

**The Alliance for A Green Revolution in Africa**  
**Micro Reforms (Policy, Regulations and Law) for African Agribusinesses (MIRA)**  
**Some Perspectives on Input Market Reform Opportunities**  
**July 2015**

**Missing or ambiguous policies/regulations**

Area	Problem policy/regulation	Consequence	MIRA Interventions
Seed	The Seed Act is almost done but draft regulations compulsory testing all varieties domestically and registration in national variety catalog (but no provision for Lists A, B and C as in ECOWAS seed regulations) and contradict ECOWAS harmonized rules and regulations that require testing and registration in member country for entry in West Africa Catalog. Lack of regulations to operationalize Seed Act and ensure quality, quantity, nutrient contents, and truth-in-labeling and penalize seed companies adulterating seed.	Seed companies incur increased costs of introducing and testing varieties Limits introduction of varieties that meet the standards of ECOWAS even if the variety is a known good-performer in a neighboring country with similar growing condition. Limits farmers' choices, quality, availability, farm gate prices.	Provide technical assistance to reform seed regulations to accommodate ECOWAS regulations seed quality, seed processing, and financing the seed sector.
Seed	National Biosafety Agency Act (2014) to authorize release of GMOs and practice of biotechnology in place but need regulations to operationalize the law.	Delays in commercialization of products such as Bt-cotton, Bt-maize, Herbicide Tolerant (HT)-soya beans, which are already in South Africa, Burkina Faso and Egypt. Reduced profits to seed companies and yield productivity to ensure food security and industrial growth especially in textile industries.	Provide technical assistance to put in place regulations to operationalize National Biosafety Act.
Seed	Protection of Intellectual Property Rights (IPR) or Plant Breeders' Rights is part of the Bill waiting for the President's signature. Nigeria is not a member of UPOV. Even under Seed Policy Initiative in Africa (SPEAR) one of issues raised is that PBR should be addressed.	Limited protection of IPR delays introduction, registration and commercialization of privately bred varieties because no legal recourse if new technology is stolen. Nigeria National Seed Council (NASC) requires seed companies to hand over parental line to state as part of registration process but in international seed systems the only generation of seeds that needs to be evaluated is generation sold to farmers as certified seed. Lack of industry growth. Lack of private competition. Farmers lack access to modern varieties. Potential benefits to farmers not captured.	Provide technical assistance to put in place regulations to operationalize PBR and DUS based on UPOV

