

Trade Policies for Improved Food Security

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A best practice is a method or technique that has been generally accepted as superior to any alternatives because it produces results that are superior to those achieved by other means or because it has become a standard way of doing things. This document is one of a series of reports from the Food Security Portal on best practices for emerging topics in agriculture and food security policy.

Introduction

Africa south of the Sahara (SSA) remains highly dependent on agricultural and food trade for its population's wellbeing (Bouët et al, 2021). In particular, regional trade integration is crucial for food security in the region, where agricultural trade plays an essential role in regulating the supply and prices of food products and contributes to household food security. Food and nutrition security are among the main priorities established by SSA's major regional integration agreements, including ECOWAS/ECOWAP; ECCAS/SAC; COMESA, and the AfCTA (CEDEAO, 2015; Matthews, 2003; AEC, 2018). Despite existing free trade agreements for agri-food products within regional areas, however, many trade barriers remain: weak transport and communication infrastructures, technical barriers to trade, abusive controls and illicit payments from corridors, costs and delays of customs procedures, information and exchange costs, and costs linked to local distribution and pricing policy of agri-foodstuffs. These barriers are also combined with the region's current structural and institutional weaknesses. To tackle these obstacles and improve food security, appropriate actions and policies are required (Tinta et al., 2018; N'guessan et Béké, 2020).

This proposal outlines specific recommendations for best practices in trade facilitation and related policies for improved food security in SSA countries, based on relevant recent research.

Recommendations

1. Setting an institutional framework conducive to trade and inclusive growth, including ensuring food security

1.1 Successful inclusive political institutions: Political stability, checks and balances, leadership, and accountability

Inclusiveness in the structure of the political institutions—reflected by checks and balances, accountability, and the promotion of competitive, proper leadership—favor political stability and inclusive economic institutions. These factors thus are imperative to inclusive growth and development, including food security. Botswana and Mauritius provide the best examples of inclusive political institutions in SSA, with open, pluralistic, and accountable democracies and an independent judiciary system that together are capable of establishing checks and balances,

maintaining law and order, securing property rights, and ensuring sustained economic successes (Acemoglu and Johnson, 2012; Subramanian, 2009). In addition, neither country has ever experienced civil war or military intervention because leadership is viewed, both culturally and procedurally, as a matter of talent and achievement (BTI 2020 Country Report — Botswana, Mauritius).

1.2 Control of corruption

Corruption is detrimental to the conception and implementation of any public policy, particularly for food security. To prevent and prosecute abuse of office, Mauritius has established an institutional framework composed of an independent commission against corruption (ICAC) which investigates corruption and money laundering and seizes the proceeds of crimes associated with them. Two subsequent laws frame this work: “(i) the Asset Recovery Bill, which transfers enforcement authority in asset recovery cases from the director of public prosecutions to the Financial Intelligence Unit, and (ii) the Good Governance and Integrity Reporting Bill, which aims to disclose malpractices and recover unexplained wealth” (BTI 2020 Country Report — Mauritius).

1.3 Respect for property rights

Inclusive economic institutions, such as the respect for property rights, are required for any nation to experience sustained prosperity and wellbeing. Mauritius is the top country in SSA in terms of property rights, according to the Global Competitiveness Report of the World Economic Reform. The process of securing and registering property within the country requires fewer procedures and a relatively short time (17 days) and is less costly (Doing Business Report, 2020). In addition, Mauritius has a commercial division of its court system dedicated to resolving commercial disputes and enforcing contracts properly (BTI 2020 Country Report — Mauritius).

