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Growth Corridors: the manifestation of a new agricultural investment approach in Africa

In the last several years, the number of agricultural growth corridors has been increasing. They are playing a growing role in agricultural development strategies and national policies in sub-Saharan Africa. Several donors, especially the World Bank and the African Development Bank, have made them the pillar of their agricultural development strategies, even though they have yet to show a positive impact on food and nutritional security or on the fight against poverty.

What exactly is a "growth corridor"?

Agricultural growth corridors are developed on agricultural lands with strong potential, where public authorities wish to encourage the concentration of public and private investments. They are often on irrigated or potentially irrigable land. They are equipped with infrastructures to support production, processing, and the marketing of agricultural commodities, and they are connected to regional and international markets for input procurement or the sales of products. They enjoy regulatory, legislative, as well as customs and/or tax facilities to encourage private investments. They are based on partnerships between public actors (States, donor countries, development banks, etc.) and private actors (major private investors, multinational firms, etc.) for the creation, financing, development, and management of all the activities that are carried out there.

Agricultural growth corridors are being promoted as part of a general approach – advanced by African governments, international organizations, development agencies, and multi-international agri-food firms – to provide incentives for large-scale private investment in agriculture.

This approach to agricultural development considers that the fight against hunger basically requires an increase in agricultural production and yields, especially since the world crisis in agricultural prices of 2007 and 2008, which caused famines in many countries, including in Africa. This view[1] mostly ignores the diversity in the causes of hunger, such as the level and stability of incomes of the poorest, the destination of the agricultural production, and access to diversified food, etc. It is a continuation of the Green Revolu-

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1.See in particular the "focus" of Grow Africa on private investment for increasing production and promoting food security in Grow Africa, Investing in the future of African agriculture, 2013: www.feedthefuture.gov/sites/default/files/resource/files/grow_africa_annual_report_2013.pdf tion's scale-up approach in Asia and Latin America, using its "mechanization, irrigation, specialized seeds, chemical fertilizers, and pesticides" package. At the same time, it redefines the roles of both States and private actors in the governance of value chains and the agricultural sector.

The growth corridor approach brings together intervention logics that were already present in agricultural development (large-scale irrigation, public-private partnerships, value chains for export, formalization of land deeds, and setting up contracts for family production, etc.). Agricultural growth corridors make private investors the key actors for governance, determination of objectives, and project implementation.

Yara, a fervent defender of growth corridors

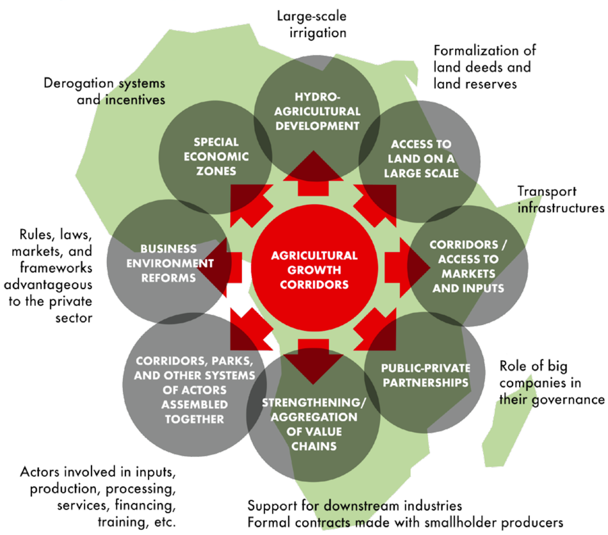
Yara International is the world's largest manufacturer and dealer in fertilizer (12% of the global market and more than 40% of the nitrogen fertilizer market). The company has been very active internationally in development initiatives in the agriculture sector in development countries, especially with its Foundation for the Green Revolution in Africa, created in 2005, and its involvement in the initiatives by Grow Africa and the New Alliance for Food Security and Nutrition (NAFSN). In 2008, Yara advanced the agricultural growth corridor concept at the private-sector forum on the sideline of the United Nations General Assembly.[2] The idea was put forward again during the annual meeting of the World Economic Forum (WEF) foundation in Davos in 2009 and included in the WEF "New Vision for Agriculture" project.[3] Yara then played a preponderant role in the launch of the Beira Agricultural Growth Corridor (BAGC), followed by that of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) in May 2010 during the WEF meeting on Africa in Tanzania. The concept and the agricultural growth corridors already launched were then supported by the Grow Africa initiatives from 2011 and included in NAFSN, which was launched by the G8 in 2012.

