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Lessons from promoting market access for Beninese value chain actors to Nigerian markets

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SUMMARY

The growing Nigerian market offers opportunities for Beninese value chain actors but they are faced with many challenges when they export to Nigeria. The 'Approche Communale pour le Marché Agricole au Bénin' (ACMA) programme, launched in 2013, eases access to agricultural markets, particularly in Nigeria, to increase food security and enhance the incomes of smallholder farmers and other value chain actors in the Republic of Benin.

This paper draws lessons from ACMA, which operates mainly at the local level, to inform national and regional policies and initiatives. It also explains and illustrates the importance of interventions at the various governance levels. Only through a combined top-down and bottom-up interactive process, actors can effectively seize opportunities for sustainable and inclusive regional value chain development and intra-regional trade.

The paper presents concrete measures at the different levels to address key bottlenecks hindering agricultural trade from Benin to Nigeria. For example, at local level, dialogue between private sector actors and officials can be facilitated to raise awareness and address local issues related to cross-border trade, as ACMA does through communal and intercommunal consultation structures. At national level, there is a need to strengthen cooperation between ministries and other government entities involved in cross-border trade to address inefficiencies and inconsistencies. An example at regional level, could be the establishment by the ECOWAS Commission of an effective and operational regional e-platform for Certificates of Origin. This brief discusses many more concrete measures, for public and private actors to act upon.

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Acronyms

ACMA	Approche Communale pour le Marché Agricole
AfDB	African Development Bank
ATWA	Accelerating Trade in West Africa
BeCG	Benin Consulting Group
CCC	Cadres de Concertation Communale
CCIC	Cadres de Concertation Intercommunale
CET	Common External Tariff
COMESA	Common Market for Eastern and Southern Africa
ECOWAS	Economic Community of West African States
ECDPM	European Centre for Development Policy Management
ETLS	ECOWAS Trade Liberalisation Scheme
IFDC	International Fertilizer Development Centre
KIT	Royal Tropical Institute
NAFDAC	National Agency for Food and Drug Administration and Control
NAQS	Nigerian Agricultural Quarantine Service
NIIMP	National Integrated Infrastructure Master Plan
OPA	Observatoire des Pratiques Anormales
PEA	Pôles d'Entreprises Agricoles
PIDA	Programme for Infrastructure Development in Africa
PPDU	Projects Preparation and Development Unit
PPP	Public-private partnerships
SNTR	Stratégie Nationale de Transport Rural
SON	Standard Organisation of Nigeria
STR	Simplified Trade Regime

1. Introduction

Nigeria's growing and urbanising population is characterised by an increasing and changing demand for food products, which is not being sufficiently met by domestic production. This spurs imports of agricultural commodities produced in Benin and in other countries in West Africa, often traded informally¹ and in raw form, to be processed in the many facilities in Nigeria, particularly in and around Lagos. At the same time, re-exportation from Benin to Nigeria of goods originating in other African countries or even further afield, such as in Asia, is common, due to protective measures including import bans, quotas or prohibitive tariffs imposed by Nigeria. Overall, the growing Nigerian market offers opportunities for Beninese value chain actors but they face many challenges to export to Nigeria, including road harassments and bad market infrastructure.

This illustrates the importance and challenges related to intra-regional trade in West Africa. Agricultural intra-regional has the potential to substantially contribute to inclusive economic growth and food security in the region. It can help to meet increased and changing demand for food products in West Africa, spurred by population growth, income increases and rapid urbanisation. It allows producers to benefit from a larger regional market, and thus economies of scale. It also means that food products can flow from food abundant to food deficit areas, which is particularly relevant in a region that is characterised by highly differentiated agro-ecological zones. Currently, intra-regional trade is considered to be well below its potential and mainly informal, hindered by many barriers to trade (Torres et al, 2017).

In this light, the **'Approche Communale pour le Marché Agricole au Bénin' (ACMA) programme focuses on facilitating access to agricultural markets, particularly in Nigeria, to increase food security and enhance the incomes of smallholder farmers and other value chain actors in the Republic of Benin.** It was launched in 2013 for a 4-year period, with funding from the government of the Netherlands.² A consortium led by the International Fertilizer Development Centre (IFDC), in collaboration with Sahel Capital, Care International Togo/Benin, Royal Tropical Institute (KIT) and Benin Consulting Group (BeCG), is implementing the programme. The programme focuses on five major value chains (maize, cassava, palm oil, chili pepper and fish) in 3 departments (Plateau, Ouémé and Zou) and 22 communes. These areas were selected on the basis of various indicators, most notably, on the basis of their (agro-)industrial potential and the absence of donor initiatives in the Southern regions of Benin (such initiatives are more present in the North and West). The programme consists of six components: (1) conducting market analysis and strengthening market intelligence by local actors; (2) organising value chain actors in 'agribusiness clusters' and facilitating direct business linkages between these agribusiness clusters and Nigerian buyers/traders/processing companies; (3) supporting multi-stakeholder communal and inter-communal consultative frameworks, including actors from the public and the private sectors; (4) facilitating access to finance; (5) promoting the inclusion of vulnerable groups; and (6) strengthening market infrastructure. Over 50% of ACMA direct beneficiaries are women.