1.4 Transparency and accountability

Preparation, implementation, and assessment of public policies require transparent, rule-based policymaking and structural checks and balances. In SSA, the media landscape, a common conduit for transparency and accountability, is generally dominated by public media, which can hardly escape firm government control. However, in certain cases, public media has played an important role in enhancing transparency and accountability. For example, in Cabo Verde in July 2020, the main public media group (Radio Televisão Cabo-verdiana RTC) gained greater autonomy and independence through a new statute enabling an independent board of governors to appoint the executive in lieu of the government (RSF, 2021a). In Namibia, where press freedom has been Africa’s best-ranked since 2019 (according to Reporters Without Borders), the country’s autonomous judiciary often defends the press against attack by other quarters within the state or by vested interests (RSF, 2021b). In addition, the presence of private media and competition within the media sector is very important for reporting on wrongdoing and corruption by any public servant; Botswana’s private media provides a strong example (BTI 2020 Country Report — Botswana).

2. Overall trade to stimulate per capita income growth and increase purchasing power

Trade contributes to improve food security through faster economic growth, higher per capita income, and increased purchasing power (Dithmer and Abdulai, 2017; N’guessan and Béké, 2020). For instance, prior to the discovery of diamonds, Botswana organized its cattle economy in 1967; this included securing the property rights of ranchers and cattle owners and promoting meat exports to raise per capita income and strengthen its inclusive economic institutions

(Acemoglu and Johnson, 2012). In addition, prior to shifts in policy as it became a resource-rich country, Botswana established a law stating that all subsoil mineral rights were vested in the nation in order to ensure a strong fiscal base for investment in wellbeing across the board (state bureaucracy, education, infrastructure, food availability and access, etc.). “All public spending projects had to pass a dual hurdle of honesty and efficiency” (Collier, 2007, p14). Botswana provides a remarkable example in successful management resources in the region, as it also avoids Dutch disease and instability through its effective diversification and institutional checks and balances. Mauritius also provides an example of high-quality governance. That country promoted high returns in the manufacturing export sector by establishing attractive export processing zone while restricting less competitive imports (Subramanian, 2009).

Trade of agricultural and food products

3.1. Consistent agricultural and trade policies

Coordinating trade policy with other sectors, such as agricultural policies, is essential to the soundness, consistency, efficacy, and efficiency of any country’s overall economic policy. Ten years ago, Rwanda’s agricultural policy was embedded in international (SDG), continental (NEPAD), and regional (COMESA and EAC) frameworks and linked to the country’s long-term development vision and strategy for economic development and poverty reduction (Alinda and Abbott, 2012). The country’s agricultural policy was also complementary to other sectoral policies (land policy, gender equality, etc.), including its comprehensive 2010 trade policy framework developed with UNCTAD (2010), which called for a development-driven trade policy related to the country’s existing development (and poverty reduction) strategy (Ministry of Trade and Industry of Rwanda, 2010).

3.2. Building a proactive, high-level food security unit within the government

In times of food crisis, countries need formal institutional structures with food security mandates, such as food security units or food policy units within the government, to speed up the policy process. These units are effective due to their linkages to policymakers at different levels of the government. For example, Kenya’s National Food Security Committee in the Office of the President and in the Ministry of Economic Development has the power to convene policy dialogues and collect and disseminate information for policymaking. In addition, Inter-ministerial Committee on Drought and Food Security convenes regularly to discuss food security within the country. “The quality of their human resources and the organizational effectiveness to contribute to information generation and to monitoring and evaluation, as well as their ties with the policy leaders, help to hasten the debate and decision-making in the policy process” (Babu, 2015).

3.3. Identification of losers in food imports and establishment of compensatory policies

In free trade, the challenge is to design flanking policies that enable actors to reap aggregate gains while mitigating specific losses. Smith and Glauber (2020, p161) highlight the benefit of straightforward cash transfers in low-income economies versus more complex social safety net programs, with their potential distortionary impacts on markets. However, in SSA economies, which often face severe budget constraints, collecting non-distortionary taxes from beneficiaries of high food prices to fund cash transfers is very costly, both politically and logistically. In this context, for countries that are generally net importers of food staples, Smith and Glauber (2020, p161) find the only viable second-best policy consists of reducing food import tariffs and subsidizing prices for targeted consumers, such as the urban poor. For example, South Africa,

which is net exporter of some cereals, expanded its existing social welfare program to compensate for the negative effects of prices spikes during the global food price volatility seen in 2007-2012 (Kirsten, 2015).

