

AFRICAN MARKETS AND TRADE: CRITICAL LINKS TO GLOBAL FOOD SECURITY

A PROPOSED STRATEGY FOR THE GLOBAL HUNGER AND FOOD SECURITY INITIATIVE DRAFT FOR DISCUSSION – 04/09/10

The following policy recommendations are proposed to help ensure that a strategy on trade and market development is incorporated fully into the U.S. Global Hunger and Food Security Initiative (GHFSI). These recommendations were developed through a series of consultations—led by the German Marshall Fund of the United States with the support of the William and Flora Hewlett Foundation—that included representatives of NGOs, members of the business community, and trade experts, all contributing in their individual capacities. The recommendations focus specifically on agriculture in African nations, but many are relevant to countries outside the African continent as well. While they are directed at the GHFSI and its implementation, it should be noted they are not aimed only, or even primarily, at the U.S. Agency for International Development (USAID). Instead, the recommendations support a whole-of-government approach that is well-coordinated and fully integrated across economic, trade, development and investment functions. This approach can inform other efforts, including trade preferences reform and enhanced aid coordination, through both the Presidential Study Directive (PSD) and Quadrennial Diplomacy and Development Review (QDDR) process.

“Food self-sufficiency is a peculiarly obtuse way of thinking about food security.”
-- Nobel prize-winning economist Amartya Sen.

Most African small farmers and their households—some 600 million people—survive in what is effectively a closed system: isolated, with poor access to transport and market information, consuming much of what they produce, using few purchased agricultural inputs such as fertilizer or pesticides, and with virtually no ties to the formal economy. In a year when crops are good, they are able to sell and barter surplus produce in village markets, but because they cannot reach larger markets they lack the motivation to consistently produce surpluses, even if it were possible. No farmer will look to produce more than the family can consume if she can neither store nor sell that surplus. It is this failure to develop a market-oriented, sustainable agricultural economy capable of generating agricultural surpluses to support broader economic growth that has left Africa with 44% of the world’s hungry people, a figure projected to increase to 75% by 2025 unless there are interventions on an unprecedented scale. A major disaster is looming in what in historical terms is the mere blink of an eye.

The window of opportunity provided by the L’Aquila agreement and U.S. GHFSI to help put Africa on the path to sustainable economic growth and greater food security will not remain open for long. The growth of both global population and wealth is increasing the demand for food, which indicates an opportunity for African farmers. However, these trends are also touching off a fierce competition over water and land, a competition that will be exacerbated by the effects of climate change.¹ Government interventions to promote food security for Africa must focus on “setting the table” for dynamic change in African agriculture, by a) actively encouraging increased private sector activity, b) supporting policies and actions that build markets and robust agricultural value chains, and c) facilitating the use of new technologies, practices, organizational structures and market relationships that will lead to huge increases in agricultural production and productivity and more efficient use of resources—land, water and energy—so that both smallholders and larger commercial operations, as well as other agriculture-based businesses, can develop, flourish and modernize.

We believe that the U.S. government must use its resources, leverage private sector resources and play a leadership role with other donors in three broad areas that are briefly described below, followed by our initial recommendations, which outline a demand-driven, market-led approach.

SUPPORT REGIONAL INTEGRATION OF SUB-SAHARAN AFRICA’S FOOD ECONOMY BY FOCUSING ATTENTION AND INVESTMENT ALONG THE AFRICAN DEVELOPMENT CORRIDORS. In sub-Saharan Africa, where many countries are either landlocked and without access to ports, or so small that local markets cannot provide adequate economic opportunities, most challenges and solutions are regional, rather than national. Regional markets can create the economies of scale necessary to expand business opportunities, foster competitiveness, and connect producers to international markets. Strong regional markets are the missing link to connect supply from local producers with both consumer demand and businesses that have access to larger markets, including the international market. A demand-led strategy requires regional infrastructure, which, in turn, requires regional governance and implementation capacity, to stimulate market growth and to expand economic opportunities and help lessen Africa’s growing dependence on food imports.

