CHEMONICS INTERNATIONAL INC.

Final Report

Agribusiness Development Assistance to Nigeria (ADAN)

RAISE IQC, Contract no. PCE-I-00-99-00003-00
Task Order No. 812

Submitted to:

The United States Agency for International Development (USAID)-Nigeria

Submitted by:

Chemonics International Inc.
1133 20th Street NW
Washington DC, 20036

December 2002

Table of Contents

ACRONYMS

ADAN	Agribusiness Development Assistance to Nigeria
AGOA	African Growth and Opportunity Act
CBB	Commodity Business Bureau
CTO	Cognizant Technical Officer
CO	Contracting Officer
DfID	Department for International Development
ECOWAS	Economic Community of West African States
EPCC	Economic Policy Coordinating Committee
EXIMBANK	Export Import Bank
FARA	Fixed Amount Reimbursement Agreement
FDF	Federal Department of Fisheries
FMARD	Federal Ministry of Agriculture and Rural Development
GAA	Global Aquaculture Alliance
GBTI	General Business Trade and Investment
GON	Government of Nigeria
IAP	Industry Action Plan
IQC	Indefinite Quantity Contract
LOE	Level of Effort
MSY	Maximum Sustainable Yield
NAFDAC	National Agency for Food and Drug Administration and Control
NDDC	Niger Delta Development Commission
NIOMR	Nigerian Institute for Oceanography and Marine Research
NITOA	Nigerian Trawler Owners Association
NMFS	National Marine Fisheries Service (USA)
OECD	Organization for Economic Cooperation and Development
PCU	Projects Coordinating Unit, Federal Ministry of Agriculture and Rural Development
RAISE	Rural and Agricultural Incomes with Sustainable Environment
RPED	Regional Program on Enterprise Development
RTA	Regional Trade Agreement
SO	Strategic Objective
SOW	Scope of Work
SWOT	Strengths, Weaknesses, Opportunities, Threats
TO	Task Order
USAID	United States Agency for International Development

I: BACKGROUND

A. Origin of the scope of work

The scope of work for the RAISE Task Order #812 was based on the results of the activities of another task order in Nigeria. The original task order was under the GBTI contract, and was designed to assist USAID/Nigeria under Strategic Objective 2: "Strengthen the Institutional Capacity for Economic Reform and Enhance Capacity to Revive Agricultural Growth." The task order, which focused on: (a) training a core group of Nigerian Government economists; (b) supporting the Secretariat of the Economic Policy Coordinating Committee (EPCC); and (c) supporting the Nigerian trade, tariff and competitiveness reform agenda.

The task order's objectives of providing training and technical assistance in support of a variety of trade, tariff and competitiveness issues were successfully met, and the task order set the stage and provided a way to successfully engage key Nigerian ministries on how to move Nigeria toward an open, competitive, market-driven economy. Due to the over-dependence of the Nigerian economy on oil and oil related industries, the country's other industry clusters such as agriculture and agricultural processing are far from meeting their full potential. Consistent with USAID/Nigeria's Strategic Objective number 2, which is to strengthen institutional capacity for economic reform and enhance capacity to revive agricultural growth, the GON committed itself to implement a comprehensive and far-reaching program aimed at increasing rural and agricultural incomes in a sustainable environment.

At the same time, the U.S. African Growth and Opportunities Act (AGOA) was being recognized as a viable opportunity for Nigeria to expand trade, attract foreign investment and stimulate employment generation and reduce poverty. While reducing the barriers to market access, AGOA requires that countries focus on those measures that encourage export-led growth.

Based on its previous relationship with the Nigerian ministries, USAID/Nigeria was able to develop a scope of work that was intended to outline the key issues and opportunities for increasing rural and agricultural incomes in a sustainable environment. That scope of work developed into the tier 1 task order issued to Chemonics under the RAISE IQC. The objective of the task order was to promote broad based economic growth in Nigeria by assisting the private sector to identify and develop, in an environmentally safe manner, specific sectors in the economy, which can become truly competitive in the contemporary world market.

B. Evolution of the scope of work

The original task order scope of work included six primary tasks:

1. **A Study of Nigerian Agricultural Competitiveness** that included the production of an agricultural map of Nigeria; studies on the external market environment, an

exports constraints analysis; an assessment of incentives, policies and programs for the agricultural sector; and the identification of "success stories" in the sector.

2. **A Survey of Nigerian Business Firms**. Chemonics was asked to support the World Bank in carrying out a study of Nigerian competitiveness based on a survey of 300 Nigerian business firms. The study also assessed the cost and availability of the various raw material inputs and services required by such firms in producing and processing in Nigeria.
3. **An Assessment of the Nigerian apparel industry** examined Nigeria's ability to compete in the world market.
4. **Lessons for Nigeria from the Regional Trade Agreements and ECOWAS,** including studies that review relevant experience, assess the impact of Nigeria's participation in RTAs. This activity was also to sponsor study tours in ECOWAS countries to observe production processes.
5. **Building Nigeria's competitive advantage** in specific sectors. Specific industries were to be provided with technical assistance to identify market opportunities and analyze the commodity chain/cluster.
6. **Capacity building, training and management**. Chemonics would work closely with USAID and GON officials to identify training and capacity building needs.

