

An institutional analysis of the cashew value chain in Benin

1. CONTEXT

Benin, known as one of the most politically stable West African countries and experiencing strong economic growth over the last two years, so far did not manage to translate these assets into strong per capita growth and broad based development. A country-wide assessment conducted by the new government installed in 2016 showed that Benin's assets are under-developed, leaving Benin's economic development behind its potential.

The government of President Talon 's ambition is to tackle these challenges with **the Programme d'Action du Gouvernement** (PAG or Government's Action Program) for 2016-2021. The PAG outlines the government's ambitious development strategy in 3 pillars: (1) Consolidating democracy, rule of law and good governance, (2) Initiating structural economic change and (3) Improving living environment for the people. Parallel to the PAG, the government of Benin defined its National Development Plan (PND), being slightly broader with a horizon towards 2025 but coherent with the PAG.

Boosting the **agricultural sector is at the heart of the economic development agenda in the 2nd pillar of the PAG**. As a high value-added sector, agriculture has the potential to be an important driver of economic development, providing employment and generating income. Currently, agriculture employs around 70% of Benin's workforce and contributes approximately 23% of its GDP. However, agricultural productivity remains low. The sector is also responsible for 75% of Benin's export income and 15% of the Government's revenue, yet it remains underdeveloped. Only 17% of the country's arable land is currently cultivated on an annual basis, and even these lands tend to produce yields considerably beneath their significant potential. The government aims at restructuring the sector by creating seven regional poles for agricultural development and focusing on a number of crops with high potential added-value, notably cotton, cashew nuts, and pineapples. Especially, the government aims at improving the supply of these crops but also at modernizing Benin's processing industry by investing in agricultural mechanization, improved water control, technological innovations, and mobilizing resources.

Aligned to both PAG and PND is the **Belgian governmental development cooperation program with Benin** (2019-2023), concentrating on the Agriculture and Health sectors and on Port activities, as well as supporting reforms of the *Police Républicaine*; meanwhile focusing on the following cross cutting themes and principles: (i) decent work, (ii) a rights based approach and (iii) inclusiveness and sustainability. In the agriculture sector, Belgium cooperation focuses on two of the three promising value chains indicated above. First, it aims at the development of the pineapple value chain. Second, the Belgian cooperation seeks to strengthen the cashew value chain as part of the former cooperation program that is being supported in a consolidation phase with activities enhancing production quality for transformation and marketing.

2. PROBLEM DEFINITION

The development challenges identified by the PAG may hide other, deeper constraints. Developing the agricultural sector will not only depend on massive investments, mechanization, rural roads and professional training. There are also important institutional hurdles, especially land rights and the complex issue of marketing and price setting.

When designing policy plans and interventions, it is important to analyze to what extent those institutional issues will influence the expected results and to draw solutions for institutional reforms. Indeed, institutions and their underlying political and economic power relations can be pervasive, but are not immune for change. Inspired by the recent studies financed by DFID and aiming at developing an “institutional diagnostic” for Tanzania, Bangladesh, Mozambique and also Benin (see bibliographic resources), this ToR suggests to use this tool for analyzing the value chain targeted by Belgian development cooperation – starting with the cashew sector as the Belgian program reaches its consolidation phase and more in depth knowledge of marketing and pricing mechanisms is needed for addressing the marketing and export possibilities. Understanding these issues proves very important for the sustainability of the value chain and hence for its impact of the sector on economic development in Benin.

3. RESEARCH PURPOSE

3.1. GENERAL OBJECTIVE

The general objective of this research is to strengthen the knowledge base for policy dialogue and financing decisions by analyzing the institutional context of the different components of the cashew value chain, and this with the capacity to informing the Belgian development cooperation to improve policy dialogue and better targeting its interventions.

3.2. SPECIFIC OBJECTIVES

- What are the development challenges facing the cashew value chain in Benin in a context of a globalized world?
- Who are the relevant actors and what are the formal and informal rules and relations between them, impacting the development of the cashew value chain?
- What are past and recent policy decisions influencing the value chain?
- what are the stakes and challenges for external donors supporting producers and transformation initiatives?

More specifically, the research should:

- (1) Collect and analyze data on the role and weight of the key actors in the cashew value chain: producers, farmers organizations, processing industries , intermediaries, merchants, public administration, and the donors
- (2) Document the possible strategic policy measures in this specific value chain

4. EXPECTED RESULTS

- (1) The production potential and processing industry actors are mapped; in relation to the international market
- (2) The relative roles of domestic versus global factors are understood;
- (3) Past and current policy measures and their effects on Benin's economic development are assessed;
- (4) Strategies and initiatives of the different stakeholders involved are explored and documented;
- (5) Appropriate policy reform recommendations are formulated.

5. SUGGESTED METHODOLOGY, ORGANISATION , UNIVERSITY INVOLVED

It is suggested that the research encompasses:

- A descriptive analysis of the economic, social, and political context based on a desk study of relevant documents, governmental and donor strategies and development plans, existing studies, analyses and statistics;
- A field visit enabling consultations and in depth interviews with involved actors in Benin
- Analysis of the data and writing of the report with strategic recommendations

6. STAKEHOLDERS TO BE INVOLVED :

- Public authorities : Ministry of Agriculture, of Economy & Finance; of Industry & Trade and related official services at national and decentralized level
- Private sector companies in the cashew value chain
- Actors operationally involved in the cashew value chain: producers , transformers and marketers (local farmers groups, intermediaries, merchants , ...)
- Belgian governmental cooperation (Embassy and ENABEL) and Belgian NGOs involved (Wereldsolidariteit/Solidarité Mondiale, Louvain Coopération, Rikolto , ...)
- Other donor representations involved in the sector (Worldbank , African Development Bank,
- Other relevant actors (e.g. Technoserve being active in Benin since 2009, in particular in the Cashew sector, via several partnerships and initiatives like BeninCaju, CajuLab and others)

7. USE OF THE RESEARCH

Based on the expected results, the research will be used to

- (1) underpinning informed decisions regarding Belgian development cooperation financing and inspiring recommendations for the policy dialogue in agriculture, more specifically in the cashew value chain;
- (2) enable the government of Benin to make informed decisions on developing the cashew production , transformation and marketing

- (4) help Beninese and Belgian investors and enterprises to better design and target their investments
- (5) further academic cooperation between Beninese and Belgian universities in this field

ANNEXE : SUGGESTED RESSOURCES (not exhaustive)

- Oxford: <https://edi.opml.co.uk/research/benin-institutional-diagnostic/>
- PAG, PND, PC2D : development strategies of the GoBj
- INSAE - Institut National de Statistiques (MinPlan&Dév) Benin
- Worldbank data on Benin
- Bénin, Présidence de la République (2016), Programme d'Action du Gouvernement 2016-2021;