

Tapping the Potential of Regional Agricultural Trade

Why regional cooperation and integration are important for CAADP and food security

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Trade enables farmers to capitalize on the economic potential of their produce, helping to turn agriculture into one of the most important contributors to income generation and pro-poor growth. Intra-African trade, and regional integration in general, can surely help African agriculture live up to its pro-poor growth and food security potentials, but the right synergies have to be found between different components of regional cooperation and integration as well as between different public and private stakeholders.

1. Poor performance of African agricultural markets

Africa is a net importer of agricultural products, while patterns of agricultural export are largely characterized by a small number of traditional commodities and dependency on preferential access to a few markets in developed countries. Only about 20-25% of local agricultural production is marketed¹ and intra-African agricultural exports account for only 19% of total intra-African exports.² The poor performance of the sector is attributable to a combination of factors: declining investment in agriculture; inadequate physical infrastructures; high cost and shortage of fertilizers and high quality seeds; restricted access to credit; limited access to regional and international markets; and lack of conducive policy and business environments.

¹ UNECA. 2010. Assessing Regional Integration in Africa IV: Enhancing Intra-African Trade.

² UNCTAD. 2009. Economic Development in Africa Report 2009: Strengthening Regional Economic Integration for Africa's Development. However, it is important to note that most of intra-African agricultural trade is informal and therefore remains largely unrecorded.

2. Individual countries alone cannot address certain challenges and tap important opportunities

Regional integration and regional agricultural markets are particularly important for African agriculture, since national markets and institutions are too small to bring about all the needed transformation of African agriculture. The markets within national boundaries are often too small to justify investments, since both adequate supply of inputs and sufficient client bases (demand) remain too expensive or out of reach. Policies and markets need to be developed at the regional and continental levels for Africa to be able to respond to the growth opportunities related to international markets and to its own food demand (projected to increase exponentially over the next twenty years due to demographics and urbanization).

Africa has 60% of the world's total amount of uncultivated arable land and an immense potential for agricultural productivity growth. However more attention should be dedicated to increase the productivity of small-scale farmers, who contribute around 90% of Africa's agricultural production but remain largely locked out of trade dynamics³ due to the constraints mentioned above. Removing such obstacles as inadequate infrastructures and lack of conducive business environment requires not only action at national level but also cooperation among neighboring countries. What is the point of increasing agriculture productivity if those goods (in increased quantity and quality) cannot move smoothly across borders between areas/countries where there is a production surplus (and willingness to sell such produce) and those where there are deficits (and willingness to buy such produce)? In many cases, moving the produce more efficiently requires better roads from one country to another, faster clearance of the goods at customs, removing trade barriers like tariffs and unnecessarily different quality standards between neighbours, all of which can only be tackled through regional cooperation.

3. Coherence and coordination of different regional initiatives enhance their chances of success

Regional integration and agriculture development, and in particular intra-African agricultural trade, offer a great potential for food security and pro-poor growth in Africa, if they can work in synergy, especially at the regional level. However, great challenges remain for both the coherence and coordination of trade and agriculture policies and programmes. Various separate processes are ongoing to promote agricultural development and encourage regional trade, with particular traction respectively for the Comprehensive Africa Agriculture Development Programme (CAADP) and the development of infrastructure corridors. Trade liberalization processes are also under way in the African regional economic communities (RECs), with diverse progress in different regions. The weak communication across the agriculture and trade sectors/communities (both within African governments and within the donors' agencies), and the parallel - and at times competing - policy frameworks and arenas hamper the creation of much needed synergies.

Better coherence, coordination and complementarity between trade, infrastructure and agriculture (including in terms of the external support for their development) are needed to ensure that those policy frameworks stimulate public and private investment and the development of agricultural markets. To turn around the above question, what is the point of establishing a functional trade corridors system connecting different African countries if farmers and other companies cannot produce efficiently and cannot access those corridors because of trade barriers? What is going to flow along those corridors, once built? Infrastructure development must be matched by increased (agricultural) productivity and better trade policies, as much as the other way round is true.

³ Mo Ibrahim Foundation. 2011. African Agriculture: from meeting needs to creating wealth.