Following discussions with the CTO, Ms. Ravinder Aulakh, Chemonics requested a change in the scope of work to focus more closely on certain key activities of the original scope, especially on identifying opportunities to increase Nigeria's competitiveness in agriculture. Chemonics submitted a request to the RCO for a contract amendment, with a number of substantive changes to the SOW, including:

- Removing Task 4, Lessons for Nigeria from Regional Trade Agreements and ECOWAS, since Nigerian production and export data was not readily available and usable, and the time required to collect and verify the data would have grossly exceeded the available level of effort (LOE).

- Removing Task 6, Capacity-building, Training and Management, and deferring study tours to another activity which would be more closely involved with the Government of Nigeria and its ministries, and would be able to better target training and study tour opportunities.

- Modifying Task 1, Nigerian Agricultural Competitiveness, to eliminate a number of disparate studies and surveys that, while interesting, would not have elicited specific industry-level analysis of export markets and export potential for Nigerian products, and would not have lead to solid recommendations on specific actions to be taken by each industry. Chemonics requested that this task be modified to provide the GON and Nigerian private sector with a realistic business plan that would help maximize Nigeria's agricultural potential based on sound market information, an analysis of what actually is produced and exported, and a clearer understanding of the sector constraints that inhibit the GON and private sector from capitalizing on these opportunities.

Chemonics proposed a three-phased approach for Task 1, (I) Assessment of the global market for Nigeria's agricultural products; (II) Evaluation of Nigeria's agricultural sector leading to an Agricultural Commodity Summit that would select commodities with the greatest export and job creation potential; and (III) the preparation of a number of Commodity Assessments and Industry Action Plans that would be implemented by Nigerian private and public sector stakeholders.

In all, the contract has been modified three times. The first two modifications accomplished minor administrative changes, such as slightly reducing the contract value in October 2001, from $1,999,072 to $1,998,972. The third modification, signed in July 2002, provided the final amendment of the scope of work of the contract, reflecting the changes discussed with the CTO in September 2001. Chemonics performed all close-out activities by the December 31, 2002 contract termination date and is currently submitting the final deliverables for the contract.

C. Task Order Achievements

Each of the project's achievements is documented in the sections below which address the different sections of the scope of work. One of the more interesting developments during project implementation came about as the unanticipated result of a budget constraint. With a tight budget and even tighter time frame, the task order turned a vice into a virtue, replacing the usual extensive expatriate LOE for commodity analyses and development of business plans with local talent to conduct such assignments. The program became appropriately Nigerian-driven, and has left behind a local capacity which will continue to guide the development of the agricultural sector in Nigeria.

Following on the theme of a Nigerian-driven project; the project convened a group of 150 Nigerian experts from the public and private sectors in an Agricultural Summit in January 2002 to participate in a process to select specific commodities for further study. This participatory approach resulted in greater local buy-in and involvement in the program, ultimately resulting in sector committees which provided periodic feedback on the sector assessments and industry action plans as they were developed. At the same time, other donor agencies, including DfID, participated in the Agricultural Summit, which has ultimately led to a continuation of the program beyond USAID funding.

Finally, the enthusiasm, commitment and ability of our Program Manager were critical to the project's success.

D. Task Order Constraints

While the task order provided concrete results and action recommendations for strengthening institutional capacity for economic reform and enhancing local capacity to revive agricultural growth, it also had to overcome some constraints in implementation. Primarily, the original task order scope of work was extensively reworked to present a coherent activity that would provide implementation oriented results.

The reworking of the scope of work was accomplished in a collaborative process with USAID/Nigeria to ensure that the initial goals of the task order were fulfilled. In addition to solidifying the tasks, as outlined in I.B., the scope of work and contract period were extended by six months to ensure orderly progression and culmination of project activities. In an interesting twist, approximately six months from the end of the task order, the Ministry of Finance lost the lease on the building that was housing the project. The task order team located appropriate alternate facilities in less than one month and identified budget savings that would allow them to cover the costs of rent and utilities, costs not originally anticipated for task order implementation.

II ACTIVITIES AND RESULTS

A. Survey of Nigerian Business Firms

Through the ADAN activity Chemonics and USAID were able to collaborate with the World Bank to conduct an industrial survey in Nigeria. On July 11, 2001, Chemonics signed a Fixed Amount Reimbursement Agreement (FARA) with the World Bank providing $225,000 to support the implementation of a survey of the Nigerian manufacturing sector.

The goal of the survey was to elicit up-to-date information on the structure and performance of Nigeria's private sector and the business environment in which it operates. The lack of up-to date information on these issues had hindered donor agencies' ability to devise effective policies to strengthen the private sector and improve its competitiveness.