Growth corridor features

Agricultural growth corridors are based on public-private partnership. Public actors pay for the initial investments (development of the industrial perimeters, road or rail networks, ports, major hydraulic development). At the same time, they give up claim to tax and customs revenue by liberalizing the agricultural sector, so as to facilitate the business environment for private companies. As for the private investors, they pay only all or part of the operating costs directly related to agricultural production or processing. They are moreover raised to the rank of co-decision-maker and co-producer of development policies and programs in the targeted area.

Like special economic zones, the agricultural growth corridors seek to attract private investment through a regulatory environment and customs and tax regimes that are more advantageous. They may combine these with incentives on the national level, in order to decrease administrative and regulatory constraints and to facilitate the taking of market share for seed and fertilizer companies, etc. Within the designated growth corridor zone, they also benefit from reductions or exemptions from corporate tax and or tax on profits, from customs duties on the import of equipment, or from customs duties on product exports, etc. The development of incentive measures for a growth corridor can inspire general measures for the whole country. In Burkina Faso, for example, the terms provided for by the Bagré corridor have largely influenced the new investment code.

Agricultural Growth Corridors: multiplying lines of action to attract private investment



© ACF, CCFD-Terre solidaire, Oxfam France, *L'impasse des pôles de croissance agricole en Afrique*, 2017.

Tax aspects aside, the growth corridors also have direct impact on territorial distribution and the models of agricultural practices that develop there. The production factors, including land, are attributed in priority to private companies. The formalization of contracts between producers and these companies is largely promoted. This approach is also supposed to generate industrial employment for the rural population forced out of agriculture as well as to enable transfer of techniques, knowledge, and marketing opportu-

2. Helena Paul and Ricarda Steinbrecher, *African Agricultural Growth Corridors and the New Alliance for Food Security and Nutrition. Who benefits, who loses?*, Econexus, 2013: www.econexus.info/publication/african-agricultural-growth-corridors-and-new-alliance-food-security-and-nutrition-who-b
3. World Economic Forum, *New Vision for Agriculture*, 2012: www.weforum.org/projects/new-vision-for-agriculture

nities for producers who are approved by or have contracts with agri-food companies.
Support for the growth corridors relies on the idea that massive private investment will be able to develop the agricultural sector quickly and effectively and ultimately reduce hunger and malnutrition. However, the effectiveness of these public-private partnerships in the fight against poverty and for food security has not been proven. To date, there exist no cost-benefit analyses of these incentive measures for States, nor analyses of the windfall effect or real incentive for investors to develop their project.[4]

Risks related to growth corridors

It is difficult to issue an exhaustive and accurate progress report on the development of agricultural growth corridors, especially because of the absence of transparent monitoring of the investments made. However, the studies that have been carried out, particularly by Action contre la Faim, CCFD-Terre Solidaire, and Oxfam France, identify significant difficulties in the implementation as well as impacts that undermine the food security of local populations.[5]
First of all, we can see a marginalization of the smallholder producers in favor of production, processing, and marketing companies. Indeed, these latter are the foremost beneficiaries of the land, irrigation infrastructures, grants, and tax exemptions that are established. This marginalization often starts by land attribution that greatly benefits outside investors at the expense of the most vulnerable populations, as has been observed in both Tanzania and Burkina Faso.
The development of growth corridors is also characterized by the fact that the levels of investment identified or announced by the private sector are relatively low. This may be explained by the fact that the major investors are waiting for infrastructures, sector liberalization reforms, and tax or customs incentive measures to be established before launching their projects. National investors have moreover stated that they are waiting for support from the growth corridors for access to financing, especially access to loans, in order to invest. Agricultural growth corridors in fact do not resolve the crucial problem of financing agricultural investment. They actually make the problem worse, by ensuring that in the short and medium terms the investors involved in the growth corridor region do not contribute to the public budget, given the regulatory and tax-exemption measures implemented.
Finally, it should be pointed out that there is to date no proof of the impact of growth corridors on the quantity and quality (in terms of creation of decent jobs, poverty reduction, and contribution to the fight against hunger) of private investments in agriculture. On the contrary, the field surveys indicate instead that the food and nutritional security of the affected populations is endangered. For example, the establishment of contract employment, which is strongly promoted on these lands, is encountering difficulties and guarantees neither sufficient income for the most vulnerable producers, nor the development of decent jobs in the agricultural growth corridors.[6]

The Bagré growth corridor: illustration of the cocktail of advantages made available to the private sector