While ACMA operates mainly at the local level, it can provide useful insights into policy changes and initiatives required at national and regional level for a more favourable business climate and sustainable and inclusive cross-border trade. These can serve actors operating at national and regional level (including central governments, regional organisations and development partners). Direct beneficiaries of ACMA, and

¹ There is no general definition of informal cross-border trade. In most cases, it refers to trade in processed or unprocessed merchandise that may be legal imports or exports on one side of the border and illicit on the other side and vice-versa, on account of not having been subjects to statutory border formalities such as customs clearance. In addition, there is no established means of transportation and these may range from haulage by beasts of burden, porters, canoes to hired motorised transport such as buses, trucks or motorcycles (Afrika & Ajumo, 2012: 2).

² The budget reaches a total of 10 million euros, financed by the of the Kingdom of the Netherlands (2013-2017).

local stakeholders more generally (public and private), can use these insights to engage at national and regional level to influence policies and their implementation.

In this context, the objective of this paper is to **draw lessons from ACMA to inform national and regional policies and initiatives to strengthen sustainable and inclusive regional value chain development and cross-border intra-regional trade.**³ This paper unfolds as follows: the next section discusses one of ACMA's key features: multi-stakeholder consultation. The following section identifies five key barriers to smooth cross-border trade between Benin and Nigeria and formulates required actions at the local, national and regional levels respectively. The final part provides a summary of the barriers and the needed counter-measures.

The evidence presented in this report has been gathered through existing documentation, primarily ACMA documents (e.g. studies that fed into the design of ACMA and activity reports). Furthermore, it draws from broader analysis of literature on cross-border trade, with a particular focus on Benin and Nigeria. The case study is also based on interviews and encounters with a selected number of experts and key ACMA stakeholders in May 2016. More precisely, semi-structured interviews, focus group meetings and a workshop allowed for gathering insights on the activities and role of the ACMA staff, officials from the Embassy of the Kingdom of the Netherlands in Cotonou, value chain actors (farmers, traders, middlemen, mostly active in the palm oil sector) and local authorities.

2. A key feature of ACMA: local multi-stakeholder dialogue

The bulk of **ACMA's activities is concentrated on the facilitation of dialogue and match-making as well as capacity-building of local actors.** More precisely, this is happening through two types of multi-actor frameworks: (1) Agri-Business Clusters (in French: 'Pôles d'Entreprises Agricoles', PEA); and (2) Communal and Intercommunal Consultation Structures ('Cadres de Concertation Communale/Intercommunale', CCC/CCIC).⁴

PEAs are local networks, bringing together private sector operators and support services (e.g. agricultural extension services, banks), to cooperate towards developing competitive products. More precisely, they serve to discuss and collectively tackle such issues as financing, training, guaranteeing reliable volumes and quality, and collective selling in order to reduce transaction costs, while targeting specific markets in Nigeria and/or Benin. CCC/CCIC offer opportunities for public-private dialogue, as they bring together private sector operators with public sector representatives, like mayors, communal councils, prefects and local representatives of governmental services related to cross-border trade (e.g. customs). CCC/CCIC allow stakeholders to discuss and solve local bottlenecks to cross-border trade, related to 'soft' (regulations, procedures, etc.) as well as 'hard' infrastructure. Furthermore, CCC/CCIC members identify and approve priority market infrastructure investments, as also identified by the PEAs, to which ACMA contributes.

³ This implies that the case study does not aim to evaluate or review the ACMA programme.

⁴ In fact, Benin has a decentralised political model and the highest authority at the local government level is exercised by the provincial prefect, who is appointed by and represents the central state at the provincial (and by extension, the local commune) level. The communes in turn fall under the authority of the mayors, who are elected and are key drivers of many of the ACMA activities, particularly those related to the CCC/CCIC. Mayors are accountable to their constituency at commune level including PEA members.

ACMA has found a way to motivate stakeholders to take part in its activities: it has been able to **identify common interests among the people involved in the multi-actor structures** discussed above. The most prominent areas of common interest that has motivated the stakeholders to gather around the table include the business opportunities and economic impact presented by cross-border trade.

Local ownership is considered key and is promoted by the fact that each PEA/CCC/CCIC works within a governance framework, of which the rules, different entities and their respective roles and responsibilities can be decided upon by the involved stakeholders themselves. Another key to ACMA's initial success has been to give people involved the responsibility to organise meetings, set the agenda and to jointly seek solutions to the problems that are hampering smooth cross-border trade. This type of ownership incentivises the stakeholders to participate in the meetings, based on their own motivation to seek solutions (and their conviction that they are able to do so).

In addition, local ownership is strengthened, when local beneficiaries of projects invest their own resources - even small amounts - in the activities. ACMA's stakeholders are asked to contribute financially to the organisation of meetings, although as pointed out by interviewees, this remains a challenge and financial contributions have been modest. The ACMA team is essentially there to facilitate. In addition, the legitimacy of the CCC/CCIC as a permanent institution is legally embedded (a declaration on functioning was signed by the respective members).

ACMA's multi-stakeholder bodies are furthermore characterised by **institutional simplicity**. The governance structure of the CCC/CCIC platforms is made up by the platform's multi-stakeholder forum and one technical secretariat. ACMA has avoided setting up heavy institutional and hierarchical structures with not only a secretariat, but also a steering committee, multiple working groups and so forth, in the conviction that simplicity is the way to yield more efficient outcomes. Development partners at times set up heavy, hierarchical structures with multiple layers, which can impede smooth decision-making. A simple, non-hierarchical approach with well-embedded local structures could be a pathway to effectiveness.