When he was President of South Africa, Nelson Mandela proposed the concept of “Development Corridors” that would build out from trunk infrastructure investment around natural resources such as oil and minerals to develop regional “economic ecosystems” connecting farmers and other businesses to markets. The vision is that investment in agriculture, which is generally perceived as both offering lower returns and, in the case of Africa, being prohibitively “risky,” could piggyback onto public and private investments in infrastructure and also on new business activities stimulated by the Development Corridors. An essential component of this concept is significant investment in roads and railways in order to reduce transportation times and costs and stimulate successive rounds of investment, turning the Development Corridors into engines of regional growth and development. Other African leaders, including the African Union (AU), Regional Economic Communities (RECs), and the AU’s Comprehensive African Agriculture Development Programme (CAADP) and New Economic Partnership for Africa’s Development (NEPAD), have embraced the Development Corridor concept and have identified 26 priority Corridor locations. Many of these are up and running and, when well-managed, have resulted in tremendous gains in business activity.

We are proposing that the U.S. government focus on the Development Corridors that pass through the countries that it has identified as priorities for the GHFSI.² Even if significant donor resources are available to increase food security, without alignment between the public and private sectors to build the infrastructure required to stimulate broad private sector investment in agriculture and related industries, these available resources will not be enough to significantly change the trajectory of food security in Africa.

INCREASE PRODUCTIVITY, PRODUCTION AND SUSTAINABILITY THROUGHOUT THE FOOD SYSTEM WITH A MARKET-LED STRATEGY. Healthy food economies generally produce food domestically—both staple and cash crops—and supplement these with imports of crops not grown at home. Yet in Africa, productivity has decreased by 19% since 1970 (African farm productivity is only one quarter of the global average), while food imports have increased, even for items that Africa is able to produce. In addition, commercial agriculture in Africa has lost market share in 90% of its export products. Reversing this trend and achieving growth in the agricultural sector will require that agricultural economies be diversified, including new crops and varieties; that irrigation be increased and better administered; some geographical shifts in production; new management practices; and a dramatic increase in the efficiency with which resources are used.

Decades of experience have shown that it is simply not possible to foster an integrated ecology of agricultural production and distribution through supply-side engineering or top-down government planning. Instead, public policy interventions and donor programs need to support a market-led restructuring of the African agricultural sector that both allows demand-side drivers—markets, business needs, customers—to point the way towards removing constraints to production and market access faced by small farmers and also develops new ways for them to secure sustainable benefits from business relationships with commercial intermediaries, as their suppliers, customers, employees or partners. These moves will facilitate the dynamic integration of small farmers into competitive regional and international agricultural value chains. Moreover, through these relationships, small farmers can gain the knowledge and confidence to spot other market opportunities to expand their production or strike out on their own and start related businesses capable of adding value and providing off-farm jobs. If properly supported, this dynamic force will create the “missing middle” of the African agricultural sector—the small- and medium-sized enterprises (SMEs) to link the vast number of smallholder farmers to large agribusiness and support industries and broader commercial systems in an equitable, sustainable way. On the public side, in order to successfully play a role in supporting and promoting a market-driven approach in the agricultural sector, governments must be able to access and absorb advice and insight gained through interaction with entrepreneurs, businesses, and business intermediaries who have practical on-the-ground experience, and translate them into good policies.

IMPROVE LINKS TO MARKETS AND ENHANCE OPPORTUNITIES TO TRADE BY SHIFTING TO A DEMAND-DRIVEN POLICY APPROACH. Improved markets and enhanced trade will open up opportunities for farmers and other businesses of all sizes. Creating sustainable food security will require strengthening markets at all levels—local, national, regional, and international—and increasing opportunities to trade. Policies should be market-led and “demand-driven,” *i.e.*, linked to specific economic opportunities and the barriers that stand in their way. Current trade policies, *e.g.*, trade preference programs, should be expanded and coupled with complementary development and investment policies to ensure that they adequately address market demand and allow untapped business opportunities to flourish.

