

GUIDE FOR POLICY-MAKERS

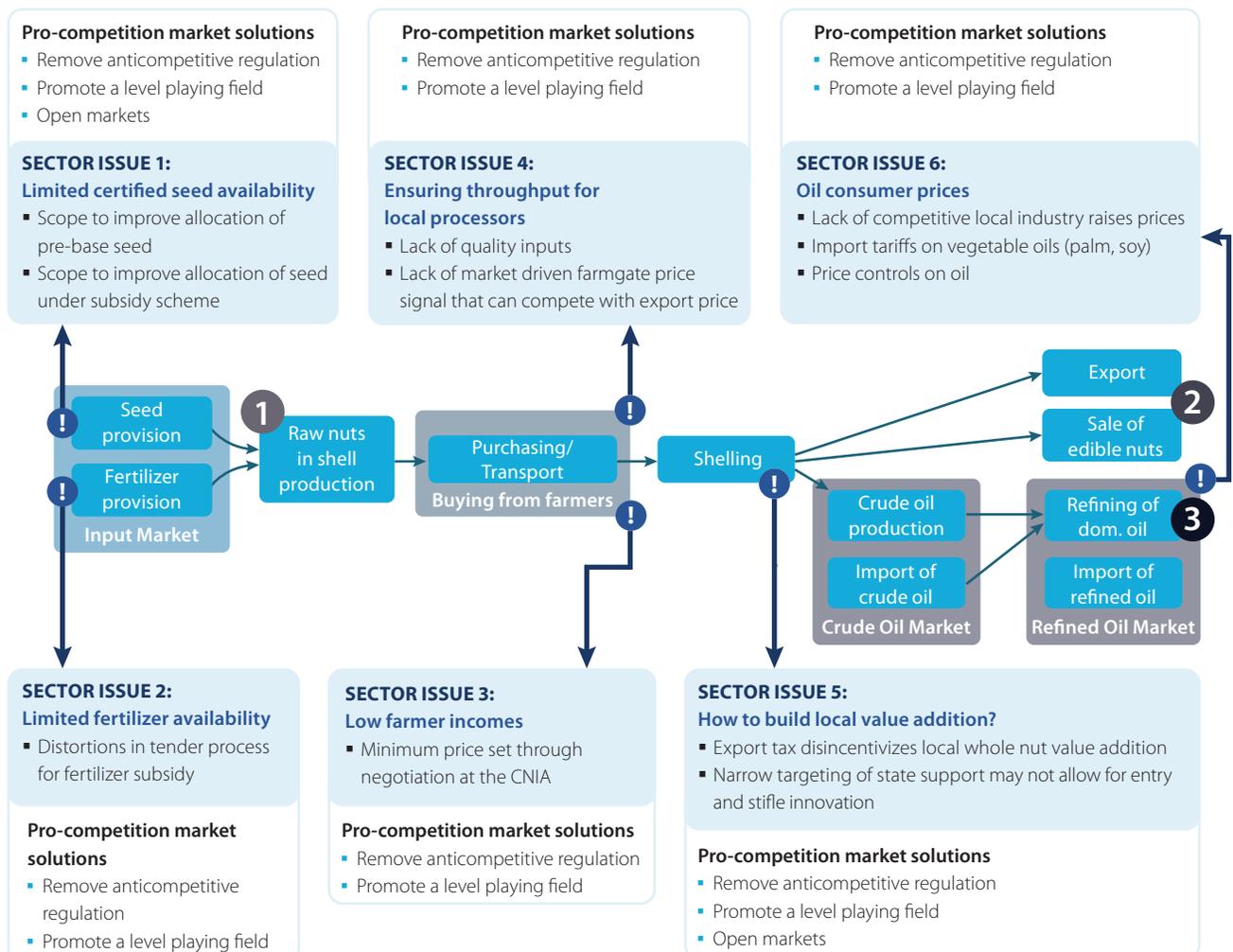
PRO-COMPETITION MARKET SOLUTIONS TO ADDRESS KEY BOTTLENECKS IN SENEGAL'S GROUNDNUT VALUE CHAIN¹



The Government of **SENEGAL** is developing a new strategy to improve the competitiveness of the **GROUNDNUT SECTOR**, aimed at reestablishing Senegal as a **LEADING PRODUCER OF GROUNDNUTS**. This note **IDENTIFIES KEY BOTTLENECKS** to competition along Senegal's groundnut value chain that inhibit the sector from adapting to global trends, and realizing the Government's priorities for the sector. The note focuses on three markets along the groundnut value chain that are key for shaping market outcomes for farmers, consumers and job creation: the **INPUT MARKET**, the **MARKET FOR BUYING RAW GROUNDNUT** and the **MARKET FOR VEGETABLE OILS**. It provides **POLICY RECOMMENDATIONS** for pro-competition reforms, that if implemented, are estimated to **GENERATE OVER USD\$250 MILLION** for all actors across Senegal's groundnut value chain, **CREATE EMPLOYMENT FOR SENEGAL'S RURAL POOR WOMEN** and **LIFT 50,000 SENEGALESE OUT OF POVERTY**.

PSE Objectives

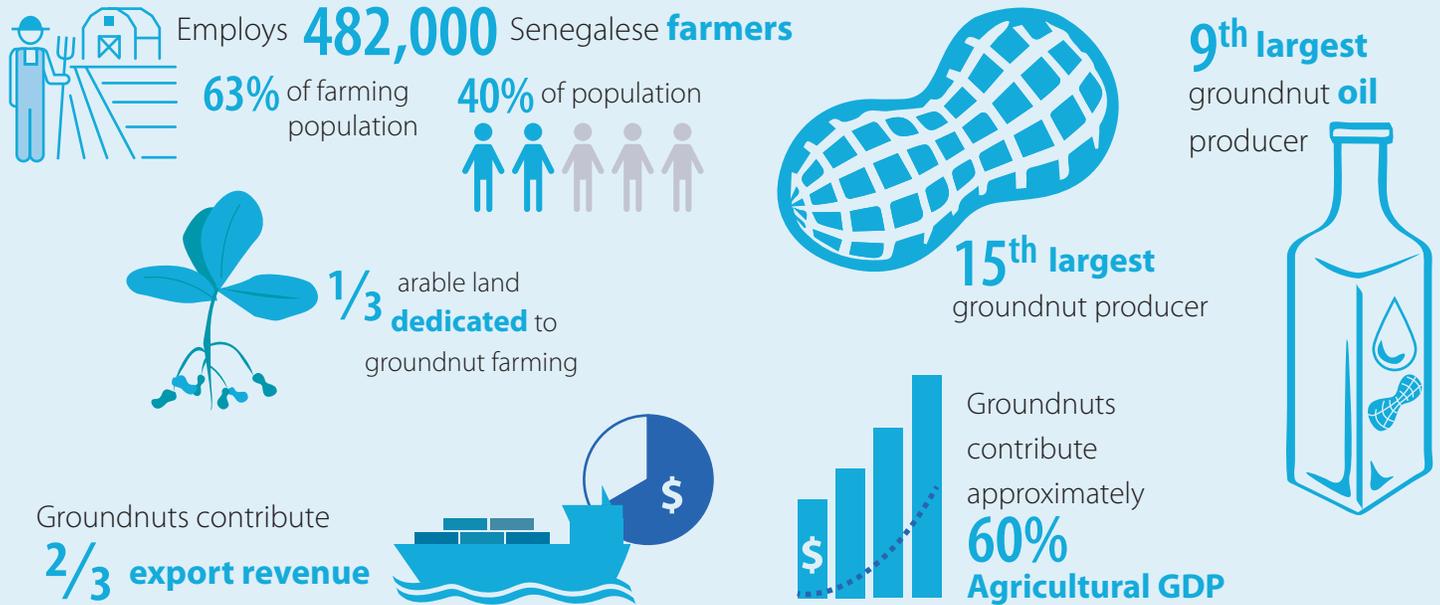
- 1** Increase production and productivity
- 2** Encourage diversification
- 3** Develop visible groundnut oil sector



GROUNDNUTS ARE **IMPORTANT** FOR SENEGAL

Groundnuts play a **CRUCIAL** role in Senegal's agricultural sector (Figure 1), and constitute a priority for the Senegalese government due to the sector's **ECONOMIC IMPORTANCE**.

