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Regional Trade of Food Staples and Crop Inputs in West Africa

HIGHLIGHTS

WEST AFRICA IS SIGNIFICANTLY BELOW ITS POTENTIAL IN REGIONAL TRADE IN FOOD STPALES. ...
Locally grown maize, for example, only accounted for 3% of recorded ECOWAS imports from 2005-2009.

REGIONAL TRADE OF SEED AND FERTILIZER IS ALMOST NON-EXISTENT IN WEST AFRICA ...
By harmonizing fertilizer blends across countries and encouraging local blending capacity, West Africa could realize a savings of at least USD 30-40 per ton.

PETTY AND ORGANIZED CORRUPTION ADDS TO THE COST OF REGIONAL TRADE...
in Ghana, small traders say it common practice to pay GHS 4.00 to 5.00 per bag to avoid inspection and paperwork requirements.

WORLD BANK

Rising prices for basic food products are back in the headlines and when food prices go up poor consumers in Africa, who spend the majority of their income on simple foodstuffs, suffer. Rising food prices are also having important macroeconomic impacts on many African countries since more and more food is being imported from the global market leading to worsening balances of trade. This issue is not going to go away. Demand for food in Africa is projected to double by 2020 with consumers increasingly located in rapidly growing cities.

Fortunately, as the World Bank shows in its recent report, Africa Can Help Feed Africa, the continent does have the means and opportunities to deliver improved food security to its citizens. If African farmers were to achieve the yields that farmers attain in other developing countries, the output of food staples would easily double or even triple thereby creating new income opportunities for farmers and reducing Africa's dependence on imports from the rest of the world. For this to happen, however, farmers need to be better linked to both inputs and to consumers. Often the nearest source of demand is a across a border yet fragmented regional markets and lack of predictable trade policies deter much needed private investments – including small investments by poor farmers in raising productivity to large investments in input supply, seed multiplication, and food marketing. Given that different seasons and rainfall patterns are not conveniently confined within national borders, and that variability in production is expected to increase with climate change, facilitating cross-border trade is more important than ever to provide farmers and traders the opportunities and incentives they need to supply Africa's rapidly growing demand for staple commodities.

This note looks at the regional trade situation for food staples and crop inputs in West Africa and types of barriers that need to be overcome for the region to achieve its potential in food trade.

Public Disclosure Authorized

Despite having some of the lowest per hectare yields in the world, many places with good growing conditions already produce food surpluses that are not traded internationally due to various constraints. Following an overview of current trade conditions, the note uses the example of Ghana to show how only a modest reduction in trade costs for fertilizer could have a significant (and sustainable) impact on rural incomes and agriculture competitiveness. The final part of the note then describes a few key areas where relatively clear-cut policy changes and institutional reforms could help set West Africa on a path to realizing its full potential in agriculture production and trade.

Current Trade of Food Staples

Most regional food trade in West Africa currently involves small consignments being traded in informal value chains based on personal and/or linguistic ties. These movements range from simple cross-border deals between extended family and tribe members to some very long distance transactions along traditional corridors that can extend over thousands of kilometers and multiple border posts. Precise figures are difficult to come by, but in the Ashaiman market near Tema, Ghana, for example, women traders say that a dozen or so individuals travel to northern Togo once or twice per month to buy 20-50 bags of cowpeas to sell in their market stalls and to other domestic traders. Regional experts likewise report that Burkina Faso exports some 20,000 to 40,000 tons of maize to Niger and Mali in most years with lesser volumes flowing into Benin, Ghana, and Togo depending on annual supply and demand conditions. An established trade corridor for maize between Techiman, Ghana and Niamey, Niger was also said to exist (1,100km across two borders) while considerable volumes of sorghum were reported to go all the way from Kano, Nigeria to Dakar, Senegal (3,600km across four borders). Onions and tomatoes are also widely traded in regional markets.

