

## Mobilizing Aid for Trade to Enhance CAADP Regional Trade and Private Sector Initiatives

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### 1. Background

The Comprehensive Africa Agriculture Development Programme (CAADP) is playing a crucial role in improving coordination among various players for the development of agriculture strategies, and mobilizing expertise and resources to support them. While initially focused on increasing public investment in agriculture and donor support to public expenditure, CAADP has also led to the realization that a real transformation of Africa's agriculture will depend on its capacity:

- to develop more efficient agriculture markets and boost intra-Africa trade, and
- to use public resources to leverage private investment, both foreign and domestic.

Two of the main challenges in building the enabling conditions to boost intra-Africa trade and in capitalizing on private investments are:

- weak coordination between agriculture and trade institutions in planning and developing coherent national and regional strategies in support of efficient agriculture markets;
- limited scale and coordination of the blossoming number of initiatives established to catalyse private sector engagement and investment in agriculture, as well as inadequate communication between private sector partners, country and regional partners.

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To strengthen coordination and planning capacity across sectors and private sector initiatives, the African Union Commission (AUC) and the New Partnership for Africa's Development (NEPAD) Planning and Coordination Agency (NPCA), in collaboration with the Regional Economic Communities (RECs) and CAADP Development Partners, have established two complementary platforms:

- **The Joint Action Group on Regional Trade and Infrastructure (JAG-RTI), which** aims to mobilize coordinated support for the development and implementation of regional CAADP Compacts and Investment Plans (IPs), by pointing out priority interventions for strengthening regional agriculture markets, promoting regional value chains and agriculture corridors as well as improving dialogue and coordination with trade institutions.
- **The Joint Action Group on Private Sector Initiatives (JAG-PSI), which** aims to facilitate coordination, complementarities and synergies of CAADP-related private sector initiatives, and to promote focused multi-stakeholder partnerships based on value chains and geographic areas in an effort to reach the scale of investment required for real agriculture transformation.

Resources are needed to sustain the efforts of the AUC and its partners to:

- Facilitate the overall process of "bridging" the trade and agriculture sectors through the engagement of the RECs and their member states in policy dialogue and the alignment of CAADP IPs with trade development plans;
- Develop and implement projects and programmes at regional and country level drawing on enhanced planning frameworks and increased interaction across sectors.

## 2. More Aid for Trade in agriculture

The AU Action Plan for Boosting Intra-Africa Trade (APBIT) already provides an overarching framework and overall orientation in terms of the intervention areas to boost intra-Africa trade. Numerous initiatives already exist to address trade and infrastructure issues at regional and national level. Many of these have been developed under the umbrella of "Aid for Trade" (AfT).

AfT is expected to target the trade-related priorities of the recipient country/region which should be determined through a consultative process involving all the different sectors of the economy and result in comprehensive national/regional trade development strategies. In practice, weak coordination has often resulted in AfT financing only the projects run by the Ministries of Trade, without an holistic approach to broad-based economic growth through trade, hence with limited impact on poverty reduction.

While AfT has been increasing steadily since 2005, it is only in recent years, after the food crisis of 2008, that attention has shifted to better understanding the political and economic dynamics related to regional agricultural markets and food value chains. AfT has to deal with all sectors of the economy, but evidence has proved that the impacts of increased trade on poverty reduction depend on whether trade-induced growth occurs in sectors where a large number of the poor are economically active. In Africa this sector is agriculture. This provides the justification for putting more emphasis on increasing AfT investment in the agriculture sector.

This is why the CAADP partners have started to look at how to build bridges between CAADP and AfT. In addition to promoting policy dialogue, the ambitious objectives of bridging trade and agriculture can be achieved by building synergies between CAADP and AfT implementation structures at global, regional and country level, as well as by sharpening the focus of AfT on how best to support agricultural markets and value chains based on the priorities identified in each sub-region.

Regional CAADP Compacts and IPs are currently under development, and therefore the linkages across sectors can be embedded in the process. However, in most countries each sector already "owns" sectoral programmes and processes which are not sufficiently coordinated. In these cases, National CAADP Compacts and IPs should be "connected" to the parallel processes related to the design of trade development plans, especially the Enhanced Integrated Framework (EIF) in LDCs, to ensure consistent planning and integrated actions.