Fertilizer	The Fertilizer Law is almost there. New Fertilizer Control Bill of 2013 each require field tests and committee approval of all new types of fertilizer and fertilizer formulas sold to farmers, which is directly inconsistent with ECOWAS regional approach of truth in labeling. Lack of regulations to operationalize the law and ensure quality, quantity, nutrient contents, and truth-in-labeling. Lack of law to penalize fertilizer adulteration.	Compulsory registration increases costs of companies to innovate, research, introduce and bring to market new fertilizers especially blends based on soil mapping and testing. Gains from locally blended savings on the transportation of inert fillers that account for around 50 percent of the bulk of finished products including imported granular compounds. Selling underweight fertilizer and sub-standard fertilizers underweight bags and adulterated products (even ash and sand). Low use of fertilizer	Provide assistance to update and/or draft national fertilizer policy and quality regulations and ensure they are aligned to ECOWAS regional regulatory frameworks. Government is headed in the right direction but need to interlink the private sector and have incentives.
Markets	Lack of legislation and regulations to undergird structured markets for agricultural commodities in domestic, regional and international markets to absorb surplus production. Lack of forward or backward or spot markets for grain. No off takers. Commodity exchange and warehouse receipt only on paper. Reforms have been started to stabilize prices, improve price discovery, and assure access of farmers to markets. But all that cannot happen in an institutional vacuum given that agricultural marketing boards have been dismantled. The reform actions are creating marketing corporations that are private sector led to do similar things as marketing boards. This include providing supporting information and grades and standards. But the marketing corporations will not buy and control prices. Five marketing corporations are being set up for cotton, cassava, maize, legumes and horticulture.	Lack of structured markets fail to provide vent for marketable surplus production by farmers and adoption of improved seed and fertilizer technologies for intensification. Stagnant yields, profitability, income and food insecurity.	Provide technical assistance to develop legislation and regulations for (a) Warehouse Receipt System which is a prerequisite for commodity exchange; (b) establishment of marketing corporations.
Agricultural finance	Businesses perceive high level of risk in agriculture. Lack of integrated institutional arrangements to de-risk value chains and get banks to finance (inputs, trade and export and import financing,). Risks include credit, crop loss, price and policy risks. Lack of off takers that are large scale commodity trading and processing companies difficult to give credit. There is a rapid growth of finance going to agriculture. Before 2013 the share of agricultural credit was 0.7%. As of 2013 it was 5% in 2014 it was 7% and in 2015 it was 10%. This growth occurred with a 0 default rate. But still there are issues of access to affordable finance by millions of smallholder farmers. One need is to do particularly by women farmers. NIRSAL project supporting like a credit guarantee to encourage giving out loans to farmers because of risks involved. Encourage banks to give loans so that risk levels will be minimized	These areas have been killing appetite of banks to engage in supply of credit. Lack of off-takers, banks not developing financial products such as loans for export; agro dealers; warehouses (buying from farmers); logistics; purchasing; and farm input, machinery and equipment	Provide technical assistance to increase financial inclusion through financing linked to supply chain and risk management and sharing. Put in place missing value chain integrated institutional arrangements to deal with risk and resolve access to credit such as costs tied up buying fertilizer; assets and infrastructure such as irrigation and machinery leasing schemes; trade and markets enabling technology ICT and e-wallet and risk management credit risk, user risk and residual risk looking at how manage side selling, production risk, side selling risk, credit risk.
Land	Land rights not formal. In Nigeria title belong to the government and by extension to the Governor. The majority of the population earning incomes from agriculture but do not have land rights. Women do not own land.	Financing problem because farmers unable to use land as collateral for bank loan. Lack of rental markets; and land fragmentation. Land grab. Investors are not interested in 1 to 3 acres. They want 1000s of acres. Unless someone seen that for over 20 years hold onto land will not touch it.	Provide technical assistance for a conducive land policy for example anchoring property rights from communal land to he or she has a title that is bankable. Women should own title. Financial institutions can provide loans. Land titling is an incentive for investments by local and international investors.

## Economically flawed policies/regulations

Area	“Problem” policy/regulation	Consequence	MIRA interventions
Seed	The Government intervenes through Agricultural Growth Enhancement Scheme (GES) input subsidy schemes through seed subsidy. Subsidy is working and beneficial. When the government started GES had 18 companies. Nine major firms had combined annual sales of 10,000 tons of all seeds. By 2014 maize seed sales alone 61,000 tons (hybrids 10,000 mt). Global seed players (Syngenta, Pioneer DuPont, Monsanto, West African Cotton Company) also entered. Syngenta But increased spending on input subsidies induced entry of new companies to carry out multiplication of seed. There are widespread reports that grain is being paid for and given out as seed under GES.	Seed industry supplying recycled grain which is a much worse outcome than using self-saved landraces. Selling recycled seed to farmers reduces adoption and chokes off demand. Seed chases fertilizers when fertilizer should chase seed.	Provide technical assistance to develop institutional arrangements to improve GES seed subsidy, close loopholes and exit.
Fertilizer	The Government intervenes through fertilizer subsidy. Subsidy is working and beneficial. In the first year of GES in 2010 started with reaching 5 million farmers, then increased to 8, 10 and 12 million farmers in second, third and fourth years and 15 million in 2014. But GES allowed all kinds of fertilizers to be supplied by firms including briefcase companies from outside the country without domestic checks on quality, weights, and date of manufacturing discouraging blending Fertilizer firms interviewed in this study expressed their worry that GES has some loopholes. Not all targeted farmers are getting fertilizer. Some companies do not deliver fertilizers to farmers because they buy it back. In five years time all fertilizer subsidy taken off. But will not happen because farmers are not growing. Price of fertilizer not being controlled by the government and is market-determined	Fertilizer firms not expanding investments in local blending for area and crop specific fertilizers. Development of a competitive and efficient fertilizer supply chain is impeded. Limited innovation in soil analysis and mapping; domestic manufacturing of fertilizer blends and investments in new technology how to use fertilizers and extension educating the farmers. Farmers are not achieving fertilizer use efficiencies that should be based on soil tests. Farmers lower profitability, income and return to investment if fertilizers.	Provide the Government with technical assistance to improve GES through putting in place institutional arrangements to control rent seeking, getting fertilizers directly to farmers through a credit card and not vouchers, giving domestic fertilizer manufacturing companies the right of first refusal to participate in GES and developing an exit strategy
Finance	Bank of Agriculture is a traditional agricultural development bank with credit and developmental functions. BoA is not driven by profit maximization but breaking even. When give loans lending rates lower than commercial banks to encourage people to access funds. Lending rates about 12% compared to those of commercial banks of 25-30%. Conditions of commercial banks more stringent. NIRSAL project supporting like a credit guarantee to encourage giving out loans to farmers because of risks involved. Encourage banks to give loans so that risk levels will be minimized. A certificate that whoever take on a loan must be insured. Some people say monopoly because only one company	Farmers fail to obtain timely access to credit. Loans fungible and invested in non-agricultural projects and used for consumption.	Provide technical assistance to implement institutional and regulatory changes to let other companies enter the industry in order to achieve some reach to farmers in millions. Properly implemented insurance restructure NIRSAL
Crop insurance	Nigeria Agricultural Insurance Company funded by the government gives NAIC 60% subsidies. Monopoly. How get a wider insurance scheme to crowd private firms in?	A few companies given licenses to run agricultural insurance but cannot operate. Do not know how these subsidies are being released. . Subsidies small and not released timeously Agricultural insurance is very risk may not be profitable for them have shareholders who will be claiming for their dividends drive very hard.	Provide technical assistance to reform NAIC law and regulations to allow other companies come in.