In addition, while policy change within sub-Saharan Africa is critical to food security and sustainable economic growth, the right international policy tools are needed to encourage this change on the ground. For example, the European Economic Partnership Agreements (EPAs), which contain concessions on both sides (unlike preferences that grant one-way access to developed country markets), have been found to limit rather than encourage future African regional trade, curtailing one of the most important avenues for growth. Many African countries have protested strongly against these agreements, stressing their inappropriateness given the underdeveloped nature of African regional markets and institutions. Dynamic policy solutions integrated across trade, development and investment agencies, opening the door for private sector growth and reflecting demand on the ground, hold much more promise for African buy-in and lasting policy change than do negotiated agreements that would have negative consequences regionally and, in any case, stand little chance of being implemented.

Policies should also reflect the nature of markets, where supply and demand are both essential components. Establishing functioning agricultural markets requires encouraging the development of a diverse productive structure within the African agricultural sector and beyond, including value-added processing and manufacturing, as well as developing a robust consumer base. Opening markets and improving producers’ ability to take advantage of them, *e.g.*, addressing supply-side constraints such as difficulty complying with complex food safety standards, are critical to achieving sustainable economic growth. However, markets involve two-way exchanges, and so these efforts must be accompanied by

strengthened consumer demand. There are immediate opportunities to connect projects designed to boost agricultural productivity with expanded local and regional procurement for school feeding and other safety-net programs. These programs and others—such as the World Food Program’s Purchase for Progress—can provide ready demand for increased production while helping to prepare small farmers to participate in commercial markets and helping ensure that all GHFSI activities are integrated and mutually reinforcing.

Implementing the specific recommendations outlined below will require innovation and new modes of operation. The Administration has recognized that *“improvements in productivity will not translate into higher farm incomes and reduced hunger unless surplus harvest and products can be sold in local, regional and international markets. Agribusinesses are a crucial connection between small-scale producers and markets.”*³ In order to achieve this goal, governments, aid agencies and other actors must take on some of the more intractable problems that have prevented success in past efforts.

First, fragmentation and lack of coordination need to be seriously addressed. These are problems both within and among U.S. government agencies, within the donor community, and with and within African governments (where trade, development and investment policies are notoriously at odds). Coordination should be comprehensive. It should be integrated across trade, development and investment functions and should always include open, ongoing, real-time interaction with the private sector.

Further, because of the size and complexity of the challenge of global food security, focus should be on leveraging opportunities and relative strengths. Government and the private sector have distinct, mutually-reinforcing roles, and partnership between government and the private sector should be reflective of these different roles. Governments can and must create the policy environment that makes markets work for all, but only business can provide the engine of market-led growth in the form of investments, innovation, and efficiency. Governments must also learn from business precisely what needs to be changed in the policy environment in order to unleash market-led growth. Developing effective public-private partnerships to help build a market-oriented, integrated food economy in Africa capable of generating the jobs and income necessary for overall economic development is critical, but business will only participate if it can jointly set the terms of partnership and simultaneously achieve existing business goals.

Of course, food security will not be sustainable if solutions are not African-led. Leveraging the strengths and building capacity of the African private sector, governments and regional institutions, including the RECs, will be critical to ensuring successful, sustainable outcomes. Policy changes necessary to create functioning, viable markets and improved opportunities for production and productivity also need to be African-led.

Finally, all successful interventions will require a special effort to involve women, who are not only in charge of feeding their families but also produce and sell 80% of the food in Africa. These women farmers are the ones who are most constrained by the insufficient systems for transporting and storing agricultural produce and are often frozen out of direct benefits from new market opportunities when they arise. Focusing on working with women will improve the chances of achieving food security and also produce exponential benefits for families and society (women reinvest 97% of what they earn in the family, buying more nutritious food and paying for education and healthcare). This, in the end, is what will bring stability and sustainability to the food sector.⁴

To provide a starting point for discussion we have attached detailed recommendations that suggest concrete actions in each of the three priority areas outlined above.