This note points out some **priority areas** to be supported to **strengthen the capacity of African countries and RECs to leverage synergies and pool public and private resources channelled through AfT, CAADP and related private sector initiatives**. It is only through coordination, complementarity and the integration of the various processes that the development of regional agriculture markets and scale-up of private investments in agriculture and food value chains can most effectively be promoted. This implies:

- Realizing institutional transformation across agriculture and trade institutions to improve coherence of agriculture and trade development plans in defining regional and national priorities for the development of effective agriculture markets and value chains.
- Strengthening the operational capacity of countries and the RECs to i) target support channelled through agriculture and trade institutions and multiple private sector initiatives; and ii) select appropriate value chains and geographical areas. Strengthened operational capacity would also help avoid fragmentation and achieve the scale needed to meet the increasing demands for assistance.

### 3. Supporting institutional transformation

#### 3.1. Policy dialogue at the level of AUC, RECs and member states

Continuous policy dialogue at continental, regional and national level could improve communication and facilitate the strengthening of linkages between trade and agriculture by drawing on the principle of subsidiarity. Expanded policy dialogue would require several steps:

- **A Joint Ministerial Meeting on Trade and Agriculture at the AUC level every year** to take stock of the progress made on regional trade and private sector initiatives and provide strategic guidance on the way ahead.
- **Regular consultations among AUC/NPCA, RECs and Member States**, involving both agriculture and trade institutions to:
  - discuss the needs/challenges to develop regional agriculture markets and value chains which are specific to the respective sub-regions, and to develop a common position among the different groups in preparation for the AU Ministerial.
  - share knowledge and experience in building “bridges” between sectoral processes and improve coherence of CAADP IPs and Trade Development Plans.
- **A communication strategy** to guide the RECs and their member states in harmonizing their sectoral processes, and strengthening the coherence between national and regional implementation of CAADP.
- **Case studies and publications on best practices**, which could be used to support the RECs and their member states to raise awareness about the bottlenecks for the development of regional agricultural markets, and to discuss such issues in the appropriate international fora (e.g. WTO/AfT), so as to mobilize policy, partnerships and financial support to address them.

#### 3.2. Further development of Regional CAADP Compacts and Investment Plans

Regional CAADP Compacts and IPs are currently under development and may become the instruments for the RECs to identify and operationalize the synergies among the different sectors, coordinate their respective initiatives, prioritize related actions, engage the different stakeholders’ groups (i.e. member states, farmers’ organizations, private sector, development partners, South-South partners, etc.) and mobilize coordinated support for implementation. This process would entail:

- **Conducting research** on regional challenges and priorities for the development of agricultural markets and value chains;
- **Organizing consultations** including amongst agriculture, trade and other relevant regional stakeholders, including the private sector, to:
  - identify and prioritize regional interventions for the development of agriculture markets and value chains.

- agree on a Road Map/Action Plan to support the implementation of the agriculture trade development priorities identified, including a “project development pipeline” for value chain support.

These activities are partly included in the on-going development of Regional Compacts/IPs. However, it might be useful to have additional support to strengthen the participation of the private sector in the process and also to improve the capacity of integrating value chain development issues in the Regional CAADP Road Maps.

### 3.3. Aligning CAADP investment plans and national trade development plans

The ambitious objective of building bridges between trade and agriculture to ensure consistent planning and integrated actions in support of the development of agriculture markets and value chains could be achieved by connecting the National CAADP Compacts and IPs to parallel processes related to the development of trade development plans, especially the EIF in LDCs. Important steps would include:

- **a comparative analysis of CAADP Compacts/IPs and the Diagnostic Trade Integration Study (DTIS) and related Action Matrix (AM)<sup>3</sup>** to provide evidence and recommendations in regard to:
  - existing gaps in the definition of the agriculture trade development priorities within the DTIS/AM and the Compacts/IPs, and how to fill these gaps.
  - if/how the trade development priorities in the DTIS/AM can feed into Compact/IP design or update, to avoid duplication of analysis and research activities.
  - if/how the priorities for the development of regional markets for food products identified in the Compact/IP can inform the process for the DTIS update.
- **consultations** including agriculture, trade and other relevant national stakeholders, including the private sector, to:
  - discuss the actions needed to improve planning and financing of agriculture trade development priorities based on the findings and recommendations of the comparative analysis.
  - identify and prioritize 3 or 4 agriculture value chains (to be selected based on their commercial potential and capacity to contribute to food security and poverty reduction)<sup>4</sup> to be supported across sectors.
  - agree on a Joint Road Map/Action Plan to support the implementation of the agriculture trade development priorities identified, including a “project development pipeline” for value chain support.

