cassava flour milling;
- deepening the uptake within the financial sector of NIRSAL shared-risk facilities in order to continue to increase available financing for the agriculture and agribusiness sector;
- expanding the capacity development initiatives available for smallholders and enlarging the national network of agro-dealers;
- continuing to develop extension service capacity to support the organisation of smallholders into producer groups and to facilitate the linkage of these groups to the larger investments underway;
- continuing to expand, assess and improve the GES e-Wallet scheme to reach the remainder of the 10.5 million farmers currently on the database and ensure that yields increase as more fertiliser and seed reaches smallholders; and
- continuing efforts to implement policy interventions that have been put forward – including the passage of the Growth Enhancement Support Bill, the preparation of the SCPZ policy and bill drafts, and the entrenching of the ATA at state government levels.

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

Investment openings for staple crop agro-processing in integrated infrastructure zones

Opportunities exist for investors interested in supporting and participating in the Staple Crop Processing Zone development initiatives established by FMARD.

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Point of contact for investments

Investors interested in learning more about SCPZs or other opportunities in Nigeria’s agribusiness sector should contact:

Ada Osakwe
Senior Investment Advisor to the Honourable Minister of Agriculture | ada.osakwe@fmardnigeria.org

Dr. Tony Bello
Senior Technical Adviser on Agribusiness to the Honourable Minister of Agriculture | anthonybello@undp.org | +2348038094979
Wooing investors with Special Economic Zones

Rwanda offers a highly conducive business environment and stable macro-economic framework for investment in agriculture. The country’s positive legal environment is further bolstered by strong governance structures, which have seen Rwanda rated as the least corrupt nation in sub-Saharan Africa, and Kigali as the safest capital in the region.

The World Bank’s Doing Business Report 2014 ranked Rwanda as the top global reformer, and 32nd for doing business globally out of 189 countries. Indeed, extensive regulatory reforms have reduced bureaucracy around business creation, access to finance, tax breaks and risk mitigation. A new Investment Code, currently in the process of being finalised, is set to enhance the country’s enabling environment even further.

Integral to these efforts has been the creation by the Government of Rwanda (GoR) of Special Economic Zones, which are aimed at promoting private investment as well as industry and export growth by offering quality infrastructure, streamlined business regulations and incentives to investors and businesses. Attracting particular interest among agricultural investors is the Kigali Special Economic Zone, which also offers both regulatory incentives and the necessary infrastructure for agro-processing, including roads, energy, water and ICT.

Between 2000 and 2013, the value of registered private investments in Rwandan agriculture totalled $512 million across 184 projects. As the top export commodities, tea and coffee have remained significant investment targets, though proportionately only accounting for 19% of overall investment. The industry is increasingly witnessing diversification into emerging sub-sectors with growth potential, including beverages, floriculture, fruits and vegetables, dairy, meat, hides and skins, rice and grains, fish, honey and oils.

Through Grow Africa, the country has identified specific investment projects to boost outputs, improve quality and drive up revenues for different commodities. These include expansion of the tea sector by increasing the growing area by a further 15,000 ha by 2017. Other processing facilities for Irish potato, cassava starch, animal feed and bio-fortified baby food are also under construction – all of which add value and facilitate domestic revenue generation, goals that will continue to represent the agricultural sector’s overarching priorities over the next five years.
Strategic partnerships in agriculture are adding value and boosting exports

The focus of the Ministry of Agriculture (MINAGRI) on crop intensification, land consolidation and the farmer cooperative model is beginning to yield results, thanks to the collaborative efforts of organisations such as the Rwanda Cooperative Agency (RCA), which promotes the formation of cooperatives and provides farmer coaching and support, and development partners such as the Belgian Technical Cooperation agency, which provides funding for vital up-skilling initiatives such as the Farmer Field Schools programme.

Through transformational partnerships, best practices are filtering through the agriculture sector and enabling smallholder farmers to scale up production and increase their incomes. For example, German firm Strawtec Building Solutions is working with wheat unions to produce strawboard for use in high-performance wall systems in the low-cost housing and commercial construction market in Rwanda, providing smallholders with an additional income from their wheat husks.

As noted earlier, Rwandan agriculture is seeing growing diversification into emerging high-potential sub-sectors. To facilitate investors’ efforts to tap into the opportunities that this trend presents, the GoR itself is increasingly partnering with the private sector on projects that add value and increase exports in underdeveloped sectors by providing resource and infrastructure support. Some prominent examples include:

- Bahkresa Grain Milling Ltd, which began its flour milling operations in Rwanda in 2011, was one of the first investors to set up a processing factory in the government-established and infrastructure-boosted Kigali Special Economic Zone. In return for facilitation of its investments, the company has diversified into the government-recognised priority area of coffee value-addition, and now hires farmers under the subleasing model to produce coffee. The company in turn supplies farmers with inputs while serving as a guaranteed buyer of their crops;

- MINAGRI and Luxembourg-based firm Erasmus Investment International signed a formal commitment worth €3.5 billion in January 2014 for a wide-ranging project portfolio that envisages investment in hillside irrigation, land cultivation (including seeds, fertilisers, and training), development of horticulture (including greenhouses), fruit and vegetable processing, mechanisation, postharvest treatment, logistics, cold storage, production and export of silk, and livestock (specifically poultry and fish-farming); and

- In furtherance of on-going government-led efforts to expand the tea sector, including through land consolidation and resettlements aimed at increasing the growing area, a government tender has attracted investment proposals from major off-takers and processors. The project will generate significant inward investment, reach thousands of smallholders, and increase in-country value addition and direct sales to market thereby reducing Rwanda’s dependence on the Mombasa Tea Auction.

In order to fast-track such investments, MINAGRI and the RCA have identified the best farmer cooperatives together with production areas that will serve as Premium Agriculture Investment Hubs for specific commodities, with the focus shifting towards improving their marketing and business skills. A new wave of the Rwandan diaspora is also returning home and is eager to offer expertise and contribute to the country’s progress. Private companies have played a pivotal role in the integration of these returnees into the agriculture industry, though capacity building efforts have benefited from on-going support from both the private and public sectors.

All of these factors, together with a multitude of partnership initiatives, are combining to create a strong climate for value addition and export growth in Rwandan agriculture.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing "Letters of Intent". Grow Africa has not yet worked with Rwanda for a targeted promotional effort to generate such commitments, so we have relatively few companies from which to gather progress reports. Nonetheless, for 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

5 Companies have Letters of Intent (LoIs)

Planned investment estimated at $4.9 million

1 of 5 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 0% Performing well
- 50% On plan
- 50% Minor problems
- 0% Major problems
- 0% Cancelled

4 of 5 companies provided data.

$1.4 million of investments made in 2013

$1.4 million of capital expenditure.

3 of 5 companies provided data.

OUTCOMES REPORTED FOR 2013

296 jobs created:

- 42% Female
- 58% Male

2 of 5 companies provided data, of which 100% was gender disaggregated.

1000 smallholders reached:

- 21% Female
- 79% Male

1 of 5 companies provided data, of which 100% was gender disaggregated.
### Leadership and alignment
- Top-level support from government exists due to alignment of institutions to the country’s Vision 2020 and the government’s Economic Development and Poverty Reduction Strategy (EDPRS 2) for 2013-2018.
- The key focus of both strategies is the promotion and facilitation of exports.

### Risk mitigation and financing
- Private-sector insurers and agricultural companies are now providing crop and weather insurance, including the Rural Investment Facility II and Agricultural Guarantee Fund supported by the World Bank and the Dutch government respectively.
- Microfinance initiatives are facilitating farmers’ access to credit and stimulating agri-credit supply.

