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**Production Support and Financial
Services Program in West Africa :**
2000 - 2001 Annual Report

Production Support and Financial Services Program
Funded by USAID/AFR/SD/ANRE



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Production Support and Financial Services (PSAFS) Program in West Africa: 2000 – 2001 Annual Report

The Production Support and Financial Services (PSAFS) Program in West Africa is an USAID/AFR/SD and OAU/STRC-SAFGRAD initiative for strengthening the efficient delivery of PSAFS in West Africa. The aim of this report is to highlight activities undertaken under the program during the year 2000- 2001.

The first section of the report outlines the main issues, goal and objectives of the program. Section two reviews activities in terms of capacity building and field analytical studies. Section three summarizes the analysis of key findings in the different countries. Section four highlights the identified success stories and practices on PSAFS in the involved countries. Networking to forge partnership and pilot activities to promote innovative options are discussed in section five.

I. BACKGROUND

1.1. Main Issues:

There has been substantial adoption of productive agricultural production technologies over the last three decades. The living conditions of farmers however have changed very little in most countries of Sub-Saharan Africa because farmers lack the incentives and the capacity to improve agricultural production beyond their immediate family needs. Africa will, therefore, continue to face serious food insecurity and environmental degradation problems. A number studies and recent scenarios indicate of the need to increase food production by at least 4 to 6 percent to avoid massive hunger and poverty in the next three decades of the 21st century.

To meet this food challenge, there is a strong premise that the efficient provision and use of production support and financial services is key to improving agricultural production and productivity, stimulating growth of the rural sector, and of the overall economy. As a result of structural adjustment programs since the 1980s, most African countries have reformed their policies to enhance market liberalization and privatization. Although this has opened new opportunities for the private sector to play a key role in the provision of production support and financial services, it has not created the enabling environment. Instead, it encouraged the withdrawal of State-funded and/or sponsored organizations and left a void in the provision of agricultural services to farmers in several African countries. This void is not being filled as quickly as anticipated by the emerging private sector. The very slow pace of the transition from the public to the private sector delivery of these services has raised a deep concern in policy, research, development and donor circles.

This concern has prompted USAID/AFR/SD/ANRE and OAU/STRC-SAFGRAD to embark on an initiative aimed at strengthening the delivery of production support and financial services (PSAFS) initially in three countries of West Africa: Ghana, Mali and Senegal.

1.2 Goal and Objectives of PSAFS Program:

The primary goal of the PSAFS program is to enhance the capacity of rural farmers and agrobusinesses to efficiently engage in economic enterprises through an improved access to PSAFS; this will enable them to increase agricultural productivity, to generate income and employment in order to improve living conditions in rural areas.

The general objectives of the PSAFS program are to:

- (i) Establish a framework (system) that stands on three pillars
 - an information knowledge base developed from implementation of specific activities of the program
 - an indigenous capacity within SAFGRAD and NARS networks
 - and sound operating principles, guidelines and procedures.

This framework will guide national and regional efforts aimed at strengthening the provision of PSAFS in targeted countries

- (ii) Develop mechanisms for sharing lessons learned and experiences gained from best practices and innovative strategies for providing PSAFS and
- (iii) Find ways and/or mechanisms to develop, test, and promote innovative options (identified from the knowledge base) for improving PSAFS.

Fourteen operational objectives (see annex A) guide the implementation of the program to build and develop local capacity through the establishment of a framework. This framework will focus on innovative partnership development – between and among interested USAID field Missions, private sector businesses (input suppliers, traders, commodity groups, associations, and cooperatives) NGOs, research and extension organizations, technical services groups, financial service groups, environmental groups, and education institutions.

1.3 PSAFS Composition and Program Stakeholders

The agricultural services comprise:

- (i) **Support services:** which include – crop and livestock input supplies (seed, fertilizer, pesticide, land and water management equipment, animal feed), research, extension, business management training and development, input and product inspection, health and sanitary services, information, marketing and

- (ii) **Financial services:** microfinance, formal and informal credit to production, investment and consumption.

The major stakeholders as service providers and end-users include:

- (i) Public/extension, semi-parastatal and private organizations including farm associations-using loan funds obtained/channelled through governments and multilateral donors. Other groups of service providers include agricultural inputs suppliers, NGOs (i.e. World Vision, SG 2000, Amex - International, Technoserve, Africare, Chemonics International, etc.), financial institutions, etc.
- (ii) The beneficiaries i.e. farm cooperatives or associations, agro-industries, micro enterprises, individual farmers, women groups, etc.
- (iii) Research and training institutions engaged in technology supply and transfer: these include NARS, IARCs, extension, universities, etc.

II. ACTIVITIES

Several sets of activities have been implemented during the 2000-2001 period particularly to:

- institutionalize the program in the participating countries by setting up Focal Units (FUs) and National Working Committees (NWCs) in the participating countries,
- to build indigenous capacity within the FUs, NWCs and through workshops and seminars,
- launch field analytical studies on PSAFS by expert members of NWCs and consultants (constitution of the information/knowledge base) and
- facilitate innovative partnership development by building networks through regular consultation and dialogue among stakeholders including donors (sharing mechanisms).

2.1 Capacity Building

2.1.1 Institutionalization of the program at the national level:

Building upon on existing linkages and networking, a Memorandum of Understanding (MOU) was established between OAU/STRC-SAFGRAD and respective benefiting countries of the program (i.e. Ghana, Senegal and Mali). The MOU defined: the purpose of the agreement; the establishment of the Focal Unit (FU) as the mechanism for coordinating and implementing project activities; the specific roles and responsibilities of

partners in the implementation of project activities; channeling and use of approved funds; and reporting and liaising with the regional coordinating entity (SAFGRAD).

2.1.2. Operationalizing focal units:

To ensure ownership and management of programs at the national level; OAU/STRC-SAFGRAD has set up Focal Units (FU) based on the above-mentioned MOU with participating countries. In consultation with OAU/STRC-SAFGRAD, a Coordinator of the Focal Unit was identified from the existing staff of NARS.

One aspect of capacity building refers to strengthening the FUs to facilitate technical exchange of information among partners, to organize workshops to facilitate exchange experiences on PSAFS issues, especially the development of private sector involvement in the provision of PSAFS.