RECOMMENDATIONS

1. SUPPORTING REGIONAL ECONOMIC INTEGRATION IN SUB-SAHARAN AFRICA

In sparsely populated or landlocked areas, the ability to trade across borders is a key component in business, investment, and production decisions, and landlocked countries face the biggest challenges to improving competitiveness.⁵ Regional integration has strong African support: from national leaders; the African Union; and among the RECs. Nelson Mandela's vision for extending the existing infrastructure that links natural resources with ports to a regional system that connects smallholder farmers into commercial trade and transport systems—the African Development Corridors—is coming to life. African political leaders and donors can partner to use the Development Corridors to create a comprehensive regional market system.

Support Development Corridors: The Development Corridors are an African-led, market-based framework that can increase trade and connect smallholder farmers and other producers into broader systems of agricultural trade. While they have the support of African governments and institutions, as well as donors, this support is not well-coordinated, nor does it fully reflect private sector opportunities and needs.⁶

- **Create an Overseas Private Investment Corporation (OPIC)-supported family of funds** to galvanize private sector investment in the African agricultural sector around the Development Corridors and create a focus for a set of core activities for interventions to strengthen cooperation to promote regional trade.⁷
- **Build on existing programs and expand mandates** to encompass regional investment, *e.g.*, among U.S. agencies, **grant the Millennium Challenge Corporation (MCC) the ability to invest regionally** when countries meet the eligibility requirements.
- Work with the private sector to **create business-led development finance authorities along priority Development Corridors capable of handling private and government funds, *i.e.*, a one-stop shop** for coordinating resources around the Development Corridors. The finance authorities should have government participation but not be government-controlled and should encourage development of local capacity for building and running such intermediaries. The Beira Agricultural Growth Corridor launched at a World Economic Forum meeting and supported by a group of companies including Yara Fertilizer, AgDevCo, TransFarm Africa, and several private foundations, including the NEPAD Business Foundation, the Rockefeller Foundation, and the Hewlett Foundation, is evolving into a useful model.
- **Focus a substantial portion of the Global Agriculture and Food Security Program (GAFSP) Trust Fund housed at the World Bank along the Development Corridors to address two problems:**
 - 1) providing adequate financial and capacity building⁸ support for innovative business models that address the problem of the missing middle, as GroFin, Shell Foundation's SME loan fund, and Business Partners International (BPI) have done;⁹ and 2) linking these innovations to infrastructure investments along the Development Corridors that will facilitate growth. It is essential that the GAFSP public- and private-sector windows be coordinated so that they cross-leverage investments, and that the private sector funds administered by the International Finance Corporation (IFC) are given a special mandate to support commercial agricultural enterprises that integrate smallholder farmers into their business plans as either customers, employees, contractors, or partners.
- Through public-private partnerships or grants, **support the establishment of multi-sectoral service businesses in areas such as storage, primary processing, and logistics** to support multiple value chains and encourage more involvement by business. Better define and target such partnerships and

include an explicit “graduation plan” or “exit strategy” to enable a smooth transition to life after the partnership ends.

- **Create standards for land transfer along Development Corridors:** Working with the World Bank consortium of country and private sector representatives, ensure that, while foreign investment in agriculture by large businesses is not discouraged along the Development Corridors, deals are transparent, compensate displaced farmers fairly, and involve local farmers in both supplier relationships and knowledge transfers. This could be achieved through helping governments develop legal standards to this end,¹⁰ as well as by encouraging participation in monitoring and transparency efforts to enforce fair terms of sale and engagement by investors.

Identify and Remove Barriers Along Development Corridors: As the global food security initiative is implemented, interventions must be targeted to specific economic opportunities and addressing the barriers that stand in their way. While business will be the primary actor in identifying and addressing these barriers, governments can facilitate business participation and coordinate with the private sector to identify priorities and concerns. As the voice of business grows, the potential for lasting policy change in sub-Saharan Africa will increase.