### Strategy setting
- Given the relatively small size of Rwanda and the current cooperative subleasing model, the approach that has been adopted is land consolidation into nucleus farming blocks, with a view to maximising yields and efficiency.
- Under this system, Rwanda has created quality premium products and premium production hubs within which smallholder farmers are hired by companies that sublease parcels of land for often generous periods of time.

### Infrastructure and policy
- Investments in hard infrastructure are on-going and are now channelled under an investment agenda focused on the urbanisation of five sub-cities, including feeder roads from farm to market.
- Construction of duty-free Special Economic Zone near airport, which serves as a convenient hub for the East African region, now entering second phase. First phase leasing booked and closed.

### Investment pipeline
- There are currently 15 projects in MINAGRI’s investment pipeline.
- MINAGRI is currently prioritising horticulture, input privatisation, cash crops, and processing.

### Delivery and implementation
- The Rwandan government is dedicated to private-sector investment and relevant ministries collaborate on projects deemed vital to growth of the agriculture sector.
- MINAGRI now conducts quarterly public-private partnership meetings between private sector and government stakeholders, addressing investors’ needs.
Formal lending to agriculture is severely hampered by a number of factors, including the seasonal and high-risk nature of agricultural activities, and lenders’ inexperience with agribusiness. Yet access to financial services for all types of producers and agri-enterprises remains key to unlocking Africa’s agricultural growth potential. To address this constraint, a scheme called Kilimo Salama (Kiswahili for “safe farming”) has been launched in Rwanda after being successfully piloted in Kenya.

The initiative is the fruit of a public-private partnership between MINAGRI, Swiss Re Corporate Solutions, the Syngenta Foundation for Sustainable Agriculture, One Acre Fund/Tubura, Access to Finance Rwanda (AFR) and Rwandan insurer SORAS.

Kilimo Salama aims to reduce the risk from adverse weather and thereby provide a much-needed safety net for smallholder farmers, promoting increased agricultural investment and improved livelihoods. It offers low-cost micro-insurance to over 100,000 maize and bean farmers in the southern and western provinces of Rwanda, protecting them from financial loss in the event of weather damage to crops. Insurance cover is bundled with loans provided by One Acre Fund/Tubura for fertiliser and other farm-related items, and premiums are paid as part of loan repayments.

However, administering potential claims from so many smallholders conventionally would require costly and resource-intensive field assessments, leading to possible significant delays in crucial pay-outs to distressed farmers. To overcome this challenge, Kilimo Salama has developed an innovative and cost-effective alternative using eight automated weather stations, all equipped with transmission systems broadcasting weather updates and rainfall data, and installed in participating provinces with funding from AFR. When a station detects conditions detrimental to crops, a pay-out is triggered subject to insured farmers fulfilling their obligation to employ sound farming practices.

The system proved its worth in February 2014, when more than 7,000 maize farmers from Bugesera, Ngoma and Kirehe districts received insurance pay-outs totalling around $62,000 without having to submit any claim and without any field visits being required to assess the damage.

The key to the success of the Kilimo Salama pilot in Kenya was, according to Christina Ulardic, Swiss Re Corporate Solutions’ Head of Market Development Africa, that “risk transfer is bundled with agricultural inputs and loans”. Another success factor is the existence of inherent alternative distribution channels via local lenders and agricultural dealer networks.

Rwanda’s Minister of Agriculture and Animal Resources, Dr Agnes Kalibata has acknowledged the initiative’s potential to reach more than 300,000 farmers within the first three years. The scheme also has the knock-on effects of encouraging farmers to invest in higher-quality seeds and fertiliser (which weather risks to livelihoods often deter), as well as boosting commercial bank and microfinance institution loan portfolios to smallholders, due to the risk mitigation impact of the insurance provided.
Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Energy** is expensive and in short supply, which makes presenting a business case for setting up processing or storage facilities that are energy-intensive particularly challenging. This is compounded by much of Rwanda’s energy sources being transported overland, adding considerable costs. Nonetheless, the government is actively developing its strategy for improving energy infrastructure, and considering ways to mitigate costs for investors who will create value-adding operations along the chain.

2. **Instability in neighbouring states** reduces scope for regional trade. Rwanda alone is often too small a market to be attractive for investors, which is why the country is promoting its position as a business-friendly destination for companies seeking to reach the much larger regional markets. However, the value of Rwanda as a gateway to the eastern Democratic Republic of the Congo and other neighbouring states is reduced for such time as these countries continue to slip in and out of conflict.

3. **Transport costs** remain stubbornly high for reaching regional markets, with Rwanda’s land-locked status necessitating overland conveyance. The country’s regional trade strategy will only work at scale if transport is fast and affordable, yet an insufficient level of road infrastructure, compounded by increasing fuel costs and a lack of rail networks, create costs that undermine the viability of business cases for investments that could serve these regional markets.

Through Kilimo Salama, 7000 farmers received insurance pay outs due to poor weather in 3 districts.
In sub-Saharan Africa for ease of doing business. The country is particularly well-ranked with respect to starting a business, obtaining credit, contract enforcement and protecting investors. A.T. Kearney’s 2014 African Retail Development Index ranked Rwanda as the top destination for global retailers in Africa because of its strong macroeconomic fundamentals and infrastructural investments.

While hunger is relatively low compared to other sub-Saharan countries with 12.3% of children underweight, poor nutrition remains a significant issue with 44% of children below their desired height for age and the government is running campaigns to tackle this. Poverty is widespread but declining, with 44.9% living below the national poverty line\(^1\), and 63.1% of the population living on less than $1.25 per day. Remarkable progress is being made, with the World Bank highlighting the contribution that agricultural production made to achieving an 11.8% poverty reduction between 2005 and 2011\(^2\).

### CAADP TARGETS

<table>
<thead>
<tr>
<th>Malnutrition: % of children under 5 underweight</th>
<th>Poverty: % living below $1.25/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.3%</td>
<td>63.1%</td>
</tr>
</tbody>
</table>

(www.resakss.org, 2011)

### Public agriculture expenditure share in total public expenditure 2001 - 2010

![Chart showing public agriculture expenditure share in total public expenditure 2001 - 2010](source: www.resakss.org)

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4. Ibid.
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 12,100,000
Rural population: 9,677,000

Population Economically Active in Agriculture

Total: 4,947,000
43.2% - Rural
56.8% - Urban

Ease of Doing Business - Rank of 189 Countries

Overall: 32
Starting a Business: 9
Getting Credit: 13
Protecting Investors: 22
Trading Across Borders: 162
Enforcing Contracts: 40

Top 10 Crops by Production (tonnes)

<table>
<thead>
<tr>
<th>Crop</th>
<th>Production (tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cassava</td>
<td>2,716,421</td>
</tr>
<tr>
<td>Potatoes</td>
<td>2,337,706</td>
</tr>
<tr>
<td>Sweet Potatoes</td>
<td>1,005,305</td>
</tr>
<tr>
<td>Maize</td>
<td>573,038</td>
</tr>
<tr>
<td>Pulses</td>
<td>459,412</td>
</tr>
<tr>
<td>Sorghum</td>
<td>138,695</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>115,000</td>
</tr>
<tr>
<td>Rice</td>
<td>84,079</td>
</tr>
<tr>
<td>Wheat</td>
<td>75,913</td>
</tr>
<tr>
<td>Yams</td>
<td>42,469</td>
</tr>
</tbody>
</table>

Source:
### Status on Letters of Intent

In 2014, I further company directed a Letter of Intent to Rwanda.