As such, ACMA's main lessons learnt so far are the importance of taking into account the local context and working effectively with multiple, local actors, who own the process. Many initiatives to promote cross-border trade operate at regional and national policy-levels, with a limited focus on investments in the improvement of local governance and facilitation among various local actors, public and private. Although both approaches have their limitations, a **top-down/bottom-up interactive process** helps to achieve long-term impacts. The potential of such a process and the importance of interventions at various governance levels are further discussed in Section 2.

3. Key challenges for agricultural trade from Benin to Nigeria: local, national and regional actions required

Although it is too early - and beyond the scope of this report - to evaluate ACMA's long-term impact, evidence shows that a number of initial objectives have been achieved within the four-year period of implementation. For instance, ACMA conducted prospective market studies to analyse the demand of targeted products; it facilitated more than 60 business meetings between Beninese PEA and Nigerian retailers and processors and it negotiated 20 formal contracts between economic actors in both countries (ACMA, 2016b). More concretely, a 2015 short-term ACMA evaluation listed the results showing that in some cases the revenue of PEA members had increased (ACMA, 2015b).

Based on the field study and literature review, **five key barriers were identified which, in order to be overcome, require local as well as national and/or regional policy measures that reach beyond ACMA's direct area of impact or competence.** It is obvious that despite ACMA's initial achievements, full-fledged intra-regional trade requires the involvement of policy-makers at the national and regional level, and particularly institutions related to the Economic Community of West African States (ECOWAS). These barriers are, in random order: (1) protectionist trade policies and complex and lengthy customs procedures; (2) road harassment and border corruption; (3) exchange rate volatility and difficulty of making cross-border payments; (4) inadequate road and market infrastructure; and (5) lack of stakeholders' organisation (See Box 1 for an illustration of the implications of such trade barriers). Following each respective key constraint, **this section presents local ACMA activities and suggests interventions at the national and regional level to address those.**⁵

Box 1: Example of costs to export Beninese palm oil from Ifangni (Benin) to Lagos (Nigeria)

Intra-regional trade bottlenecks lead to high logistics costs, which negatively affect producers' revenues. A concrete example of 30 tonnes of palm oil, produced in Ifangni (Benin) and sold to a palm oil refinery in Lagos (Nigeria) illustrates this. Logistics costs, such as transportation and road blocks, as well as other trade-related costs, including custom duties and required documentation, add up to 3 117 000 CFA Francs (FCFA), which accounts for 21 per cent of the price of 15 000 000 CFA Francs paid by the refinery.	
Afrika and Ajumbo (2012) explain that crossing formal borders can take up to several days and the costs of clearance, processing fees, tariffs and taxes are generally above the value of goods being traded informally. Such high costs affect the profitability of formal cross-border trade and provide a strong incentive for informal over formal trade.	
Cost Item	Cost CFA Francs
Transport Ifangni - Lagos	2 000 000
Custom duties (in Nigeria)	275 500
Phytosanitary certificate	40 000
Official quality control certificate (ABSSA)	250 000
Contract registration (Ministry of Commerce)	150 000
Certificate of Origin	1 500
Other indirect costs	250 000
Conveyer - escort	150 000
Total logistical costs	3 117 000
Monetary value of palm oil (sold at 500 000 FCFA / tonne)	15 000 000

Source: adapted from Kohnen, 2015.

3.1. Protectionist trade policies and complex and lengthy customs procedures

Trade between Benin and Nigeria, and between ECOWAS Member States more generally, is governed by the **ECOWAS Trade Liberalisation Scheme (ETLS)**, adopted in 1979. Under this scheme, agricultural commodities, artisanal handicrafts and industrial products can circulate duty-free within the region. The

⁵ As for barriers 1, 2, 3 and 4, the constraints are mainly beyond the control of the PEA members. Hence, ACMA's role consists mainly of awareness-raising, information-sharing and building evidence-based cases. Barrier 5, on the other hand, can be resolved by the PEA: for example, ACMA facilitates the organisation of producers for bulking and collective marketing of agricultural products.

ETLS has been complemented more recently by the **ECOWAS Common External Tariff (CET)**, launched in January 2015, which relates to trade with the rest of the world. The CET turns ECOWAS into a Custom Union, with harmonised tariff rates between ECOWAS Member States for extra-regional imports. It builds on the UEMOA CET and is organised into five different tariff bands of 0%, 5%, 10%, 20% and 35% (Torres & van Seters, 2016).

However, **despite the ETLS and other trade liberalisation policies, a lack of implementation is evident** at national level across ECOWAS Member States, including Benin and Nigeria, which is widely recognised in literature (de Roquefeuil et al., 2014; Torres & van Seters, 2016), and confirmed in interviews conducted for this case study.⁶ Zooming in on exports from Benin to Nigeria, which ACMA seeks to promote, these are generally affected by **import bans** and **high tariffs** applied by Nigeria, although they have been reduced in recent years (de Melo & Ugarte, 2013). Furthermore, traders are confronted with **non-recognition in Nigeria of required export documentation issued by Benin**, such as Certificates of Origin, which serve to prove community origin to benefit from the ETLS.⁷ Complex, lengthy, opaque and inconsistent customs procedures further complicate matters (Hoffmann & Melly, 2015). Even if a transporter has all the adequate documents, it can take several days at times to reach its destination, as was indicated during the interviews. These factors incentivise informality and smuggling. In addition, reexportation to Nigeria has led to strict procedures at the Nigerian border in order to identify the origin of goods. These complex and time-consuming procedures are also a cause for the flourishing system of illicit cross-border trade.