The institutionalization of the PSAFS program at the national level improved the monitoring and management of project involving the grantees themselves in the three countries.

Focal Units were established to:

- link NARS to service providers and users;
- follow-up the implementation progress of projects at the country level;
- assist groups such as farmers, and other service users in the development of pilot activities;
- organize national workshops and training seminars;
- manage the partnership network involved in the implementation of the different programs;
- facilitate the disbursement and justification the use of funds on project activities;
- submit annual reports on project activities to OAU/STRC-SAFGRAD.

In addition to the FU coordinator, a PSAFS program officer was identified in each participating country to work with the FU specifically on managing PSAFS activities. The program officer also serves as secretariat for the NWC.

2.1.3. Consultative meetings:

To launch the PSAFS program, series of consultative meetings with major stakeholders interested in the provision of PSAFS were held in the three countries in January and February 2000. During the 2-day meetings in each country, consultants and the USAID/SAFGRAD team presented and discussed baseline papers with major actors and beneficiaries of PSAFS to

- exchange ideas on the general state of PSAFS in the national economy,

- review policy, institutional and organizational constraints and issues pertinent to PSAFS and
- examine the purpose of the new program, the ways and mechanisms for coordinating it.

The first progress report (June 2000) provides details of these meetings in the three countries.

2.1.4. Establishing the National Working Committees:

The consultation meetings culminated with the formation of the core mechanism, i.e. the NWCs which served as a forum for consultation to provide guidance and to enhance regular consultation to forge partnerships to improve the delivery of the PSAFS.

The NWCs brought together partners and representatives of main national institutions involved in PSAFS: public and private sector organizations, financial institutions, NGOs, producer organizations including women groups, etc. Members from multidisciplinary background were selected based on criteria of interest, competitiveness, capacity and balance. Hence, the NWCs are formed by expert members with significant expertise on various areas of PSAFS.

The terms of reference of the NWC included the following responsibilities:

- revise the program's objectives to fit local conditions,
- establish a workplan for operationalizing the program,
- identify ways and resources for implementation of activities, especially consultants and facilitators for PSAFS field studies,
- monitor and review the progress of the implementation of the workplan,
- serve as a forum to exchange experiences on issues of production support and financial services to stakeholders, and
- harmonize activities of various stakeholders by minimizing duplication and stimulating synergies and complementarities.

The establishment of the NWC enabled the program to pool together an indigenous capacity on multiple disciplines. This capacity was tested and tapped into as often as necessary by the program to undertake various studies, review programs and facilitate information exchanges through regular consultation with partners. The NWC in each country evolved as a consortium of critical mass to pursue PSAFS activities.

The detailed composition of the NWCs per country is given in table 1.

2.2. Carrying out PSAFS Field Analytical Studies:

2.2.1. PSAFS Inventory Studies:

A major task in constituting an information and knowledge base was to launch field studies in each country to determine the PSAFS baseline situation. Field works to implement the initial study on "Inventory and Analysis of Agricultural Production Support and Financial Services" by selected consultants were done in July 2000 in Ghana, Senegal and Mali. Facilitators were identified among the members of the NWC to assist the national consultant in their fields of expertise. The TOR for these inventory studies included:

- the identification and characterization of the type of service and providers, especially USAID-funded agents,
- the documentation of success stories, best options and practices,
- the identification of training needs and targets, and
- the constitution of a database on PSAFS.

Preliminary results were presented by national consultants to the USAID review mission during a one-day workshop held in each country in mid-August 2000. Various local partners attended this workshop, and offered their feedback suggestions to the consultant. Conclusions of these initial studies, as stated in the TOR and in accordance with the revised planning matrix for each country, were to provide the basis for follow up work on the success stories, best options and practices that the program can test, promote and disseminate.

2.2.2. Complementary studies:

Upon review of preliminary results of the inventory study in all three countries, SAFGRAD and the NWCs identified gaps in the Ghana and Senegal works related to the scope of the field study or to methodological approaches used. Given time constraints and contractual arrangements, the NWCs in Ghana and Senegal strongly suggested that additional studies be rapidly done to fill those gaps.

In Ghana, the national consultant used a service provider (supply side) approach to inventory and analyze the provision of PSAFS. Service beneficiaries' perceptions and insights (demand side approach) were not covered. A beneficiary-level survey was thus recommended by the consultant to fill the gap and complement the inventory study. A team of researchers from CRI (Crop Research Institute of Ghana) was identified by the NWC to carry out this study. Findings were discussed at the national workshop in March 2001 and the final report of this study is available.

In Senegal, preliminary results by the consultant showed the need for more in-depth and analytical insights in the inventory work. With time constraints, unavailability of the consultant, the NWC committed its own members (based on their area of professional expertise) to conduct specific studies on various areas of PSAFS in February-March 2001 so as to cover most if not all PSAFS: seeds, chemical products, agricultural equipment,

training, microfinance, NGO interventions. This work by NWC members was completed in March 2001.

It is worth noting that resorting to NWC expert members to carry out field studies coincides with the principle of encouraging ownership of the program by nationals for developing indigenous capacity. This also falls in line with recommendations by the program review mission of August 2000.

III. SUMMARY AND ANALYSIS OF FINDINGS

3.1 Current Situation of PSAFS by Country:

From the consultants' field studies and the NWC analyses, the following results can be underscored pertaining to the current situation of PSAFS in the three participating countries.

GHANA:

Production support services:

An overview of institutions and organisations involved in the provision of agricultural production support services reveals that public sector is the lead provider of research and extension services while inputs are supplied by the private sector. Strategies to increase private participation in research, and delivery of extension services have been incorporated in the Agricultural Sub-sector Services Investment Programme, which is yet to take off.

Though the anticipated objective of private input supply is yet to fully materialise, a number of companies have taken over the importation and distribution of agro-chemicals (including fertilizer), livestock and poultry feed and seeds. There is a high level of NGO participation in the provision of production support services. However, activities of NGOs tend to be limited to either specific geographical areas depending on the mandate of the NGO or the area coverage of the project under which services are being provided.