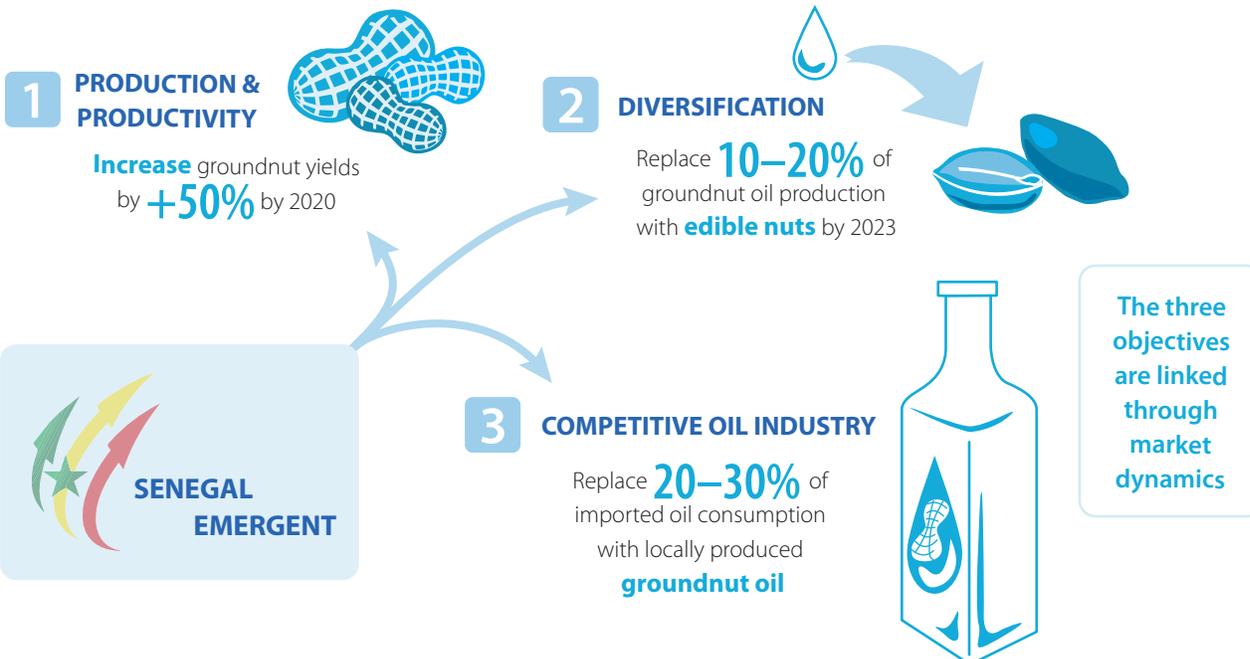
FIGURE 1: Senegal's groundnut sector



SENEGAL'S GROUNDNUT SECTOR: **POLICY OBJECTIVES**

Senegal's economic development blueprint—the Plan Sénégal Emergent 2014 (PSE)—highlights **THREE KEY OBJECTIVES** for the groundnut sector (Figure 2)—aimed at **BOOSTING PRODUCTIVITY, ENCOURAGING DIVERSIFICATION** and **DEVELOPING A VIABLE GROUNDNUT OIL PROCESSING SECTOR** (despite the current lack of profitability in the groundnut oil industry). Procompetition interventions are important to achieve Senegal's objectives for the groundnut sector.

FIGURE 2: Plan Sénégal Emergent 2014 key objectives for groundnut sector



POTENTIAL FOR ENHANCED SECTOR PERFORMANCE

There is now an important opportunity for the Government to **FOCUS POLICY EFFORTS** and **IMPLEMENT PRO-COMPETITION INTERVENTIONS** to align Senegal with current and projected global trends and demand. This will enable the country to **ACHIEVE** the objectives of the PSE and **IMPROVE** the sector performance.

Senegal is **WELL PLACED** to take advantage of the global shift **AWAY FROM GROUNDNUT OIL**, and **TOWARDS WHOLE GROUNDNUTS** (and especially high-quality whole groundnut, such as those for confectionery and snacks)—if the right market policies are put in place to facilitate that shift (figure 3). Senegal typically produces around 1 million tons of groundnuts a year²—most of which is ultimately exported (figure 4).

FIGURE 3: Primary uses of Senegalese raw groundnut production (2015/16 and 2016/17 data)

Groundnuts (1,000 tons)

35%

EXPORTS

Pre-export tax:
350,000 tons

25%

ARTISANAL PROCESSING

“Seggal” and edible nuts:
250,000 tons

24%

OTHER USES

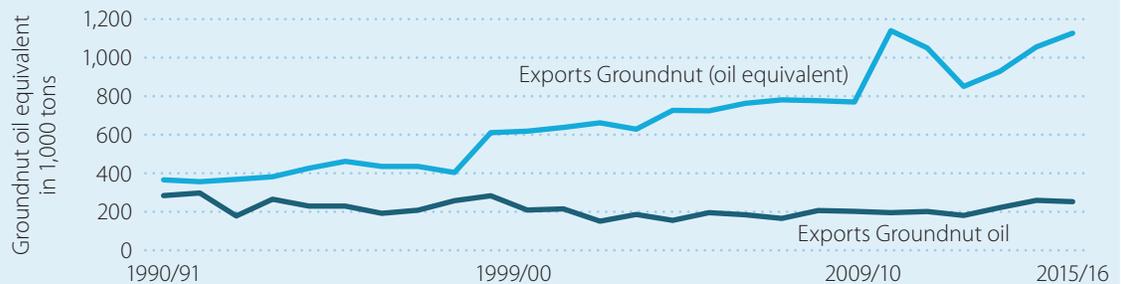
auto-consumption, recycled seed, post-harvest handling loss:
240,000 tons

16%

Domestic groundnut oil production:
160,000 tons

Source: authors' visualization, various sources

FIGURE 4: Senegal's global exports of groundnuts (oil equivalent) and oil (1990–2016)

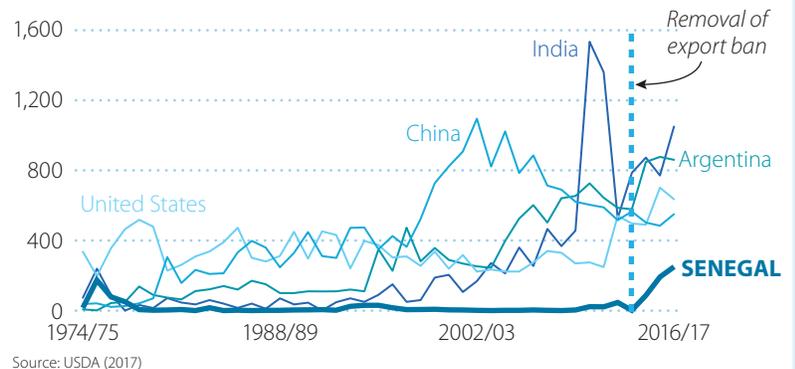


Source: USDA (2017).

Note: the global average oil extraction rate (OER) as reported by the USDA was used to convert groundnut seeds to oil equivalent.

This is well illustrated by the **RISE IN DEMAND** for Senegalese groundnuts—primarily from China and Vietnam—after the government liberalized the export of whole groundnuts in 2013 (Figure 5). Senegal's smallholder farmers were a key beneficiary of this, with the entry of exporters **RAISING FARMGATE PRICES BY 19 TO 40%** higher than the set minimum price.

