

# TRADING UP:

## Policy innovations to expand food and agriculture trade in Africa

### EXECUTIVE SUMMARY



Two years ago, in 2018, African governments signed an agreement establishing the African Continental Free Trade Area (AfCFTA), regarded as a turning point for African regional and international trade. The implementation of the AfCFTA - delayed by the COVID19 pandemic - is set to restart in January 2021. When it comes into effect, it will be one of the largest free trade areas in the world - since the establishment of the World Trade Organization (WTO), covering a market of more than 1.2 billion people and up to US\$ 3 trillion in combined GDP, with the potential of increasing intra-African trade by over 50 percent, adding an estimated US\$ 76 billion in income to the rest of the world.<sup>1,2</sup>

African nations have a long history of trading among themselves and have already made determined efforts to increase trade among themselves through the eight Regional Economic Communities (RECs) that are officially recognized by the AU, and a plethora of additional regional trade agreements. In this context, intraregional agricultural trade - within Africa's RECs - has played an important role to boost economic growth, improve incomes and livelihoods and as such strengthen the resilience of smallholder farmers, as well as rural and urban populations. The RECs have provided the framework within which neighboring countries have rapidly and at-scale developed and implemented interventions to minimize the impacts of the COVID19 pandemic. By keeping trade flowing and ensuring that food supply is not disrupted, RECs have delivered much needed resilience and social protection against the potentially disastrous impacts of the pandemic. Countries across Africa now have the opportunity to harness the benefits warranted by intraregional trade and scale the successes across the continent. Three leading RECs - COMESA, ECOWAS and SADC - have adopted unique and contextualized approaches in the design and operationalization of their institutions, and the formulation and implementation of policies and programs. Important lessons can be learned from them, not only for the remaining

RECs, but also for the implementation of the AfCFTA.

Although agricultural exports from Africa rose over the last two decades and found new markets in the Near East and South East Asia, they are eclipsed by the large value and volume of exports of minerals and other precious commodities, as well as petroleum and petroleum products. Moreover, a large part of Africa's agricultural and mineral exports are raw materials with almost 70 percent of value addition occurring outside the continent. Given its growing population and rapid urbanization and the potential to tap into high-value markets, Africa's agro-processing capacity hence requires urgent upgrading: Africa continues to import approximately US\$ 72 billion in food and agricultural products per year, growing by 3.6 percent each year.

African countries have already made significant and determined efforts to eliminate trade barriers and increase agricultural trade through the RECs and numerous other regional and bilateral trade agreements. Currently, the largest share of agricultural trade across Africa is channeled through the RECs. This will be further catalyzed by the AfCFTA when it starts trading on 1 January 2021. The success of the RECs can therefore offer important lessons in boosting intracontinental agricultural trade too. At the same time, strengthening the implementation and further integration of the RECs themselves in a way that drives sustained agricultural and economic growth can enable a successful AfCFTA.

This report by the Malabo Montpellier Panel provides options for sustainably, yet rapidly, increasing intraregional agriculture trade in Africa, drawing on the experience of COMESA, ECOWAS and SADC in terms of institutional and policy innovation as well as programmatic interventions. The report highlights several key recommendations, including:

# Recommendations

- 1-** Improve data and information collection and provision to support efficient price formation and informed and inclusive policy design and decision making.
- 2-** Fast-track trade facilitation arrangements at REC level and adopt coordinated ICT systems to expedite the elimination of tariff and non-tariff barriers for facilitating agricultural trade and greater integration.
- 3-** In conjunction with robust systems, institutions and policies, design and adapt innovative models for financing the expansion and use of hard infrastructure to drive intraregional and intracontinental agricultural trade.
- 4-** Better align national with regional priorities as set out in the NAIPs and RAIPs to accelerate the implementation of intraregional trade and integration agendas.
- 5-** Invest in the design and development of technologies as well as skill and innovation capacities to strengthen Africa's emerging food processing sector and overall value chain competitiveness.
- 6-** Coordinate policy responses to crises and shocks within RECs and at the continental level through designated centers and taskforces to improve the level of preparedness and response capacity and to maintain agricultural and food trade flows across borders.

1 <https://www.worldbank.org/en/topic/trade/publication/the-african-continental-free-trade-area>

2 <https://www.uneca.org/publications/african-continental-free-trade-area-questions-answers>