Seeds

The Seed Certification Division of PPRSD presently supervises the multiplication and distribution of seeds in the country. Farmers are being trained in the production of certified seed. The Seed Certification Division checks farms to verify farm size and level of sanitation, and to monitor harvesting. In case of maize, the activities include cob selection, shelling, drying, cleaning, laboratory testing for purity and germination, grading and bagging. It also issues certification tags.

The seed industry is dominated by the informal sector, characterized by on-farm seed multiplication, farmer-to-farmer exchanges, and purchases of grain from the market for

use as seed. It is estimated that the formal seed sector handles few crops (mainly cereals), and supplies about 10 percent of the total seed demand.

Limited field staff and logistics constrain the Seed Certification Division of the PPRSD. Following the privatisation of the seed industry, SG2000 provided the logistics support to the Seed Certification Division. This support terminated in 1998.

Fertilizer and other chemical products

The industry is privatized. Products are currently imported by private companies and individuals and marketed through a network of wholesalers and retailers. Some import firms do the wholesaling/retailing themselves through outlets located in the regions. A number of smaller individual private businesses import agrochemicals. The major firms are Wienco, AGLOW, Dizengoff, Reiss and Co, Agrimart, Cocoa Farmers Company.

The agrochemical industry is characterized by high prices due to high interest rates and currency depreciation. High capital requirements for entry into the trade, and low margins due to inadequate road infrastructure in crop production areas do not favour competition and therefore defeat the rationale for privatization.

Livestock and poultry feed

Provision of these inputs has been privatized. Livestock and poultry feeds are largely manufactured in the country mainly by Ghana Agro Food Company (GAFCO) and AGRICARE. Feeds manufactured include broiler starter, finisher and concentrate, layer concentrate, chick mash, grower mash, layer mash, pig starter, grower and finisher, sheep and goats feed and horse feed. The companies manage a range of depots scattered throughout the country for direct sales to large-scale farmers, and also maintains numerous distributors and sub-distributors throughout the country.

Livestock and poultry feeds are also compounded by both small and large-scale livestock farmers themselves thereby reducing the scope for commercial feed distribution.

The industry also suffers from high costs of imported raw materials, transportation and utilities such as electricity, water and labour. This industry has so far failed to attract any donor interest.

Agricultural equipment

Public sector actors are the Agricultural Engineering Services Directorate of MoFA and its Post-harvest Management Division, the Village Infrastructure Project (VIP), and the NBSSI. The private sector agencies are the Tamale Implement Factory, Ghana Regional Appropriate Technology Industrial Service (GRATIS) Foundation and its Intermediate Technology Transfer Units (ITTUs), Cotton companies. Although there is some manufacture of or fabrication of small processing equipment, major equipment, such as tractors and accessories, power tillers threshers are imported. The FAO is undertaking an inventory of the existing stock of broken down but serviceable tractors to assess the

requirements for rehabilitating them so as to increase the volume of tractors in the system.

The Sasakawa Africa Association (SAA) is presently the lead promoter of processing equipment for cassava, grains and vegetable oils (e.g. the palm oil press). The Post-harvest Management Division (PHMD) of MoFA is the main facilitator of these services.

Constraints of this system of support services are low density of equipment and service providers in agricultural production areas, poor quality of raw material, and lack of standards, which translate to poor quality of products for processors. High costs and lack of capital are also constraints facing manufacturers.

Managerial Services and Market Information

Management related training and market information services attract wide interest among private sector actors and NGOs under development projects. TechnoServe, ADRA, CRS, Action Aid and many of the other local NGOs or Community Based Organisations target small scale farmers to improve their management skills. Amex International focuses on export oriented commercial farmers. Ghana Export Promotion Council (GEPC) also runs the export schools on how to manage export businesses, for prospective exporters. The NBSSI also provides some management training for non-farm agribusiness.

Market information is provided by TechnoServe and ADRA for small farmers, and by Amex International and GEPC for exporters. MoFA broadcasts weekly price information on national radio. EMPRETEC also provides training for the development of management skills as well as the capacity to access capital under a credit guarantee scheme.

The high level of illiteracy among agricultural producers often means management training has to start with basics of numeracy and literacy, or limited to a handful of executives of farmer groups or associations.

Research and Extension

Agricultural research is carried out by the National Agricultural Research System (NARS) led by the Council for Scientific and Industrial Research (CSIR). The NARS received a boost in funding and reorientation of research under the National Agricultural Research Project, which helped to correct the imbalance of research activity in favour of a few commodities and to create a conducive environment for interdisciplinary and institutional research, under one umbrella. While the implementation of NARP may have re-directed research focus in line with national priorities, the dominance of donor funding for research definitely increased.

Agricultural extension in Ghana is mainly funded and delivered by the State (MoFA). The extension system has undergone many changes over the years, but has now a Unified Extension system (UES) under which bring all extension services under the same

umbrella. Private sector participation in extension mainly by NGOs (Technoserve, ADRA, SG 2000) targets cash crops such as cotton, cashew, rubber and pineapple. Extension is provided as part of a package including extension advice, credit and marketing.

A national agricultural extension project (NAEP) improved the management of the system and professionalism of staff. Established Research Extension Liaison Committees (RELCs) linked farmers, extension workers and researchers for problem identification and generation of messages/technologies relevant to farmers' needs.

The public sector agricultural extension system has received support from donors over the years. The main donors include the World Bank, FAO, UNDP, USAID, GTZ, and DfID. The support has been given either directly to support institutional development in extension delivery, or for actual extension delivery in special agricultural development projects. The USAID seems to have shifted its focus from public sector extension services to direct support for extension to the private sector under the Trade and Investment Programme (TIP). The agency's private sector extension support emphasizes the business aspects of production management, which is lacking in the public sector services.

Several NGOs are involved in the delivery of extension services. They use MoFA frontline staff for the delivery of technical messages. MoFA staff in turn benefit from training or logistic support for their work. NGOs tend to provide integrated services, from production to post-harvest management.

Financial Services

Financial service providers in the agricultural sector include formal or informal agencies. The formal service providers include the banks, mainly the Agricultural Development Bank (ADB), and rural banks. The ADB has 32 branches represented in all 10 regions with 56% of them in rural areas. Rural banks numbered 110 as of December 1999. Seeking to mobilize savings in rural communities and channel these funds as credit to rural dwellers.