<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 1 – Progress update</th>
</tr>
</thead>
</table>
| **Heineken** Improve the livelihoods of local farmers and increase food security by establishing the Bramin joint venture as an operating farm growing commodity and seed maize with soya seed, and leveraging the farm via out-grower programmes. | • Irrigation pivots and infrastructure established.  
• First harvests in December 2013.  
• Out-grower project planning commenced, with funding secured from the Dutch government. |

In 2012, 2 companies directed Letters of Intent to Rwanda (with 2 more making reference to working in the country).

<table>
<thead>
<tr>
<th>Goals</th>
<th>Year 2 – Progress update</th>
</tr>
</thead>
</table>
| **AGCO** Contribute to capacity building, agronomic knowledge transfer, and the intensification of agriculture and mechanisation by:  
1. establishing a demonstration farm and training centre, together with global and local partners, aimed at farmers, agriculture students and schoolchildren;  
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and  
3. offering finance and leasing solutions for tractor supply to small-scale farmers. | • Country visits conducted to evaluate existing opportunities with MINAGRI and Rwanda Development Board (RDB).  
• Currently exploring different concepts specifically for Rwanda. |
| **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. | • Partnerships forged for advancement of agri-risk transfer markets through IFC-funded projects.  
• Supported the implementation of a pilot weather risk transfer scheme.  
• At pan-African level, 300,000 smallholders reached. |
| **Unilever** Facilitate value-chain partnerships, including by:  
1. leveraging investment, bringing expertise, and stimulating supply by creating market demand, such as by doubling sourcing of Rwandan high-grade black tea by 2015; and  
2. integrating 20-30,000 Rwandan smallholders into supply chains, and improving their livelihoods through sustainable sourcing and investment. | • Limited ability to feedback on progress in detail at this stage due to on-going participation in a Government of Rwanda tendering process for tea concessions. |

The following investment plans exist, but no progress report has been shared for 2013.

<table>
<thead>
<tr>
<th>Goals</th>
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</table>
| **Jain Irrigation** In line with national Vision 2020 goals, contribute to developing irrigation and enabling infrastructure by:  
1. developing an integrated agricultural cluster in an area identified as suitable; and  
2. adopting new technology in irrigation, agronomy, supply-chain management and processing. | |
In the year ahead, the GoR will continue to fast-track agri-investments and foster public-private partnerships in priority emerging sub-sectors, including by:

- building capacity in energy and improving water availability and affordability through Energy, Water & Sanitation Ltd (EWSA);
- building capacity in modern crop and animal production methods, agricultural extension, and training of farmers in new technologies through the Rwanda Agricultural Board (RAB) and the National Agriculture Export Board (NAEB), with a view to increasing agricultural and livestock exports;
- further developing the horticulture sub-sector through a blend of public and private funding in infrastructure improvements (e.g. building a wholesale produce market in Kigali);
- making information available (through the RDB) regarding investment opportunities in Rwandan agriculture, and facilitating investors’ engagement with these opportunities;
- boosting the staff complement of MINAGRI’s Agriculture Delivery Unit to coordinate with other institutions and assist the growing number of investors entering their operational phase;
- facilitating the development of supportive infrastructure (e.g. processing facilities for potatoes, cassava starch, animal feed and bio-fortified baby food);
- ensuring access to quality agricultural inputs via privatisation of the seed industry and scaling up of fertiliser distribution;
- phasing out MINAGRI’s Postharvest Production Task Force and privatising all government-owned infrastructure; and
- holding a high-level stakeholder meeting to validate the new national Agriculture Investment Plan, aimed at delivering on the 8.5% agricultural growth target set in the EDPRS 2 strategy.

**FORWARD LOOK**

**PRIORITIES FOR PROGRESS**

Privatisation and improved infrastructure will help nurture emerging agri-niches

Bahkresa Grain Milling Ltd has set up a processing factory in the Kigali Special Economic Zone
Investment and Partnering Opportunities

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

**Interest sought in managing new seed processing facility**

In recognition of the priority accorded by the GoR to ensuring access to quality agricultural inputs, the government has built warehouses/silos and processing facilities for value addition downstream of the seed value chain with a view to building capacity to tap into emerging markets.

Specifically, the government has built a 10,000-tonne p.a. capacity seed processing plant in the Kigali Special Economic Zone. In the spirit of public-private partnership, it is now looking for private seed operators to take over management of this plant and other facilities to ensure a reliable supply of locally-produced quality seeds of high-yielding varieties to service domestic and foreign demand.

While domestic consumption is currently limited to 8,000 tonnes, available export markets for surplus seed already exist in Burundi and the Democratic Republic of Congo. With its favourable business climate and location, Rwanda is ideally placed to become the seed supply hub for the wider Eastern Africa region.

In gearing up towards privatisation, the government is currently reviewing seed laws to integrate Plant Variety Protection (PVP) or Plant Breeders’ Rights, thus enabling private seed companies to develop their own varieties in the country. It has also committed to end seed subsidies by the last quarter of 2014 so as to fully engage the private sector in seed production and distribution by the commencement of the 2015 season.

**Investment openings in high-potential horticulture**

With the surge in demand for horticultural imports from regional and international markets due to climate change and the desire for organic produce, Rwanda’s ideal growing conditions could see the country serve as a hub for supplying fresh fruit, vegetables and processed food to the region and beyond.

**Value-addition opportunities in potato and dairy processing**

Rwanda is shifting to value addition in all agriculture sectors, with the greatest opportunities existing in potato and dairy processing.

Demand for processed potato chips has been growing at a rate of 10-17% annually in central and east Africa, fuelled by a rapidly urbanising population and a thriving tourism market. The majority of processed potato chips are imported from Europe and South Africa, with only two major factories producing frozen potato chips in East Africa – in Nairobi and Uganda.

Rwanda is the largest producer of potatoes in East Africa and the 3rd largest in sub-Saharan Africa. Its
potato yields (12 tonnes/ha) are higher than those of regional competitors, with further potential to increase yields to 25 tonnes/ha. Yet despite rich volcanic soils, high altitudes and widespread cultivation in the Northern Province ensuring continued growth, only 15% of Rwandan potatoes are processed into chips or crisps.

To enable high-potential markets in the region to be serviced, the value chain needs to be strengthened through the addition of a modern cold storage facility in Musanze district (requiring an investment of around $1.8 million) and a potato processing plant (involving the injection of around $8.8 million).

Dairy value addition also exhibits great potential, as only 10% of Rwanda’s milk is currently processed. The opportunities available in dairy processing include fermented milk, yoghurt, cheese, butter, ice cream, milk powder, ghee, as well as flavoured and sweetened milk. Proposals for independent ventures are also welcome.

Point of contact for investments

Potential investors wishing to express their interest or find out more should get in touch with:

Jiibwa Rucibigango. Investment Specialist, Ministry of Agriculture | jrucci@minagri.gov.rw | +250 72 699 5709
Pursuing big results now for agricultural growth

Tanzania is one of the most open and stable democracies in Africa. The country is also favourably endowed with a rich natural resource base to support agriculture development, including a huge potential for irrigated agriculture, yet the sector attracts the least shares of foreign direct investment (FDI) stock despite impressive inflows of FDI to Tanzania.

A review of national Development Vision 2025 strategy highlighted the need to streamline its prioritisation, development planning, implementation and follow-up mechanisms. This has led to a series of Five Year Development Plans (FYDPs), the first of which (FYDP 2011-12 to 2015-16) aims to fast-track putting in place the basic conditions for high, broad-based and pro-poor growth.