## Excessive policies/regulations

Area	“Problem” policy/regulation	Consequence	
Seed	<p>To register a seed company is a process. It takes fairly quickly (about 3 months) to officially register a company in Nigeria (with Corporate Affairs Commission). But it takes about 3 years to register a seed business with the National Agricultural Seeds Council (NASC) of Nigeria. NASC needs to inspect the seed company's infrastructure, including administration and offices, research and development facilities or leasing, breeder seed premises, foundation seed, certified seed processing warehouse facilities, distribution, marketing, employees' expenses, breeder and foundation production facilities.</p>	<p>Increases costs for companies to do business and reduces return on investment. Reduces seed companies in the market, competition, innovation and services and seed supply quantity, price and quality. Farmers have poor access to seed (choice, quality, price affordability). Farmers achieve low yields, productivity, profitability, incomes and food</p>	<p>Provide technical assistance to reform seed firm registration and licensing.</p>
Seed	<p>Compulsory variety testing, release and registration by government officials. It takes 2-3 years or more for new seed varieties to be released even if they have been tested by breeders during the breeding period in trial and they are already being used in neighboring countries. Also required field trial by farmers in addition to the research institutions. The charges can range from US\$1,000 to 5,000 per trial. A company can pay US\$20,000-US\$30,000 per season for advanced variety trials for 25 plots. It cost much less for a private seed company to evaluate its hybrids and varieties in using internal system of observation trials, then preliminary variety trials then advanced variety trials. Seed companies also need to pay for the variety release committee to meet: airline tickets, accommodation and per diems. It may cost US\$20,000 to release a variety</p>	<p>Increased costs for companies to introduce new cultivars (time, money, and uncertainty to register a new cultivar). There is also tax write off for R&amp;D by seed companies. Demands on government experts to test and evaluate cultivars locks up resources for public research. The time to release increases investment lags and reduces yields and profits for farmers as well as benefits to the economy (consumers, agri-processors, exporters).</p>	<p>Provide technical assistance to ongoing policy and regulatory reform actions.</p>
Seed	<p>Production and maintenance of pre-basic and basic seed of publicly-bred varieties and hybrids is dominated by the government. Privately owned varieties are allowed and private companies allowed to produce foundation seed. But Nigeria National Agricultural Seed Council (NASC) requires seed companies to hand over parental germplasm to the state as part of the registration process. NASC says this is to facilitate DUS and VCU evaluation, but in international seed systems, the only generation of seed that needs to be evaluated is the generation sold to farmers as certified seed. The inbred lines and other parent stock from which certified seed is produced do not need to be tested according to UPOV guidelines. Even after approval NASC does not allow private companies to maintain their own varieties for commercial purposes and insists that all breeder seed must be produced by</p>	<p>Increased costs of production of breeder and foundation seed because of lack of coordination of production and matching the supply of different generations of seed against companies' sales projections. Insufficient supply reduced certified seed production, availability and use by farmers. Poor incentives for variety maintenance resulting in contamination of parent seed and fake seeds. Certified seed of few varieties of each crop produced and marketed. Stagnant yields, low profitability, incomes and household food security.</p>	<p>Provide technical assistance to reform regulations and administrative practices for pre-basic and basic seed production of publicly bred varieties to increase access by private seed companies.</p>