Informal service providers such as credit unions, Rotating Savings and Credit Associations (ROSCA) or 'susu clubs', moneylenders, NGOs, traders, friends and relations provide most of the financial services to rural producers. These providers present the advantage of having flexible operations, short procedures, and physical and social accessibility.

NGOs are a growing source of financial services for agricultural producers. They tend to link up with formal financial institutions (particularly rural banks) for the delivery of their financial services. Limitations of NGO services are the lack of professional expertise, the incapacity to mobilize savings, the limited area coverage and the level of close monitoring they give to clients, raising concerns of sustainability on eventual transfer of programs to clients.

Constraints include limited loanable funds; risky transactions, high interest rates, poor management, lack of access to information, and poor logistics.

MALI:

Agricultural input and equipment supply

In this area, the State has fully allowed the private sector to take initiatives by liberalizing markets and setting regulations and procedures to monitor activities of economic stakeholders. However, due to lack of experience of a great number of stakeholders, the State has kept technical support and training functions, mainly for rural stakeholders in various fields.

Fertilizer, pesticides and equipment supply

Inputs and equipment transactions bring into play several actors: suppliers (agrochemical firms, importers, development companies, retail private traders), financial institutions (banks, savings and credit banks), village associations, etc. Depending on the actors, the following distribution channels can be distinguished :

- supply circuit in CMDT (Malian Textile Development Company) and Office du Niger (ON) area ;
- supply circuit in other areas with extension presence and development projects;
- supply circuit in no-extension areas.

For example, in the ON area, the input supply distribution relies on :

- the Village Associations (VAs) that aggregate producers' needs, select the supplier, distribute fertilizers and recover credits;
- Banks and credit unions which examine the applications from VAs and transmit them to the National Agricultural Development Bank (BNDA);
- the BNDA which grants credits ; and
- the suppliers who directly supply VAs.

Apart from this approach of input distribution, there are some isolated cases of direct or through credit purchases by some producers from retailers and of input sale on the open market by some input credit beneficiaries to other producers.

The equipment acquisition scheme in CMDT area is almost identical to the input scheme above as far as identification and analysis of needs are concerned. However, with the blacksmiths trained by CMDT, equipment deliveries are done directly to the cotton producers. The craftsman blacksmith also recovers his money when the cotton produce is marketed by the farmer.

Supply channels in areas with project presence: inputs are purchased through a bidding system among importing suppliers on the basis of an application submitted by farmer organizations (FOs). Inputs are subsequently distributed among FOs based on applications. FOs redistribute the received inputs to their members. The same applies for credit recovery

Supply channels in areas with low or no extension presence: Inputs are brought in by the few NGOs (Sasakawa Global 2000, 'Voisins Mondiaux', etc.) operating in these areas. They purchase inputs (mainly fertilizers) with importer outlets, currently located only in Bamako and Ségou. The purchased inputs are handed over, free of charge or on credit, to FOs that distribute them to their members, according to terms and conditions agreed upon with the NGO.

Supply channels in peri-urban areas of Bamako and Ségou: Bamako and Ségou are the only towns where input importing companies have outlet stores because of the important urban and peri-urban agricultural activities taking place there. Retailers buy supplies from these stores and sell them to market gardeners and big planters. All transactions are in cash.

Among constraints and issues to input and equipment supply, one can note

- Limited competition in input markets with representatives of two companies supplying almost all input distributors with fertilizer and pesticides;
- Inputs and equipment prices are high and variable in time and space, with differentials that cannot be attributed to transportation fees alone;
- Products sold on the market have variable quality;
- Producers are not well informed on input markets;
- There is no fertilizer manufacturing industry, hence, the country relies entirely on imports to meet domestic fertilizer demand.
- FOs have low management capacity and negotiation power within their economic environment to conclude successful commercial transactions.
- There is a poor control of input quality and a sound control laboratory analysis is non-existent.

Seed production and distribution mechanism

The availability of improved seed is crucial to maximize production. For this reason, the Ministry of Agriculture has set up a production and quality control mechanism, entirely under the control of State services. Foundation seed is provided by research to organized seed farmers and private operators with the task of producing and distributing certified seeds, thereby transferring production and distribution functions formerly carried out by seed services.

Among difficulties faced by seed producers are:

- the poor quality of seed quality with deterioration occurring during storage.

- the low level of training of producers in seed technology, resulting in considerable quantities of seed been rejected by the control services.
- the lack of sufficient running capital for seed producers to finance seed production and marketing activities
- and organizational constraints.

Veterinary products

The State totally disengaged itself veterinary product supply activities as the result of the veterinary profession privatisation law of 1986. Products are imported by wholesalers, most of whom are in Bamako. They provide drugstores and warehouses with fresh supplies.

Research , Extension, Information

Agricultural research services are provided largely by a public institution, IER (Institut d'Economie Rurale). Other actors are the Central Veterinary Laboratory, the Rural Polytechnic Institute (IPR/IFRA) of Katibougou, the Agricultural Mechanization Division of the National Directorate for Land Management and Rural Equipment.

For extension, key actors include:

- State entities including projects and programs, offices, the regional directorate coming under DNAMR, DNAER AND DNCN
- Private or para-private structures such as national and international NGOs, the economic operators or private farms promoting new products, and finally private agencies (APROFA) supporting agricultural sectors
- Farmer organizations as relays for extension services to their members.

Information systems have been gradually set up:

- The early warning system to inform decision-maker for food aid targeting
- The information system on the cattle market
- The cereal market information system
- The establishment of the Agricultural Market Observatory.

Financial services

Credit provision is done by banks and savings and credit unions. The State only holds its credit regulation and control mandate. However, through projects benefiting from external financing, the State supports banks and farmer organizations in credit management through training and logistical support.

During the last decade, the decentralized financial system has developed with the involvement of NGOs. It comprises:

- institutions or credit and savings cooperatives (mutual companies and village banks),
- organizations which mainly grant credit (institutions and joint credit),
- organizations for which credit grant is a secondary activity (institutions and credit based project).

Management remains the essential problem of the saving and credit union network.

