Articulating and Mainstreaming Agricultural Trade Policy and Support Measures

An FAO study based on analyses for Bangladesh, Ghana, Nepal, Sri Lanka and Tanzania

Policy Brief 2 – Mainstreaming trade and sectoral policies and support measures.
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Introduction

A process is underway in many developing countries to mainstream trade policies into the national development framework, notably the Poverty Reduction Strategy Paper (PRSP), which is the apex policy framework around which trade, agriculture and other sectoral policies are articulated. The importance of mainstreaming has also been recognized for operationalizing the Aid for Trade initiative (addressed in Policy Brief 3).

This Brief is based on five country case studies (Bangladesh, Ghana, Nepal, Sri Lanka and Tanzania) undertaken as part of the FAO Project "*Articulating and Mainstreaming Agricultural Trade Policy and Support Measures*". The objective of this work was to contribute to improving the process of: i) articulating appropriate trade policies; ii) articulating trade-related support measures; and iii) mainstreaming policies and support measures in national development frameworks.

Key highlights

Operationalizing the concept "mainstreaming" - Trade mainstreaming is understood as a process whereby trade policies are integrated in national development strategies in a manner that systematically promotes mutually reinforcing policies and programmes, creates synergies and avoids contradictions. In operationalizing the concept for the case studies, a two-step analytical approach was followed: first, a careful reading of the relevant national policy frameworks (starting with the PRSP and including trade and sectoral policies), with a view to examining where and how trade and related policy issues are articulated; and second, for selected policy issues of a more

divisive nature, an examination of the positions taken, or not taken, on these issues in various policy frameworks, with a view to identifying consistency and synergy, on the one hand, and the gaps and contradictions, on the other.

Typical weaknesses in trade mainstreaming - Several recent analyses of PRSPs and related policies have identified weaknesses, which were also confirmed through the five case studies. These weaknesses include: sparse coverage of trade policy issues in PRSPs; even less coverage of agricultural trade issues despite the importance of the sector for growth and poverty reduction; poor evidence that the PRSPs have considered alternative views and options on trade policy; very weak analysis of trade-poverty linkages; and poor quality of stakeholder consultations.

A sequential process of trade policy formulation is desirable for improving mainstreaming – The trade policy agenda has become increasingly comprehensive and complex. But not all the elements of the agenda are divisive. For example, initiatives aimed at strengthening SPS measures and improving trade facilitation have broad support. Nor is mainstreaming a challenge in every case. The case studies show that mainstreaming becomes problematic when it comes to formulating trade policy for the productive sectors, notably for specific products (e.g. rice, cocoa, sugar, leather etc). In these cases, an improved approach to ensuring mainstreaming would be to follow a sequential approach whereby sectoral policies (e.g. rice policy) are formulated first, followed by trade policy that supports the sectoral policy (e.g. tariff, safeguards, incentives for rice). The outcome will be more consistent trade and development policy frameworks. The PRSP, as the apex policy

framework, should provide clear guidelines for the sectoral policy itself, based on an analysis of the sector's, or product's, contribution to key goals set by the PRSP, such as poverty reduction. Lack of a sequential approach was a major reason why policies were often found to be inconsistent, particularly why trade policies typically failed to pay adequate attention to the needs of the sectors producing importables, or why there was little uniformity in the list of strategic or targeted products for special treatment across key national policy frameworks.

Improving the trade content in a PRSP - In addition to mainstreaming, the trade content of a PRSP is also a debated issue - how much should a PRSP cover trade topics? Being an apex framework, a PRSP has to cover many different areas, and so there is a limit to which it can devote space to trade related issues; that is why a separate trade policy is formulated. However, the case studies show that despite having a separate trade policy it is important that a PRSP addresses trade issues sufficiently, especially providing guidance on trade strategies and on divisive policy issues. Growth and poverty reduction being the primary concerns, a PRSP needs to demonstrate that its trade policy positions are based on an analysis of trade-poverty linkages. Typically, this analysis is missing, and, as a result, the guidance in a PRSP is less than balanced, for example when an exclusive focus is given to exports and little to import-competing food and agro-industry sub-sectors. PRSPs also need be clear on policies on strategic or special products, which are often listed in the agriculture and industry policies, but about which, because they tend to be importables, trade policy documents are often either quiet or lacking, or imbalanced by addressing exportables only.

Improving the design of a PRSP for mainstreamed trade policy – The case studies show considerable variation in the approach, design and trade-content of the PRSPs. The two notable challenges are with mainstreaming and enriching the trade content. The case studies show that PRSPs tend to be more mainstreamed and balanced in key messages when they focus on fewer development goals. For example, Ghana's policy frameworks demonstrate a fairly high degree of consistency on policy positions largely because the PRSP is focussed on one substantive strategy, "agriculture-led development", with its parallel sub-strategies of export-led growth on the one hand and domestic market-led industrialization based on import competition on the other. As a result, not only the PRSP but also other frameworks are balanced in addressing the needs of both the exportables and importables. Tanzania's PRSP also falls into this category, with its "outcome-based" approach, where all interventions and projects are configured around a single outcome. In addition, this PRSP promotes a view that external trade is not only an end but also a means to stimulate domestic productive capacities – hence presenting a balanced position.

PRSPs and other policy frameworks need to give more attention to regional trade issues - Regional trade agreements (RTAs) are increasingly becoming significant for national trade policies. The case studies show that the current PRSPs and other policy frameworks are fairly weak in addressing the policy challenges arising from membership of multiple RTAs. In some cases, this was for the simple reason that the PRSPs and other policy papers were formulated prior to new developments in the RTAs (e.g. the customs unions for Ghana and Tanzania). In South Asia, the relevant RTA, the SAFTA, was not considered to be of much significance for trade, but the trade relation with India was, much more so for Nepal than for Bangladesh and Sri Lanka. These regional issues need to be addressed in the future revisions of the PRSPs.