- **Identify new opportunities for increased business activity and the barriers to them, e.g.,** through the NEPAD Business Foundation’s “Removing the Barriers” program, which will assess the potential in African agricultural markets along the Development Corridors through the eyes of the entrepreneur and build business support for policy change to address infrastructure and policy barriers.
- **Develop private sector feedback mechanisms with African partners and institutions,** including through the RECs and CAADP, around USAID’s regional Trade Hubs and through more active partnership with the U.S. Department of Commerce, the Office of the U.S. Trade Representative, OPIC and other U.S. government agencies, to coordinate with the private sector on assessing and identifying potential productive opportunities and avenues for economic diversification and identifying appropriate policy solutions to remove market barriers at all levels, nationally, regionally and internationally.
- **Focus U.S. Government Dialogues:** Support business by encouraging countries to reduce impediments to regional trade along the Development Corridors, such as high tariffs, export restrictions, overly onerous standards and cumbersome customs procedures. Use appropriate existing mechanisms, including private sector partnerships, the U.S. Trade Representative’s Trade and Investment Framework Agreements (TIFAs) and the U.S. Department of State’s dialogues with countries and other major donors, particularly Europe.

2. INCREASING PRODUCTIVITY, PRODUCTION AND SUSTAINABILITY THROUGHOUT THE FOOD SYSTEM

Most estimates suggest that the world will need to double the number of calories produced from consumption of key crops by 2050 to meet rising demand from increased global population. With the natural resources that currently exist, we would need to double yields—that is, intensify production and seek dramatic gains in total factor productivity—rather than follow the current pattern, especially pronounced in Africa, of expanding production onto new land to make up for failures to increase productivity. In order for Africa to be able to do its part, we must pursue multiple avenues to help foster increased productivity, including the adoption of better practices, more efficient use of inputs, more efficient technologies, a significant leap forward in the knowledge of plant genetics, the reduction of waste and spoilage, and the rehabilitation of degraded or under-performing land.

Accomplishing this before climate change, diminishing resources and growing global demand further intensify competition over land and water will require moving the collaboration with business from the episodic and project-driven to something much more systematic and robust.

One-Stop Shopping for Private-Sector Engagement: Increasing demand for specific kinds of crops or crops produced by specific kinds of producers can stimulate production and productivity increases. Although both governments and NGOs are working to develop relationships with the private sector to sell these products, these connections are too episodic to result in enough “exchange” to produce the level of investment and change in practice and policy that Africa needs, including collaboration on GHFSI interventions. In addition, developing these relationships takes enormous time and skill on the part of all parties involved.

- Business-led organizations like the Global Harvest Initiative, the NEPAD Business Foundation, the World Business Council for Sustainable Development, the Initiative for Global Development and others all have members who have significant involvement with African agriculture and an interest in reducing the transaction costs of working with governments and NGOs, but they also have broader overall missions that dilute the resources and time they can devote to this issue. The World Wildlife Fund (WWF) has identified the 100 most significant global supply chain players in the food industry (banks, traders, processors, manufacturers, brands and retailers) who handle one-quarter of global business in 15 of the most significant food and fiber commodities that affect environment and livelihoods.¹¹ WWF currently has signed agreements to work with 40 of these companies and expects to sign with another 40 over the next 18 months. The U.S. government should work with these organizations, and others who come forward, to **develop a clearing house** that global development agencies and the NGO community can reach out to for information and partnerships.

Increasing Productivity in Orphan Crops: Many of the food crops that constitute most of the caloric intake, and thus the food security, of Africa’s poor are not commercially significant crops globally, and, as a result, the private sector has not pursued aggressive breeding programs for these crops. Because so little attention, compared with the more widely traded temperate crops (e.g., corn, wheat, soy), has been paid to the genetics of these so called “orphan crops” and even less technology applied to them, it seems likely that at least some of these crops could well respond more quickly to genetic breeding and manipulation than those in temperate areas on which a lot of research has already been conducted.

