Devolving Farm Services in Benin

Three World Bank-supported rural development projects in Benin established an efficient institutional framework for producing and exporting cotton, helping to increase production and raise rural incomes. The projects helped streamline the many parastatals governing cotton production, consolidating the functions of several into one cotton company. And they promoted farmers’ and women’s organizations, for the first time involving farmers in marketing, rural development planning, and distribution of inputs. The result was lower operating costs for the parastatals, greater farmer involvement in decisionmaking, and higher efficiency of the subsector. A recent OED audit* notes that two factors helped facilitate the transition: (1) the projects’ pragmatic, step-by-step approach to institutional restructuring and privatization and (2) the government’s willingness to withdraw from the details of marketing and production.

Project context and goals

The Borgou and Zou provinces represent Benin’s agricultural heartland in a country where agriculture largely determines economic performance. In the early 1980s, the production of cotton, now Benin’s major export, had dropped to only 16,000 tons, from 50,000 tons in 1972. And a plethora of semi-autonomous public agencies governed the subsector, without any farmer involvement.

The three rural development projects—the Borgou Province I, the Zou Province, and the Borgou Province II (implemented between 1981 and 1993)—were part of a series of eight Bank-supported projects in Benin’s agricultural sector. IDA credits provided about $57 million of the approximately $155 million of total project costs. The three projects had similar objectives: to improve rural incomes by increasing production of food crops and cotton through a combination of institutional building and technological improvements. The operations were complex, involving many components, executing agencies, and financing institutions.

Throughout the 1980s, when the projects were being implemented, Benin’s economy was highly centralized. But in 1991, a new government introduced reforms to liberalize the economy and restructure public enterprises, giving a boost to the projects’ institutional reforms and ongoing privatization activities.

Institutional reforms

Restructuring

At the beginning of the Borgou I project, three parastatals shared responsibility for cotton production, marketing, and export. The Ministry of Agriculture provided policy direction and the Ministry’s provincial branches, the CARDERs, provided inputs, agricultural extension, and primary marketing services, as well as maintained and constructed rural infrastructure.

The projects’ first step was to consolidate the functions of the three organizations into one cotton company, the Société Nationale pour la Production Agricole (SONAPRA), thus simplifying the management and operation of the cotton sector. After experimenting with several institutional arrangements, they succeeded in delineating the roles of SONAPRA and the CARDERs. While SONAPRA took responsibility for cotton processing and marketing, the CARDERs became responsible for distributing agricultural inputs and developing rural infrastructure.

The new arrangement created a streamlined institutional framework for delivering essential services to farmers. At the same time, the projects, with the experience of other West African countries to guide them, turned to forming and promoting village groups to increase farmers’ participation.

*Performance audit report, "Benin, Borgou Rural Development Project, Zou Province Rural Development Project, and Second Borgou Rural Development Project." Report No. 15218, 1995. Performance audit reports are available to Bank executive directors and staff. They can be ordered from the Bank’s Internal Documents Unit and from Regional Information Service Centers.
Village organizations

Village groups had gained wide acceptance in West Africa as grassroots development associations. Initially used in Burkina Faso to provide primary marketing services (collecting, grading, and sorting cotton), the groups soon expanded their activities as the benefits of the groups' participation became evident.

All three projects in Benin actively promoted village groups. The CARDERS in particular became the principal promoters of farmers' and women's groups and helped strengthen their financial and management capabilities. As the groups took shape, SONAPRA and the CARDERS withdrew from primary marketing, transferring the responsibility to the village organizations. And as the groups gained experience, the agencies transferred more of their tasks to them, including the distribution of inputs to members. SONAPRA and the CARDERS paid the groups a fee for their services, which the groups invested in rural infrastructure. The result was lower operating cost for the agencies and increased participation of farmers, not only in marketing and production but also in rural development planning.

Almost all cotton producers in the two provinces became members of village groups. As the number of groups increased, they formed into unions at the district and county levels. The unions coordinated group activities and created a framework for dialogue with SONAPRA and the CARDERS, thus increasing the professional stance of cotton growers and their involvement in decisionmaking.

Farmer participation also benefited from a project component that provided loans to young, unemployed school graduates to start their own farms. Carried out by the Borgou CARDER, the program not only helped reduce unemployment among youth, but also generated a new dynamism in the villages as many of the young graduates took leadership roles in the farmers' organizations.

Although the first Borgou project did not address the needs of women farmers, it quickly recognized the importance of their role in agricultural production. As a result, both Zou and Borgou II included technical assistance and credit to women's groups in efforts to strengthen their production capacities and improve their living standards. By 1995, about 255 women's groups in Borgou and Zou were growing food crops and vegetables and helping to process market agricultural products.

Privatization

Privatization was not specifically addressed during the preparation and appraisal of the projects, but it became an important project activity during implementation of Borgou II. In the late 1980s, the government agreed to partly disengage SONAPRA from the supply of cotton inputs. As a first experimental step, a number of private operators were allowed, under competitive bidding, to trade an increasing proportion of the inputs imported by SONAPRA. By 1995, 80 percent of agricultural inputs were being sold by the private sector, but SONAPRA still maintained much of its control. Full privatization of input supply awaits the satisfactory outcome of the trading experiment and the establishment of a quality control system for importing inputs.

With the 1991 change in government, privatization gained in importance. In 1993, the government decided to open a third of SONAPRA's capital to the private sector, particularly to cotton producers, with different models currently under review for implementing the decision.

Conclusions and issues

- Project achievements were possible mainly because of strong government commitment, particularly after 1991. The government often went beyond the proposed changes, as evident from its early focus on promoting farmers' groups. Moreover, it took a step-by-step approach to restructuring, relying on pilot efforts, particularly in its privatization program, to effect a smooth transition toward institutional change.

- The projects succeeded in organizing farmers and increasing their professionalism foremost because the government was willing to disengage from production activities.

- As in other West African countries, village groups proved important vehicles for carrying out primary marketing and production activities. The involvement of village groups not only reduced the operating costs of the cotton company and the CARDERS, but promoted farmer participation in rural development planning and decisionmaking. Equally important, the experience highlights the importance of addressing the needs of women farmers.

- As farmer groups grow and their activities become more diversified, they will need more intensive training and transparent management practices. Farmers' groups still lack experience in accounting and financial matters. With increased profits from cotton in recent years, of which a good portion accrues to farmers' groups, the risk of misuse of funds and poor financial management increases.