



# TRADE POLICY BRIEFS

## TRADE & FOOD SECURITY

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### IMPORTANCE OF AGRICULTURAL AND TRADE POLICY COHERENCE FOR AGRICULTURAL TRANSFORMATION IN AFRICA

#### SUMMARY

This policy brief is based on the FAO (2018) report “Policy coherence for agricultural transformation in African least developed countries: Aligning agriculture and trade policymaking processes”. The report presents the results of the Multi-partner Programme Support Mechanism (FMM) Project on Trade related capacity development for food security and nutrition in Eastern and Southern Africa, implemented by FAO and focusing on four least developed countries in Africa: Mozambique, Rwanda, Tanzania and Zambia.

#### Policy coherence

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Policy coherence in the context of international development cooperation has traditionally focused on the coherence between developed countries’ aid and non-aid policies in terms of their combined contribution to development (Carbone, 2018). It is pursued through the “systematic promotion of mutually reinforcing policy actions across government departments and agencies, creating synergies towards achieving the agreed objectives,” with the goal of ensuring efficient and effective policies (OECD, 2003). An example of mutually supportive policies would be providing market access to goods from developing countries (through trade policy instruments), while simultaneously supporting efforts to improve the capacity of these countries to produce tradable goods (through development policy instruments such as Aid for Trade). The pursuit of policy coherence through coordinated policy-making across different ‘sectors’ (ministries or areas of public policy addressed by specific ministries) has broader relevance, particularly for the agriculture and trade sectors of African Least Developed Countries (LDCs). Enhanced trade facilitation in agricultural supply chains with DLTs

#### Relevance for African countries

In 2016, agriculture accounted for 27 percent of GDP and 60 percent of employment in African LDCs.<sup>1</sup> Given the centrality of the agriculture sector, improving agricultural productivity is key to overall economic growth and structural transformation. Agricultural productivity growth in turn depends on improvements in productive capacities (typically supported through agricultural policy instruments) and on efficient access to markets (affected by trade and market-related policy instruments). Ensuring that agriculture and trade policies are mutually reinforcing is therefore

crucial for the efficient and effective use of scarce public resources in African countries. However, policy incoherence often arises at least partly from the fact that in many countries, the trade agenda is developed as a parallel, rather than complementary process, to the agricultural development agenda.

#### Agricultural and trade policy agendas in Africa

The Comprehensive Africa Agriculture Development Programme (CAADP) of the African Union (AU) can be considered a central element of agricultural policy-making in African countries. Countries’ national ‘Agriculture Development Plan/Strategy’ is typically developed in alignment not only with a country’s overarching ‘National Development Vision/Strategy’, but also with the pan-African CAADP framework. Forty-one AU Member States have signed CAADP compacts, of which 33 have developed formal ‘National Agriculture and Food Security Investment Plans’ (NAIPs) that are meant to serve as their medium-term expenditure frameworks for agriculture (OSAA, 2015). Agricultural trade-related issues are prioritized under Pillar II of CAADP on “improving rural infrastructure and trade-related capacities for market access”.

While African countries have made significant strides towards institutionalizing an agricultural development framework that provides an entry-point for prioritizing market and trade-related constraints, the NAIPs tend primarily to focus on production and productivity issues. Trade-related priorities typically go only as far as identifying priority export commodities, without articulating the specific constraints and the public interventions needed to address them.

Compared to agriculture, trade policy frameworks in African LDCs tend to be relatively more fragmented, with trade issues

<sup>1</sup> Analysis based on data from World Bank World Development Indicators

being covered by a number of policies and strategies; for instance the 'National Trade Policy', 'National Export Strategy', 'Industrial Policy', among others. These frameworks are generally aligned to the 'National Development Vision/Strategy' as is the case of agricultural sector policy frameworks, but there is no equivalent of CAADP as a pan-African framework for trade policy formulation. Nonetheless, the Diagnostic Trade Integration Studies (DTIS) – supported by the Enhanced Integrated Framework (EIF) – provide a common mechanism to identify trade-related issues and associated interventions in African LDCs.<sup>2</sup>

While DTISs do articulate agricultural trade-related constraints in more depth than in the NAIPs, the focus commodities do not always overlap with those in the NAIP. Instead, the emphasis is typically on traditional export crops rather than staple foods, and with relatively greater focus on external trade issues than on bottlenecks within national borders that may hinder international competitiveness.