- The GHFSI should **challenge the bioscience companies**—which currently spend the most money on research, have the most capacity in place to do genetic research, and have the largest market share and distribution to take discoveries to market—**to work on these orphan crops**. The WWF has been working on mechanisms to pool research, costs and factors to reduce risk that could form the basis for a broader effort to promote genetic research on orphan crops and stimulate more private sector effort. The Rockefeller Foundation has also had significant experience in creating mechanisms that allow scientists to share privately held materials for genetic research and in reducing individual company risk. Such an effort aimed at sub-tropical orphan crops could yield tremendous gains for African food security and be an essential ingredient of the GHFSI.

Promoting Entrepreneurship: A critical deficit in getting small and medium agribusinesses established and growing is a means of identifying entrepreneurs who want to build growth businesses, whether farmers or those interested in working in agricultural value chains, and then ensuring they get the finance and other support they need in order to be successful. The capital market that exists has signaled that the agribusiness space presents unusually difficult challenges. For example, of the 17 entrepreneurs funded by GroFin Uganda over the past

two years, not a single one was engaged in agribusiness, despite the fact that over 80% of the country's labor force works in the agricultural sector. Even though a handful of agri-deals get done, there is little to suggest that this is anything more than "cherry-picking" the cream of the crop, rather than a signal of systemic change or a resolution of extensive market failures.

- **Support an Agribusiness Accelerator** that would match the growing supply of capital for SMEs in Africa with demand by identifying good potential businesses, strengthening them, and facilitating their access to capital.¹²

Addressing Barriers to Land Ownership/Use: Farmers will not plant trees or invest in sustainability if they do not own title to the land. Clear land ownership or usage rights are a critical component of functioning markets, yet up to 90% of rural Africa has no formal documentation of land ownership. Women are hit the hardest by this free-form land use. Improved security of ownership and transferability of land would increase the value of household assets, generate higher levels of investment, and thus agricultural productivity, and facilitate access to credit.

- **Consider making effective land tenure systems a pre-condition for donor programs**, *e.g.*, the precedent of the MCC's Lesotho compact.

Building Capacity Along Supply Chains: In addition to financial support, funds from the GAFSP should be used to support small farm/commercial development through market-led, demand-driven capacity-building interventions all along value chains. Instead of focusing on one link in a supply chain, successful capacity building programs should approach the market as a whole. They should identify and apply best practices and innovative business models for value-chain development and improvements to competitiveness, with a particular focus on identifying these models in staples and grains. Successful capacity building will require leveraging the expertise and resources of all actors, including business. The private sector can bring both necessary financial resources and business experience to the table, providing training for other producers.

- Work with business and other stakeholders to **identify best practices and innovative business models in staples and grains** for value chain development and improvements to competitiveness, with a focus on small farmers and SMEs, and adapt and test them under local market conditions.
- Focus on **transfer of skills and knowledge to African businesses**, preferably from business counterparts, and deliver capacity-building assistance through appropriate local channels, *e.g.*, local farmer and business organizations that could be used as channels for the delivery of capacity building services, where appropriate, in conjunction with other stakeholders on both the production and consumption sides.

3. IMPROVING LINKS TO MARKETS AND ENHANCING OPPORTUNITIES TO TRADE

Trade and markets are multi-dimensional, and policymaking must be approached in an appropriately integrated fashion. In order to be truly effective, policy interventions must be tailored to respond to specific needs and market opportunities on the ground as well as the barriers that may stand in their way, as described above. Effective trade policy goes beyond tariffs and quotas and encompasses all measures required for an entire effective *system* to move and share goods, services, people and information both within and among countries. In order to maximize opportunities to foster and benefit from a functioning food

economy, effective food security policies must link to responsive trade, development, and investment policies that facilitate markets at all levels simultaneously: local, national, regional, and international.