As mentioned, these problems are to a large extent driven by **Nigeria's protectionist tendency**. For decades, the country has had a restrictive trade policy, with the aim of boosting domestic production. As a result, de Melo and Ugarte (2013) note that Nigeria has the lowest implementation record for several ETLS provisions. This approach does not seem to have changed fundamentally under President Buhari, who seeks to diversify Nigeria's economy and reduce the import bill, particularly in light of declining oil prices. Other explanatory factors have also been identified, such as officials and private sector operators **lacking knowledge on regional customs and trade provisions**. Indeed, interviews confirm that documentation requirements are not clearly communicated to private sector operators. Furthermore, **a monitoring mechanism** on trade policies is lacking in ECOWAS, as well as **an active dispute and binding sanctions mechanism**, to accompany and enforce implementation of the ETLS and the CET.

Local level

At the local level, ACMA seeks to contribute to addressing these issues, in particular the lack of knowledge. Through the PEA, it **informs private sector operators** on the required documentation for cross-border agricultural trade. It also seeks to **facilitate dialogue** between private sector actors and officials at the local level (mayors, community councils, local customs officials), through the CCC and CCIC, to raise awareness, discuss and address issues related to cross-border trade.

National level

At the national level, the Beninese and Nigerian governments have an important role to play to fully **implement the ETLS and CET**. This may be complicated by individuals and groups currently benefitting from non-implementation, who lobby against such implementation. Governments can use room for exceptions provided in the ETLS and CET procedures to customise their approach and they are required to notify ECOWAS accordingly, for transparency purposes. Furthermore, they can **simplify and speed up**

⁶ See also: <http://www.inter-reseaux.org/publications/revue-grain-de-sel/51-special-issue-nigeria/article/nigeria-from-customs-exceptions-to>.

⁷ As an example, FAO (2013) points out that Certificates of Origin for palm oil produced in Benin are mistrusted by Nigerian authorities, due to suspicion of smuggling of extra-regional palm oil through Benin to Nigeria.

bureaucratic procedures, for example through well-functioning one-stop border posts, while paying specific attention to small traders. Relatedly, the ACMA implementation team notes that costs currently applied by ETLS enforcement agencies are high, making formal exports uncompetitive and encouraging informality, particularly for smallholder farmers and small producers, so it could be considered to lower them (Kohnen, 2015). Governments can also improve the dissemination of information on required documentation and fees for cross-border trade activities (e.g. through resource centres at border crossings).

Issues related to **ministerial fragmentation could also usefully be addressed**, especially in Nigeria. Various ministries in Nigeria are involved in cross-border trade procedures (see Table 1), which currently leads to inefficiencies, inconsistencies and a lack of clarity (Kohnen, 2015). There is value in more coordination, communication and streamlining. An important coordinating role could be played by the Federal Ministry of Industry, Trade and Investment, which requires more resources and capacity (Hoffmann & Melly, 2015), or by an independent, governmental agency, specialised in cross-border trade issues that could be established.

Table 1: Key ministries in Nigeria involved in import procedures and their affiliated organisations

Ministries involved	Affiliated organisations/roles
Ministry of Finance	Customs Services ETLS permit delivery.
Ministry of Industry, Trade & Investment	Standard Organisation of Nigeria (SON) releases the standards that must be respected for any imported products.
Ministry of Agriculture	The Nigerian Agricultural Quarantine Service (NAQS) deliver import permits.
Ministry of Health	It hosts the National Agency for Food and Drug Administration and Control (NAFDAC).

Source: Kohnen, 2015.

Regional level

At the regional level, measures can be taken to further encourage ECOWAS Member States, including Benin and Nigeria, to properly implement the ETLS and CET. For that purpose, the ECOWAS Commission could usefully **strengthen the monitoring of ETLS and CET implementation** by Member States. Currently, the ECOWAS Commission contracts consultants to assess ETLS and CET implementation once a year, in order to report to ECOWAS Heads of State and Government. A more structured monitoring system could be put in place, in line with ambitions of the ECOWAS Commission. Beyond monitoring, **complaint and enforcement mechanisms** could be set up. To address non-recognition of Certificates of Origin, the ECOWAS Commission has launched a promising process to establish a **regional e-platform featuring all Certificates of Origin** issued by ECOWAS Member States, allowing custom authorities across the region to easily verify community origin.

Finally, ECOWAS could further promote the formulation and application of **simplified procedures for low-value intra-regional trade**, such as the current ETLS provision that no Certificate of Origin is required for primary products and handicrafts. Lessons could be drawn from the Common Market for Eastern and Southern Africa (COMESA), which has put in place a 'Simplified Trade Regime' (STR) with the aim of bringing informal cross-border trade into the formal trading system. The COMESA STR has proven successful in a number of areas. For example, according to a 2012 COMESA study, more than 60% of informal traders involved in the STR reported that they experience benefits.⁸ However, the STR has been

⁸ See: <http://www.ictsd.org/bridges-news/bridges-africa/news/tackling-informal-cross-border-trade-in-southern-africa>.

criticised for not offering adequate access to small-scale traders, due to the processing fees and low awareness on STR among others (Afrika and Ajumbo, 2012). It is therefore important to take into account these points of criticism.