Taking a leaf out of the Malaysian approach of Big Fast Results, and building on Kilimo Kwanza, a strategy for modernising Tanzanian agriculture through increased crop production and improved livestock husbandry and fish farming, the Government of Tanzania (GoT) launched its Big Results Now (BRN) initiative in 2013, with the first wave of BRN labs taking place in February-March of the same year. Agriculture was one of the six National Key Results Areas (NKRAs) that were prioritised in this process, while a number of recommended initiatives and Key Performance Indicators (KPIs) were also agreed upon. These were endorsed by Cabinet and served as the basis for a performance contract between the Minister of Agriculture and the President. As a result, the Permanent Secretary for Agriculture now receives weekly reports from her Task Team on matters highlighted by the BRN labs. Three priority crops have been identified initially, namely, sugarcane, maize and rice, while the second wave of priority crops will include horticulture and oilseeds.

With the renewed focus and drive to accelerate investment in priority value chains that the BRN initiative has injected, Tanzania is well-positioned to achieve the big results in agricultural growth it aims to secure.
2013 IN REVIEW

PROGRESS
Shifting policy bottlenecks is helping to fast-track investments

The GoT has instigated a number of policy measures geared towards establishing a more stable and transparent trade regime that reduces tariff and non-tariff trade barriers, which are also yielding concrete benefits in terms of facilitating investment into agriculture. These measures include the lifting of the country’s ban on staple food exports with a view to opening up to global and intra-African trade, the waiver of value-added tax on irrigation equipment, tractors, farm implements (including spare parts) and milk processing products, and the granting of a waiver from cumbersome import procedures under the Fertiliser Act for the horticulture industry. While making good progress in policy measures, execution remains a challenge including consistency and predictability with regard to import of key commodities such as rice and sugar.

As part of the BRN initiative, 25 locations were identified for commercial farming deals for rice paddy and sugarcane production, including 63,000 ha at the Mkulazi site, with a request for pre-qualification issued. The GoT has also identified 8 districts in which to pilot a smallholder rice paddy irrigation scheme under the BRN and a further 8 districts in which 275 warehouses will be piloted, involving 165,000 smallholders. Bagamoyo EcoEnergy Ltd, a special-purpose project company formed by Agro EcoEnergy, has also been granted land to establish a greenfield modern sugarcane plantation and a factory producing sugar, ethanol and power for the Tanzanian market.

Positive developments in terms of value-chain partnerships forged include:

- Syngenta and Yara actively working with rice producer Kilombero Plantations Limited (KPL) and development partners to strengthen rice value chains and smallholder engagements in Kilombero;
- the establishment of the Last Mile Alliance Partnership by several inputs companies to improve distribution and extension services to farmers;
- the receipt by the Tanzania Horticulture Association (TAHA) of TZS 1.7 billion from the GoT to build collection centres for pineapple growers, some of which are already being used; and
- Unilever and the GoT embarking on an ambitious partnership to reinvigorate the Tanzanian tea industry, pursuant to which Unilever – granted National Strategic Investor status by the government – aims to triple its production of tea from smallholders through out-grower schemes and generate around $148 million in export revenues.

Finally, the long-awaited Catalytic Fund of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is set to commence operations. A call for proposals for a professional Fund Manager has been issued and the Board of Directors and Secretariat are already in place. The SAGCOT initiative was featured in December 2013 at the “African Forum – 100 Innovations for Sustainable Development”, held in Paris.
LETTERS OF INTENT

The Year in Numbers

A selection of companies engaging in each country have outlined their investment plans by signing "Letters of Intent". For 2013, the following statistics aggregate any data shared by these companies in the spirit of mutual accountability.

21 Companies have Letters of Intent (LoIs)

Planned investment estimated at $34 million

4 of 21 companies provided data.

IMPLEMENTATION PROGRESS REPORTED

- 0% Complete
- 0% Performing well
- 36% Minor problems
- 9% Major problems
- 55% On plan
- 0% Cancelled

11 of 21 companies provided data.

$9.7 million of investments made in 2013

$5.9 million of capital expenditure.
$3.8 million of operating expenditure.
11 of 21 companies provided data.

OUTCOMES REPORTED FOR 2013

1,049 jobs created:

- 44% Female
- 56% Male

5 of 21 companies provided data, of which 20% was gender disaggregated.

453,000 smallholders reached:

- 16% Female
- 84% Male

5 of 21 companies provided data, of which 20% was gender disaggregated.

325,569 with services
371 with sourcing
230 with production contracts
244,641 with training
97,886 unspecified

10 of 18 companies provided data, of which 50% was gender disaggregated.
Leadership and alignment

- President Kikwete has shown exemplary leadership on agriculture both in-country and internationally. Top leaders from Ministers down to Regional Commissioners are advocating for the Kilimo Kwanza growth strategy.
- Business leaders are also keen to ensure successful translation of the promised transformation on the ground.
- The Partnership Accountability Committee for the New Alliance meets quarterly. It includes representatives from across the public and private sectors.
- There are doubts regarding leadership alignment from donor agencies and the effectiveness of mutual accountability mechanisms on public-sector commitments.

Risk mitigation and financing

- High commercial bank interest rates make it hard to access loans, leading to low private-sector investment in agriculture.
- The Tanzania Agricultural Development Bank (TADB) is expected to commence operations in late 2014/early 2015 and provide long-term financing as well as working capital at relatively lower rates.
- While the SAGCOT Catalytic Fund is yet to become operational, recruitment of a Fund Manager is underway, and the Board of Directors and Secretariat are already in place.

Strategy setting

- Kilimo Kwanza is implemented through the Agriculture Sector Development Programme (ASDP). The Tanzania Agriculture and Food Security Investment Plan (TAFSIP) is in place and priority value chains have been identified.
- Big Results Now (BRN) initiative launched.
- The SAGCOT Centre is advocating for a greater role for the private sector in ASDP II implementation.

Infrastructure and policy

- A modern land management system is being established, land legislation is being reviewed, and the TIC is building up a land bank.
- With power cuts and surges frequent, energy remains a critical bottleneck despite a number of donor-funded projects e.g. gas extraction in the Mtwara region to feed into the electricity grid.
- Policy enforcement is made fraught for investors by the proliferation of regulatory bodies.

Investment pipeline

- The BRN initiative is fast-tracking the land acquisition process, with a total of 80,000 ha entrusted to the Tanzania Investment Centre (TIC) for fielding expressions of interest from investors for land grants.
- Memorandums of Understanding (MoUs) have been signed with key partners for implementing company commitments to work with smallholder rice farmers.
- Strong investment interest exists but conversion depends upon further strengthening of enabling environment and coordination of public private partnerships.
SPOTLIGHT

Agro EcoEnergy – “Land for equity” swap sees disused land converted to biofuel plantation

Tanzania’s land population density is relatively low (51 people per square km as at the 2012 census). It has 44 million ha of arable land, of which only 27% is under cultivation. The country has vast tracts of largely idle and unproductive land. Moreover, land ownership and boundaries are unclear as less than 10% of the land is titled.