Despite the importance of these transactions, it is apparent the overall volume of regional food trade in West Africa is low and significantly below its potential. Table 1, provides an overview of West Africa's imports of selected commodities and shows that most internationally traded foods originate from outside the region. Locally grown maize, for example, only accounted for 3% of recorded ECOWAS imports from 2005-2009 and probably no more than 10% of total imports including informal transactions outside the legal system. Although many parts of West Africa are deficit in maize, surpluses in high production zones that could help meet the shortfall often go untraded because of high costs, fragmented markets, and other trade barriers. In Table 1, a greater share of total imports of millet and sorghum originate in other ECOWAS countries, but even for these commodities, value chain experts say that large quantities go untraded because it is easier and cheaper for breweries, stock feed manufacturers, and other buyers who need a regular supply to import from outside the region.

Table 1: ECOWAS Imports of Basic Foods by Region (2005 to 2009)

	Other ECOWAS	Rest of World
Maize	3%	97%
Millet	38%	62%
Sorghum	21%	79%
Livestock	98%	2%

Source: Compiled from Bromley, et. al. (2011).

Indicative of these limited trade connections, there are frequently large price differences from one West African country to another. During the 2008 food crisis, for example, prevailing market prices for maize in the farm areas of southwestern Burkina Faso stood at only USD 280 per ton against USD 640 to 750 per ton in major coastal cities from Accra to Lagos. Similarly, in 2010, millet prices in Accra were around USD 660 per ton against USD 260 to 360 in the northern production zones of south-central Mail and northern Burkina Faso. Although West Africa has some of the highest transport costs in the world, these large price differences cannot be explained by transport alone.

With respect to livestock, Table 1 shows that a very different situation prevails with 98% of imports originating from other ECOWAS countries. In this case, several thousand goats, sheep, and even cattle are shipped every day along traditional trade corridors from Sahelian countries to deficit zones in coastal areas. Like grains, these transactions are mostly informal and involve high costs so lead to low producer prices and high consumer prices that limit the potential for growth and poverty reduction. With more and more people in West Africa living in large cities, policies to improve the efficiency of regional livestock markets also need to be a high priority for the future.

In both the livestock and grain markets, most regional trade in West Africa relies on social, linguistic, and even family bonds. Even very long-distance trade deals are typically based on oral contracting and, especially in the livestock sector, may involve credit sales so require strong interpersonal relations. In these deals, commodities often change hands five or six times between the farm and retail level with each intermediary incurring costs and needing to make a profit from the transaction. Re-bagging, for example, is typically done each time grain is sold since there are no other guarantees for quality or even basic composition. Volumes are typically measured by the number of bags or tins per bag rather than in kilos or metric tons. In physical terms, most traders work in small lots that range in size from just a few bags (300-400kg of grain) to perhaps one or two full truckloads at most (say 60-80 tons).

While it is clear these trading systems are well adapted to local conditions and institutional realities in West Africa, it is equally apparent that the lack of more systematic and larger-scale trading options imposes a high cost on the region. In an open economy, price is determined competitively and value flows upstream from the consumer to each producer and marketing agent in the chain. All costs and profit margins taken by processors, traders, and other value chain participants before the product's value reaches the farm level therefore have a direct bearing on the price that can be paid to producers, and thus rural incomes and potential for growth and poverty reduction. Unlike East and Southern Africa, there are few, if any, large-scale commodity brokers involved in regional trade of food staples in West Africa, and few impersonal institutions of the type needed for traditional traders to switch from one corridor to another to take advantage of new business opportunities.

The World Food Programme (WFP) is probably the largest regional trader in West Africa and seeks to procure a variety of staple foods for its relief operations. In practice, however, WFP reports there are frequent problems obtaining the required export permits, quality certificates, and other documents needed from different countries for large transactions to succeed. Small traders mostly avoid these requirements, but this is not possible for large commercial traders including the WFP who need to comply with all rules and regulations. Procurement of large quantities at a competitive price has also been a problem for WFP since this usually has to be done through government-controlled agencies. In 2010, for example, the Government of Ghana offered rice to WFP at USD 970/ton fob Tamale against the world market price of USD 550/ton cif Monrovia where the supplies were needed. WFP is obliged to buy regional grain when possible, but this very high offer was considered uncompetitive and the deal was eventually stopped after exporting just 1,600 tons of a 4,000-ton procurement.