The World Bank's Regional Program on Enterprise Development (RPED) took the lead in the survey design management, with DFID and USAID providing the foreign exchange and local costs. The survey covered the country's major industrial areas and involved 300 manufacturing and agribusiness firms, and the survey instrument focused on policy issues such as entrepreneurship, enterprise performance, including revenue, cost, and productivity indicators, effective rates of protection, technological capabilities, access to finance, competition with import and in export markets, finance and labor markets, and infrastructure problems.

While the FARA permitted the flow of funds to defray the local costs of survey administration, there was a delay in foreign exchange transfer from other sources, delaying the survey slightly. The survey was finally completed in September 2001, and a review draft of the results was distributed on October 12, 2001. The final results were disseminated in November 2002.

<u>Results:</u> The final results of the survey included analyses of various key factors influencing the private sector, and drew some broad conclusions for each of those factors, which are summarized below.

Manufacturing labor market:

- Overall employment in manufacturing has declined over the last decade. However, not all firms have reduced employment. Firms in the smaller size categories have added employees, while larger firms have shrunk.
- The distribution of employment remains quite uneven across regions and sectors. The manufacturing industry is dominated by the Lagos area and the textile and food/beverage sectors.
- The Nigerian workforce in middle-aged, with higher human capital compared to workers in other Sub-Saharan African countries, and remains divided along ethnic lines.

- It therefore seems that the labor market in Nigeria is far from being integrated. Moreover, any attempt at containing wage growth in the manufacturing sector should focus first on the role of unions and the bargaining power of workers.

Access to finance:

- Lack of finance is a key problem in the Nigerian manufacturing sector. Inadequate access to finance appears among firms' three biggest business problems more often than any other problem except uncertainty and poor infrastructure. The high cost and limited availability of credit are a major factor that raises the cost of doing business and lowers competitiveness in Nigeria.
- while most firms do have some access to credit, there is not enough affordable credit to adequately support trade and manufacturing. The bulk of available credit comes from domestic banks.
- Banks in Nigeria are highly liquid and report that they would like to make more industrial loans. But they believe that lending to the manufacturing sector is very risky, and increasing credit to the manufacturing sector is not justified in terms of risk and cost. The high risk comes from a number of sources. It is difficult obtain information on a firm's true financial condition and performance. The judicial system is reportedly inefficient; banks cannot easily enforce contracts. The business environment in general is very risky and uncertain, so firms may not be able to service debt. Consequently, banks charge high interest rates, demand high levels of collateral, and make few loans of more than a year in term.
- Trade credit is common in Nigeria but not as common as it could be. If a customer fails to pay, a firm's only recourse is to deal with the customer on a cash basis and hope to one day be paid. Consequently, firms only extended trade credit to their most valued and trusted customers.
- Evidence from the RPED survey suggests that investment by Nigeria's manufacturing sector is low by world standards, but high compared to many other Sub-Saharan African countries.

The Protection of the Manufacturing Sector in Nigeria:

- The current positive trend toward an overall decrease in protection should be pursued. To be consistent with the previous decrease and Nigeria's international commitments (WTO and the custom union), the targeted overall nominal protection should be between 10 and 15 percent.
- The excessive current tariffs, set at 100 percent for some goods previously banned from import or subject to import quotas, should be decreased to a more reasonable level in the range of 10-15 percent.
- A critical point is the dispersion in tariffs, which must be reduced. This could be attained by either relying on targeted tariffs that could vary within a limited range or using a single uniform tariff. The usual set of arguments in favor of multiple tariffs is of little relevance for Nigeria, and these are not an optimal instrument of taxation. In consequence, imposing a uniform tariff is probably an option to investigate further for Nigeria.

- For the reasons above, it is thus suggested that a single tariff in the 10–15 percent range, applied both on raw materials and final goods would be an appropriate tool.[1] This would allow for: (i) eliminating the dispersion in tariffs and thus reducing the uncertainty faced by firms; (ii) harmonizing the ERPs by eliminating tariff escalation and thus allowing for an allocation of resources between sectors based on unbiased (or less biased) relative profitability; and (iii) easier administration by custom officials and reducing the incentives for corruption and smuggling.
- Finally, trade policy cannot be separated from the macroeconomic context of a country. Of particular importance are developments on the exchange rate front for Nigeria. If any trade policy reform is to have an impact in this country, the prerequisite is to unify the exchange rate market so that incentives become more clear, and the only rational way to bring in goods is to do it officially.

The Cost of Electricity:

- In an interesting comparison, the study found that in Ghana, a multinational firm reported that its electricity cost was USD0.07 per KwH, a figure which is identical to the average figure reported for Nigerian firms. However, whereas in Nigeria firms relied on average on self-generated power for 67 percent of the time, in Ghana firms could report using self-generated power for up to 10 percent of the time.
- Firms would prefer to pay twice the price for a stable supply.

The Implications of HIV/AIDS for Nigerian Manufacturing Firms:

- The lack of data on HIV prevalence among Nigerian men makes it impossible to make a reliable estimate of the risk of infection in the workforces of the survey companies. Antenatal clinic data from 1999 indicate high regional variation, suggesting that some firms draw employees from a much higher risk pool than do others.