Therefore, many LDCs' trade-related policies are not always in line with agricultural development policies. For example, many LDCs aim to stimulate agricultural productivity and production by providing input subsidies and market price support schemes, while at the same time they use ad-hoc export bans on certain commodities to ensure local food supply. This policy mix creates conflicting incentives for producers and a less predictable environment for private investment in staple food value chains. In other instances, opportunities for the commercialization and trade of certain products exist, but these are not exploited due to limited public investments in addressing critical supply-side constraints in these value chains.

### From prioritization to implementation

The reasons for the limited overlaps between the agriculture and trade related strategies and structures is not a lack of institutional mechanisms linking the responsible lead ministries. In fact, in many countries, dedicated committees are generally constituted during the formulation of such policy documents (e.g. CAADP Committees, Agriculture Sector Working Groups, National Committees on Trade Facilitation, etc.); committees that include focal points from both ministries of agriculture and of trade. However, the sustainability and effectiveness of these mechanisms has been mixed, mostly due to the limited engagement of technical-level officials, and their limited links with national planning and budgeting processes. This limits their effectiveness in facilitating coordination in programme implementation.

It is thus common to find agriculture budgets not fully aligned with NAIP objectives. Instead, they tend to be dominated by a small number of programmes that typically involve input subsidies or market price support for a narrow range of commodities, limiting the resources available for addressing trade- and market related-constraints. The budgets of the ministries of trade and commerce – much smaller than those of the ministries of agriculture – also do not reflect many of the priority interventions articulated in the DTIS Action Matrices. These findings imply that the role and influence of the NAIPs and DTISs as reference documents for annual planning and budgeting can be significantly strengthened. Moreover, donors and development partners continue to play an important role in

<sup>2</sup> The EIF is a multi-donor programme, which provides a framework bringing together stakeholders around a common set of priorities and institutional mechanisms guiding Aid for Trade (AFT), and is active in 33 LDCs across Africa. The EIF supports the production of periodic DTIS in these countries, which are meant to identify key constraints to trade and opportunities for trade expansion, and to include an Action Matrix of priority interventions, which is meant to serve as a reference point for coordination of donors' trade-related support to the country.

the financing and implementation of programmes and projects in both the agriculture and trade sectors of African LDCs, making it equally important to improve donor coordination between these sectors.

### Focusing on common priorities

There are a few policy areas that tend to be prioritized by both NAIPs and DTISs in African LDCs, which can provide an entry point for more coherent policy interventions in agriculture and trade. The first is the improvement of national systems for the collection, management and dissemination of data on agricultural production, prices, stocks, marketing and trade. Coordinated investments that improve the availability of, and access to, timely, credible and consistent data can improve evidence-based decision making by both public and private sector actors, and contribute to greater transparency and predictability in the policy environment for agricultural trade.

The second area is strengthening the farm-to-market segment (i.e. aggregation, distribution, marketing, etc.) of the priority agricultural value chains. There is a need to first identify potential value chains that could be prioritized by both the agriculture and trade sectors, and to conduct sound assessments of their development potential, the necessary public interventions and the sequencing of such reforms in order to develop value chain-specific strategies that are concrete and anchored in ground reality. This would be crucial for implementing policy measures that provide mutually reinforcing incentives to private actors, and would require policy coordination in implementation and monitoring, and not just at the policy formulation stage.

Lastly, improving national capacities and coordination structures for the effective application of SPS and trade facilitation measures is another common priority, to ensure that the application of SPS measures and other customs and administrative procedures do not constitute unnecessary bottlenecks to trade. At the same time, it is also important that complementary regional efforts, such as mutual recognition and/or regional harmonization of standards and trade facilitation mechanisms are undertaken to reduce bottlenecks to trade and facilitate smallholders' access to regional and global markets.

### Key challenges

Coherence between agricultural and trade policies can be promoted by:

- 1 Ensuring consistent and inclusive consultations with local government officials and the private sector to inform the development and implementation of national agriculture and trade strategies;
- 2 Maintaining cross-sectoral coordination, particularly between technical-level officials, from the formulation stage through to annual planning, budgeting and implementation of programmes;
- 3 Improving coordination of Aid for Trade and other forms of donors' and development partners' support, to avoid reinforcing national sectoral divisions.

### References

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