Regional Trade of Seed and Fertilizer

With respect to crop inputs, regional trade of seed and fertilizer is almost non-existent in West Africa. Under the ECOWAS Trade Liberalization Scheme (ETLS), Member States agreed to reduce the barriers to regional trade of crop inputs, but in practice governments still enforce national product registration and testing requirements that make regional trade difficult and expensive.

In the case of seed, for example, the ECOWAS Council of Ministers formally adopted a Regional

Agreement on Harmonized Seed Legislation in May 2008 under which any variety of seed registered in one ECOWAS country would be eligible for production and commercial sale any other ECOWAS country without further certification or testing. Almost five years later, however, the reality is very different whereby regional governments still only recognize their own test results. In Ghana, for example, the new Plants and Fertilizer Act of 2010 specifically requires all varieties of seed to be tested domestically for a minimum of three years regardless of whether the variety has been approved in another ECOWAS country. Seed companies pay the full cost of this service equal to a minimum of USD 3,500 per year for expression of interest and seed entry plus the full cost of all materials used in on-station and farmer field trials agreed with the Plant Protection and Regulatory Services Directorate (PPRSD). When asked about the ECOWAS Seed Agreement, staff at PPRSD explained there has been "some discussion" of harmonized trade policies for seed but said these talks were at a very early stage. In effect, most countries do not yet have a Seed Act and, in Ghana, the Act of 2010 contradicts the 2008 ECOWAS Agreement.

Similarly, although West African countries produce very little fertilizer and must rely on extra-regional imports, opportunities for regional trade and distribution are constrained by a range of factors including country-specific product formulations and national testing and registration requirements. While different soils and crops naturally need different amounts of nutrients for optimal growth, a recent study by the International Fertilizer Development Center (IFDC) and International Food Policy Research Institute (IFPRI) shows that product differentiation in West Africa has taken place for non-technical reasons. As a result, different blends have to be custom made for each country at a very small scale, which add unnecessarily to production cost and price. By harmonizing fertilizer blends across countries and encouraging local blending capacity, the authors estimate that West Africa could realize a savings of at least USD 30-40 per ton (USD 1.50 to 2.50 per 50kg bag). Moreover, given that fertilizer application rates in West Africa are among the lowest in the world, any savings in trade costs would likely contribute to much higher crop yields simply as a result of more farmers being able to afford at least some product even if it is not always the most ideal type. According to the Ghana PPRSD, local blends are designed to help farmers achieve maximum yields and the cost of preparing each formulation is not considered when approving new products.

Input subsidy programs in different countries further complicate the trade situation with much of the fertilizer that does go across regional borders travelling illegally. In the current 2012/13 crop season, for example, Ghana is subsidizing 176,000 tons of fertilizer for non-cocoa crops at a cost of around USD 64million. In practice, however, even the Ministry of Agriculture and Food acknowledges there have been problems with smuggling and, according to the Ghana News Agency, less than 25% of the 1,700 tons of fertilizer meant for small farmers in Kassena-Nankana District ended up in local soils with the rest smuggled to Burkina where it could be sold for two times the subsidized price. Bearing in mind that subsidies can have many positive effects, these programs are inherently expensive to run and carry an ever-present risk of leakage so also give good reason to look for complementary and more sustainable ways of reducing prices such as improving the regional trade environment.

Fertilizer Trade and Rural Incomes in Ghana

To illustrate how efforts to reduce trade costs could have leveraged impact on agriculture competitiveness and rural incomes, it is useful to stick with the example of Ghana where information on the cost structure of fertilizer and farm production costs for the 2009/10 season is available. The point of this quick example is not to recommend specific alternatives to Ghana's subsidy program, but to demonstrate how even a modest reduction in trade costs could go a long way to

achieving many the same objectives as a subsidy without being drain on the national budget.

First, Table 2 shows the estimated build-up of fertilizer prices in Ghana under two trade scenarios. The base scenario reflects actual conditions that prevailed in the 2009/10 agriculture season in which the unsubsidized price of NPK fertilizer was around USD 39.00 per 50kg bag. The reduced cost scenario, on the other hand, reflects the type of savings that could realistically be achieved through various trade improvements. In a detailed study of the Ghana fertilizer market and underlying price structures, Fuentes, et al (2011), found that up to 50% of the commercial price of fertilizer is accounted for by market constraints and bottlenecks. The 8.2% price reduction modeled here is therefore a conservative estimate of the savings that could be realized from regional policies such as the introduction of harmonized fertilizer blends, streamlining of import procedures, and savings on transport costs. Potential savings on finance charges and improved domestic marketing are not included in this analysis yet offer further potential for price reduction.