The GoT has become increasingly aware that in order to turn this situation around it needs access to modern technologies, know-how and market connections. For its part, Agro EcoEnergy Tanzania Ltd was seeking land to establish a modern sugarcane plantation and build a factory producing sugar, ethanol and power. In response, the GoT has piloted a cooperation framework that balances the interests of all stakeholders, striking a win-win deal whereby the GoT and local communities will receive a 10% non-dilutable shareholding in the project company Bagamoyo EcoEnergy Ltd and a further 15% B-share stake after 18 years of operation, in exchange for Bagamoyo EcoEnergy being granted a 99-year lease of land free from encumbrance. The land given out largely consists of an abandoned state-owned cattle ranch in Bagamoyo district, in disuse since 1994.

In handling the resettlement of households within the boundaries of the granted land, the company opted not to implement existing procedures (which often saw compensation disproportionately distributed to those with more influence than entitlement) but to follow international best practice, predicated on guaranteeing as good or even better a standard of living for those being involuntarily resettled as they previously had. As only genuine locals who had grown crops before the resettlement process started (2011) were eligible, a number of disgruntled claimants sought to discredit the investment and fuelled “land grab” accusations, urged on – according to a joint statement by the Ministry of Land and the company – by trading competitors and land speculators.

Hailed nevertheless as an innovative collaborative solution to transforming land from disused to productive, “land for equity” and the compassionate compensation scheme continue to be held up by the Ministry of Land as the best way forward for handling such land and resettlement issues in future.
CONSTRAINTS

Access, accountability and institutional focus are key agri-investment challenges

Companies highlighted the following constraints faced by their investments. If addressed, they could strengthen the enabling environment and unlock further investment.

1. **Access to land, finance and basic infrastructure**: access to affordable long-term finance, reliable electricity supply, irrigation infrastructure, and land free from encumbrance would help fast-track the conversion of company investment commitments.

2. **Effective mutual accountability platform**: while Tanzania pioneered public-private partnerships (PPPs) for the transformation of agriculture, public-sector interest and commitment in PPP arrangements has flagged somewhat, calling for an effective framework through which partners can hold each other mutually accountable to act in concert to deliver meaningful transformation.

3. **Limited institutional capacity and coordination**: ministries, departments and agencies involved in investment facilitation, policy formulation and regulatory enforcement often lack experience in handling complex investments and exhibit limited insight into the impact on investors of their actions or inaction (including a failure to coordinate with other relevant institutions). This tends to be compounded by a disproportionate focus on “avoiding mistakes” to the detriment of holding people accountable on “the opportunity cost” of a particular official course of action adopted. In the short term, establishing an adequately mandated and resourced one-stop shop for investors would help facilitate the engagement of companies with government on advancing their investments, while the medium-to-long term requires systemic challenges to be addressed through capacity-building across institutions with responsibilities in the sector.

Tanseed’s extension services take innovative approaches to promoting improved seeds.
THE LONG VIEW

Agricultural spending rises to sustain progress on poverty and hunger

Agriculture makes up roughly a quarter of Tanzania’s economy and has experienced steady growth over the past decade, although never quite achieving the 6% CAADP target. With three quarters of the population living in rural areas, agriculture offers an important source of economic activity, and a slight majority of the agricultural labour force are women (55.1%). Tanzania’s agricultural sector currently produces cassava, yams, maize, cocoa and rice in significant quantities, and generates 7% of Africa’s annual maize output. Government spending on agriculture has risen over the last decade to its most recent level of 6.8%, with a Presidential commitment to reach the CAADP target of 10% of the overall national budget by 2015.

Tanzania is ranked at 145th worldwide and 19th out of 47 in sub-Saharan Africa in the Ease of Doing Business report. Cross Border Trade and Getting Credit are highlighted as areas especially requiring improvements.

The country emerges as one of the more attractive environments on the continent for digital agribusiness services, with 27.1 million mobile GSM connections, 20% of which are 3G data connections supporting more advanced application types.

For Tanzania’s 50.8 million persons, extreme poverty declined impressively from over 84% in 2000 to 67.9% in 2007, but still leaves the country 20% above the average for the continent and off-track to meet the Millennium Development Goal (MDG) target reduction. Malnutrition is relatively low compared to other sub-Saharan countries, with 16.2% of children underweight, and the country’s good progress here puts it close to achieving its MDG target by 2015. Achieving the CAADP growth targets for Tanzania through both public and private action is essential for reducing poverty rates, especially for 72% of the country’s population (36.5 million people) living in rural areas.

CAADP TARGETS

16.2% 67.9%
Child malnutrition: % of children under 5 underweight (World Development Indicators 2010) Poverty: % living below $1.25/day (World Development Indicators 2007)

Public agriculture expenditure share in total public expenditure 1990 - 2010

Source: www.resakss.org
Agricultural GDP Growth Rates

SNAPSHOT OF AGRICULTURAL ECONOMY

Rural Population

Total population: 50,757,000

Rural population: 36,488,000

Population Economically Active in Agriculture

Total: 18,865,000

Ease of Doing Business - Rank of 189 Countries

Overall 143
Starting a Business 119
Getting Credit 130
Protecting Investors 98
Trading Across Borders 139
Enforcing Contracts 42


Top 10 Crops by Production (tonnes)

Cassava 5,462,454
Yams 5,104,248
Maize 3,018,175
Cocoa 2,900,000
Rice 2,524,740
Groundnuts 1,914,878
Sorghum 1,800,551
Millet 1,235,041
Sugarcane 838,717
Sweet Potatoes 810,000

Goals

**AGCO**
Contribute to capacity building, knowledge transfer on the agronomic system and the intensification of agriculture and farming mechanisation by:
1. establishing a demonstration farm and training centre, together with global and local partners, aimed at large- to small-scale farmers, agriculture students and local schoolchildren;
2. providing infrastructure and technical support with mechanisation, storage and livestock systems, including after-sales services for commercial smallholders, and emerging and large-scale farmers; and
3. offering finance solutions and developing leasing models for tractor supply to small-scale farmers with little working capital.

**Agrica/KPL**
Subject to improvements to road and tax regime, support increased agricultural productivity and commercialisation by:
1. increasing the reach of the KPL smallholder programme from 1,500 to over 5,000 farmer families;
2. completing KPL's irrigation system to cover over 3,000 ha; and
3. constructing biomass power plants totalling 3 MW.

**Agricultural Council of Tanzania (ACT)**
Improve the Tanzanian agribusiness environment by:
1. assisting in preparation/dissemination of policy papers on constraints to realisation of increased investment objectives; and
2. providing a platform for information analysis, and dialogue for private and public stakeholders in the sector.

Year 2 – Progress update

- Conducted exploration visits to the country and evaluation of existing opportunities with SAGCOT and Ministry for Agriculture, including TAN25, and other partners like AgDevCo and Agrica/KPL on rice.
- In Concept Stage for nucleus farm project and out-grower scheme in Kigoma.
- In Concept Stage with Tanzania Horticultural Association (TAHA) for horticulture development project.
- Private-sector member participating in consortium for the Competitive African Rice Initiative (CARI) for West Africa and Tanzania, with the objective of reaching at least 120,000 smallholders over 5 years (30,000 in Tanzania, at least 30% being women) and developing downstream value-chain structure.

- Expanded the smallholder programme beyond goal to 6,500 farmer families and built a health clinic.
- Maintained relationship with 10 village smallholder rice associations.
- Given the depressed market and uncertain policy climate, KPL has only completed 215 ha of planned irrigation on its 5,000 ha rain-fed farm and has yet to construct the first biomass plant.
- Agrica has had to inject $3 million to maintain KPL as a going concern.