International Trade Policy: International trade policy can significantly affect the size of market available to African agricultural producers and will, therefore, factor into productivity improvements. Relevant policies include trade preference programs, trade facilitation, domestic support measures, export control policies, and trade capacity building assistance, or “aid for trade.” Despite slow progress on the Doha Development Round at the World Trade Organization (WTO), the attention to food security and reform of U.S. preference programs can help improve African access to international markets. The right policy mix will be critical. Developed countries should provide reliable access to their markets through comprehensive, easy-to-use preference programs, conditions on the ground should be addressed through stronger trade-facilitation initiatives and other ways of addressing non-tariff barriers, and trade policies should be linked to related development and investment policies. In all cases, particular attention should be paid to whether international policies enhance efforts to achieve greater food security or have the opposite effect. Agreements like the EPAs that restrict rather than enhance regional trading opportunities are not the right policy tools for sub-Saharan Africa.

- **Improve U.S. preferential market access** for sub-Saharan Africa:
 - Expand the African Growth and Opportunity Act’s (AGOA’s) product coverage to include key agricultural products, including sugar, dairy, and other products currently subject to tariff-rate quotas, through a comprehensive duty-free, quota-free (DFQF) initiative with a simple rule of origin that explicitly allows for regional cumulation.¹³
 - Keep trade preferences in place for sub-Saharan Africa long enough to encourage long-term private-sector investment, which could be accomplished by Congressional action to make preferences permanent as long as countries meet eligibility requirements.¹⁴
- **Treat sub-Saharan Africa as a region**, similar to the approach of AGOA, and encourage other countries to do the same for purposes of preference programs and other trade policies, with the same benefits and rules for all countries, including both least developed countries (LDCs) and non-LDCs, in order to encourage the development of regional/cross-border supply chains.
- **Ensure that trade policies promote, not discourage, broad and open African regional trade**, and work with other trading partners toward this goal. For example, analysis of the EU’s EPAs indicates that these agreements will have a negative impact on regional trade opportunities by creating divided markets with different regional product exclusions.
- Working with other WTO partners and business, **launch a comprehensive trade facilitation initiative** that includes expanded use of existing models to streamline customs procedures and other trade facilitation measures in Africa.
- **Tie success in addressing trade facilitation issues and other intra-African policy reform to finance models**, such as the OPIC-supported family of funds described above, **and performance-based criteria for enhanced regional funding**, *e.g.*, through the MCC.¹⁵
- **Scale up training on how to use preference programs**, including the Commerce Department’s innovative e-learning tool, which helps developing countries identify their own economic opportunities and identify how to best use trade programs and policies.
- **Improve U.S. and European processes for coordinating trade, foreign assistance and investment policies and programs**, including through established dialogues. Allow agencies to combine and coordinate their relative strengths to effectively achieve sustainable market-led development.

Focus on Demand and Consumption in Addition to Supply-Side Challenges: Increased agricultural trade at all levels requires focus on supply-side challenges, including compliance with the often complex food safety

standards or sanitary and phytosanitary (SPS) standards of trading partners and with separate proliferating private sector standards. Meeting these standards would allow African producers to tap into existing demand in international markets. Efforts must also focus on creating demand—both through fostering a food-purchasing middle class and by responding to “structured demand” created by programs such as safety nets and school lunches.

- **Support regional commodity exchanges** with established trading rules, including predictable and enforced quality standards, *e.g.*, AGRA.
- **Foster the establishment of trade associations** in the food-trading, handling, processing and retailing industries, with guidance from trade associations in the United States and other countries and with the intention of promoting best practices in food safety, quality assurance and other areas.
- **Work with business and business-oriented NGOs to enhance training** for countries to codify and enforce science-based food safety standards or adopt harmonized standards such as those developed by the *Codex Alimentarius*, and for companies to increase compliance with private sector standards, using existing models where available, *e.g.*, the food safety project piloted by the Grocery Manufacturers’ Association in Asia.
- **Increase technical assistance to help countries meet U.S. SPS standards**, while streamlining approval procedures at the U.S. Department of Agriculture’s Animal and Plant Health Inspection Service (APHIS), the Food Safety and Inspection Service (FSIS) and the Food and Drug Administration (FDA), working toward creation of a “one-stop shop” for food safety standards in order to facilitate understanding of the import requirements of different U.S. food safety agencies.
- **Initiate dialogue between the United States and European Union** to explore ways to simplify use of existing standards.
- **Link purchases of commodities needed for emergency response, nutrition, and safety net programs to local and regional producers.** By linking the need for food in the humanitarian elements of the GHFSI with local agricultural production, this demand can be used as a tool to bolster farmer capacity and production. This will help to ensure that all elements of the initiative are effectively integrated.