Table 2: Build-up of Fertilizer Prices in Ghana under Alternative Trade Scenarios

	Base Scenario (2009 prices)		**Hypothetical Savings**		**Reduced Cost Scenario**	
	Structure	USD/ton	% savings	USD/ton	Structure	USD/ton
International procurement and blending	20%	156.00	-20%	(31.20)	17%	124.80
Port services and stevedores	18%	140.40	-5%	(7.02)	19%	133.38
Credit for procurement	32%	249.60		-	35%	249.60
Domestic transportation	21%	163.80	-15%	(24.57)	19%	139.23
Distribution/retail margins	7%	54.60		-	8%	54.60
Other (clearing charges, etc)	2%	15.60	-5%	(0.78)	2%	14.82
Total	**100%**	**780.00**		**(63.57)**	**100%**	**716.43**

Total reduction as % base price = 8.2%

Source: Own calculations based cost structure reported by Fuentes, et. al, 2011.

Next, Table 3 presents a set of financial indicators for medium and high-input hybrid maize using the base price of fertilizer and hypothetical 8.2% reduction modeled above. For this analysis, production costs and returns are based on Ministry of Food and Agriculture crop budgets a farmgate price for maize of USD 160/ton (GHS 30/kg). Unless indicated, all values are expressed in USD per hectare.

As demonstrated, Ghana could derive significant benefit from effort to improve trade conditions for fertilizer. In the first place, Scenario 1 shows how an 8.2% reduction in fertilizer costs would result in 44% and 17% higher gross and net profits for medium- and high-input farmers than under base conditions respectively. For medium-input farmers, the savings on trade costs translates to USD 12.08/ha higher profits while for high-input farmers the savings on fertilizer results in USD 24.16/ha extra profit. In Scenario 2, it is assumed that the lower price of fertilizer leads to 10% more use per hectare and 15% higher yields. Under these conditions, per hectare profits would be USD 52.88 higher at the medium-input level and USD 108.16 greater at the high-input level. For medium-input farmers, this change is equivalent to transforming maize from a loss-making activity into a profit making one in net terms. As a percent change, the

Table 3: Financial Indicators for Ghana Hybrid Maize (USD/ha)

	Medium input	High input
Fertilizer use (bags basal x top dress per ha)	2x2	4x4
Base conditions		
Crop yield (tons/ha)	**1.70**	**3.50**
Total revenue	272.00	560.00
Variable costs	244.48	421.93
Family labor & depreciation	47.34	56.38
Gross margin (total revenue - variable costs)	**27.52**	**138.07**
Net profit (gross margin - family labor & depreciation)	**(19.82)**	**81.69**
Scenario 1 - Streamlined trade procedures (8.2% savings on fertilizer)		
Crop yield (tons/ha)	**1.70**	**3.50**
Total revenue	272.00	560.00
Variable costs	232.40	397.78
Family labor & depreciation	47.34	56.38
Gross margin (total revenue - variable costs)	**39.60**	**162.22**
Net profit (gross margin - family labor & depreciation)	**(7.74)**	**105.84**
Scenario 2 - 8.2% savings on fertilizer, 10% more use, 15% more yield		
Crop yield (tons/ha)	**1.96**	**4.03**
Total revenue	312.80	644.00
Variable costs	232.40	397.78
Family labor & depreciation	47.34	56.38
Gross margin (total revenue - variable costs)	**80.40**	**246.22**
Net profit (gross margin - family labor & depreciation)	**33.06**	**189.84**

Farmgate price = USD 130/ton (GHS 30/kg).

Scenario 2 increment is equal to a 134% increase in income for medium-input farmers and 64% increase for high-input farmers.