- Involved in establishment of the Tanzania Agricultural Development Bank, which will provide short- and long-term loans to agricultural operators at affordable rates.
- Produced a policy brief on crop cess, which is being used to lobby government.
- Advocating for streamlining fees, eliminating overlaps in the roles and responsibilities of regulatory agencies, and land tenure system review (particularly regarding land demarcation and titling, legal recognition of agricultural land, and land rent).
<table>
<thead>
<tr>
<th><strong>Agro EcoEnergy</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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</table>
| Produce sugar and renewable energy sustainably by:  
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 out-grower programme, both fully-irrigated; and  
2. producing 125,000 tonnes of sugar, 8-15,000 m³ of ethanol, and 100,000 MWh/year of renewable electricity to the national grid. | - Secured engagements from development and commercial banks for financing and supporting the out-grower scheme projects (subject to all critical policy issues being resolved).  
- Carried out environmental and social impact study, completed physical planning of facility, and have already spent $42 million; investing over $6 million in construction works that are to be officially inaugurated in 2014.  
- Government and local communities to be given a 10% stake in the project company as ordinary equity (with a further 15% in B-shares to be granted after 18 years), in exchange for land free of encumbrance as a site for the facility.  
- Put in place supplier contracts and off-taker agreements for sugar and power from ethanol, while associated policy negotiations with government are close to being finalised. |

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<tr>
<th><strong>Armajaro</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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| Contribute to supporting the development of small-holder coffee farmers in the Mbeya and Mbinga regions, doubling the income of around 25,000 farmers by:  
1. improving productivity;  
2. strengthening market linkages; and  
3. providing access to finance. | - 8,981 farmers trained in Good Agricultural Practices and Good Production Practices (33% of attendees being women).  
- Promoter farmer model used for the trainings, with 264 farmers trained and demonstration plots established in each promoter farmer’s locality.  
- Processed 3,278 tonnes of cherry in 13 of the wet mills bought in Mbinga region.  
- 2,950 farmers trained on basic business skills in collaboration with Hivos and a local consultant.  
- 12,117 farmers Rainforest Alliance-certified, with 2,110 tonnes of coffee from the farmers sold as certified.  
- All 2,950 farmers in the second cohort introduced to the Gender Action Learning System.  
- 10 wet mill staff (8 male, 2 female) in Mbinga trained on Payment Ecosystem Services by Avance/Proclimate in collaboration with Solidaridad.  
- Identified 2 clonal nursery sites and carried out initial preparations; to be finalised by end March 2014. |

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<tr>
<th><strong>Diageo</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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</table>
| Contribute to developing and implementing a scalable sorghum value-chain project with a potential to scale up sourcing to 20,000 tonnes p.a. by 2016 for local use and export. | - With the agreement of SAGCOT, future development of this investment is under review.  
- Successful trial on sorghum production conducted, though at current market prices, it is more economical to continue purchasing on the open market. |
**Goals**

**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.

**Year 2 – Progress update**
- Launched partnerships in coordination with the SAGCOT Centre; collaborating partners to align strategies to reach smallholders in the corridor.
- Reached over 220,000 smallholders with improved technologies and management practices, including:
  a. training agro-dealers in partnership with the Agricultural Development Trust;
  b. organising smallholder farmers to collectively receive training, inputs and market products in partnership with NGO Creating Rural Entrepreneurs;
  c. training on agriculture extension services using The Earth Institute’s soil sampling tool “SoilDoc” to provide smallholders with near-real time soil management recommendations; and
  d. distributing over 22 tonnes of high-quality, high-yielding maize varieties to smallholders in partnership with Farming Input Services.
- Plans exist to assess impact of the partnership model in 2014.

**SABMiller**
Contribute to improving crop quality, yields and local sourcing by:
1. increasing locally-sourced barley each year through subsidiary Tanzania Breweries (end target: to malt 100% locally, including from smallholders); and
2. investing in farming programmes, providing funding, seed, and assisting with machinery such as power tillers.

**Year 2 – Progress update**
- Reached 253 smallholders (through extension support, pre-financing and direct purchasing of barley with guaranteed price).
- Sourced 8,955 tonnes of barley from 300 smallholders in 2013.
- Identified new potential areas and farmers in Sumbawanga, Southern Highlands, through soil and climate analysis; planting is now complete.
- Developed demonstration farm in partnership with Syngenta, Yara and John Deere in Northern Highlands to improve yields through better equipment and crop management; two farmers identified in Arusha and Karatu; land preparation and planting complete.
- Successfully completed commercial trials and established a “Total Package” programme which 5 model barley farmers will follow in 2014.

**Shambani Graduates Enterprises**
Contribute to meeting national increased annual milk production targets by:
1. investing in expanding Shambani Graduates Enterprises’ milk collection, processing and marketing; and
2. building quality/hygiene capacity of around 400 milk producers to supply 4,000 litres/day, resulting in additional $900 in annual income per farmer.

**Year 2 – Progress update**
- Developed business plan and focused strategy, with unique value proposition for expansion.
- Invested $62,500 already in renovating facilities, including milk collection centres.
- In discussions with two firms for financing but no commitment secured to date.
- Currently sourcing 1,500 litres/day of milk from around 120 smallholders.
- Almost completed installation of new boiler, which will enhance processing capacity.

**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.

**Year 2 – Progress update**
- Partnerships forged with donors, businesses and governments for advancement of agri-risk transfer markets through International Finance Corporation-funded projects.
- Held local trainings and awareness-raising events.
- At pan-African level, 300,000 smallholders reached.
Goals

Syngenta
Contribute to delivering cluster initiatives aimed at developing large farms and surrounding smallholders by:
1. supporting the SAGCOT initiative and private-sector partnership;
2. supporting the KPL rice plantation and smallholder programme (in partnership with Yara and USAID);
3. exploring opportunities with other clusters;
4. developing the Environment and Climate Compatible Agriculture (ECCAg) approach (with Yara) for smallholder rice and maize farmers; and
5. partnering with other companies and USAID to develop a village-based agro-dealer network.

Year 2 – Progress update

- Supporting SAGCOT Centre with funding, planning and delivery.
- Commenced commercial operations in tomato value chain in Iringa, Makambako and Njombe, with 30 demonstration plots in progress; plans exist to scale up geographically and to other crops e.g. maize and potato.
- Launched crop productivity training programme in Morogoro and Iringa.
- Trialling high-productivity rice for KPL and expect licenses; with USAID, to embark on training programme for 10,000 smallholders in 2014.
- Completed 3rd year of ECCAg demonstration trials in Morogoro/Njombe with 100% increased yield for maize (highest yield of 8.5 tonnes/ha) and 21% for rice (highest yield of 8.3 tonnes/ha); full report on yield, farmer profitability and environmental impacts to be issued in 2014 (final year of ECCAg trials).
- Progress in one area is on hold due to land dispute.
- Reached a total of 9,000 smallholders, of whom 40% were women.

Tanseed International
Contribute to stabilising 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.

Year 2 – Progress update

- Produced 711 tonnes of certified seed, processed and packed in 298,200 small packs and distributed to 119,243 smallholders through 102 seed distributors across 43 districts.
- Registered 102 seed distributors for selling rice and maize seed in 89 districts.
- Employed and trained 3 additional staff.
- Engaged in strategic partnerships with the International Maize and Wheat Improvement Center, the International Rice Research Institute, the Alliance for a Green Revolution in Africa (AGRA), USAID and Root Capital, focused on developing unique crop genetics for greater market pull, facilitating staff training, and attracting working capital.