B. Study of Nigerian Agricultural Competitiveness

1. Global Market Survey

The first step in the three phased approach proposed for the development of Nigerian Agricultural Competitiveness was to conduct a global market survey. The aim of the survey was to identify, in broad terms only, the export market opportunities for tropical agricultural products from Nigeria. The survey involved: 1). an overview of Nigeria's existing export sectors, on the basis that most successful export businesses have built on an existing foundation; 2). identifying and outlining the mega-trends in world agricultural trade in order to extrapolate potential market opportunities and 3) examining each of the major export sectors in terms of world market, Nigeria's current export industry and the possible opportunities.

[1] It must be mentioned that a kind of median policy between a uniform tariff and a large set of tariffs adjusted for each type of good is not beneficial. Empirical estimates suggest that for the same level of overall nominal protection, the distortionary cost of a single tariff is much lower than the use of two tariffs. For details, see Tarr (1998, 10).

The major existing export sectors for Nigeria were marine products; agricultural raw materials such as cocoa beans, rubber, cashew nuts, ginger, palm nuts & kernels, sesame, shea, gum arabic; vegetable oil products; skins & leather; and wood & wood products.

In step two of the global market survey, ADAN worked with agricultural commodity development experts to lay out the recent history of world markets and analyze current trends for near future predictions of market dynamics.

Results: In analyzing these trends, the team realized that there were really two types of market trends, those for developed countries, and those for developing countries. Nigeria may in fact have an interest in targeting both of these market types, and so the trends were organized into two categories: Developed Markets and Developing Markets.

Developed Markets

- The major export markets are the developed countries and, in particular, the USA, the EU and Japan.
- The fastest growing sectors are organic products, vegetarian products, ethnic and ethical products.
- Food hygiene and health are critical issues in the developed world. There is a resistance to accepting processed products from developing countries, for fear of contamination.
- In general, the growth in trade has been in value-added products. This strategy avoids the trap of only supplying diminishing valued commodities and helps export companies build on any comparative advantage to create a competitive advantage

Developing Countries

- The most rapidly expanding market sector is imports to developing countries such as India, Mexico, Brazil and Korea.
- Commodity prices are on the decline. Commodity products are traditional developing country exports.
- Nigeria is well positioned to take advantage of the Indian market. It has traditionally supplied raw cashews, but in recent years sales of ginger and gum arabic have increased.
- There is a move towards added value - secondary wood products, leather, processed ginger, sesame, etc.

In order to then analyze each of the major export sectors cited above within the context of the market trends recognized by the team, it was necessary to clarify the opportunities and constraints of Nigeria's export industry. With those opportunities and constraints identified, the team would be able to propose adapted strategies for the development of each selected export sector that would build from the opportunities and counteract any constraints. The predominant perceived opportunities and constraints are noted below.

Opportunities

- Diversifying Nigeria's products for sales into new and expanding markets.

- Creating a premium price through certification as organic or Fair-Trade. Lifting quality standards can raise prices and improve volumes.
- Developing marine shrimp farming to respond to the increasing worldwide sales of marine shrimp, brought about by the demand both for healthy eating and prepared food. Nigeria has an existing shrimp export and processing capacity, and shrimp farming could be a natural progression, albeit one with important environmental and social considerations which need to be addressed.
- Nigeria, as a major producer of commodities, can place itself to exploit the newer market opportunities in developing countries. Product possibilities include raw and tanned leather, sesame, cowpeas, gum Arabic, etc. Targeted markets include India, China, Korea, Brazil and Mexico.

Constraints

- Difficulty of doing business with Nigerian products because of quality issues, particularly product contamination and contract unreliability.
- Nigeria's record in agri-business is poor. Investment is rarely the problem. The problems are more often attributed to poor management, marketing and product quality.
- In Nigeria, there is believed to have been more investment in cotton processing than in any other agri-business sector. The existing installed capacity, in cotton ginning, the production of textiles, vegetable oil extraction and cocoa processing, is chronically under-utilized.

2. Agricultural Commodity Summit

With the results of the Global Market Survey, the ADAN team was able to coordinate an Agricultural Commodity Summit in Abuja in January 2001. The goal of the summit was to solicit input from the various actors in the agriculture sector, including the private sector, the Government of Nigeria, and the donor community regarding the export sectors to be targeted by ADAN in the third stage of the Study of Nigerian Market Competitiveness. Among the private sector, the summit attracted a variety of participants, including private sector farmers, processors, and exporters.

The first day of the summit was dedicated to presenting the results of the global market survey to the participants, to ensure that the selection process of the second day would be grounded in solid analyses of the information developed. On the second day, participants had a chance to discuss the products and determine those with the greatest interest for export. The determinations were based initially on analyses done by the participants in different product groups. Each group evaluated their product sector on the following criteria: 1) market; 2) supply; 3) profitability; 4) barriers; 5) geographic dispersion; 6) environmental impact; 7) employment generation; and 8) foreign exchange earning. After deliberations, the ten product groups presented a 20-minute summation to all the participants on the merits of their product.