SENEGAL:

The 1980's structural adjustment program led to new agricultural policies with liberalization of input and product marketing and a dismantling of parastatal organizations to promote increased private sector participation in the agricultural sector.

Production support services

The presence of intermediaries between farmers and the financial institution characterize the organization of input provision. For example, the "Caisse Nationale de Cr dit Agricole du S n gal (CNCAS), an agricultural credit bank provides input credits through specialized institutions:

- seed (mostly peanut seed) services via UNIS (a private organisation of seed operators) and SONAGRAINES (a parastatal),
- fertilizer via SENCHIM and other parastatal organizations,
- equipment with development projects, NGOs.

Globally, the formal seed sector has suffered from a lack of organization and funding support. Insufficient seed supplies, low quality, low level of training of producers with the dismantling of extension services and the loose control of seed multiplication, poor linkages between seed operators and research, weak investment capacity of low income farmers have plagued the seed sector.

During the last decade, an emerging private sector has taken over the public sector in seed production and distribution, with public institutions in charge of providing technical support (ISRA) and ensuring seed control (DISEM). A network of private seed operators organized under UNIS is now handling seed production (with base materials provided by research), conditioning, conservation and distribution for peanuts and cereals as well, working with other partners (FOs, Cooperative system, SONAGRAINES, SISMAR, SENCHIM, SPIA, etc).

Fertilizer is distributed by SENCHIM, an affiliate to the fertilizer company (ICS). SENCHIM draws upon a nationwide network of distributors to deliver fertilizer to farmers. Sales are in cash or on credit. However, national consumption still remains low, with the bulk of it going to cotton, peanut and rice. High prices, difficult physical access, degraded soils that reduce the efficiency of fertilizer, lack of technical information have constrained demand for fertilizer by farmers.

The stock of farm equipment is aging and is not being renewed since the end of the 'Programme Agricole' in 1980. As a result, equipment level for most farmers has gone down. Non industrial sources of these services consist of local blacksmiths that play an increasing role in the maintenance and repair of equipment. Nonetheless, blacksmiths lack working capital to acquire quality raw materials, spare parts, and still need training to perform certain technical operations. Industrial sources face prices too high relative to the financial capacity of farmers and short reimbursement terms for credit of equipment. Equipment rental services by blacksmiths and also traders are developing along with services for soil preparation and post-harvest operations.

For livestock services, a shrinking of the public sector left a gap being filled by an emerging private sector that provides veterinary services, animal feed, etc.

Research is provided by a public institution, ISRA. A deficit of extension services exists since the withdrawal of State organizations, despite numerous private initiatives (NGOs, projects, farmer organizations) with different approaches. The newly created ANCAR with World Bank funding under the Program of Support to Agricultural Services and Farmer Organizations (PSAOP) seeks to fill the void in technical information and counseling service provision to rural producers.

The following issues should be addressed in order to improve agricultural production support services:

- The emphasis of national seed production has been largely put on groundnuts, ignoring food crops. Furthermore, the cost of seed production and distribution of cereals and other crops has made the price not affordable to farmers.
- Fertilizer purchase and distribution has been under the de-facto monopoly situation with ICS/SENCHEM that creates disincentives to the private sector to play a more active role.
- Strengthening the managerial and technical capacity of producer groups and other private sector agents that are increasing getting active in providing and using production support services.

Financial services:

As said earlier, the CNCAS is the main provider of agricultural credit. But, it has yet to meet financial needs of the rural producers. Credit from the formal banking system has several shortcomings. These include:

- service centered on peanut, the main cash crop, hence giving low priority to other crops;
- focus limited to farm activities (with the risk inherent to rainfed agriculture), not encompassing other nonfarm activities that also contribute to rural livelihood,

- centralized service, detached from rural facts and not considering its specificities in its design and operation,
- high administrative costs and interest rates,
- limited access by poor resource producers that cannot offer sufficient collaterals to ensure loans, etc.

For these and other related constraints, the formal banking sector did not sustain credit and financial service provision to smallholding farmers in Senegal. To fill the void and meet the demand from smallholders, the decentralized financial system has quickly developed through multiple microfinance institutions in all regions of the country (CMS, ACEP, PAMECAS to name the main ones). Organized to overcome the shortcomings of the formal banking system outlined above, the decentralized system targets the demand for microcredit. It has so far obtained satisfactory reimbursement rates. Its main weakness remains the lack of sufficiently trained managerial capacity to run these institutions in efficient and transparent ways.

3.2. Comparative Analysis of PSAFS Situation

Table 3 lists the main providers of selected PSAFS in the three countries. In general, the situation is the same everywhere with public and private providers operating in the same field.

There is a tendency in the three countries to move toward more private sector involvement in the production and distribution of seed planting materials. Parastatal organizations are increasingly being taken over by private seed growers mostly organized in groups and working with research and NGOs to produce seed. Distribution is being done by private operators, traders, and NGOs.

Fertilizer is manufactured in Senegal by a private company (with the State as a shareholder) and marketed through a network of licensed distributors. In contrast, this input is almost exclusively imported in Ghana and Mali and sold to farmers through local distributors and NGOs.

In Senegal, local blacksmiths are seriously competing with the manufacturing company for the maintenance, repair and even fabrication of farm implements. In Mali, blacksmiths working with CMDT have demonstrated significant level of expertise and succeeded in meeting farmers' needs for agricultural equipment in the cotton growing area. In Ghana, MoFA, NGOs and projects provide most agricultural mechanization services.

Livestock feed and veterinary services are provided by private agents in the three countries.

In the three countries, the public sector still takes charge of most of the research with the NARS (CSIR, IER, ISRA). National extension programs have nearly collapsed, leaving

the field to various dispersed and uncoordinated extension activities carried out by NGOs and development projects within geographically defined areas.

The financial system is structured the same way in the three countries. A commercial bank dominates the formal system of credit provision whereas a rapidly growing decentralized system is developing.

Funding sources to support the provision of these services are diverse (table 4). Scarce domestic funds complement resources from external donors that provide the bulk of the funding. Under multilateral (World Bank, FAO, ADB, IFAD, EU, etc) and bilateral cooperation (USAID, GTZ, JICA, CIDA, AFD, DANIDA, etc.), funds are channelled to the countries, especially through NGOs and projects.