the NARIs

Seed	<p>Mandatory seed certification (field visits and laboratory analysis) and quality control along the supply chain dominated by NASC. In developing countries certified seed production requires one inspector per 40 hectares of seed crop. In Nigeria there is one inspector per 400 hectares. NASC requires 100-150 inspectors to have adequate staff for the area planted to seed in the country. The government has no salaries for trained inspectors, transportation, and well equipped laboratories. There are only 48 inspectors. How can 48 inspectors carry out the job of 150 inspectors?</p>	<p>Poor quality seed being allowed onto the market as “certified seed” and/or to perfectly good quality seed being rejected because of inspectors not able to inspect all crops “by the book”. Fake seed act as a tax on farmers. Limited production of certified seed to meet demand. Farmers unable to capture the benefits of improved varieties, no technological change, yield stagnation, low profitability and income growth.</p>	<p>Provide technical assistance to reform mandatory seed certification by government and allow for accredited private firms to engage in seed certification as an alternative to state certification and competitively based quality control based on branding during marketing and distribution. considering allowing</p>
Fertilizers	<p>Compulsory testing and registration of fertilizers by product and not by nutrients truth in labelling law. Three separate agencies have overlapping responsibility for different aspects of fertilizer control: the Federal Fertilizer Department (FFD), the National Agency for Food and Drug Administration (NAFDAC), and Standards Organization of Nigeria (SON). NAFDAC has a broad mandate to control all kinds of food and chemical products and responsible for inspecting fertilizer at the port of entry but does not have any inspectors trained in fertilizer analysis. FFD inspects manufacturing plants and blending facilities, but does not have inspectors working at the distribution or retail levels. The FFD also does not have authority to levy penalties as required by ECOWAS. National Fertilizer Development Centre in Kaduna is the reference laboratory for checking that the products comply with SON standards, but is currently not operational</p>	<p>Private sector firms reduce investment, higher prices and inferior delivery to farmers. Farmers limit fertilizer use applying lower technology getting lower yields</p>	<p>Provide technical assistance to regulatory reforms to put in place institutional arrangements to streamline responsibilities of FFD, NAFDAC and SON.</p>
Finance	<p>Central Bank of Nigeria</p>		<p>Provide technical assistance for regulations to underpin functioning of mobile money transfers, banking and credit.</p>

## Poorly implemented policies/regulations

Area	“Problem” policy/regulation	Consequence	MIRA Interventions
Seed	<p>The high demand for GES seed of supplying 20 to 25kg of certified seed to five million farmers (100,000 to 125,000 tons) given NASC staff of 56 inspectors means each inspector would have had to visit some 600 to 745 hectares excluding breeder and foundation seed plots. This is impossible. There is a Unit in the department to control fake seeds by making random visits to the community, drawing samples and carrying out laboratory tests to determine if meet requirements. But the Unit is not funded and has no logistics. Weak enforcement allows unscrupulous traders to repackage and/or adulterate genuine products, resulting in poor quality and outdated products.</p>	<p>Fake seeds is a problem. There has been no apparent effort to prosecute cases of counterfeiting despite widespread reports of grain being sold as "certified seed" through commercial and state subsidies channels. No quality control. there are frequent complaints for poor quality and of outright counterfeiting with ordinary grain being disguised as certified seed Traders are not aware of the rules. Farmers then are unsure about the make-up of the available fertilizers.</p>	<p>Provide technical assistance to reform funding and institutional arrangements of seed quality control procedures.</p>
Fertilizer	<p>Limited implementation of fertilizer regulations including quality inspections. No efforts made to prosecute known violators selling under grade and/or underweight fertilizer.</p>	<p>Quality control systems are overstretched. Reports of bad quality and underweight products being sold through the GES and private channels. Farmers do not use correct types for different crops and soil types. Fertilizer use efficiency low. This is killing local fertilizer companies developing blending for area and crop specific fertilizers. Limited fertilizer supply and distribution. Farmers do not invest in expanded fertilizer use. Limited productivity, profitability, incomes and food security.</p>	<p>Provide technical assistance to reform funding and institutional arrangements of fertilizer quality control procedures</p>