<u>Results:</u> The participants then collectively ranked the ten products from most to least interesting for export.

1. Ginger
2. Gum Arabic
3. Sesame
4. Cashew
5. Leather/Skins
6. Marine Products (prawn farming)
7. Wood Products
8. Horticulture
9. Floriculture
10. Medicinal Plants (Prunus Africana or Pygeum)

3. Commodity Assessments and Industry Action Plans

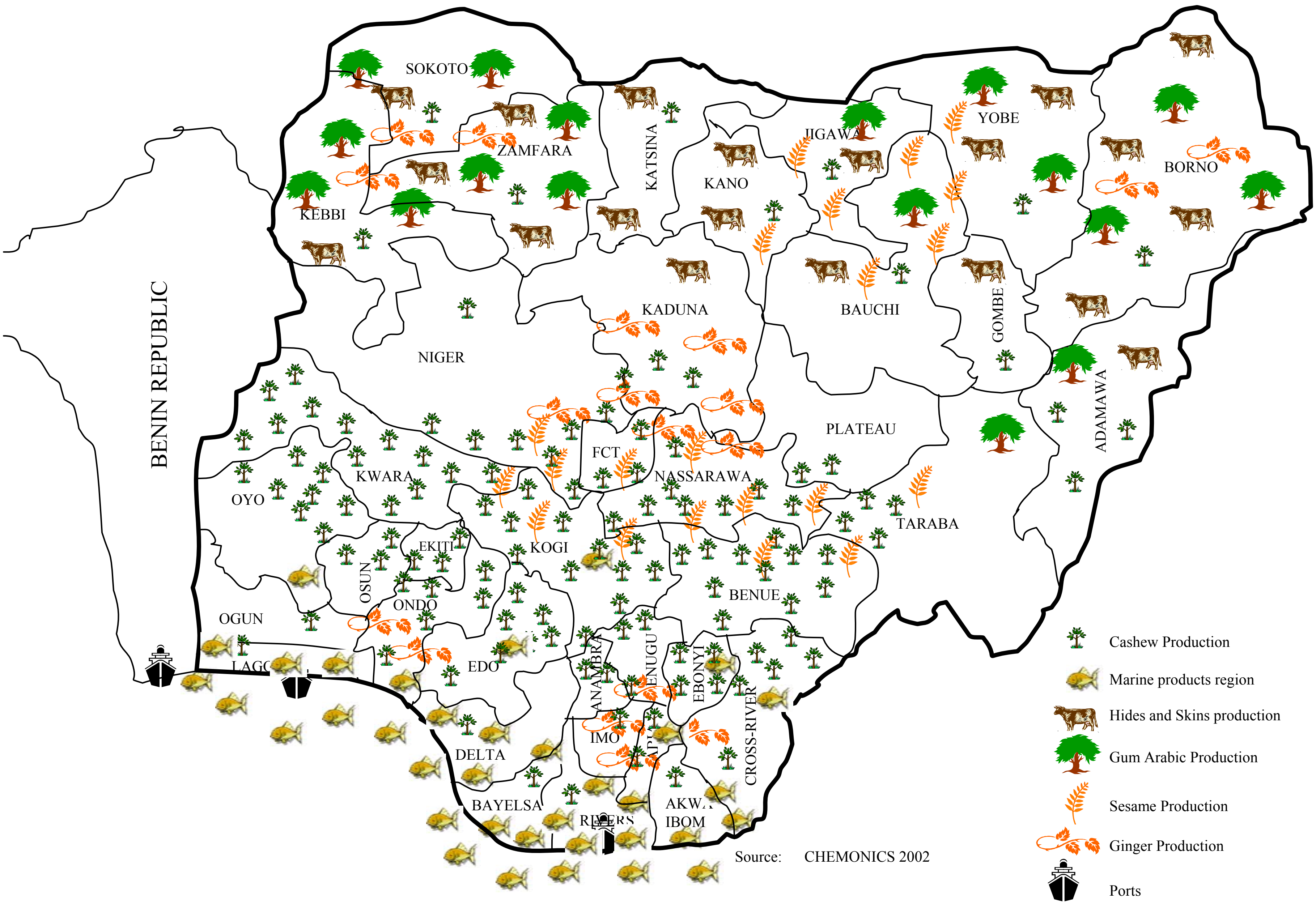
3.1. Introduction and summary

Chemonics was charged with conducting subsector assessments of those products identified at the summit, and then developing industry action plans (IAPs) for those that indicated sufficient market opportunities. Six commodities demonstrating high comparative and competitive export advantages were selected at the summit: ginger, gum arabic, sesame, cashew, hides and skins, and prawn/shrimp. Upon further in-depth analysis, Chemonics realized that the summit participants' ranking of products was in the reverse order of their global market size. Therefore, Chemonics focused on the top three sectors defined as those commodities with a global market size of US$1 billion or more. They were shrimp & prawn, hides & skins and cashew.