### 3.4. Building the capacity of the RECs and member states to develop coherent regional/national strategies for the development of effective agriculture markets and value chains

Coherent regional and national strategies for the development of effective agriculture markets will require capacity building for agriculture and trade institutions to improve their awareness and understanding of the development priorities of each sector and of the sectoral processes established to support them. **Capacity-building events** could be organized at a sub-regional (and possibly also national) level, to strengthen the capacity of the RECs, government officials and other relevant stakeholders to:

- design and implement inter-related policies/strategies/development plans in the areas of trade, agriculture and food security;
- bridge sectoral processes;
- develop regional investment plans to allow the mobilization of partnerships and resources in support of the implementation of regional priorities;
- mobilizing resources around investment plans by engaging different stakeholders (i.e. private sector, traditional ODA providers, emerging economies, etc.), and trying to maximize synergies among investments.

<sup>3</sup> In non-LDCs there is no structured approach to trade development plans as in the case of the EIF, but there is normally an AfT focal point in trade ministries and a strategy/programme to guide AfT support in the specific country.

<sup>4</sup> Experience shows that priority value chains identified by each sector may differ, with agriculture focussing on staple crops and trade on cash crops.

## 4. Enhancing operational capacity

### 4.1. Multi-stakeholder coordination platforms/working groups

Multi-stakeholder coordination structures could be established at both the regional and national level to provide strategic direction for the implementation of the Joint trade and agriculture development road maps. These structures would ensure continuous coordination of the sectoral planning processes and facilitate private sector engagement around the joint road maps.

It is important to note that the RECs normally do not have such platforms, while some countries already have established national structures under the trade and agriculture ministries (e.g. CAADP national working groups and EIF national implementation units). Wherever possible it will be important to build on the existing structures and keep coordination light and informal.

Supporting the **establishment of multi-stakeholder platforms/working groups** would require:

- consulting with the RECs and relevant country institutions to identify the most suitable institutional and/or communication arrangements for the platforms.
- defining membership and working modalities.

**The platforms/working groups could carry out a number of activities**, including:

- monitoring the implementation of the regional/national road maps.
- facilitating coordination among countries/ministries on the development of projects.
- mapping out the resources and financing instruments related to AfT, CAADP and private sector initiatives, which could be mobilized to support the implementation of the Regional Road Maps and value chain projects identified in that context.
- promoting the development of financing mechanisms to address regional priorities.

### 4.2. Project development and implementing units

Project development and implementing units could also be established at the level of the RECs and in-country to support the implementation of the Joint “trade and agriculture development” Road Maps and to align support of the existing private sector initiatives.

**Establishing the units** would require:

- consulting the RECs and relevant country institutions to identify the most suitable institutional arrangements for establishing the unit.
- defining membership and working modalities.

Relevant **activities to be carried out by such units** may include:

- developing feasibility studies around selected value chains.
- developing (value chain) project proposals in the framework of the Joint Road Maps.
- organizing stakeholder consultations around project proposals.
- brokering partnerships and mobilizing resources for project implementation.

## 5. Way forward: expected results and partnerships

The approach presented in this note aimed at strengthening the capacity of African countries and RECs to leverage synergies and pool public and private resources across AfT, CAADP and related private sector initiatives should lead to a number of significant results:

- Improved coordination among agriculture and trade policy and planning processes at regional and country level.
- Increased capacity of the RECs and countries to develop coherent national and regional strategies for the development of effective agriculture markets and value chains.
- Joint road maps/action plans attached to the National CAADP IPs, which would:
  - be owned by the sector stakeholders.
  - define priorities for the development of agriculture markets and value chains.
  - target selected value chains and geographic areas.
  - serve as reference framework to develop a pipeline of projects and to leverage synergies, complementarities and resources across all actors involved.
- Increased capacity of countries and the RECs to develop bankable cross-sectoral projects and programmes capable of pooling resources channelled through AfT, CAADP and related private sector initiatives.
- Focused partnerships and investments targeting selected value chains and geographic areas identified within the joint road maps.
- Practical tools to measure the sustainability impacts of the projects developed under the different road maps.

This approach and the actions outlined here should be promoted and taken forward by a coalition of like-minded partners. Policy dialogue should be led by AUC in collaboration with NPCA and the RECs, while the other activities would also be supported by CAADP partners involved in the JAG-RTI and JAG-PSI. The JAG-RTI partners could especially focus on research and analytical work and on facilitating dialogue on the development of regional and national road maps. The JAG-PSI partners would focus on assisting countries and RECs in setting up the national project development and implantation units, in the development of value chains projects and mobilizing partnerships and resources to scale-up project implementation.

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