3.2. Road harassment and border corruption

Trade policies are not the only determinant of cross-border trade and informality. Roadblocks and border corruption also play an important role. **Roadblocks and consequent delays are widespread.** Anecdotally, a transporter reported that it could take up to three full days to travel over a distance of 300 kilometres from Benin to Nigeria, due to roadblocks. Roadblocks are manned by different types of actors, such as police officers, custom officials, representatives of local communities and gangs. At many of these checkpoints, some type of formal or, most often, informal payment is required, presented for instance as a 'road safety tax'. The harassments go beyond financial costs only, as transporters indicate having been physically attacked, particularly at roadblocks in Nigeria, when refusing to pay.⁹ **Also at border crossings, traders are regularly expected to pay bribes,** named 'goodwill payments', 'acceleration fees', and so forth.

Informal payments can to a large extent be explained by the **lack of information and power asymmetries.** Interviews indicate that the information asymmetry comes into play in two ways: (1) economic actors lack information on the types and amounts of the official fees. As a result, it can lead them to believe that they are supposed to pay a certain fee, which in fact is not required; (2) economic actors lack information on required documentation. As a result, the only way to pass roadblocks/border crossings without proper documentation may be by paying a bribe. Beninese traders and transporters are particularly vulnerable to such asymmetries on Nigerian soil, due to unfamiliarity with Nigerian (fast changing) policies and the language barrier.

Room to exploit these asymmetries is available due to a **weak enforcement context**, where bribery is commonplace and often remains unpunished (Bensassi et al., 2016). Interviews indicate that, for the time being, this remains an issue in Nigeria, regardless of Buhari's 'zero corruption' promise. A study on informal trade in Benin, Togo and Nigeria suggests also that in Benin, the control of the central state is insufficient to make the prospect of punishment credible enough to enter as an important deterrent of bribes (Bensassi et al., 2016).

Inefficient ways of charging formal payments at roadblocks further contribute to delays and costs faced by private sector operators. A case in point are so-called 'local development taxes', collected in individual communes in Benin. While the rate is low, interviews indicate that these taxes represent high costs, as operators have to stop multiple times to pay these taxes.

Local level

ACMA addresses these issues by contributing to **informing private sector operators on their obligations and rights** and by **facilitating private and public-private dialogue at the local level**, to raise awareness and come to solutions, as also indicated in the previous subsection.

In one such dialogue that brought together Beninese transporters¹⁰, a number of short term solutions for road harassments faced by Beninese operators in Nigeria were suggested. As Beninese transporters are particularly vulnerable to road harassment in Nigeria, this included the transfer of goods from Beninese to

⁹ ACMA focus group discussion with Beninese transporters, Porto Novo, Benin, 2 May 2016.

¹⁰ Ibid.

Nigerian trucks at the border (before entering Nigeria) and organising a military escort for individual/groups of trucks. These short-term solutions show the gravity of the problem, more than offering a solution to road harassment faced by Beninese transporters in Nigeria in the long run.

Through dialogue, solutions are also sought to reduce local development taxes. As a result, the CCICs, **under ACMA's guidance, are working towards levying a single local development tax** that groups the current multiple taxes collected at different communes that transporters pass through.¹¹

National level

At the national level, the government can also improve the **dissemination of information** on procedures related to cross-border trade and unacceptable illegal practices. Furthermore, to reduce the cases of informal payments at roadblocks and borders, national governments **should ensure that a transparent system to punish corruption is in place**.¹² This is particularly challenging in a context of weak institutions and widespread corruption at all levels. It is also likely to meet with resistance, since people extract rents from the current situation.

As regards local development taxes, these primarily fall within the remit of local governments. Nevertheless, the central government can **contribute to scaling up good harmonisation practices**, by integrating and promoting them in the country's fiscal system.

Regional level

Roadblocks and border corruption occur throughout the ECOWAS region. Regional organisations can be used as a springboard to better monitor these practices, to **ensure more reliable, up-to-date and less fragmented information**. This enhanced evidence base can serve policy-makers at the regional, national and local level, while also informing advocacy initiatives of non-state actors.

This could build on earlier monitoring exercises, such as the 'Observatoire des Pratiques Anormales' (OPA) established by UEMOA in 2006, which reported quarterly on the average number of controls, delays and informal payments along a select number of trade corridors until 2013 (Saana, 2015a).

3.3. Exchange rate volatility and difficulty of making cross-border payments

It is difficult to transfer funds from Nigeria to Benin, which represents an important constraint for cross-border trade. After the presidential elections of 2015, the Central Bank of Nigeria introduced **foreign currency exchange restrictions** for over 40 products (Oyedele, 2015), in light of the pressure on the Nigerian naira due to the fall in oil prices (ACMA, 2016a). As a result, **banks offer very limited, slow and costly services to transfer funds from Nigeria to Benin** (ACMA, 2015a). In addition, **it is impossible**

¹¹ This is an activity in process: at the time of writing, a local ACMA consultant has made an inventory of current practices of local development taxes among the member communes of the CCIC. For this activity, local stakeholders, most notably members from the PEAs and mayors, were interviewed on their experiences with the local development taxes. The results will soon be presented to, and discussed by CCIC in order to identify appropriate measures to harmonise the different local taxes between the communes. ACMA can support their implementation as long as the proposed measures comply with the programme's mandate. E-mail correspondence, ACMA Chief of Party, 6 September 2016.

¹² An important challenge in this regard is that the borders are often artificial, imposed by the colonial powers. People who settled around the borders usually have long traditions of regional trade preceding the colonial era. However, the artificial borders have been maintained, after African nations became independent around the early 1960s. Strong ethnic and religious ties still unite people across borders and uncoordinated and often interventionist policies, particularly in the area of trade policies, as well as weak institutions undermine the effectiveness of the enforcement of cross-border policies. In addition, corruption at all levels is widespread (Benjamin et al., 2015).

for an entity in Benin to open a bank account in Nigeria, unless the entity is registered in Nigeria and the signatories reside there (Kohnen, 2015).