The subsector assessments examined market trends, opportunities and constraints, both international and domestic; production and processing requirements; operating environment issues; and recommendations to address the needs of the Nigerian industries. Separate IAPs provide strategic framework for actions that the Nigerian and international private sector, Nigerian government, and donors should undertake to improve the viability of these industry clusters.

As part of the final phase of the Industry Action plans, Chemonics held 3 dissemination workshops, which were a follow-up to the Jan 2002 Summit on Nigeria's Agricultural Export Competitiveness. These one-day workshops were designed to achieve buy-in by stakeholders and "jump start" commercial activities in the sectors, since while the project specifically targeted increased agricultural commodity production and exports; it also sought to boost domestic sales as well through opportunistic 'fast track' activities, which are loosely based on development of networks and linkages to expedite trade.

Figure 1: Map of Nigeria Showing Commodity Activity Areas



Source: CHEMONICS 2002

3.2. Shrimp/Prawns

Figure 2: Freshly caught shrimp from Nigerian waters

The shrimp industry is a global industry with a market valued at over US$18 billion which is growing 3% annually. This market presents a huge opportunity for Nigerian exports. The dominant market is the OECD market – US, Europe and Japan - with the US market growing at 5% p.a.

Nigeria is a maritime country where fishing plays an important and traditional role in the national economy, providing employment, food, income and foreign exchange earnings. Nigeria is also blessed with many of the natural resources necessary to become a competitive farm/culture producer of shrimp. Ironically, Nigeria is the largest importer of frozen fish in Africa, with annual imports exceeding US$250 million.

In order to increase shrimp farming production to meet domestic and export market demand, Nigeria faces several challenges, including: land acquisition and security issues in the areas most suitable for shrimp aquaculture, the petroleum rich Niger Delta; the high cost of capital; the lack of encouragement and support for long term investments by financial facilities; and the fact that shrimp and prawn aquaculture technology is currently unavailable and unproven in Nigeria.

Figure 3: Freshly caught prawns

The subsector assessment and industry action plan for shrimp and prawns was developed in collaboration with current and potential stakeholders, primarily in the southern portion of the country. Once initial findings and proposals were developed by the ADAN team, a dissemination workshop was held in Lagos to ensure stakeholders' buy-in in the formulation of industry goals and action steps. This forum attracted participants from both the public and private sectors including associations, producers, exporters, researchers, financiers, and multinationals.
A dual program for the development of increased production capacity was proposed: – shrimp as a large agribusiness of interest to substantial investors with a mid to long-term investment horizon; with freshwater prawns as a shorter term, small-scale investment seen as an opportunity to improve rural livelihoods.

Both branches of the program would be implemented via revenue generating activities which would be incremental additions to existing aquaculture or agricultural activities. Moving forward with the programs from the point of the IAP and subsector assessment

would require three primary steps:
1. Full feasibility study
2. Pilot Projects
3. Establishment of a Shrimp/Prawn Action Team

Full feasibility studies are necessary to validate the assumptions used during the subsector assessment and industry action plan, and to identify the business realities of starting or modifying an aquaculture venture, such as appropriate locations for a "pilot" project. Once completed, pilot projects should be used to work through the risks and uncertainties of a new technology. Once the technology is proven and commercially viable, it could be replicated. The Shrimp/Prawn "Action Team" should be involved in the coordination of these steps and in the communication of outcomes to the stakeholders. In the shrimp and prawns summit, participating stakeholders identified certain sections of the subsector that should be represented on such an action team, including: multinationals such as Shell, other private sector actors such as Ocean Fisheries, representatives of the public sector (Federal Department of Fisheries/PCU), research organizations (NIOMR), and representatives of the commercial banking sector (i.e. NACRDB), and the Niger Delta Development Commission (NDDC).

3.3. Cashew

The global cashew market is worth $1 billion and is growing steadily at 5% per annum. Cashew has tremendous potential to generate foreign exchange and to create employment, especially for women, as well as curb desertification in the North and erosion in the South. The drought resistant, environmentally friendly cashew tree grows in the wild throughout Nigeria, leading to niche development opportunities in providing organic cashews with little additional financial burden to current production.

Figure 4: Some packaged roasted kernels from local markets

West Africa is already the major supplier of raw materials to the Indian processing powerhouses; cooperation between major exporting countries in West Africa could leverage improved prices. In addition, several USAID projects in Mozambique, Kenya, Tanzania, Ghana, and Nigeria could be linked to create a significant critical mass of African organic cashews. In addition to the market for the kernels, there is a large and growing domestic and regional market for surplus kernels, as well as other cashew by-products.

However, Nigeria faces several challenges to improving its cashew production and processing. Many existing cashew trees have reached the end of their productive cycle, and the majority that still bear fruit produce small nuts of low value. The industry in

Nigeria focuses on low-end raw nut production, losing substantial income to countries like India and Vietnam by not focusing on value added products like the cashew kernel. Moreover, Nigeria receives the lowest international prices in Africa for its raw nuts due to quality control issues and other concerns about production, processing, and post-harvest handling. The few companies that have managed to carve a toehold in the $1 billion cashew kernel market have a negligible market share and face extremely high competition.