4. Facilitating and intensifying agricultural and food trade in regional economic communities

Improving and deepening integration in SSA's regional economic communities through the intensification of intra-regional trade is an essential stepping stone toward a flourishing African common market. Using a structural gravity model with the Poisson pseudo-maximum likelihood for the 1970-2010 period in 148 countries, Admassu (2019) found that African trade blocs increased their members' exports in a range of 14 percent (in ECOWAS) to 89 percent (in ECCAS). Thus, rather than importing 95 percent of its food needs, Admassu suggests that Africa can view regional trade integration as a remedy to food insecurity. However, such integration will require significant reduction in various costs: transport, logistics, information and communications, corruption, and customs and other trade-related regulatory costs.

4.1 Access to transport and communication infrastructure

Food staples are particularly vulnerable to any inefficiency in the transport sector because of their general low value-to-weight ratio. Therefore, some improvements are required in this sector. Among the different road corridors in SSA, the Maputo road, consisting of 700 kilometers from its port to either Johannesburg or Mbabane (Eswatini), is in the best condition due to management by concessionaire TRAC under a build-operate-transfer contract that allows the collection of tolls to finance modernization and maintenance of the road. The road section from Mbabane to the port of Maputo is also in good condition, although it is not maintained by a private concessionaire (Union Africaine, 2016).

4.2 Reduction of checkpoints and illicit payments along the corridors

Controlling corruption at multiple checkpoints is also important for the reduction of transport costs, especially in West Africa (Keyser, 2015). For example, the Northern Corridor transport network connects Burundi, the Democratic Republic of Congo (DRC), Rwanda, Uganda, and South Sudan with the seaport of Mombasa (Kenya). To manage this corridor and better control all legal and illegal stops, the Northern Corridor Transit and Transport Coordination Authority (NCTTCA), with the support of member States, provides an in-depth analysis of volumes, transit times via various nodes of the corridor, and all stops through its Transport Observatory (Union Africaine, 2016).

4.3 Improvement of logistics and transport services

Available and efficient logistics are important for the physical movement of goods, especially food products, across and within borders. The World Bank's Logistics Performance Index (LPI) analyzes the performance of countries' trade logistics in six indicators: efficiency of customs and border management clearance; quality of trade- and transport-related infrastructure; ease of arranging competitively priced international shipments; competence and quality of logistics services; ability to track and trace consignments; and frequency with which shipments reach consignees within the scheduled or expected delivery time.

In the context of ECOWAS intra-trade from 2008 to 2018, Béké (2021) uses a gravity model to indicate that improvement of this aggregate LPI by 1 point in the importing country (respectively, exporter) would induce a significant increase of 0.4% (respectively, 0.13%) in agricultural imports.

This result is relevant with regard to the nature of the products traded. Indeed, agri-food products, particularly unprocessed products, require adequate packaging and transport logistics in both the countries of origin and the destination in order to preserve the quality of these perishable products.

4.4 Reduction of non-tariff technical barriers and harmonization of customs procedures

The reduction of non-tariff barriers and the synchronization of customs procedures both have the potential to boost trade of goods across African countries. Using a panel of 45 African countries over the time period 2006-2015 in an econometric model, Bonuedi et al. (2020) demonstrate that reductions in bureaucratic at-the-border documentary requirements, in both time costs and real trade costs, significantly reduce the prevalence of undernourishment in Africa. However, much work still must be done to harmonize customs procedures; only the SADC has a single administrative document for customs declarations in all its 16 member States (Union Africaine, 2016).