Furthermore, **exchange rate volatility makes it challenging and risky for Beninese producers/traders to target the Nigerian market**. It brings uncertainty about price levels, which negatively affects investment and cross-border trade decisions. Relatedly, it gives rise to contractual issues. There are many reports of cases in which a contract is signed based on a price agreement, but one week later, when the transaction of goods is being executed, the price has altered completely. This is partly due to the fact that buyers from Nigeria, most notably traders and members of the processing industry, usually have the necessary funds (cash) to buy products in Benin. In combination with their understanding of (expected) price changes, this gives them power over Beninese farmers. The latter do not have the necessary funds to stock products and delay sales to await better prices. This causes tensions and it is a huge impediment to cross-border trade.¹³

Local level

ACMA facilitates **dialogues with banks to ease cross-country money transfers and reduce their costs**. The ACMA facilitators have been approached by banks that expressed a keen readiness to take up this issue. More precisely, for a pilot project on palm nuts with Comfort Oil, ACMA negotiated a transaction with Diamond Bank represented in Nigeria and Benin: the payment was done in naira by the Nigerian buyer and the money was sent to the Beninese trader over the course of 24 hours. Diamond Bank was however the only bank at a local level that suggested creating this type of open transfer system for the actors of the PEA.¹⁴ Clearly, this is a critical issue that goes beyond ACMA's scope of influence. It is important though, that ACMA builds an evidence-based case, based on problems with banks, price fluctuations and so forth, which can be presented at higher levels.

National level

Cross-border trade would benefit from less restrictive measures of Nigeria's Central Bank and government, liberalising international bank transfers and foreign-currency exchanges. In this light, it is worth noting that the Central Bank of Nigeria eased its protection of the naira considerably in June 2016, by letting the naira float freely against the dollar, after having been pegged to the dollar since March 2015. It remains to be seen how this shift in foreign-exchange policy will evolve (Onu & Wallace, 2016).

Hoffmann and Melly (2015) note that it is particularly important for the Central Bank of Nigeria and the BCEAO, the central bank of UEMOA, to conclude the **revision of cross-border commercial banking regulation** to allow banks to provide simple services for small and medium-sized businesses to make trade payments directly from naira to CFA francs and vice versa.

Regional level

A **single currency within ECOWAS would serve trade between its Member States**, particularly between UEMOA and non-UEMOA members such as Benin and Nigeria. ECOWAS Heads of State and Governments have set the goal of creating a single West African currency by 2020. However, the progress towards this goal is stalled (Bakoup & Ndoeye, 2016). Leadership of key players, including Nigeria as the region's economic hegemon, will be crucial to move this process forward.

¹³ Focal group discussion with ACMA team, Porto Novo, Benin, 2 May 2016.

¹⁴ ACMA - Some challenges for trade between Benin and Nigeria, Presentation given by ACMA staff, Porto Novo, Benin, 2 May 2015.

3.4. Inadequate road and market infrastructure

Lack of adequate physical road and market infrastructure also presents a major obstacle to cross-border trade. **Inadequate quantity and quality of road infrastructure makes it difficult and costly to move goods to markets.** While major arteries in the region have been improved considerably (de Melo & Ugarte, 2013), the broader road network that is crucial to link agricultural production areas to (cross-border) markets remains poor. For example, it is estimated that in Nigeria 40% of the primary road network managed by the Federal government is in poor condition or worse, and hence requires rehabilitation; 30% is in fair condition and requires periodic maintenance; and only about 27% is in good condition. Conditions of secondary roads (under state authority) and tertiary roads (under local governments' authority) are even worse (AfDB, 2014). The **lack of market infrastructure** in Benin, such as storage spaces or formal market spaces with adequate equipment and stalls, makes it impossible for producers and processors to properly store their merchandise and sell it collectively at certain points in time, when the demands of Nigerian markets are most persistent.

Local level

ACMA pays considerable attention to infrastructure, in particular market infrastructure, as **40% of the ACMA budget of ten million euros goes to market infrastructure investments.** This includes setting up post-harvest facilities to store and transform agricultural goods. The investments are identified and validated by public and private stakeholders at communal level through the CCC/CCICs. By the end of 2015, three infrastructure projects had been validated (ACMA, 2016b). More funds should be mobilised at local level for road and market infrastructure, often under responsibility of local governments.

National level

More market and road infrastructure investments to serve cross-border trade are also required at national level, guided by a clear infrastructure policy framework. In Benin, a National Rural Transport Strategy (in French: 'Stratégie Nationale de Transport Rural', SNTR)¹⁵ has been adopted since 2006. The Embassy of the Kingdom of the Netherlands (as well as other development agencies) in Benin contributed financially to the implementation of this Strategy during the period 2012-2015.¹⁶ Furthermore, in Nigeria, a blueprint for infrastructure development is in place, called the National Integrated Infrastructure Master Plan 2014 - 2043 (NIIMP), which states that three trillion US dollars will be required over 30 years to build and maintain adequate infrastructure supplies. The plan lays out investment requirements for key infrastructural sectors including energy; transport; agriculture, water and mining; housing and regional development; information and communication technology; social infrastructure and security. Of those, energy and transport will take the lion's share of funding, requiring one trillion US dollars (a third of the total) and 775 billion US dollars respectively over the next three decades.¹⁷

Mobilising sufficient resources to respond to infrastructure needs, as identified in the NIIMP in the case of Nigeria, is a challenge all West African states are faced with. In this light, promoting private sector participation in infrastructure development is at the heart of the NIIMP. This requires a **supportive enabling environment for sustainable public-private partnerships (PPPs).**

Regional level

ECOWAS can also play a role in overcoming issues of poor road and market infrastructure. In this light, ECOWAS is in the process of developing **a master plan for regional infrastructure** for the next 30 years. It will cover infrastructure initiatives in the area of transportation, but also ICT, energy and water

¹⁵ See: http://www.mtpt-benin.net/index.php/mtpt/default/piste_rurale.