A dissemination workshop for Cashew/Sesame Production was held on October 17, 2002 in Lagos, where participants were encouraged to arrive at goals and action plans on where and how they will move forward. It was decided that in order to penetrate this billion-dollar industry, the Nigerian cashew industry must seek to transform Nigeria from a low-priced commodity producer to a reliable supplier and exporter of high quality cashew products (organics, kernels, etc.). Moving forward to develop the cashew sector programs from the point of the IAP and subsector assessment would require several initial steps:

Figure 5: Messrs. Anjorin and Zeev, major kernel producers, at the workshop

1.) Increased volume and unit value of raw nuts and kernels
2.) Extension and awareness activities to expand cultivation and processing in rural areas
3.) Establishment of a Commodity Business Bureau (CBB)
4.) Penetration of the organic kernel market and potential markets for cashew by-products

3.4. Sesame

With a global market of about $400 million, sesame was considered a minor product relative to the other products studied by ADAN. However, the project included a review of sesame in the cashew workshop because most exporters trade in, and some regions produce, both commodities. Given that the ADAN team is also knowledgeable of both products, we were able to produce an overview of the sesame industry with little additional effort.

Figure 6: Sesame seeds as found in local markets

This overview of the sesame industry revealed that the real major exporters are China and India. Sesame, however, is an important export crop in Nigeria, and Nigeria has a substantial role in the global sesame trade. Annual exports of sesame from Nigeria are valued at about $20million and Nigeria is the primary supplier of sesame seed to the world's largest importer, Japan.

There are two types of sesame in Nigeria – brown/mixed Kano (northern region) sesame, shipped mostly to Japan for oil extraction, and white Nassarawa (middle belt) which is shipped to Europe for use in the foods and confectionary industry (i.e. toppings for hamburger/hot dog buns).

The position of sesame is not well understood either in Nigeria or in the global trade and a significantly clearer interpretation of Nigeria's competitive position and opportunities is essential. Therefore, a greater understanding of the position of Nigeria and its options is needed and the following notes elaborate recommendations towards this goal:

- Appraise and evaluate the research, trials and extension services available to the sesame sector.
- Investigate opportunities in other markets, with particular focus initially on the sesame oil markets in Asia, particularly Korea and Taiwan.
- Explore the possibility of changes in the Korean tendering process, opening the way for competition by Nigerian producers.
- Evaluate the competitive position of Nigerian sesame in the Japanese market and assess the opportunity for increasing market share.
- Evaluate the opportunity for differentiating Nigerian sesame for oil users and explore the economics and market potential for pressing sesame in Nigeria on an industrial scale.
- Appraise the requirements of other sesame product sectors.

3.5. Hides/Skins

The global market for animal hides and skins is worth $72 billion and is expected to continue growing steadily at 3% per annum. The leather products industry, from raw materials (animals, hides and skins) through to the manufacturing of various leather products (shoes, handbags, upholstery) has tremendous potential to generate foreign exchange and create employment, especially for women, throughout Nigeria.

Figure 7: Traditional Nigerian leatherwork on display

Nigeria has a strong export industry for skins; the skin of Nigeria's Red Sokoto goat commands a premium in the international market, especially from Italy. All of the resources for tanning and producing leather products are available locally, including a large domestic and regional animal population. Nigeria also has a prosperous local food market for raw hides and skins, call "Ponmo", which is considered a delicacy. The demand for “Ponmo” far outstrips what tanners offer for hides and skins, receiving 5 times the price for less quality.

Nigeria faces several challenges to improving its leather production and processing, in addition to the challenge of competing with Ponmo for input supply. The primary challenge is to increase the quality of hide and skins inputs, focusing on increased quality of slaughtering techniques and improved awareness among livestock owners of quality requirements for hides and skins. In addition, the industry as a whole must closely examine market targeting, decide whether to aim for high end or low end, and choose inputs and input pricing appropriately. A significant feasibility study is needed to examine these questions, as well as the potential environmental impact of increasing tanning operations in the country, and the potential for increasing the volume of livestock raised. Currently, despite regulations preventing export of raw hides and skins, the large majority of hides and skins that are exported are raw or semi-processed, possibly because the quality of tanning is not appropriate in Nigeria, or possibly because tanners in Nigeria are not able to offer competitive pricing.