4. Regional CAADP can improve effectiveness of ongoing regional integration initiatives

Important synergies between CAADP, trade policy and corridors can be created in the context of the overall process of regional integration. This can be done for instance by including in regional CAADP compacts and investment plans measures that contribute to the development of 'agriculture trade corridors' and other regional trade tools, such as regional market information systems, match-making exercises between buyers/sellers, etc. This could complement ongoing regional infrastructure programmes, in other words 'hardware' construction, contributing to the strengthening of their 'software' components, through the support to regional value chains development and trade facilitation. The availability of information such as surplus/deficit areas of food production and the overall regional food balance sheet is key not only to enhance food security for members of a REC but would also be very important to facilitate increased flows of intra-regional trade, which is the last phase of the development of the corridors (i.e. the actual increased volumes of goods transiting through them).

5. Lessons from regional integration can help the effectiveness of regional food security action

Slow progress on regional integration therefore negatively affects also the achievement of food security objectives. The existing bottlenecks to regional integration in Africa, in particular the lack of 'domestication' and transposition of regional decisions at national level, point to the need to learn from past experience if intra-African agricultural trade is to expand and contribute to food security and economic growth. The focus should not (only) be on formal and institution-intensive integration arrangements. More limited approaches may be preferable (at least in a first stage), prioritising trade facilitation and regulatory cooperation in areas related primarily to the conduct of business. Pragmatic efforts towards effective regional integration should therefore not be reduced to the adoption of broad regional policy frameworks (as in free trade agreements or a regional CAADP compact), but should also target the development of business-oriented transport and regulatory systems for specific sectors, in this case effective CAADP investment plans.

6. Coherence and coordination of regional and national action increase the value of both

The core mandates of the RECs include the implementation of regional CAADP and numerous regional integration programmes. These should be coordinated, coherent and complementary to national action. To do so requires designing and implementing regional CAADP plans as policies and actions to complement national investment plans, while ensuring that such national interventions positively contribute to effective regional integration. The development of viable national CAADP investment programmes targeting among other things regional trade opportunities and the adherence to existing regional agricultural policy frameworks are crucial steps in this regard.

7. Linking food security and regional integration can help public-private cooperation within CAADP

Such improved 'bridging' between agriculture and trade, together with stronger steps to develop regional agricultural markets in Africa, could contribute to three additional results. Firstly, it could improve the much-needed public-private cooperation, without which public policies risk not to address the real needs of the private sector thus reducing their expected impact. There is potential for farmers and traders to provide more input and expertise to design relevant regional CAADP measures, but they need to see the value of

such increased engagement. Reducing administrative barriers to regional investment and better linking the production and distribution aspects of agriculture development could attract the attention of the private sector and agricultural stakeholders.

8. Bridging agriculture and trade stimulates private sector investment and sustainability

Secondly, linking CAADP and regional integration would help regional CAADP implementation to remain relevant and sustainable over time, by linking the CAADP frameworks and measures to the real business-led developments in the RECs such as infrastructure corridors, trade and investment joint ventures between neighbours, foreign direct investment flows, etc. Indeed at national level the countries that made notable progress on CAADP implementation are those that identified investment opportunities and/or policy priorities integrating different key areas of infrastructure, finance, and access to markets, extension services, access to inputs, and the institutional structures that are needed to enable all of these. The government can address market failures by improving policies and institutions through CAADP, but public investment will never be enough and -to be sustainable- CAADP must be able to leverage private sector investment in agriculture and trade.

9. Synergies across sectors also enhance the effectiveness of development partners' support

Lastly, 'bridging' agriculture and trade would also enhance aid effectiveness through better coordination, coherence and task division across aid sectors, in the context of CAADP support programmes and others such as Aid for Trade, which also includes the development of trade corridors. Some development partners recognize this and are in the process of designing programmes to support regional food markets in Africa. Such approaches, to be tested out and further expanded in line with the specificities of each REC, include: support for rural traders and warehouse receipt systems; challenge funds with the private sector sharing risks in private sector investments in regional food markets (post harvest losses, commodity exchanges); and development funds for supporting services, value chain/corridor development and research and policy advocacy.

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