Tanzania Horticultural Association (TAHA)
Contribute to promoting and facilitating horticultural investments by:
1. mapping horticulture activities/projects/plans in priority clusters and throughout the SAGCOT corridor;
2. being the first point of contact for horticulture-interested parties; and
3. presenting SAGCOT at horticulture forums/events.

Year 2 – Progress update

- Played a critical role in lifting a ban on flower exportation through Kenya.
- Negotiated a waiver of cumbersome procedures for importing fertilisers and special consideration for a flat-rate crop cess for the horticulture industry.
- Successfully lobbied the GoT to commit TZS 1.7 billion to build infrastructure (collection centres for pineapple growers) in key rural areas, with works underway and expected to be completed by June 2014.
- Lobbied Global Gap to translate its safety standards into Kiswahili for easy access and use by small-scale Tanzanian farmers.
<table>
<thead>
<tr>
<th><strong>Tanzania Seed Trade Association (TASTA)</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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<tr>
<td>Contribute to increasing access to improved seed varieties by working with government to reduce the tax burden on the seed market.</td>
<td>• Re-engaged with new leadership in the Ministry of Agriculture and actively participated in a task team set up by the Ministry to unlock the tax burden issue. &lt;br&gt;• Assembled the necessary facts and figures to engage the panel tasked with streamlining tax laws by: (i) exempting seed and seed packing materials from import duty and VAT; (ii) exempting seeds from district-levied crop cess; and (iii) clarifying the tax treatment of seeds. &lt;br&gt;• Formed a taskforce including key stakeholders to address the issue of fake seed syndicates.</td>
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<th><strong>Unilever</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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<td>Contribute to improving supply-chain integration of smallholders by: &lt;br&gt;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; &lt;br&gt;2. improving smallholder livelihoods in tea through sustainable sourcing and investment; and &lt;br&gt;3. exploring local sourcing opportunities for cocoa, vegetable oils, fruits and vegetables.</td>
<td>• Agreed tea partnership with government in SAGCOT corridor, including investment in tea estates, the supply chain, new factories and local infrastructure, R&amp;D, support for smallholders and certifying all related tea production as sustainable. &lt;br&gt;• Partnership expected to create 5,000 jobs on the estates and, by developing 6,000 ha of smallholder tea, improve the lives of around 30,000 people economically dependent on those smallholdings. &lt;br&gt;• Expanding estates in Mufindi and developing a project in Njombe in collaboration with the UK government, the Wood Family Trust and the Gatsby Foundation.</td>
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<th><strong>United Phosphorus (UPL)/Advanta</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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<td>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.</td>
<td>• Blueprint for implementation is ready; awaiting registration of seeds (anticipated in 2014).</td>
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<th><strong>Vodafone</strong></th>
<th><strong>Year 2 – Progress update</strong></th>
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<tr>
<td>Contribute to increasing the productivity, incomes and resilience of smallholders by: &lt;br&gt;1. establishing, with USAID and TechnoServe, the Connected Farmer Alliance (CFA) for operation in Mozambique, Kenya and Tanzania to provide mobile agriculture solutions increasing resilience to shocks for 500,000 rural smallholders, of which approximately 150,000 will be women; &lt;br&gt;2. optimising supply chains by strengthening linkages and feedback loops between smallholders and large agribusinesses; and &lt;br&gt;3. improving access to secure, timely payments and other financial services.</td>
<td>• In 2nd year of 3-year (Sept 2012-Sept 2015) CFA; reached 7,863 smallholders to date through management training in the 3 Alliance countries. &lt;br&gt;• Completed stakeholder meetings and needs assessment for 7 supply-chain clients. &lt;br&gt;• Piloted supply-chain management solution with 2 clients in Tanzania, and looking to identify additional clients and scale up the pilot (targeting 40,000 smallholders). &lt;br&gt;• Continuing with financial service research; plans exist to pilot agriculture-focused mobile financial services in Kenya and Tanzania and scale up existing services in both countries (e.g. M-Shwari and Kilimo Salama) to smallholders.</td>
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The following investment plans exist, but no progress report has been shared for 2013.

**Goals**

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<tr>
<th>Yara</th>
<th>Cultivate long-term partnerships for co-developing national fertiliser market by:</th>
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<tr>
<td></td>
<td>1. continuing existing efforts in SAGCOT, specifically the rice value-chain partnership with KPL, and developing an integrated Green Corridor;</td>
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<td>2. initiating an integrated sustainability approach with the Norwegian Agency for Development Cooperation (NORAD) and AGRA;</td>
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<td>3. developing 2-3 subsequent value-chain initiatives under SAGCOT; and</td>
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<td>4. developing a pilot initiative with Vodafone and government to field-test mobile phone delivery mechanisms for improved supply-chain efficiencies.</td>
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<th>Selous</th>
<th>On securing access to long-term financing or an investor with shared vision, strengthen regional cereals and livestock supply chains by:</th>
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<tr>
<td></td>
<td>1. expanding livestock from 500 beef breeding cows to 900, and 400 ewes to 1,200;</td>
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<td>2. expanding processing at abattoir and butchery for meat and poultry products;</td>
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<td></td>
<td>3. expanding production of seed maize from 150 ha to 400 ha, and soya from 60 ha to 400 ha; and</td>
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<td>4. establishing a mill to produce quality animal feed.</td>
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| 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. |

**Year 2 – Progress update**

- Finalising construction of a $20m revolving fertiliser terminal in Dar es Salaam.
- Established 5 in-market storage facilities in key agricultural areas and a smallholder outreach programme focused on improving food security.
- Conducted several field missions to neighbouring Rwanda and Burundi to develop regional distribution and agro-dealer market with Tanzania as hub.
- Held numerous discussions on project-specific activities in SAGCOT including with NORAD and AGRA.
- Provided technical expertise and products to develop smallholder capacity in the tea value chain in partnership with Unilever.
- Trained 10,000 farmers on improved coffee production practices in partnership with ECOM Trading Group.
- Provided plant nutrition expertise, fertiliser and practical support to ECCAg research partnership field trials.
- Signed MoU with microfinance NGO BRAC to collaborate on Livelihood Enhancement through agricultural development project on maize.
- Establishing trials and providing technical support related to key crops and value chains.
- Exploring new partnerships in sugar, cotton and maize value chains.
FORWARD LOOK

PRIORITIES FOR PROGRESS

All hands on deck to develop sugarcane, rice and maize value chains

The BRN lab dedicated to agriculture defined the strategic priorities to be achieved by 2015. It is envisaged that these will be delivered largely through PPP arrangements that prioritise value chains with nucleus and out-grower farm models.

These models are expected to sustainably create greater smallholder engagement, with out-growers benefitting from training and inputs, while building equity, higher productivity and motivation. In turn, the nucleus farms will improve their efficiency and effectiveness through the increased capacity of smallholders, while benefitting from the good working rapport developed in the process.

The PPP efforts are expected to develop 330,000 ha of enhanced smallholder farmlands (out-growers) and 350,000 ha of new commercial farmland (not including areas occupied by out-growers). This is anticipated to result in 4 key outcomes:

- sugarcane crop planting increased by 150,000 tonnes;
- new rice production increased by 290,000 tonnes;
- new maize output increased by 100,000 tonnes; and
- the involvement of 400,000 smallholders in commercial and out-grower schemes.

These outcomes are to be achieved by boosting commercial farming and smallholder aggregation. To that end, the partnership will be required to deliver:

- 25 commercial farming deals for rice paddy and sugarcane;
- 78 professionally-managed collective rice irrigation and marketing schemes; and
- 275 collective warehouse-based marketing schemes.