Finally, Table 4 looks at the total available profits for regionally traded maize from a value chain perspective including the costs of primary assembly (transportation from the farm to a nearby collection point, a short period of storage, handling, and preparation of essential export documentation). For this part of the analysis, total accumulated costs at the assembly point exclude profits paid to farmers and local traders. This approach allows total accumulated costs to be subtracted from the export parity price to show how much total profit is available to flow upstream to farmers and other value chain participants. Unless indicated, all values for this part of the analysis are expressed in USD per ton of tradable grain.

Again, the data demonstrate that Ghana could realize significant benefits from efforts to streamline trade procedures for fertilizer. Although there is no guarantee that incremental profits will flow all the way up the chain to farmers, Scenario 1 shows how an 8.2% reduction in fertilizer costs would result in more than five times as much total profit being available per ton of exportable grain at the medium-input level. With high-input management, total profits per ton of export grain would be around 31% higher. In Scenario 2, the total available profits per ton of exportable maize would be around thirteen times higher with medium-input management and 76% greater with high-input management. Similar results would apply to maize grown as an import substitute and the analysis overall clearly shows that modest improvements in trade conditions for fertilizer could have significant tangible benefits for farmer incomes and regional trade competitiveness.

Table 4: Value Chain Indicators for Ghana Hybrid Maize (USD/ton tradable grain)

Fertilizer use (bags basal x top dress per ha)	Medium input 2x2	High input 4x4
Base conditions		
Crop yield (tons/ha)	**1.70**	**3.50**
Farm costs	171.66	136.66
Assembly costs (incl. documentation and storage)	62.55	62.55
Total value chain costs for export ready grain	**234.21**	**199.21**
Total available profit at export parity	2.79	37.79
Scenario 1 - Streamlined trade procedures (8.2% savings on fertilizer)		
Crop yield (tons/ha)	**1.70**	**3.50**
Farm costs	164.55	129.76
Assembly costs (incl. documentation and storage)	62.55	62.55
Total value chain costs for export ready grain	**227.11**	**192.31**
Total available profit at export parity	14.89	49.69
Scenario 2 - 8.2% savings on fertilizer, 10% more use, 15% more yield		
Crop yield (tons/ha)	**1.96**	**4.03**
Farm costs	143.09	112.83
Assembly costs (incl. documentation and storage)	62.55	62.55
Total value chain costs for export ready grain	**205.64**	**175.39**
Total available profit at export parity	36.36	66.61

Export parity = USD 358/ton cif Ouagadougou less USD121/ton for transport and road fees.
For Scenarios 1 & 2, assume USD 5/ton less road fees from improved trade environment.

Opportunities to Improve Trade Conditions

Bearing in mind regional agriculture trade is constrained by a great many things it is worth reviewing some of the areas where clear-cut policy improvements or other institutional change could help West Africa realize the type of benefits described above. There is a considerable body of literature describing different trade constraints and large gaps that frequently exist between stated policies and actual trade practice in West Africa. This brief note cannot possibly provide an exhaustive account of all that needs to be done, or even what could be done, to improve the regional trade of food staples and crop inputs. Instead, the aim is to highlight key areas of strategic importance where governments and other regional stakeholders could reasonably expect to reduce trade costs and create a more reliable environment over the next few years to the benefit of farmers and small- and large-scale traders alike.

There needs to be better awareness and adherence to trade rules. Presently, there is a lot of confusion in West Africa over the requirements to move food staples from one country to another. Very often, border officials and even trade advisors do not know the correct procedures and will quote different rules depending on who is on duty. The use of certificates of origin to achieve duty free status under the ETLS appears to be a particular area of confusion. Truckers complain that officials at the same border post sometimes request for a certificate of origin for community-originating cereals when at other times they do not. This type of inconsistency not only leads to unnecessary costs and opportunities for corruption, but also makes trade risky for large and small-scale operators since it is difficult to know what documents will be required on any given day of the week.

To help improve awareness, the USAID Agribusiness and Regional Trade Promotion (ATP) project produced a wallet-size card listing the

requirements for regional food trade that it distributes to traders (see Box 1).