3.3 Analysis of Cross-Cutting Findings

Production support services:

- The public sector still dominates the provision of agricultural inputs. Parastatal organizations working on crop commodity programs (cotton, peanut, rice, etc) still provide the bulk of inputs to farmers in their intervention areas.
- The transition from public to private sector delivery of inputs has remained stagnant, despite the emergence of vibrant private agents and organizations seeking to fill the void left by dismantled public institutions.
- Policy reforms undertaken so far have proven necessary, but not sufficient enough to bring about the much needed enabling environment such as access to credit with affordable interest rates to provide appropriate incentives and stimuli to the nascent private sector. Accompanying measures (credit, training, institution reform) are lacking to support the relay organizations in the transition phase.
- The restructuring, dismantling or phasing out of existing national entities providing key services (example of extension services) has been done in many cases without any clear indication about potential substitute providers, their needs, the road map for the take over, increasing uncertainty in the already risky environment of rainfed agriculture.
- There are private agents and organizations increasingly active in PSAFS provision. But they face serious constraints in terms of access to capital and technical and managerial skills. To efficiently perform their role, training and financial support programs to enhance their skills and improve their access to credit are necessary.
- Pricing of services remains problematic. Confusion still exists at policymaking level about letting only market forces drive the system or interfering with them in an interventionist way to set prices for key services. Subsidization is also a hot issue at the center of policy debate. Most input services are claimed to be too costly by users;

this depresses their demand and effective use whilst their increased use is highly crucial for reversing the downward trends of agricultural production and productivity in these regions.

- The public good nature of certain services or of certain portions of them (research, extension, market information, etc) impedes private sector investment in their provision. Public investments are hence necessary for their provision.
- The role of donors in supporting PSAFS initiatives and activities seems rather dispersed and duplicative than complementary. Several donors focus on the same few services while key others (capacity building) receive lesser assistance. This raises the issue of better coordination and stronger networking between donors to exchange information, rationalize interventions by exploiting existing or potential synergies.
- Dwindling resources from donors to agriculture are more and more channeled away from public institutions through NGOs to presumably reach directly users and intermediate service providers.
- NGO interventions are very diverse and dispersed, and most do not include a clear agenda for enhancing the 'graduation' of assisted national partners (farmer organizations). Hence, the sustainability of many of their service programs, though successful during their life span, has been questioned as they tend to collapse as soon as the NGO support is withdrawn or phased out.

Financial services

- The provision of financial services is impeded by limited sources of capital and high costs (interest rates).
- There has been strong evidence that documents the failure or incapacity of the existing formal banking system to address the specific needs of the mass of service demanders. Long and complex procedures, collateral requirement, high interest rates, low reimbursement rates count among factors that explain this mediocre performance.
- The multiplicity of small finance service providers (MFIs) of the decentralized financial system stems from advantages of social proximity, flexibility, accessibility, simpler and shorter procedures, etc.
- However, efficiency in the whole financial can be attained by enhancing the complementarity between the formal banking and the decentralized systems, each one targeting clients, sectors and activities, based on their respective comparative advantage.

IV. SOME SUCCESS STORIES OR PROMISING EXPERIENCES

Success stories in the provision of PSAFS vary considerably among countries, service providers and beneficiaries. Some of these observations provide excellent prospective options to enhance the efficient provision of PSAFS..

The Office du Niger experience in fertilizer input provision through bidding system run by village associations of producers in Mali:

Rural producers decided to take over the fertilizer provision system when the Office du Niger withdrew from the system in 1993. They organized themselves in associations and put in place an innovative system of fertilizer purchase. They identify needs of their members and ask fertilizer suppliers to submit bids. They then select the lowest bidder and submit funding requests (loan applications) to the financial institutions. The latter pays the supplier who delivers the fertilizer to the village association that distributes it to its members. The village association recovers payment in kind (paddy rice) or in cash at rice harvest from their members. The paddy will be processed and sold to allow reimbursement of the received loans to the financial institutions. Through this system, producers were able to get sufficient quantities of fertilizer on time and at the lowest price.

Local Blacksmith experiences to supply agricultural equipment in Mali and Senegal

In Mali, this experience has been initiated by the Malian Company for Textile Development (CMDT) in order to meet needs in ploughs, carts, spare parts. Thus blacksmiths have been trained and equipped with soldering, drilling, and cutting material. In addition, they have been provided with sets of scrap iron. As a result, they not only meet producers needs in spare parts, but they manufacture all animal traction machinery (carts, grain drill, etc). These locally manufactured implements have very good quality and are less expensive than imported ones. This experience has allowed the indigenous technical know-how of these blacksmiths to produce, maintain and repair equipment at competitive prices.

A quite similar experience is observed in Senegal where blacksmiths have almost taken over the function of equipment maintenance and repair, especially in the peanut and cotton zones.

To overcome the problem of difficult access of rural producers to equipment in enclaved areas, an equipment assembling factory unit has been constructed in Niono, Office du Niger area as part of the ARPON project funded by the Netherlands. This factory unit, run by the ARPON project is now privatized. It helped provide the ON area with machines for post-harvesting of rice (threshers, hulling machines, etc.). In addition to meeting local demand, the assembling unit was able to even supply other rice-growing areas.

Nucleus farmer scheme in Northern Ghana

Under the nucleus farmer scheme, the lead farmer is a key element in the chain of technology transfer and service provision. Under this experience, the nucleus farmer receives foundation seed from Savannah Research Institute (SARI) and produces certified seed. He serves around 300 farmers by providing them with seed, land preparation (tractor) services and other inputs (fertilizer). These services and inputs are paid for in kind at harvest. The lead farmer also helps other farmers organize the marketing of their produce.

Village and inter-village committees for seed production in Ndebougou area of Mali

To address problems of seed supply, farmers in this area have set up village seed production and management committees. Some members of these committees specialize in seed production while others are in charge of their management. The committee is in charge of identifying and reviewing needs and of distributing produced seeds. Foundation seeds are available at the CRRA (research station) of Niono. Seed multiplication and distribution costs affect seed delivery price. After one year the experiment was extended to all volunteer villages of the area.