Figure 8: Some participants at the workshop

To ensure stakeholder input, a dissemination workshop was organized by ADAN to present the findings of the hides and skins subsector assessment and industry action plan and solicit feedback from participants. As a result of the workshop, industry players have expressed agreement and endorsement of the industry action plan. Moving forward to develop the hides and skins sector programs from the point of the IAP and subsector assessment would require several primary steps:

1. Detailed feasibility study of the domestic market, production costs and constraints, and a detailed environmental impact assessment accompanied by recommendations for management of environmental risks associated with tanning
2. Increased volume and unit value of animals, semi processed hides and skins and leather products produced in Nigeria
3. Elaborate and create awareness among Nigerians of the opportunities available in the leather industry
4. Establish a Commodity Business Bureau (CBB)

3.6. Conclusion

Increases in the volume and value of all of the above identified Nigerian commodities may come through individual endeavors, but for the entire industry to succeed stakeholders, including producers, processors, exports, financiers, and others, must receive technical assistance on several different levels. In the long-term, this assistance would come through a Commodity Business Bureau (CBB) that would ensure sustainability of the industry's efforts. In the immediate term, however, another mechanism must be found. In Nigeria, this would be a commodity trade association. The trade association would arrange initial dissemination of information and training while the CBB is being developed. Once the CBB is developed, it would assume the burden of providing higher-level coordination and technical assistance to the trade association, which would focus more on firm-level assistance and industry marketing efforts. The CBB would eventually expand to provide assistance for other agricultural industries, achieving economy of scale.

C. AGOA Apparel Industry Survey

The U.S. African Growth and Opportunity Act (AGOA), passed by the US Congress as part of the Trade and Development Act of 2000, provided sub-Saharan Africa with significant new opportunities to expand trade, attract foreign investment, and stimulate employment, especially in the area of garments and footwear manufacturing. The Nigerian government appeared anxious to improve its apparel industry and take advantage of AGOA incentives, and President Obasanjo had personally committed to providing $15 million in funding from Nigeria's EXIMBANK toward this end.

The original task order scope of work included a comprehensive assessment of ten apparel and footwear firms' manufacturing capability and assist in the implementation of recommendations to upgrade production facilities to international standards, provide specialized technical assistance to these firms, and host workshops on internationals standards for garments and footwear. In the revised task order scope of work, the assessment was targeted to producing recommendations on how Nigerian footwear and apparel firms could take advantage of AGOA. J.E. Austin, a subcontractor to Chemonics on RAISE, quickly identified and fielded Dr. Heidi Scheller and Jack Smith, two AGOA and apparel specialists. Chemonics' Nigeria Field Administrator, George Oligbo, worked with the team in the field.

The team spent three weeks in Nigeria examining the opportunities for the development of a textile and apparel manufacturing export sector in Nigeria. An on-site survey of Nigerian textile and apparel companies was performed, and the team's analysis, conclusions and recommendations were included in a report: "AGOA: Export Opportunities for Nigerian Manufacturers in Textile Based Sewn Products."

The report included an overview and assessment of the industry, a SWOT analysis of the implications of AGOA for Nigeria, conclusions and a series of general recommendations to attract foreign and domestic investment and a strategy to improve production and standards. The report similarly contained an Action Plan, "A Blueprint for Action in Nigeria", that contained specific recommendations for USAID to immediately stimulate the industry, as well as a longer-term strategy for the Nigeria public and private sectors. The primary conclusion of the assessment was that Nigeria is uniquely situated to be a strong player in the apparel industry, and could take advantage of AGOA, if certain key conditions were met. Primary among these is the passage of the legislation by the Nigerian Assembly to ensure conformance with the requirements of AGOA.

III. ADMINISTRATIVE AND FINANCIAL SUMMARY

A. Personnel

The ADAN team was made up of a limited long-term expatriate team, supplemented extensively by both local and expatriate technical assistance. The original Chief of Party, Robert Craver, was available to the project on a half-time basis through until June 2002, when he moved on to other activities. Ms. Leslie Flagg, who joined the team in November 2001, then took on the responsibilities of the Chief of Party role, leading the teams who were charged with drafting the industry assessments and action plans.

Ms. Flagg and the technical teams were supported in their roles by the administrative team responsible for finance, administration, and logistics on the ground in Abuja. Given the small size of the technical and administrative teams, relative to the scale of the scope of work, the primary job of the administrative team was to ensure that the technical staff was able to operate as efficiently as possible.

B. Contract Management

Contract management was primarily managed between the Chemonics home office project management unit, the CTO based in Abuja, Nigeria, and until June 2002, the Contracts Officer based in Accra, Ghana. Coordinating approval requests and contract amendment requests between the Washington, Abuja and Accra offices was the most challenging aspect of the management of the contract.

During the execution of the task order, there were three contract amendments. The first changed the ceiling price of the contract, and the second amended the accounting and appropriation date for the contract. The third amendment was the major amendment, which extended the performance period of the contract, and also approved the changes to the terms of reference outlined in Section I.

C. Finance

As of Dec 30, 2002

Line Items	Contract Budget	Invoiced Through December 2002 Invoice	Contract Funds Remaining
Workdays Ordered	$ 999,358.00	$ 967,466.18	$ 31,891.82
Other Direct Costs	$ 955,563.00	$ 927,943.70	$ 27,618.60
General and Administrative	$ 44,051.00	$ 42,778.20	$ 1,273.22
Totals	$ 1,998,972.00	$ 1,938,188.08	$ 60,783.91

IV. RECOMMENDATIONS