In a similar initiative, the regional NGO, Borderless (which was set up and funded in part by the ATP project) publishes its own pamphlets that list the requirements for importing products to Ghana at Aflao. Many of the documents listed by

ATP, however, are not listed by Borderless and vice versa. Borderless, for example, does not mention the need for a phytosanitary certificate and instead says that all agriculture products must be certified by the Ghana Customs and Excise and Preventative Services (CEPS) Laboratory or Ghana Standards Authority (GSA). Traders in turn describe the CEPS/GSA inspection as being about phytosanitary control and say that officers will carry out a visual inspection to look for pests even when they have the required phytosanitary certificate from Togo.

While both the Borderless and ATP initiatives are important steps in the right direction, there evidently needs to be greater coordination to ensure that information given to traders is complete and accurate. In the above example, GSA standards covering quality attributes such broken or shriveled grains and total defect are a completely different matter from phytosanitary standards concerned with human, animal, and plant disease. The mixing of these aspects by GSA and CEPS officials no doubt contributes to the opaque trade environment and is a specific area where trade facilitation projects like Borderless and ATP could help improve transparency and understanding.

Dissemination of product standards by official agencies is another area where much could be done to make trade conditions more transparent. Putting aside the danger of making quality standards mandatory (particularly if modeled on developed country norms), voluntary standards can be used as a language between traders and benchmark for determining value. Nevertheless, the GSA and other national standards bodies do not make their work public and insist on charging traders and

Box 1: Regional Trade Requirements

ECOWAS Rules for Staple Foods Trade	Documents for Trading in Staple Foods
Customs duties – NO	ECOWAS Brown Card (insurance) – YES
VAT or sales tax – NO	Export declaration – YES
Statistical tax – NO	Phytosanitary Certificate – YES
Computerization fee – NO	Waybill – YES
Freight forwarder fee – YES	Natl. and intl. driver's license – YES
Transit fee – NO	Certificate of Origin – NO
ISRT logbook – NO	ISRT logbook – NO (and NO transit fee)
Weighbridge fee – YES	
Official road tolls – YES	

Source: USAID ATP

other users for a copy of each product specification. GSA directors say this is the usual practice of standards bodies all around the world, but (apart from the lost revenue) could easily make pdf copies available on their website that would go a long way to building a constituency for standards and, ultimately, to improving regional trade conditions, product quality, and competitiveness.

Governments need better commitment to free trade. Beyond the problem of confusion for everyday trade rules, there is a larger issue of governments themselves not always being committed to free trade. Many countries in West Africa, notably Burkina Faso and Mali, often implement seasonal export bans on cereals. As of late 2012, for example, Burkina was reported to have export bans on both rice and beans. Likewise, in Ghana, the WFP reported that it had been waiting since the end of August for a permit to export 10,000 tons of maize to Niger without a reply from government. In another example of how governments have departed from regional trade agreements, Benin was until recently charging transit duty on all goods that pass through its borders even though this is specifically not allowed by the ETLS.

Addressing the problem of limited will to implement regional free trade agreements is likely to be one of the more intractable trade constraints. Even though trade bans are seldom successful in achieving their objectives and have been shown to have many negative effects including increased food price volatility, many governments continue to implement these polices in the name of food security and other political objectives.

As such, the best that may realistically be expected in the near term could be to help traders cope better with the risk of bans. Often trade bans are poorly communicated meaning that traders and even border officials do not know what the real situation is and an obvious first step would be to improve communication of when bans are put in place and when they are lifted. A second area for improvement would be to make implementation of trade bans more predictable. This may be difficult to achieve, but efforts to define a set of verifiable conditions under which governments could exercise their discretion to implement a trade ban could be a good area for dialogue, especially if systems were geared to provide an early warning of when a ban may be put in place.