Susu Scheme for Savings Mobilization and lending in Ghana

a. Susu Savings Mobilization Scheme

The schemes tend to target women drawn from all socio-economic groups. Deposits are collected either daily or weekly, door to door from individuals, by commissioned agents. There is compulsory lodgment of deposits with a bank, based on the frequency of collection.

The strengths of the system are:

- the flexibility in the amount that one decides to contribute allows even the poorest to participate.
- door to door savings collection strategy allows many more people to be reached
- lodgment of daily collections with a bank ensures security of funds.
- the methodology is easily adapted for group or individual savings.

b. Susu On-lending Schemes

The scheme involves channeling funds (usually donor funds) to beneficiaries through the susu concept. Scheme aims to link formal and informal micro-finance services to the poor. The practice involves use of private susu collectors as channels for loan application and disbursement of small loans to susu clients. The scheme aims to inculcate savings culture among small business operators. Small savers informal savers are linked to the formal banking system through their deposits with the susu collector who in turn deposits these deposits with a bank. The clients receive credit from the bank through the susu

collector. Registration of the susu collector with the Ghana Cooperative susu Collectors' Association (GCSCA) guarantees the loans made to clients through the susu collector. In fact the GCSCA helps to set the rules and regulations of the linkage and takes responsibility for ensuring that participating susu collectors honour their obligations.

The strengths of the on-lending scheme are:

- The scheme is cost effective because it utilizes informal structures to deliver formal credit to small clients.
- Mode of loan repayments to the formal lender is consistent with the arrangements of the informal susu system and does not disrupt the cash flow patterns of beneficiaries.
- The scheme has substantially shorter loan application and disbursement procedures. It is estimated that loan processing period is about a week.

V. LOOKING AHEAD TO 2001-02

5.1. Building Partnership Networks:

Efforts to build and strengthen partnership networks have been made within the NWC, at national and regional levels. As mentioned earlier, the NWC as a core group of professionals and experts representing major stakeholders provides a basis for forging and developing a partnership network.

National workshops organized in March 2001 consisted of another step to broaden the internal network to a national level of consultation and dialogue with other partners on issues and experiences on PSAFS.

A further step was taken at the regional level where national teams linked up with partners from West, East and Southern Africa at a workshop held in Accra, Ghana in April 2001. At this workshop, partners discussed alternative frameworks for PSAFS, compiled lessons learned and best practices, suggested pilot activity areas, examined ways and mechanisms to establish information networks among partners and developed guidelines for extending PSAFS program in East and Southern Africa. The regional workshop proceeding paper provides further and specific details on the deliberation results.

Networking activities will continue to draw much consideration within the next year. The establishment of an information network on PSAFS to disseminate technical information, to address contemporary issues and to share best practices at national and regional levels is the next task on the program agenda. Among expected products and mechanisms are national directories of PSAFS, newsletters, rotating partner meetings, etc.

5.2. Pilot Activities to Promote Innovative Options

Phase II of the program will concentrate on testing and promoting innovative options through strengthened partnerships and networks; identify and share best practices and provide program and strategy development options to field Missions and African organizations supporting private sector production support and financial services.

Hence, based on national teams' suggestions, pilot activities will be selected, funded and implemented in the three countries. They will be derived from success stories or promising experiences with innovative approaches and strategies in PSAFS provision that the program will test/replicate and disseminate. Capacity building of partners will receive due attention to enhance sustained adoption of these options by private sector service providers.

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3. OAU/STRC-SAFGRAD. Institutionalization of the Production Support and Financial Services (PSAFS) Program in West Africa: Second Progress Report. November 2000.
4. Al-Hassan, Ramatu. Inventory of Agricultural Production Support and Financial Services in Ghana. Consultant report, November 2000
5. Teme, Bino. Inventory of Agricultural Production Support and Financial Services in Mali. Consultant report, November 2000.
6. Marfo, K. A., J. N. Berchie and S. Osei-Yeboah. Agricultural Production Support and Financial Services in Ghana: A Village Level Study of Demand and Accessibility. CSIR-Crops Research Institute. June 2001.
7. Teme, B., O. Sanogo, B. Coulibaly and M. Keita. Best Practices in PSAFS in Mali. A synthesis document, March 2001
8. Synthesis documents by NWC members in Ghana, Mali and Senegal on selected PSAFS areas, March and April 2001.
- 9-11. Proceedings of national workshops in Ghana, Mali and Senegal, April 2001.
- 12-14. National synthesis reports (country framework) by PSAFS programs in Ghana, Mali and Senegal, May 2001.
15. OAU/STRC-SAFGRAD. Production Support and Financial Services (PSAFS) Program in West Africa: 2000-01 Annual Report. July 2001.
16. OAU/STRC-SAFGRAD. Production Support and Financial Services (PSAFS) Program in West Africa: Regional Workshop Proceedings. July 2001.

Table 1: Composition of National Working Committees by country

Institutions	Ghana	Mali	Senegal
Public sector	. Policy: MoFA . Research: CSIR . University: ISSER	. Research: IER . University: Dept Economics . Extension: DNAMR	. Policy: UPA/MAE . Research: ISRA
Private sector	. EMPRETEC . Glass Jars Users Association	. NAKOSHI . SEDIMA	. UNIS . SENCHIM
Financial organizations	. ADB . Association of Rural Banks	. BNDA . ASFD	. PMIA . CNCAS
NGOs	. Hunger Project . Adventist Relief Services	. CAFO . ADAF/GALLE	. CONGAD
Farmer and women organizations	. National Council on Women and Development	. APCAM	. CNCR