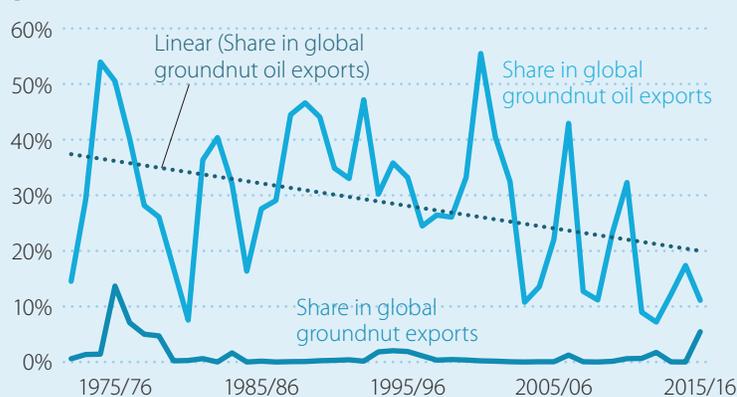
FIGURE 5: Global groundnut exports by current top 5 exporters (1974–2017)



Source: USDA (2017)

The shift towards **WHOLE GROUNDNUTS PRODUCTION AND EXPORTS** can be achieved despite a steady decline of Senegal's position as a leading exporter of groundnut oils in recent decades (Figure 6) in line with declining global demand for groundnut oil. The latter was mainly associated with the rise of relatively cheap palm and soy bean oil, and a shift of groundnut oil production closer to the major points of consumption, such as China.

FIGURE 6: Senegal's share in global exports of groundnuts and groundnut oil (1972–2016)



Source: USDA (2017)

A combination of global trends, coupled with low throughput and a lack of pro-competition market policies have meant that even Senegal's largest groundnut oil millers have struggled to reach even half of their operating capacity, further **LOWERING THEIR GLOBAL COMPETITIVENESS**. This is despite export taxes introduced in the 2016/17 season that allowed Senegalese millers to compete with exporters able to pay higher prices for whole groundnuts.

SENEGAL'S GROUNDNUT SECTOR: 3 KEY MARKETS

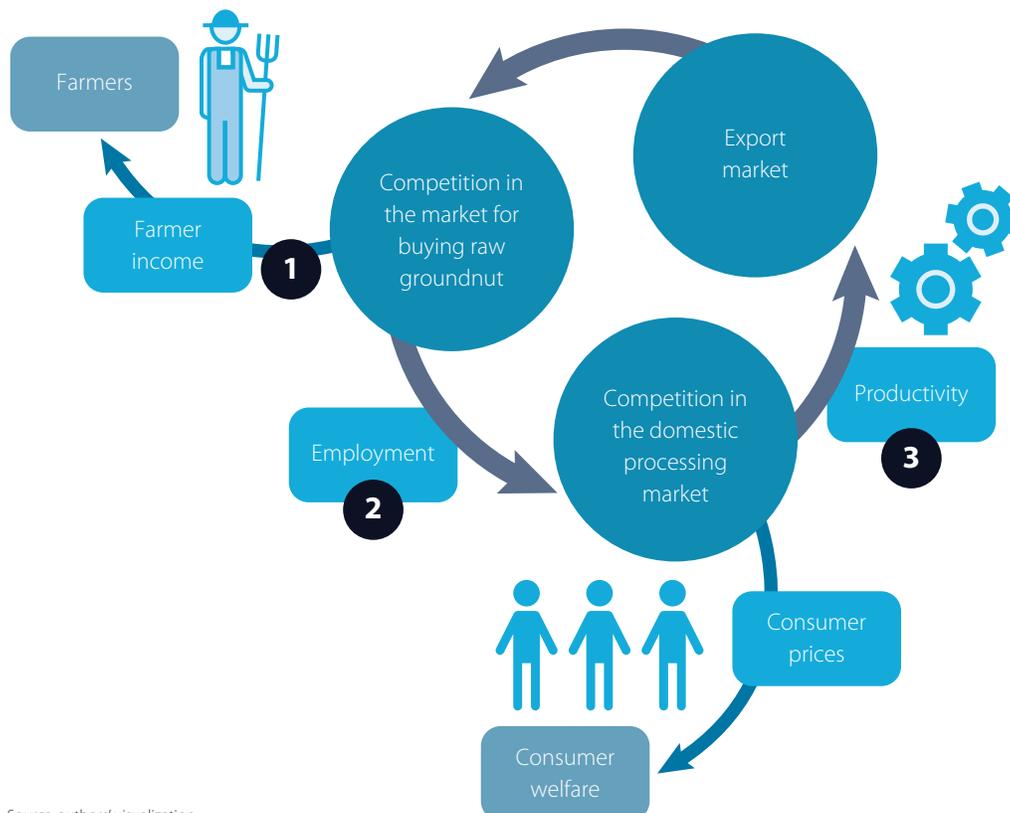
Digging deeper into the value chain, **THREE MAIN MARKETS** require attention: **1** **INPUT (SEED AND FERTILIZER) MARKETS**; **2** the **FARMGATE MARKET**; and, **3** the **GROUNDNUT AND OTHER VEGETABLE OIL PRODUCTION MARKET**. These are all interlinked and part of the PSE objectives.

Tackling priority issues from a markets and competition perspective is key for the value chain development and can complement broader Government interventions on market development, such as the development of adequate quality and standards, irrigation systems, and contract farming as well as risk mitigating measures for farmers, such as crop insurance and measures for social protection.

Market dynamics in buying markets determine farmer incentives to produce and invest in inputs, as well as the ability of the processing industry to access groundnut inputs. Competition in the processing industry: (i) incentivizes innovation to expand the range of value added products, and (ii) boosts the international competitiveness of groundnut products including oil—which currently receives a fair amount of state support. This would increase the ability for Senegal to export and allow for import substitution in products where this is efficient. Increased productivity and greater diversity of products should boost competition in the market for farmer produce, thus complete the virtuous circle (Figure 7).

Ultimately, if markets function well and allow for competition between players, a virtuous circle between key market players in the value chain can lead to welfare gains for consumers (through lower consumer prices), farmers (through increased incomes), and can help boost international competitiveness and create better jobs. The next section explores current market policies which may prevent this from happening—and suggests how these might be addressed.

FIGURE 7: A virtuous circle between Senegal's three key markets in the groundnut value chain and their link to the PSE objectives



Source: authors' visualization

KEY BOTTLENECKS AND RESTRICTIONS TO COMPETITION AND THEIR IMPLICATIONS FOR THE GROUNDNUT SECTOR

The Government intervenes in the groundnut sector at all stages of the value chain with the aim of **SUPPORTING SENEGALESE OIL MILLERS AND FARMERS AND IMPROVING ITS COMPETITIVENESS**. These interventions in the market are both indirect (through policies and regulation that set the rules for market functioning) such as export taxes on groundnuts or import tariffs on vegetable oils, and direct (through Government ownership of market players) as well as through an active participation in the value chain organization through the Comité National Interprofessionnel de l'Arachide (CNIA). In some cases, however, such interventions may unintentionally introduce distortions into the value chain that restrict market functioning and distort the incentives or ability of various market players—including farmers, traders and processors—to invest, compete and expand. Such distortions to market functioning can hinder competition and obstruct the signals and incentives that would otherwise characterize productive linkages between market players.

GOVERNMENT INTERVENTIONS that restrict competition in the groundnut value chain may contribute to a lack of high-quality inputs and thus low yields, which **RAISES COSTS FOR PROCESSORS** by making it more difficult for them to reach an efficient scale of operation (Figure 8). This exacerbates the sector's limited export competitiveness.