4.5 Reduction of information and communication costs

Information and communication technologies (ICTs) can have great positive effects on food availability, access, and trade by providing access to timely information regarding agri-food production and markets and the ability to communicate improved agricultural techniques. The World Bank-funded West Africa Agricultural Productivity Program (WAAPP), created by ECOWAS, aims to increase agricultural productivity and sustainability across 13 West African countries to help build a food-secure future. The program includes a special e-Agriculture program with WAAPP Ghana that takes advantage of widespread cell phone use in that country. All value chain actors get real-time advice in six dialects regarding best farming practices, production, and market prices by simply calling a toll-free number or accessing an online platform (FAO, 2017). The extension of such programs to all ECOWAS countries can help facilitate and improve intra-regional food trade.

5. Improving the distribution and pricing policy of agri-food products

5.1 Agri-food production-marketing chain development

Agri-food products pass by all value chain actors with related costs and profit margins before reaching consumers through traditional or modern markets. Baltzer (2015) identified that the non-competitive and highly concentrated domestic food supply chains within SSA add to the transactional costs (such as transport accessibility and costs) that influence price transmission. There are few success stories within the region of small-scale farmers participating in high-value agricultural production-marketing chains. One such success story in the East and South Africa (ESA) region is the collaboration of the NGO Africare and the National Agricultural Research Organization (NARO) on behalf of a 40-member farmer group (Temu and Temu, 2006). Farmers in this group received training in production skills, analysis and identification of markets, and development of a business plan for commercial potato production. With such skills at hand, the group identified and pursued a business relationship with wholesale markets in the capital city. This capacity-building led to improved management and institutional organization amongst the farmers, who formed several committees to manage the production, management, and marketing of their potato business. The farmers also established a staggered planting schedule to ensure a constant supply of potatoes to consumers while improving their own welfare.

Another successful example comes from the Agricultural Development and Value Chain Enhancement (ADVANCE) Project II in Ghana, funded by USAID and implemented by

ACDI/VOCA. This project aims to increase productivity, technology adoption, and market linkages of smallholder maize, rice, and soybean farmers (Grewer et al., 2016; ACDI/VOCA, 2021). The project provides support for emerging commercial agriculture and increases consumer availability and access to the three grains while increasing farmer income.

5.2 Agri-food price stabilization and reduction

Price policies can refer to border measures (export bans and tariff adjustments) or domestic market measures (price controls, VAT adjustments, untargeted subsidies, supply management, etc.) for food price reduction and stabilization (Bryan, 2015). Appropriate price policies are important for SSA during global price spikes, as African countries are mostly net importers of highly traded agri-food products (cereals, dairy, etc.), as well as generally due to issues of weather-related production fluctuations and poor governance (Baltzer, 2015; Pinstруп-Andersen, 2015). Some appropriate policies for net importers consist of reducing imports tariffs and subsidizing prices for targeted consumers vulnerable to food insecurity (Smith and Glauber, 2020). In addition to these short-term policies, longer term policies should aim to increase production with climate-smart approaches and establish inclusive institutional frameworks.

6. Increasing production of cereals

During the COVID-19 pandemic, as well as the 2007–2009 global food crisis, quantitative restrictions from developed countries and Asian cereal exporters generated global prices spikes that reduced the availability of and access to major traded grains such as rice, maize, and wheat (Martin and Glauber, 2020). SSA has seen increased dependence on imports for these key grains (Bouët et al., 2021; Smith and Glauber, 2020; Onyutha, 2018). Thus, a boost in local production to meet SSA's consumption needs is needed. One initiative working to address this need is the Technologies for African Agricultural Transformation (TAAT), led by the African Development Bank (AfDB). This initiative helps take technologies to scale for millions of farmers across Africa by working with international and national agricultural research centers and private sector companies. In 2018, the TAAT (working with 30 private sector companies) delivered climate-smart maize varieties to 2.6 million farmers, who planted them on over 1 million hectares.

Another strong example of increased cereal production comes from South Africa, which has been a long-time net exporter of cereals. That country has consistently high yields provided by modern inputs, irrigation methods, and mechanization (Gillson and Busch, 2015, p110).

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