Progress against these strategic targets will be monitored on a weekly basis by a Task Team reporting to the Permanent Secretary for Agriculture, who will in turn report to the Minister, the latter being ultimately accountable for delivery on these priority

Investment and Partnering Opportunities

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

Innovative input needed to unlock growth potential of rice production

Tanzania’s rice yields are generally low, with the crop being predominantly grown by smallholders. Growing local demand for the commodity is being driven by one of the fastest growing urban populations in the East African Community (EAC), rising at 4.7% a year, and a burgeoning middle class that prefers rice over other staples. Producers in Tanzania also have duty-free access to regional markets in the rest of the EAC, Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), where demand and imports are also rising.

With imports being fuelled by consistently higher than global rice prices in Tanzania, and by local production failing to keep pace with demand, an opportunity is created for investors ready to introduce the latest techniques and inputs into the value chain.
Tanzania offers ideal conditions for rice cultivation, with tropical temperatures, rich and fertile soil, abundant sunshine and rainfall, and a number of large river systems ideal for irrigated rice projects. Key cost factors (labour, land and power) are very competitive and generally lower than in alternate locations. Several specific sites have been earmarked for large-scale irrigated rice schemes, and one major rice venture (based on the nucleus/out-grower model) is already cultivating more than 10,000 ha, with some out-growers achieving yields of 8 tonnes/ha, proving the success of the model.

**Scope for developing modern sugar operations**

The GoT has put a high priority on attracting investors to develop new greenfield sugar projects. Attesting to the attractiveness of the sector in Tanzania, global sugar industry players already present in Tanzania are eager to explore these new opportunities.

With a rapidly growing population and rising incomes, Tanzania’s sugar market growth is estimated at 6% p.a. The current sugar supply gap is approximately 300,000 tonnes, expected to increase sharply as current estates are limited in their expansion. An additional 400,000 tonnes sugar supply gap is observed in the EAC region, growing at over 10% p.a., hence presenting a significant import substitution opportunity within a common market protected by a 30% external tariff.

The booming global ethanol market favouring African producers and the local power market also offers strong market opportunities for other sugarcane products and by-products.

With ideal soils and climate for sugarcane production, Tanzania boasts among the highest average cane yields in the world, at 120 tonnes/ha. With ample rainfall and generous rivers fed by high hinterland plateaus, Tanzania has among the best irrigation potential in the sub-region. Soils and topography in target sugar zones lend themselves readily to industrial sugarcane cultivation, and the government is preparing further new sites for the development of greenfield sugar estates.

Tanzania’s livestock population is estimated at 21.3 million (the largest in Southern Africa) and has been increasing by 5% p.a. However, 97% of all animals are kept by smallholders, who are often faced with poor productivity and yields.

Increased population sizes, urbanisation and income levels across Africa are boosting demand for meat. Starting from a per-capita consumption of 12 kg p.a., Tanzania’s local demand for meat is expected to triple by 2030. As current increases in livestock supply will not be able to meet future demand, large-scale investments are needed to provide technical skills and capital to run ranches, feedlots, abattoirs, meat processors and tanneries. Opportunities also exist to service overseas demand, with Tanzania already exporting meat to markets demonstrating significant growth potential in the Middle East and neighbouring countries.

**Point of contact for investments**

Potential investors wishing to express their interest or find out more should get in touch with:

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ADDENDUM

Notes on the production of the report

Purpose of the report

This Report aims to further catalyze the private sector’s contribution to growth in African agriculture and in support of the Comprehensive Africa Agriculture Development Programme (CAADP). It does this 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 2014 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 New Alliance for Food Security and Nutrition a comprehensive update on how companies advanced their stated intentions during the course of 2013.
How the 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.

Given that governments and companies have self-reported their progress and plans, we should acknowledge this Report’s subjective nature. For 2014, Grow Africa is commissioning impact assessments for a cross-section of investments in order to better validate our findings.

Regarding definitions for quantitative data, the following guidance was given to companies:

<table>
<thead>
<tr>
<th>Smallholder</th>
<th>Smallholder is generally defined as farming 7 hectares or less.</th>
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<tbody>
<tr>
<td>Value of new private sector investment in the agriculture sector or food chain:</td>
<td>Company financial resources (including cash, debt, equity) invested across the food chain. The “food chain” includes both upstream and downstream investments.</td>
</tr>
<tr>
<td>Number of jobs</td>
<td>Jobs are all types of employment opportunities created during the reporting year in agriculture- or rural-related enterprises (including farming and non-farm jobs). Jobs lasting less than one month should not be counted. Jobs should be converted to full-time equivalents – thus a job that lasts 4 months should be counted as 1/3 FTE. Number of hours worked per day or per week is not restricted as work hours may vary greatly.</td>
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<tr>
<td>Number of smallholders reached by type of activity:</td>
<td>The total number of smallholders reached through your business operations, by each type of activity described below:</td>
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<td></td>
<td>▪ Training: Instructional services provided directly or indirectly to smallholder farmers aiming to improve farming and business practices, including information technology, improved marketing practices, production practices, post-harvest handling practices, record keeping, etc.</td>
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<td>▪ Service provision: Any activity where the smallholder serves as a customer (either paid directly by the smallholder or through a third party), including:</td>
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<td>▪ Mechanical and physical: Irrigation, new land preparation, harvesting, processing and product handling technologies</td>
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<td>▪ Biological: New germ plasm (varieties, breeds, etc.) that could be higher-yielding or higher in nutritional content and/or more resilient to climate impacts; affordable food-based nutritional supplementation such as vitamin A-rich sweet potatoes or rice, or high-protein maize, or improved livestock breeds; soil management practices that increase biotic activity and soil organic matter levels; and livestock health services and products such as vaccines</td>
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<td>▪ Chemical: Fertilizers, insecticides, and pesticides; safe storage, application, and disposal of agricultural chemicals and wastes; and soil amendments that increase fertilizer-use efficiency (e.g. soil organic matter)</td>
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<td>▪ Natural resource management: conservation agriculture, sustainable agricultural production, increased use of climate information for planning disaster risk strategies in place, climate change mitigation and energy efficiency, and natural resource management practices that increase productivity (e.g. upstream watershed conservation or bio-diesel fuelled farm equipment) and/or resilience to climate change including soil and water conservation and management practices (e.g. erosion control, water harvesting, low or no-till); sustainable fishing practices (e.g. ecological fishery reserves, improved fishing gear, establishment of fishery management plans); Integrated Pest Management (IPM), and Integrated Soil Fertility Management (ISFM)</td>
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<tr>
<td></td>
<td>▪ Management practices: Information technology, improved marketing practices, post-harvest handling practices, and record keeping.</td>
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<td></td>
<td>▪ Sourcing: Purchasing made either directly from smallholders or through aggregators and/or traders that purchased directly from smallholders.</td>
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<td></td>
<td>▪ Production contracts: Official, legally bound purchase agreements between private buyer and smallholder farmer.</td>
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Acknowledgements

We would like to thank everyone, from companies, governments and other partners, who have provided information for this Report. Their willingness to freely contribute information is critical to elevating trust, transparency and understanding with regards to agricultural investment.

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Grow Africa team

Anyone seeking to contact Grow Africa team members to follow-up on the report or other aspects of our work, can connect with them through the Grow Africa web portal at community.growafrica.com.

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“African countries are saying ‘don’t bring only your aid, bring also the expertise and investments of your private sector. Come and do agribusiness with us.’

Mark Rutte, Prime Minister of the Netherlands.
Disclaimer

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.

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- Nyani Quarmyne/Panos

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