¹⁶ See: <http://larepubliquedubenin.nlambassade.org/cooperation>.

¹⁷ See: <http://www.niimp.gov.ng/>

resources.¹⁸ The master plan should provide an overarching framework to spur and better coordinate infrastructure investments, with due attention to infrastructure needs for intra-regional trade in agriculture. This ECOWAS master plan can build on the **action plan for regional infrastructure development** launched in 2012. This was developed within the framework of the African Union's Programme for Infrastructure Development in Africa (PIDA).¹⁹

Currently, **a patchwork of regional road infrastructure projects is being implemented**, supported by international development partners, such as the European Union, the African Development Bank and the World Bank (Saana, 2015b). **These deserve to be better coordinated and expanded**. For that purpose, more innovative financing mechanisms for infrastructure can usefully be promoted by regional organisations. For example, public-private partnerships in infrastructure financing can be promoted and opportunities offered by climate finance could be seized. **A driving and coordinating role can be played by the ECOWAS infrastructure Projects Preparation and Development Unit (PPDU)**, a specialised ECOWAS Agency established in 2014 in Lomé, Togo.

3.5. Lack of stakeholders' organisation

Supply from Benin is scattered. **Producers and transformers are generally not well organised and it is challenging for them to meet the increasingly strong demand of Nigeria**, in terms of quantity and quality, and hence to benefit from the growing opportunities of cross-border trade. Furthermore, small producers, lacking market information and storage space, prefer to sell their goods as soon as possible and require upfront cash payment, and are therefore often dependent on middlemen. These middlemen, united in cartels, have the capacity to pick up the goods, transport and store them. They also interact directly with the processors, traders and exporters. They are perceived as taking advantage of this situation by paying relatively low prices to farmers and charging high prices to processors and other buyers. In other words, they are powerful actors in the value chain, benefitting at the expense of more vulnerable unorganised actors who lack information, access to finance, business management skills, etc. (ACMA, 2016b).

Women are particularly vulnerable. It is estimated that women constitute between 70 to 80% of people engaged in cross-border trade in West Africa. Many women operate in the informal sector, more so than men, as they on average have less access to the required (human, financial, etc.) resources to operate in the formal sector (Yusuff, 2014). They also tend to be weakly organised. As such, it is important to ensure a gender-sensitive approach at all levels, when seeking to support and structure actors engaged in cross-border trade in West Africa.²⁰

Local level

ACMA contributes to the organisation of stakeholders, who usually lack knowledge, education and business management skills, by supporting the establishment of multi-stakeholder PEAs and CCC/CCICs, as described in Section 1. Specific support provided to PEA members include training on negotiations and

¹⁸See: <http://www.lanouvelletribune.info/international/annonces/29910-cedeao-plan-directeur-infrastructures-regionales>

¹⁹ The PIDA Priority Action Plan consists of 51 priority infrastructure projects, to be implemented over the course of eight years, from 2012 until 2020. The ECOWAS Commission has been selected as the leading REC to coordinate the implementation of 20 out of 51 projects. One of these projects is the investment in the Abidjan-Lagos Coastal Corridor, which is the most heavily travelled corridor in West Africa (investments should go to trade facilitation, the setup of one-stop-border-posts, capacity enhancement and the implementation of a PPP) for five countries, including Benin and Nigeria, with ECOWAS as a coordinator. A total budget of 290 million USD is needed to implement this programme (AfDB, 2012).

²⁰See also: <http://www.tralac.org/news/article/7982-raising-voices-for-women-cross-border-traders-in-west-africa-project.html>.

contracting; facilitation of business meetings between Beninese producers and Nigerian processors and retailers (cutting out the middlemen); and the organisation of 'group sellings', to respond to quantity and quality requirements of Nigerian buyers. Another point of action is stimulating the CCC/CCIC to formulate actions for lobbying at national level or within the realm of other communes, starting from experiences with cross-border trade of the PEA. In 2015, 48% of PEA beneficiaries were women (ACMA, 2015a, 2016a & 2016b). Concretely, in the second half of 2016, ACMA facilitated the organisation of producers around the infrastructure projects mentioned in the previous Section 2.4, including access to finance, bulking, group selling, storage management.²¹

National level

National efforts are required to further facilitate the organisation of stakeholders and address power imbalances. For example, appropriate legal frameworks for cooperatives that make formal organisation more 'affordable' for smallholders are urgently needed. **Additional resources should be mobilised for targeted interventions** in this regard, learning from ACMA and other initiatives. Bilateral cross-country dialogue at national level, e.g. between Benin and Nigeria, also merits strengthening for a better understanding of cross-border trade dynamics, challenges and needs, and to collectively identify solutions.