In Burkina Faso, the Bagré growth corridor launched in 2011 illustrates the criticisms made of the corridors. The specific tax regime of the zone grants tax and customs advantages to private investors (individuals or associations of groups, etc.) having signed an investment agreement with Bagrépôle, as well as to the subcontractors and management bodies of the growth corridors during the investment phase and operation phase. Full exemptions are granted for value-added tax, for customs duties and other levies charged for the import of goods and services used to carry out the project, and for value-added tax on purchases in the local market. Exemptions are also granted for corporate taxes and the business license tax, etc.[7]
Besides these tax and customs conditions, the development of the Bagré corridor also provides for making land available to the investors. This has led to land distribution in which 78% of the surface is reserved for investors and the rest for family farming. The companies that can benefit from access to these irrigable lands are selected through a call for tender. In addition to the above-mentioned exemptions, they enjoy land leases of 18 to 99 years. With 9,000 peasants having been directly affected by the project and displaced to enable the companies to set up there, the compensations promised by the Bagré growth corridor are not satisfactory to the local people. The village chief of Bagré even says that he was not consulted about the occupation and development of certain zones: "We were not informed when the project sought to go ahead with construction, even though there are areas with traditional practices and rights that must be protected."[8]

4. The IMF, the OECD, the United Nations, and the World Bank for example recalled in 2015 that the tax incentives often are a windfall for investors in developing countries and suffer from a lack of cost-benefit analysis. IMF, OECD, UN and the World Bank, *Options for Low Income Countries' Effective and Efficient Use of Tax Incentives for Investment*, 2015: www.imf.org/external/np/g20/pdf/101515.pdf
5. See the exhaustive list of risks identified in the report by ACF, CCFD-Terre solidaire, and Oxfam France, *L'impasse des pôles de croissance agricole en Afrique*, 2017
6. Bureau Issala and Inter-Réseaux, *Les pôles de croissance en Afrique de l'Ouest et du Centre, Réalités, impacts et enjeux*, 2017
7. Bala Wenceslas Sanou, *Action de suivi de la Nouvelle alliance pour la sécurité alimentaire et la nutrition au Burkina*, Oxfam France, 2014
8. ACF, CCFD-Terre solidaire, Oxfam France, *Bilan d'étape de la Nouvelle alliance pour la sécurité alimentaire et la nutrition*, 2015

Recommendations

Criticism of agricultural growth corridors is intensifying in Africa, not only from the local populations who have been displaced or despoiled of their land because of these projects, but also from actors in the local private sector that are not benefiting from agro-industrialization support, which is often formatted for big investors. Peasant organizations are also mobilizing. The Network of Peasant and Producer Organizations of West Africa (Réseau des organisations paysannes et de producteurs de l'Afrique de l'Ouest – ROPPA) and other organizations from African civil society and around the world,[9] for example, are noting that the growing interest by political decision-makers from West Africa in the concept of growth corridors is based on a simplistic presupposition that there is a natural link between investment, economic growth, and poverty reduction. They are also denouncing the fact that support for this development model promotes a two-tier agricultural system that favors investments by national and multinational companies to the detriment of those by family farms.

Until there is a strategic reorientation or a demonstration of the effective contribution of growth corridors to the reduction of food insecurity, the member organizations of Coordination SUD's Agriculture and Food Commission call on donors, and especially Agence Française de Développement (AFD) to take steps to stop the financing of activities linked to agricultural growth corridors in Africa. We call on the AFD Group to:

• bring into reality the prioritization, affirmed by France, to be given to family and peasant farming, by undertaking not to participate in direct or indirect support for agricultural growth corridor projects; and to

• launch evaluation studies on the social, economic, and environmental impacts, in terms of food and nutritional security, of the agricultural growth corridors supported directly or indirectly by the AFD group.

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9. Confédération Paysanne du Faso and ROPPA, *Atelier régional de partage d'expériences et de réflexion sur les « pôles de croissance »*, Final declaration, 2016 : http://cpf-bf.org/IMG/pdf/rapport_atelier_regional_cpf_vf_diffusion.pdf

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As part of its mission to support the collective advocacy of its members, Coordination SUD has set up working committees. The Agriculture and food Commission (C2A) brings together international solidarity NGOs working to realize the right to food and increase support for smallholder farming in policies that impact world food security: ActionAid France, Action contre la Faim, AEFJN, aGter, Artisans du Monde, AVSF, CARI, CCFD-Terre Solidaire, CFSI, Commerce Équitable France, CRID, Gret, Inter Aide, Iram, ISF AgriSTA, MADERA, Oxfam France, Secours Catholique-Caritas France, SOL and UNMFREO.

The C2A is in charge of the representation of Coordination SUD to institutions dealing with agriculture and food, such as the Interministerial Group on Food Security (GISA) and the Civil Society Mechanism (CSM) for the Committee on World Food Security (CFS).

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