Moreover, the Government's previous measures to secure throughputs for local oil processors, while fixing minimum process for farmers (e.g. through purchase subsidies and by preventing exporters from buying from farmers) in fact **NEGATIVELY AFFECTED FARMER INCOMES** because it reduced the price exporters were willing to pay farmers, and are likely to have dampened incentives for production by hampering competition for farmers' produce.

Exports restrictions initially designed to stimulate the local groundnut processing industry have not encouraged local value addition of whole nuts for export, what is particularly relevant for snack groundnuts, where Senegal has a strong competitive advantage. While the groundnut processing industry (which employs an estimated 2,000 people) receives protections, these would have come at the expense of over 480,000 farmers and those employed in value addition for whole nuts for export. Government interventions in the groundnut sector may also unintentionally result in higher prices for vegetable oils (which are substitutes for groundnut oil), negatively affecting the welfare of over 14 million consumers in Senegal.

Tackling priority issues from a markets and competition perspective is key for the value chain development and can complement broader Government interventions on market development, such as the development of adequate quality and standards, irrigation systems, and contract farming as well as risk mitigating measures for farmers, such as crop insurance and measures for social protection.

FIGURE 8: Implications of rules that restrict competition in Senegal's groundnut sector

14 million Senegalese consumers pay up to **60%** higher prices for vegetable oil, which is a substitute for groundnut oil



482,000 farmers incomes negatively affected



1.6 million households could gain from more affordable vegetable oil



10% decrease in price of palm and vegetable oils could lift **50,000 people** out of poverty



Senegal's domestic processors operate **below 50% capacity**



Current policies **limit employment potential** of groundnut value chain

Source: authors' visualization, various sources

PRO-COMPETITION **POLICY RECOMMENDATIONS** TO ACHIEVE GOVERNMENT OBJECTIVES FOR SENEGAL'S GROUNDNUT SECTOR

1 Input markets – **SEED AND FERTILIZER**

The Government participates in input provision. However, the characteristics of this participation can lead to inefficiencies along the groundnut value chain.

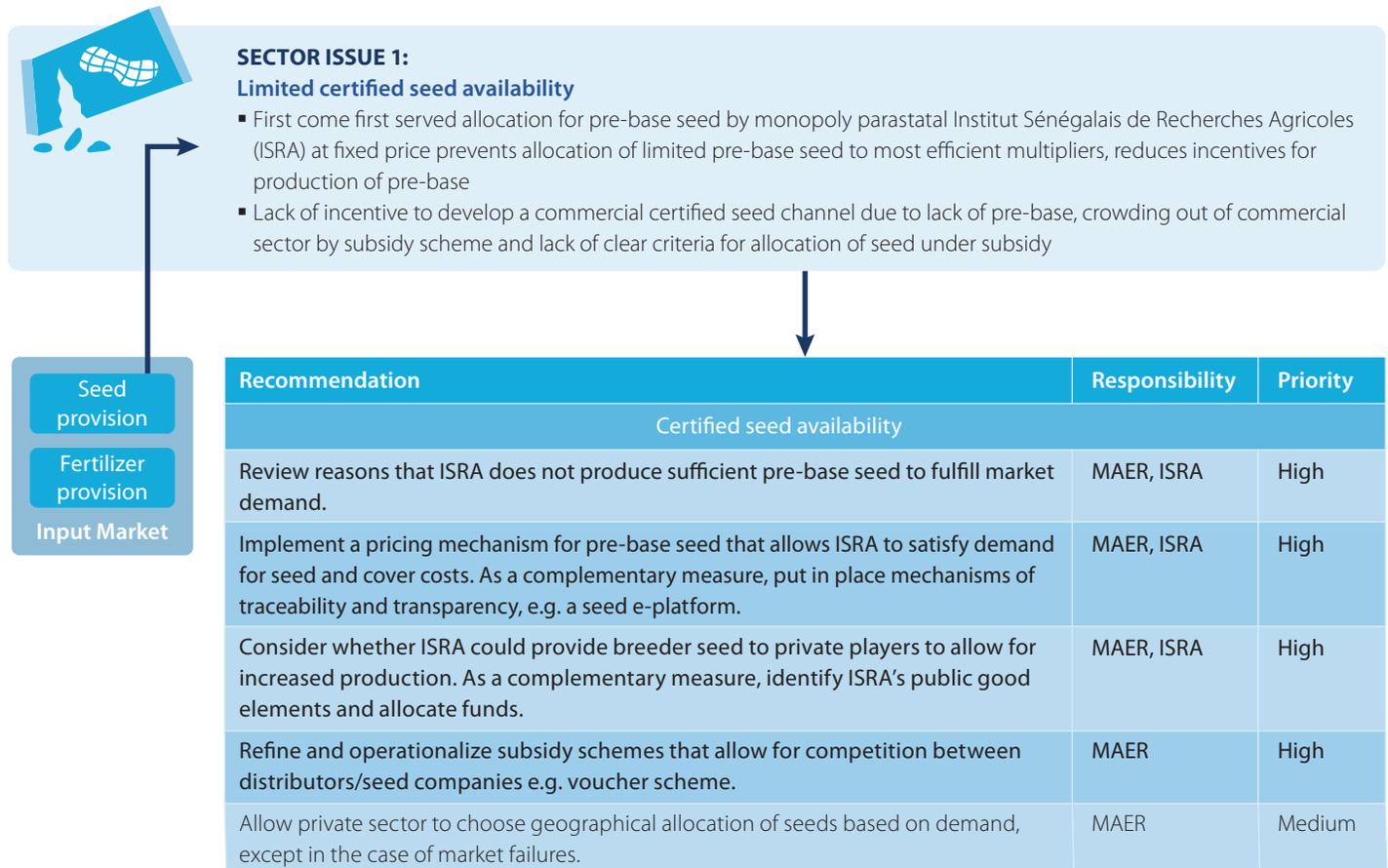
SEED: Several interrelated and reinforcing factors create inefficiencies in Senegal's seed market, including:

- The government's research institution ISRA (Institut Sénégalais de Recherches Agricoles), which holds a monopoly over the production of pre-base seed, is not currently able to produce sufficient pre-base seed to satisfy demand.
- The current method of allocation of pre-base seed among multipliers does not appear to be based on market mechanisms that would allow for efficient multiplication. Thus, certified groundnut seeds are in short supply,³ and many farmers instead rely on planting whole groundnuts, which are not traceable and are of questionable quality, affecting their competitiveness in international markets, such as the exports to the European Union⁴).
- The shortage of high-quality seeds contributes to Senegal's low yields: while Senegal has a strong competitive advantage in the production and export of high-quality groundnuts, groundnut oil factories run at 25-50 percent of production capacity (mainly due to the current downward trend of groundnut oil prices⁵).⁶ A government-managed allocation/distribution mechanism of subsidized seeds may furthermore lead to an inefficient allocation of seed. .

THE HIGHEST PRIORITY RECOMMENDATIONS TO ADDRESS BOTTLENECKS IN SENEGAL'S CERTIFIED SEED MARKET FOCUS ON REMOVING ANTICOMPETITIVE REGULATIONS.

Other important pro-competition recommendations target promoting a level playing field, and opening the input markets (Figure 9).