Regional level

Structural and inclusive public-private dialogue on cross-border trade also needs to be strengthened at the regional level. Currently, this type of dialogue takes place occasionally, in an ad hoc manner. An interesting example to build on is the three-day 'Regional Citizens Forum' to discuss the free movement of people and goods that was organised in July 2014 under the aegis of the President of Burkina Faso at that time, Blaise Compaoré, in his role as chair of the ETLIS Task Force. Similar, ECOWAS-wide trade dialogues are worth organising, as well as more restricted trade dialogues among actors of a select number of countries or specific value chains. **Structural and inclusive regional public-private dialogue platforms are crucial to share lessons learned across countries and address key regional policy issues.**

4. Way forward: action required at local, national and regional level

In West Africa, the potential for promoting regional trade and value chains as means to boost food security, create jobs and reduce poverty is huge. ACMA supports cross-border trade, particularly from Benin to Nigeria, through interventions at the local level. Since its launch in 2013, ACMA has shown promising results, illustrating the importance of local-level multi-stakeholder action. At the same time, national and regional level action is required to address key issues hindering intra-regional trade, as this paper has shown. A summary overview of bottlenecks and key interventions at local, national and regional level presented in this paper is provided in Table 2 below.

²¹ E-mail correspondence, ACMA Chief of Party, 6 September 2016.

Table 2: Overview of key barriers and actions needed at the local, national and regional level

Key barrier to cross-border trade	ACMA & local governments	National governments	Regional bodies
1. Protectionist trade policies and complex and lengthy customs procedures	<ul style="list-style-type: none"> - Inform private sector operators, about the required documentation for cross-border agricultural trade; - Support efforts of private sector operators to obtain the required documentation; - Facilitate dialogue between private sector actors and officials at local level, to raise awareness, discuss and address issues related to cross-border trade. 	<ul style="list-style-type: none"> - Ensure that national trade policy & practice is in line with the ETLs and CET; - Simplify and speed up bureaucratic procedures (e.g. well-functioning one stop border posts that pay specific attention to small traders); - Lower costs applied by ETLs enforcement agencies; - Improve dissemination of information on required documentation and fees for cross-border trade activities (e.g. through resource centres at border crossings); - Strengthen cooperation between ministries involved in cross-border trade procedures to address inefficiencies, inconsistencies and lack of clarity. 	<ul style="list-style-type: none"> - Strengthen monitoring of ETLs and CET implementation by Member States; - Set up complaint and enforcement mechanisms for ETLs and CET implementation; - Continue the ongoing process of establishing a regional e-platform for Certificates of Origin; - Promote the formulation and application of simplified procedures for low-value intra-regional trade.
2. Road harassment and border corruption	<ul style="list-style-type: none"> - Inform private sector operators of their obligations and rights; - Facilitate private and public-private dialogue at local level, to raise awareness and come to solutions; - Levy a single local development tax instead of multiple taxes. 	<ul style="list-style-type: none"> - Improve the dissemination of information on procedures related to cross-border trade and unacceptable illegal practices; - Ensure that a transparent system to punish corruption is in place; - Contribute to scaling up good harmonisation practices of local development taxes, by integrating and promoting it in the country's fiscal system. 	<ul style="list-style-type: none"> - Strengthen monitoring of roadblocks, etc., to ensure more reliable, up-to-date and less fragmented information.
3. Exchange rate volatility and cross-border payments	<ul style="list-style-type: none"> - Facilitate dialogues with banks to ease cross-country money transfers and reduce their costs; - Collect evidence to inform national and regional level policymakers. 	<ul style="list-style-type: none"> - Introduce policies to ease international bank transfers and foreign-currency exchanges. 	<ul style="list-style-type: none"> - Accelerate the process towards a monetary union.
4. Inadequate road and market infrastructure	<ul style="list-style-type: none"> - Strengthen road and market infrastructure, within the remit of local governance structures. 	<ul style="list-style-type: none"> - Invest in market and road infrastructure (including with own resources) to serve cross-border trade, guided by a clear infrastructure policy framework; - Mobilise private funding by creating a more enabling environment for sustainable public-private partnerships in infrastructure. 	<ul style="list-style-type: none"> - Provide a clear overarching framework to spur and better coordinate infrastructure investments, with due attention to infrastructure needs for agricultural intra-regional trade; - Leverage innovative financing to invest in infrastructure.

5. Lack of stakeholders' organisation	<ul style="list-style-type: none"> - Support the establishment of multi-stakeholder platforms at local level (PEA; CCC/CCIC); - Provide specific support to vulnerable actors, e.g. training on negotiations/contracting and the organisation of 'group sellings'; - Stimulate local multi-stakeholder platforms to formulate actions for lobbying at national level or within the realm of other communes. 	<ul style="list-style-type: none"> - Mobilise additional resources to strengthen and organise vulnerable actors engaged in cross-border trade; - Strengthen bilateral cross-country dialogue, e.g. between Benin and Nigeria, for a better understanding of cross-border trade dynamics, challenges and needs and to collectively identify solutions. 	<ul style="list-style-type: none"> - Set up regional structural and inclusive public-private dialogue platforms to share lessons learned across countries and address key regional policy issues.
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Initiating and strengthening such interventions is required to capitalise on opportunities to trade from Benin to Nigeria, and deliver on ECOWAS' intra-regional trade potential and stated ambitions more generally. When doing so, resistance by actors at different levels who stand to lose from changing the status quo, will need to be recognised and tackled.

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