Table 2: Summary of Phase I Implementation of the PSAFS Program by country

ACTIVITIES	GHANA	MALI	SENEGAL
Phase I: The Framework			
Consultative meeting	2/7-8/00	2/1-2/00	1/26-27/00
Establishing the NWC	2-3/00	2-3/00	2-3/00
Nominating the Chairman	2-3/00	2-3/00	2-3/00
Nominating the National Coordinator	2-3/00	2-3/00	2-3/00
Devise Terms Of Reference for the National Working Committee	2-3/00	2-3/00	2-3/00
Revise the planning matrix and budget	4/00	4/00	4/00
Initial inventory study:			
. Scope of work and TOR	5/00	5/00	5/00
. Search/selection of consultant	6/00	6/00	6/00
. Start of study	7/1/00	7/1/00	7/1/00
. Submission of draft report	9/00	9/00	1/01
. Submission of final report	10/00	11/00	
Baseline survey of PSAFS beneficiaries	1-3/01	na	na
Complementary studies by NWC	Na	na	2-3/01
NWC meeting to review reports	2/23/01	2/26/01	3/01/01
Preparation of synthesis papers by NWC members for national workshop	3/01	3/01	3/01
National workshop	3/22/01	3/27/01	3/29/01
Regional workshop	4/01	4/01	4/01
Phase II: Pilot Activities	Planned for second half of 2001		

na: non applicable (not requested by NWC after review of consultant report)

Table 3. Main Providers of Selected PSAFS in Ghana, Mali and Senegal

Service	Main providers		
	Mali	Ghana	Senegal
Agricultural equipment	Public: CMDT and others Local Blacksmiths	Public: MoFA (Agricultural Engineering Services Directorate), Village Infrastructure Project NGOs: SG2000, SAA, TechnoServe, , etc Development Projects: Lowland Rice Dev. Project, Kpong Irrigation Project, Land and Water Management Project, Other private: Tamale Implement Factory, GRATIS, Individual Manufacturers, Church Agricultural Inputs	Private company: SISMAR Local blacksmiths NGOs: ADT, World Vision, Africare, ASRADEC
Seed	Private seed producers working with research and parastatals	Individual seed growers, ADRA, RTIP, AGLOW, Action Aid, WASDU	Private: UNIS (group of seed operators) Public: ISRA (research), SONAGRAINES TROPICASEM: commercial company NGOs: AQUADEV, PROMONO, World Vision, Sahel 3000, ASRADEC, ASREAD, Rodale International, Winrock
Fertilizer and other agro-chemicals	Private Importers, Agrochemical firms, development companies, traders, NGOs	AGLOW, Chemico, Dizengoff, Wienco, Reiss and Co, Agrimart, Cocoa Farmers Company	Private: ICS/SENCHIM , SPIA NGOs: World Vision, Sahel 3000, ASRADEC, ASREAD
Livestock feed & Veterinary Services	Private wholesalers	GAFCO, AGRICARE, Veterinary Services Directorate, private dealers in veterinary drugs	Private companies and offices
Research & Extension	Public: IER, DNAMR (PNVA), NGOs	Public: National Agricultural Research System, Natural Resources Institute of the UK, MoFA District departments, Cocoa Services Department	Public: ISRA, ANCAR NGOs

Research Extension	&	Public: IER, DNAMR (PNVA), NGOs	Public: National Agricultural Research System, Natural Resources Institute of the UK, MoFA District departments, Cocoa Services Department NGOs: Technoserve, ADRA, SG 2000	Public: ISRA, ANCAR NGOs
Financial Services		Commercial bank: BNDA Decentralized Financial System	Commercial bank: ADB Decentralized Financial System	Commercial bank: CNCAS Project: PMIA (ADB-funded) Decentralized Financial System: ACEP, CMS, PAMECAS, NGOs (AJED, Sahel 3000, ASREAD, Rodale, Africare, MEC et GEC)

Table 4: Funding Sources to Support Provision of Selected PSAFS by country

Service	Funding Sources		
	Ghana	Mali	Senegal
Agricultural Equipment	Government of Ghana (GoG), JICA, AFD, DANIDA, GTZ, FAO, EU, GRATIS, Chinese Government.	USAID (ATI), CIDA	Private investors, Austrian Cooperation, USAID
Seed/planting material	GoG, IFAD, FAO, AFD, GTZ	Government of Mali (GoM), NGOs	EU, USAID, Austrian Cooperation, Government of Senegal (GoS), Private investors
Fertilizer and other agro-chemicals	GoG, JICA	Private investors, NGOs	Private investors, GoS, USAID
Livestock feed & Veterinary Services	GoG, Private investors	Private investors	Private investors
Financial Services	USAID, DANIDA, SAA/SG2000, UNDP, IFAD	GoM, USAID (Africare, Save the Children), CIDA, French Cooperation	GoS, ADB, Private investors, USAID, AFD
Research and Extension	World Bank, DfID, CIDA, GTZ, FAO, USAID, UNDP, IFAD, AFD	GoM, USAID, Dutch Cooperation, World Bank, Novartis Foundation, Swiss Cooperation, French Cooperation	GoS, World Bank, EU, French Cooperation, Swiss Cooperation, etc

Annex A: Operational objectives of the PSAFS program

- Identify and dialogue with USAID field missions interested in improving production support and financial services.
- Identify and dialogue with private sector, NGOs and other groups in each mission country interested in improving production support and financial services.
- Inventory, characterize and categorize major types of production support and financial services of partners.
- Identify and dialogue with corresponding USA production support and financial service agents/organizations.
- Develop the system in which collaboration and participation of partners could effect improvement in production support and financial services in rural areas.
- Establish a network among USAID supported or affiliated African and American implementing agents working in Africa to strengthen production support and financial services in rural areas.
- Identify and establish a service delivery mechanism to respond to requests for assistance from field missions and African organizations.
- Develop a mechanism to collaboratively identify, allocate resources to, and monitor performance of innovative options to improve production support and financial services.
- Establish information system to share best practices, develop catalogue of supplier information for inputs and maintain source of technical and financial services.
- Consultation and analysis to determine field missions' and African organizations' demand for production support and financial services.
- Consultation and analysis to determine the relevance of production support and financial services to strengthen regional input and output markets.
- Establish a Grant Support Program for developing and supporting mechanisms (i.e. forum, group formation and association development) to establish and strengthen partnerships and networks among organizations nationally, and organizations between countries to develop and promote innovative options for strengthening production support and financial services.
- Provide technical and financial support for leadership and human resource skills development to establish and sustain financial and support service organizations, improve institutional coordination, mobilize and allocate resources, and develop policy analysis.
- Provide financial support to NGOs and financial intermediaries for developing and promoting innovative financial service options.

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