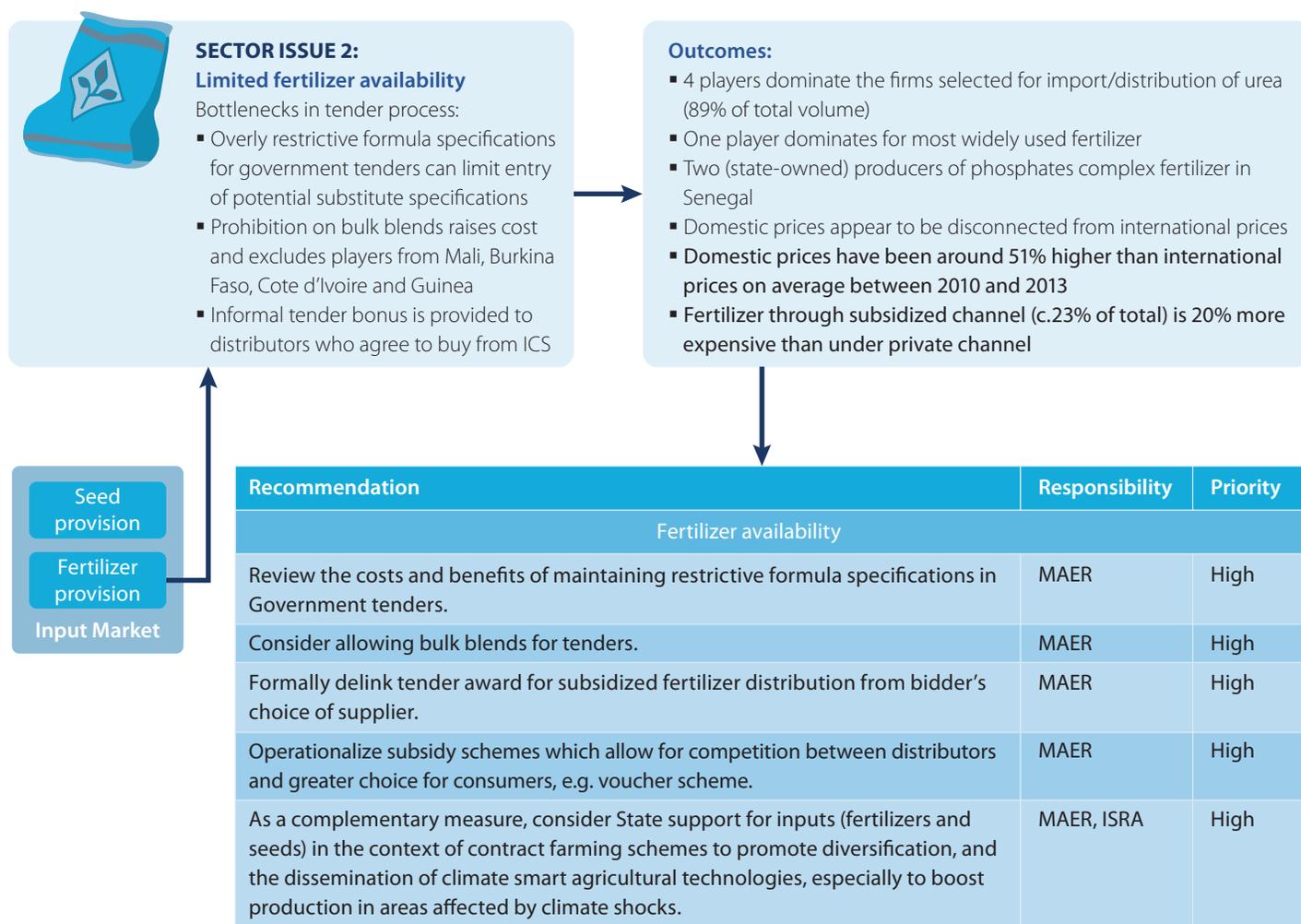
FIGURE 9: Pro-competition market solutions to address bottlenecks in Senegal's market for certified groundnut seed



FERTILIZER: the government of Senegal subsidizes fertilizer and is involved in all stages from procurement to distribution. While subsidies are not necessarily bad, especially when they are designed to address specific market failures, they can also create market distortions when their design and/or allocation confer undue advantages to certain market players over others. For subsidized fertilizer, the government engages in a public procurement process based on anticipated demand and then awards contracts to a few large providers. Overly restrictive specifications and conditions in tender rules in some cases appear to exclude potentially substitutable products, which could raise costs and restrict choices for farmers. As part of the procurement contract, providers are required to deliver fertilizer only to specific locations determined by the government. These rules limit the ability of market incentives to contribute to an efficient allocation of fertilizers, better quality provision based on soil requirements, their timeliness and better prices. According to WBG estimates, such issues may contribute to raising domestic fertilizer prices up to 51% over international prices, and means that subsidized fertilizer can be up to 20% more expensive than under private channels.

Priority recommendations to address bottlenecks in Senegal's fertilizer market focus on removing anticompetitive regulations and promoting a level playing field (Figure 10).

FIGURE 10: Pro-competition market solutions to address bottlenecks in Senegal's market for fertilizer



Source: Senegal: Better Markets for All through Competition Policy, World Bank Group (July 2018).

2 Farmgate market for **RAW GROUNDNUT**

The functioning of the market for buying raw groundnut from farmers—the farmgate market—is affected not only by market characteristics but also by policy-related distortions, which adversely impact farmers' incomes and negatively affect processing and domestic value addition.

Following the removal of a ban on groundnut exports, many farmers opted to sell their produce to exporters willing to pay higher prices than domestic processors. The Government put in place an export tax on groundnuts during the 2016/17 season. This tax was intended to be a measure to protect the domestic processing industry, including the state-owned enterprise SONACOS, as well as, kept at a low level, a means of revenue collection for reinvestment into providing public goods to ensure product quality. The tax was albeit suspended in late 2017. The tax had led to a boycott (primarily by Chinese traders) and slow sales of groundnut towards the end of 2017, which in turn lowered farmer incomes. Furthermore, the incidence of the tax fell more heavily on shelled nuts than on unprocessed nuts in shell, discouraging local value addition and better market outcomes. In the past, export restrictions also strengthened the market position of so-called OPS, the licensed buyers for domestic oil producers. This provided them with advantages over potentially competing buyers beyond the fact that they already appear to benefit from a well-established infrastructure of collection points as well as other advantages such as cheaper access to finance.⁷

Other aspects of the value chain may continue to hinder entry and market dynamics. A key example is the determination of several important market parameters by the Comité National Interprofessionnel de l'Arachide (CNIA)—a body made of market players including producer representatives, processors, and so-called opérateurs privés stockeurs (OPS)—as part of its role in managing the value chain. With the approval of the Government, the CNIA sets the season's minimum price for groundnuts, which applies to all purchases from farmers made by OPS and other formal collectors. This essentially eliminates the possibility of processors competing to raise the prices paid to farmers and thus channeling raw inputs to the most productive use. The effects of removing minimum farmgate prices for farmers can be mitigated through other instruments, such as social safety nets in case of the poorest. Given its mandate, the representation of market players on the CNIA—and their relative bargaining power—is a key determinant of market outcomes, for example setting prices. According to stakeholder interviews, bargaining power has tended to lie with local processors rather than with producers, and because the membership structure of the CNIA has not been reformed in recent years, it does not necessarily reflect the current realities of the value chain. In particular, there does not seem to be a formal mechanism to allow representation by new entrants or potential entrants, which may put these players at a disadvantage versus incumbents since members of CNIA have the ability to influence certain market parameters, such as the minimum price, the division of collection points, or the length of the season, to the detriment of entrants.

Subsidies traditionally provided to oil producers for the purchase of groundnuts at the minimum price may also unlevel the playing field if they target certain oil producers, conferring them with an advantage over others. In addition to this subsidy, the State-owned SONACOS, Senegal's largest groundnut oil producer may benefit from additional advantages in the market for procuring groundnut over its private sector rivals, including through the Government - procured loans. The Government should ensure that both public and private actors have equal opportunity to access to finance to guarantee competitively neutral markets. Furthermore, to maximize finance for development, the Government should encourage private investment along the value chain to optimize public resources and invest them in public goods that contribute to increasing productivity, such as research, transport infrastructure).