On a day-to-day basis, there also needs to be better commitment to free trade by frontline border officials, police officers, and other control agents. Mercantilist attitudes that see the only good kind of trade is export trade still hold sway across Africa and efforts to build awareness of the importance of free trade could help avoid shipments being held up on spurious grounds. Petty and not-so-petty corruption not only adds to the cost of regional trade but can also render improved trade rules meaningless if the procedures are not implemented. At Aflao, small traders say it common practice to pay GHS 4.00 to 5.00 per bag (about USD 21.30 to 26.60 per ton) to use the back channel to avoid inspection and paperwork requirements. In another example, clearing agents in Tema say standard procedure is to pay GHS 100 to 200 (USD 53 to 106) per container to CEPS and GSA Officers for their inspections to "go fast". Although each cost may seem minor and better than being delayed, these charges add up and have

Box 2: Costs of Regional Trade on the Ghana to Nigeria Corridor

In a survey by the USAID Trade Hub, truckers on the Ghana to Nigeria Corridor said they have been asked to pay the following formal and informal charges to transport food products.

1. Administrative Tax (1% fob)
2. Association of Customs Agents Levy
3. BIVAC
4. Certificat d'origine
5. Certificatd'origine douane
6. Certificat sanitaire (phytosanitary/SPS)
7. CNCB
8. Commune
9. Convoy Fee/Escorte
10. Custom Agent
11. Declaration/quittance
12. Ecor
13. Ecotax
14. ECOWAS tax
15. Enregistrement
16. Entry Tax
17. Finance Charge for Reimbursables
18. Gendarmerie Levy
19. Hygiene & Sanitation
20. Import Card
21. Laisser Passer
22. NAFDAC
23. Parking/Stationnement
24. Passage BMA
25. Passage magasin douane
26. PC
27. Police Levy
28. Priseen charge
29. Redevance informatique
30. Section visite
31. Sortie
32. Standards Organization of Nigeria
33. Statistical Tax
34. Taxes de déclaration
35. Taxes globales
36. Taxes Supplémentaire
37. Tolls/Péage
38. Transit Fee
39. Veterinarian Tax
40. Visa

Source: West Africa Trade Hub, 2012, p. 24.

a significant impact on competitiveness and profitability.

As a strategy for reducing illegal costs, Borderless has been publishing quarterly reports on the number of controls, cost of bribes, and delays along 13 major trade corridors since 2007. Borderless says this strategy of naming and shaming has helped reduce costs over time, but acknowledges that much more needs to be done to change attitudes and make formal rules more transparent and easy to navigate. In one of its recent reports, the USAID West Africa Trade Hub lists all of the charges truckers reported paying on the Ghana to Nigeria corridor and more systematic monitoring of these fees (including duplicate fees paid at borders) could be a useful way to build on the name and shame strategy (see Box 2).

Develop clear rules that are easy to meet every day. One very practical area where much can be done to make regional trade rules easier to follow is to adopt harmonized rules and regulations. One notable barrier in agriculture is that ECOWAS does not have a regional agreement on sanitary and phytosanitary (SPS) standards. As a result, traders are often required to pay for more than one SPS certificate and/or obtain multiple inspection stamps. UEMOA adopted a Framework SPS Agreement in 2007 and a pressing challenge now for ECOWAS is to adopt its own harmonized regulations.

Given the historic trade ties that exist between West African countries and fact large amounts of food presently go around the formal system without any inspection at all, a regional approach based on equivalence and mutual recognition of each other's SPS systems would likely be more meaningful than any attempt to harmonize with developed country norms. Although the WTO SPS Agreement encourages Member States to harmonize their SPS standards with international ones, it stops short of making this a mandatory requirement. Simply put, African countries have very different SPS problems than developed countries do and only limited capacity to tackle their SPS problems. Efforts to develop a simple system for issuing a regional SPS permit based on a common list of pest risks would therefore be a good approach for ECOWAS. Other regional economic communities in Africa including the EAC, COMESA, and SADC, have each begun to harmonize their SPS rules using different approaches and offer useful experience on what works, what doesn't work, and what should be avoided. COMESA, for example, is in the process of developing a "green pass" system for regional SPS certification and ECOWAS may do well to look at this approach.

Box 3: Poor Utilization of Trucks

Truck operators only make money when wheels are turning. The average monthly distances covered by transporters in different parts of Africa are shown below:

- 11,000 – 12,000km per month for domestic transport within South Africa
- 8,000 – 9,000km per month for international transport within Southern Africa (e.g. South Africa to Zambia via Zimbabwe or Botswana)
- 5,500km per month in Eastern Africa
- **2,500km per month (at best) for transport between Ghana and Mali or Niger**

Source: Bromley, et. al. (2011).