Further, investment in raw groundnuts can also unleash the potential of the processed groundnuts (snacks) market, which represents an estimated 39.3 percent profit margin for Senegal. In particular, exports of confectionery groundnuts present a profitable opportunity for Senegal, given the growing demand of confectionery in Africa and Asia. This opportunity requires investments in high-quality standards, such as aflatoxin detection and control mechanisms, to respond to consumer trends and quality requirements in importer countries. For instance, in Europe, consumers favor flavored groundnuts and snacks, confectionery or chocolate products over groundnut oil and cake. Some countries like India, Argentina or Brazil have improved standards to align their domestic production with international demand and became leading groundnut exporters globally. In India, the government has successfully encouraged groundnut producers to invest in standards for quality increase, processing and storage technology to adapt to these trends. Argentina, the second larger groundnut exporter worldwide, has invested in technology, marketing and quality standards to integrate their domestic groundnut industry into global markets. Brazil also managed to become a groundnut exporter by investing in these three areas and creating a quality control label or “pro-peanut label”. Similarly, Nigeria and Ghana have introduced measures to improve standards, notably aflatoxin detection and control.

Key recommendations to boost farmer incomes focus on **REMOVING EXISTING ANTICOMPETITIVE REGULATION** and **INTRODUCING MECHANISMS TO PROMOTE A LEVEL PLAYING FIELD IN THE SECTOR** (Figure 11). Recommendations to boost farmer income will likewise drive throughput for local processors and build local value addition. Additional recommendations to build local value addition focus on removing anticompetitive regulation, promoting a level playing field, and opening markets (Figure 12).

FIGURE 11: Pro-competition market solutions to address bottlenecks affecting Senegalese groundnut farmer incomes

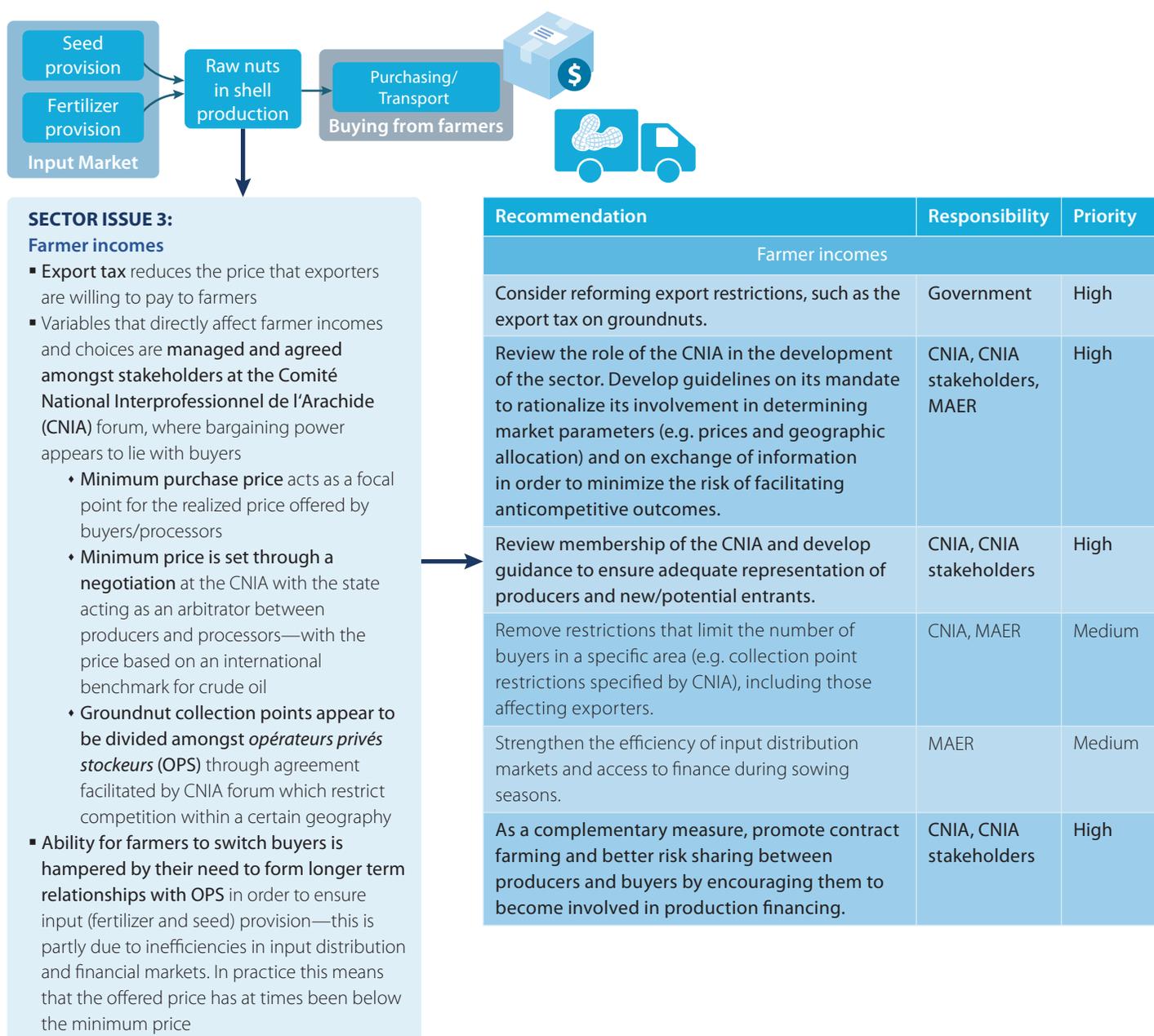
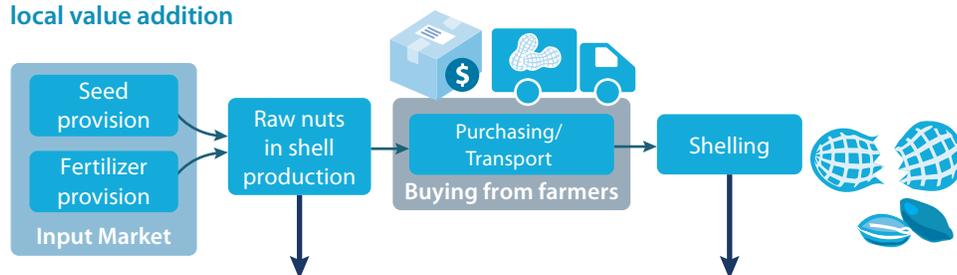


FIGURE 12: Pro-competition market solutions to address bottlenecks to ensuring throughput for local producers and build local value addition



SECTOR ISSUE 4:

Ensuring throughput for local processors

- Lack of quality inputs reduces yields (see restrictions above).
- Lack of competitiveness of local oil industry does not allow processors to compete with prices paid by exporters even with subsidies (purchasing and operational) in place
- Lack of market driven farmgate price signal leads to an inefficient allocation of farmer resources due to disconnect between local opportunities and farmer decision, e.g. prices that do not reflect demand will lead to under-production

SECTOR ISSUE 5:

How to build local value addition?

- Lack of competition in local processing hinders efficient allocation of resources and constrains productivity and does not allow for innovation and a timely response to towards international markets
- Lack of competition in market for buying from farmers discourages participation of efficient firms in local processing
- Export tax disincentivizes local whole nut value addition (inc. shelling, blanching, etc) since “Nut in Shell” is taxed at a lower rate on export
- Narrow targeting of state support to certain types of products and players may not allow for responsiveness to international market and innovation by incumbents on new products (e.g. trends towards export of whole nuts (blanched or confectionary))
- Narrow targeting of state support to certain types of products and players may not encourage entry by new firms since framework for access to incentives for new firms is undefined

Recommendation	Responsibility	Priority
Throughput for local processors and build local value addition*		
Overall drivers of throughput for local processors and building local value addition: <ul style="list-style-type: none"> ▪ Competition in local processing drives efficient allocation of resources and boosts productivity ▪ Competition in market for buying from farmers encourages participation of efficient firms in local processing These drivers can be achieved through implementing recommendations above—plus the following additional reforms:		
Accelerate incentives to increase the production of quality seeds to ensure adequate volumes for the local industry. Hence, facilitate competition between oil producers and other buyers, including exporters.	MAER	High
Set clear objectives for state support to the industry through transparent criteria to minimize distortions, in the framework of contracts.	MAER, Ministry of Finance	High
Consider removing set minimum farmgate price, while putting in place mechanisms to protect producers’ income (e.g. social protection measures; production and export insurance; warehouse receipt).	CNIA, MAER	Medium
As a complementary measure, consider investing in improving quality standards and mechanisms for the detection and control of aflatoxin; setting a strategy to respond the growing demand of the confectionery.	MAER, Ministry of Finance	High

*In addition to the recommendations listed below, consider maintaining the removal of the purchasing subsidy for oil processors (in line with the previous policy).
Source: Senegal: Better Markets for All through Competition Policy, World Bank Group (July 2018).

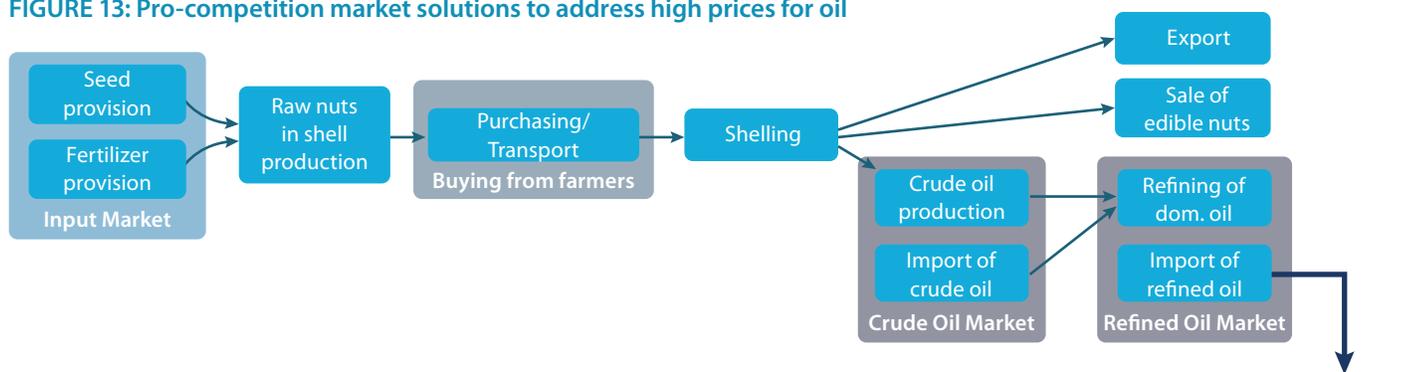
3 Market for **VEGETABLE OILS**

Groundnut oil is part of the vegetable oil market which also includes palm oil and soy oil: for Senegal's consumers, they are all substitutes for each other. In an effort to protect and promote producers of groundnut oil, the Government imposes restrictions on palm and soy oil imports since these oils are cheaper alternatives for consumers. Oil producers also benefit from import restrictions on crude and refined vegetable oils – but at the expense of consumers, particularly poor households. Import restrictions include high tariffs (e.g. the ECOWAS tariff of 35 percent on specific goods that “contribute to the promotion of the region’s economic development” applied since 2015), occasional taxes on imports (e.g. “Taxe Conjoncturelle à l’Importation” until 2004, and then safeguards until 2008)¹⁰ and non-tariff measures. Consumers are most affected by import restrictions and tariffs on palm and vegetable oils: over 50,000 people stand to be lifted out of poverty from a 10% decrease in the price of palm and vegetable oils. Recently, the Government, through the Ministry of Commerce, has shown support to a recently created platform (integrated by traders, producers, processors and consumers) to regulate oil imports in Senegal. The alleged policy objective is to render stability to the groundnut oil market and to ensure that refined groundnut oil is only commercialized only to national traders. The analysis of the effects of this policy protecting the domestic oil industry are yet to materialize and is not part of the current analysis.¹¹

The policies restricting competition in the groundnut value chain appear to be harmful to the overall development of the sector. These policies may negatively affect the Government’s objective to increase yields and production and farmer incomes in the long run. The processing industry receives the most explicit protections, but these come at a cost to farmers and consumers. Although producers have been usually taxed, the Government has also subsidized them depending on the year. This, together with inefficiencies in the inputs markets (especially seeds and fertilizer markets, and marketing), can hamper productivity. Furthermore, the processing industry receives the most explicit protections, and domestic processors end up bearing low price risk, that comes at a cost to farmers and consumers. In addition, domestic processors are struggling despite the distortionary protections they receive. This is because of production inefficiencies that persist due to the lack of competitive pressures. Moreover, these policies limit the employment potential of the value chain.

Implementing recommendations in previous sections to address bottlenecks in input markets, farmer income and local value addition should impact consumers as local markets begin to function better, by reducing local prices and/or increasing the choice of products available. **CONSUMER WELFARE WILL FURTHER BE ENHANCED THROUGH MEASURES TO REMOVE ANTICOMPETITIVE REGULATION AND PROMOTE A LEVEL PLAYING FIELD** in Senegal's vegetable oil value chain (figure 13).

FIGURE 13: Pro-competition market solutions to address high prices for oil



Recommendation	Responsibility	Priority
Consumer prices for oil		
In addition to previous recommendations . . . Consider removing import tariffs on crude (and potentially refined) vegetable oil	Government	Medium

SECTOR ISSUE 6:
Consumer prices for vegetable oil

- Lack of competitiveness of and inefficiencies in the local groundnut value chain likely to raise market prices
- Historical Import tariffs on vegetable oil disincentivizes entry of substitutes for local groundnut oil and increases prices (at the same time, protection measures for the sector did not allow for expansion of peanut oil production): e.g.
 - ♦ As at 2013: Adjusted overall tax of 47% on palm oil imports
 - ♦ Tax rate for refined oils from outside WAEMU: 45%
 - ♦ Oil from inside WAEMU should be exempt from customs duties but ad hoc bans have been implemented in the past—e.g. 2010 ban aimed partly at imports from Cote d'Ivoire due to their high fat content
- This has an impact on household incomes and poverty and in some cases has been dealt with through price controls on oils
 - 50,000+ people stand to be lifted out of poverty from a 10% decrease in the price of palm and vegetable oils

Source: Senegal: Better Markets for All through Competition Policy, World Bank Group (July 2018).

IMPLEMENTING A SUBSET OF PRO-COMPETITION POLICY RECOMMENDATIONS COULD LEAD TO **SIGNIFICANT GAINS** FOR SENEGAL

An estimate of the potential gains from implementing a subset of proposed feasible and impactful reforms indicates positive results. The subset of reforms includes the recent removal of purchasing subsidies, the recent suspension of the export tax on shelled nuts, along with: phasing out the setting of a minimum price and phasing out import restrictions on crude vegetable oil imports. This set of prudent reforms would help minimize market distortions and allow the government to achieve its policy objectives (figure 16), without launching a full liberalization of the sector: a middle way.

In addition, the Government can benefit from technological applications to help facilitate transactions and become more competitive in global markets. Innovative technologies can help reduce budget constraints, for instance, substituting subsidies by robots that can detect macronutrients. Some groundnut producing countries have already incorporated innovative technologies into their processes. For instance, India, has adopted a cloud technology and business intelligence system to disseminate information about sowing and harvesting to farmers and government officials via SMS. In Nigeria, tractor technology has enabled small-scale farmers to request and pay tractor services via SMS and mobile money”, connecting them to a network of tractor owners.