Another important lesson is to avoid making regulations that cannot be easily implemented. This point may seem obvious enough, but is a particular concern in West Africa where institutional capacity is often very weak. Other than SPS, for example, one trade constraint that donors often point to is the lack of harmonized quality standards. While quality standards are important for ensuring product safety and can be useful in determining value, recent experience in EAC shows there is a significant risk of introducing mandatory requirements modeled on advanced country conditions that are difficult for local farmers and traders to meet or that consumers do not want and cannot afford. In the worst of conditions, these standards not only add unnecessarily to cost, but can even become a trade barrier and new vector for

corruption. Like the EAC, the Ghana Standards Authority has modeled most of its food standards on the International Codex Alimentarius, but now says it is revising its standards for maize to allow higher tolerance for total grain defect in line with local realities. Unlike the EAC, there have not yet been any serious attempts to develop harmonized regional standards by ECOWAS or UEMOA countries.

Continue the fight to reduce transport costs. A final important problem for agriculture trade that cannot be overlooked is the high cost of transportation. Compared with manufactured goods and high-value cash crops, food staples usually have a low value to weight ratio so are particularly vulnerable to any inefficiency in the transport sector. While much can still be done to improve road infrastructure in West Africa, physical limitations are increasingly viewed as less important than policy. In an exhaustive study of the regional transport sector, for example, Bromley, et. al. (2011) show how a host of factors ranging from the outdated truck queuing system to excessive regulations of vehicle operators, corruption at multiple checkpoints, and poor condition of vehicles contributes to West Africa having some of the highest transport costs in the world (see Box 3).

Roadblocks and control points are a particular problem. In its 20th Road Governance Report, Borderless reported that truckers paid an average of USD 4.40 in bribes, encountered 1.8 checkpoints, and suffered 16 minutes of delays for every 100km travelled in the second quarter of 2012. Some countries, of course, did worse with Mali recording USD 10.40 in bribes and 22 checkpoints per 100km, against USD 1.42 in bribes and 10 checkpoints in Togo. In Ghana, traders encountered 20 checkpoints and paid USD 1.47 in bribes per 100km.

While initiatives such as regular Road Governance Reports have done much to raise awareness of the impact of unofficial charges and led to the elimination of some checkpoints, much more needs to be done to improve the transport policy environment. High transit costs including escort requirements and the need to pay (and reclaim) multiple customs bonds and have been a particular problem and should not even apply to staple foods or other products with duty free status. Another area for improvement is the regional insurance system whereby truckers are required to obtain an ECOWAS Brown Card to be covered outside their home country, but say it is nearly impossible to make a claim when they need to.

Conclusions

This note sought to provide a concise overview of current trading conditions for food staples and crop inputs in West Africa and to highlight tangible opportunities for improvement. The example of reduced trade costs for fertilizer helped to illustrate that trade facilitation is not just an esoteric pursuit but can have very significant, real life implications for poverty reduction and food security. To the extent that savings on imported fertilizer can substitute for spending on subsidy programs, trade facilitation can also have an important impact on agriculture budgets and ability of governments to deliver extension advice and other core services needed for agriculture growth.

While there are a number of simple steps governments can take, improving the regional trade environment will require a long-term commitment and strong political will. Just as the costs of corruption and extraneous procedures are obvious, so too are there vested interests in the status quo and rents these systems generate. It is therefore important for West African leaders and agriculture stakeholders more generally to stay focused on the ultimate objective of free trade and social benefits improved trade systems can bring.

In this regard, a useful strategy for each country would be to define a set of actions to achieve its trade goals in coordination with regional partners around which the international community could organize appropriate support. Given the practical challenges of policy reform, part of the process should involve defining clear outcomes/indicators

for each action item. These can be used to monitor progress and to hold officials and leaders accountable to commitments they make to deliver open regional markets for food staples. Concrete actions to build a constituency for free trade will also be important. While good progress has been made in West Africa to build awareness for the high costs of roadblocks and control procedures, complementary efforts to increase awareness for the benefits of free trade are also important for Africa to realize its potential to feed itself.

About the Author

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