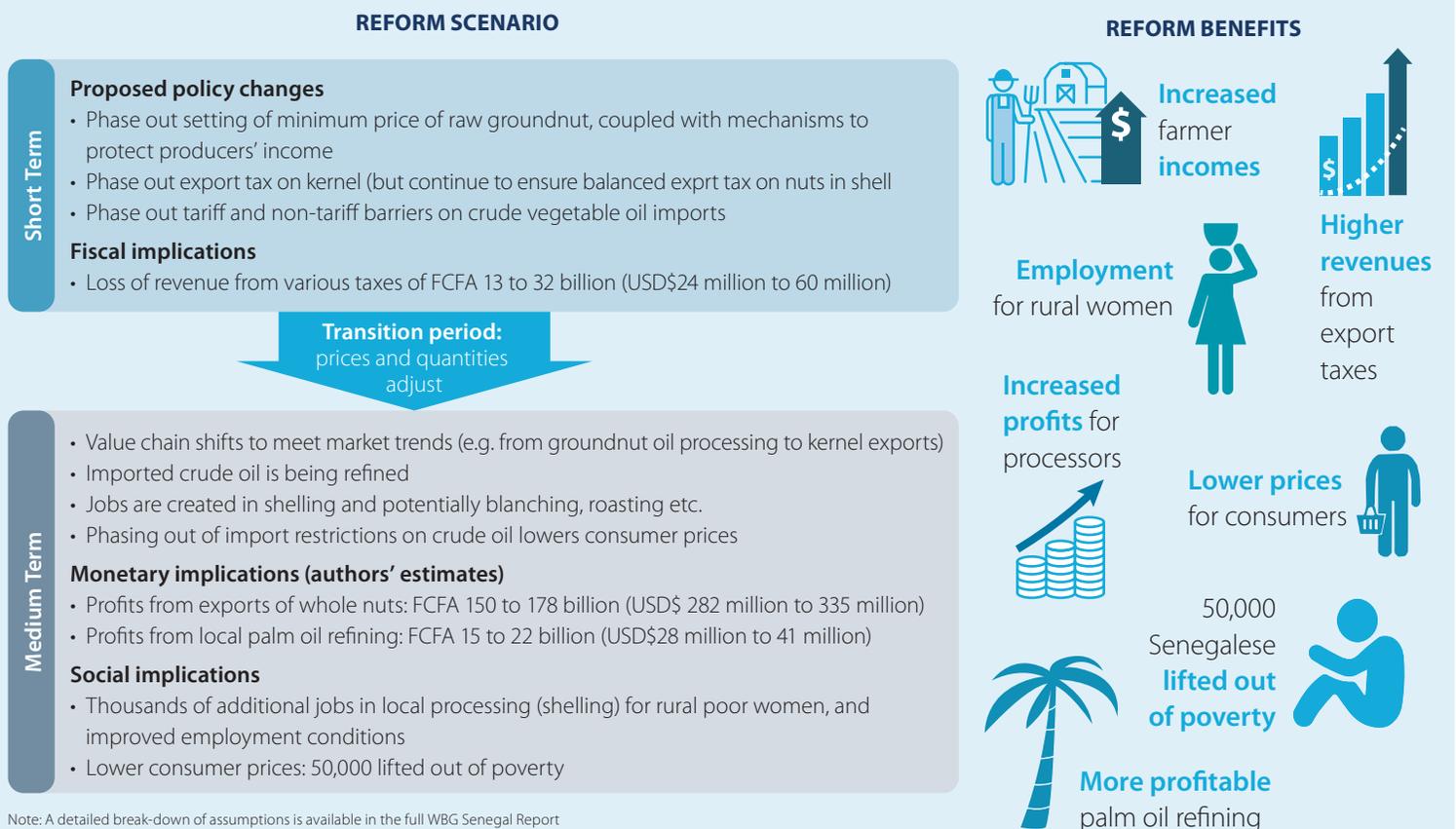
Implementing this set of reforms is estimated to generate benefits for all value chain actors in excess of F CFA 150 billion (USD 250 million), create employment for rural poor women and lift 50,000 people out of poverty. If employed correctly, the policy reforms would increase farmer incomes, lower consumer prices, create employment and generate higher profits.

Furthermore, if taken into consideration, these reforms should be accompanied by mechanisms that address the downside risk of market price fluctuations on farmers, such as targeted cash transfers as well as climate and output risks, such as crop insurance.

To optimize the public resources and invest them in public goods that contribute to increasing productivity (i.e. research, transport infrastructure), the Government could encourage private investment along the value chain. Crowding in private investment can help optimize the use of the public resources, while contribute to other goals such as good governance and environmental and social sustainability. To ensure and increase private sector access to various sources of finance (a wide range including from own-savings to agricultural investment funds), it is key for the Government of Senegal to provide an enabling environment for all private sector actors in agricultural value chains (farmers who are by far the largest current investors, input suppliers, processors, distributors, and marketers).

This is not to say that this subset of reforms is necessarily what should be adopted by the Government or that other reforms would not be necessary—however, it does indicate the potential magnitude of gains that are available to the Government if reforms are implemented systematically and credibly.

FIGURE 14: “The middle way”—implementing a subset of proposed recommendations could lead to significant gains for Senegal



Note: A detailed break-down of assumptions is available in the full WBG Senegal Report
Source: Senegal: Better Markets for All through Competition Policy, World Bank Group (July 2018).

¹ This note was prepared by Georgiana Pop (Senior Economist), Sara Nyman (Economist), Julian Koschorke (Consultant), Philana Mugenyi (Private Sector Specialist) and Marta Camiñas Mora (Consultant). This note summarizes key findings and recommendations of a World Bank Group Report: *Senegal: Better Markets for All through Competition Policy* (July 2018) authored by Georgiana Pop (Senior Economist), Sara Nyman (Economist) Gonçalo Coelho (Consultant), Julian Koschorke (Consultant) and Marta Camiñas Mora (Consultant) from the Markets and Competition Policy Team. Martha Martinez Licetti (Lead Economist and Global Lead for Markets and Competition Policy) provided valuable advice.

² During the 2015/16 season, Senegal produced 1.1 million tons of groundnuts. USDA. 2017. *Production, Supply and Distribution Database*. Available at: <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home>

³ Only roughly 25% of seed is certified.

⁴ 80 percent of Senegal, Ghana and Tanzania's exports of snack-nuts go to the EU, "of which 20 percent is rejected due to aflatoxin (and sold in Eastern Europe (...))". Senegal processing and export of snack-nuts to the EU has an estimated profitability of 36.4 percent (compared to 25 percent in the case of Tanzania and 35 percent for Ghana). See SENSE 2016. *Economic Analyses of Peanut Processing in Africa*.

⁵ See "USDA Production, Supply and Distribution database" available at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home> as included in WBG presentation "Rentabilité de la chaîne de valeurs de l'arachide au Sénégal: « Compétitivité, avantage comparative et options politiques », p.9, by Toure, A., Lead Agriculture Economist, April 2017.

⁶ Dakaractu. 2014. *Le gouvernement veut éliminer graduellement les semences écrites (ministre)*. Available at: http://www.dakaractu.com/Le-gouvernement-veut-eliminer-graduellement-les-semences-ecrites-ministre_a71043.html

⁷ European Commission. 2016. *Analyse d'économie politique (PEA) des filières de l'arachide et du riz*, p. 19

⁸ World Bank. 2015. *Etude Diagnostique de la Chaîne de valeurs arachide au Sénégal: Propositions de réformes*, p. 62

⁹ For example, the government procured a \$75 million loan from the Islamic Trade Finance Corporation to ensure that SONACOS would be able to purchase throughput during the 2016/17 growing season. ITFC. 2016. *USD 75 million Murabaha financing agreement between ITFC and the government of Senegal for 2016–2017 groundnut campaign*. Available at <http://www.itfc-idb.org/en/content/usd-75-million-murabaha-financing-agreement-between-itfc-and-government-senegal-2016-2017>

¹⁰ Based on customs data.

¹¹ See "Sénégal: Commercialisation de l'huile d'arachide raffinée - L'Unacois jappo mobilise 1 milliard 500 millions de F CFA" available at <http://fr.allafrica.com/stories/201805280103.html>