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ENDNOTES

¹ The Intergovernmental Panel on Climate Change warned in its 2007 report that by 2020 climate change could lead to a 50% cut in rain-fed farm yields in many African countries (Intergovernmental Panel on Climate Change. (2007), *Climate Change 2007 Synthesis Report*). As much as 96% of African agriculture is rain-fed rather than irrigated.

² These countries are Ghana, Mali, Rwanda, Senegal, Tanzania, Ethiopia, Kenya, Liberia, Malawi, Mozambique, Uganda and Zambia. The relevant Development Corridors are the Beira, Nacala, North-South, Northern, Central, Djibouti, Conakry-Buchanan, Gulf of Guinea Coastal, Maputo, Limpopo, Mtwara and Tazara Corridors.

³ U.S. Department of State, Global Hunger and Food Security Initiative Consultation Document, September 2009, page 5.

⁴ The food sector in Malawi has reportedly become more stable after women were brought into farmer associations.

⁵ For example, landlocked countries can face transport costs up to four times as high as those in developed countries. The World Bank estimates that a 10% drop in transport costs would result in a 25% increase in total African trade, which has significant implications for increased incomes and the movement of food, two key elements of the food security initiative. Investment in these areas often has significant spillover effects; for example, investment in infrastructure leads to investment in other necessary elements of the farm sector such as trucking and storage.

⁶ Ros Thomas, an expert in African spatial development and a former senior official at the African Development Bank, estimates that trade could expand by \$250 billion over the next 15 years if the Development Corridors receive adequate support.

⁷ OPIC would work with governments, organizations and private sector entities across the board to ensure a holistic approach, including mechanisms to provide incentives for the emergence and coordination of investors, capital seekers and providers. OPIC would begin this process by issuing a call for proposals for fund managers in the agricultural space and open the call process to the participation of other development finance institutions (DFIs) and investors, increasing opportunities for lending, guarantees and risk mitigation for entities of all sizes and enterprises along supply chains. Other examples of such a holistic approach include efforts initiated by the Academy for Educational Development, the Alliance for a Green Revolution in Africa (AGRA), USAID, the European DFIs, the Global Impact Investing Network, and the Aspen Network of Development Entrepreneurs.

⁸ In order to grow, SMEs will require better finance opportunities, as discussed above, insurance, and risk mitigation coupled with market-led, demand-driven capacity building, *i.e.*, capacity building designed to facilitate specific market opportunities and/or remove barriers that stand in their way, as outlined below.

⁹ The International Finance Corporation (IFC), which will administer the private sector window, is often risk adverse because it uses its profits to support the World Bank's balance sheet. This risk aversion pushes the IFC towards larger-scale investments and, therefore, to ensure that small and medium-sized farm enterprises are part of the private sector window, would be to ring-fence the returns from the World Bank balance sheet.

¹⁰ Legal standards are also either lacking or poorly understood around land ownership and use. Food security initiatives should include focus on building awareness of existing legal standards and information necessary to gain title, *e.g.*, measuring and describing land, and providing technical assistance to encourage transparent application of laws.

¹¹ This project is summarized in Clay, Jason, "Freezing the Footprint of Food Production: Pooling Resources to Increase Productivity of Orphan Crops Through Genetics," World Wildlife Fund 2010.

¹² TechnoServe, with support from the Rockefeller and Gates Foundations, has been developing and testing an accelerator program and has raised significant funds for its launch.

¹³ This refers to the process of assessing "origin" for purposes of qualifying for preferential tariff and quota treatment. Encouraging countries to combine inputs and add value across borders within sub-Saharan Africa, *i.e.* regional cumulation, will help promote development of regional value chains, investment and economies of scale.

¹⁴ Preferential market access would continue to be subject to countries' compliance with appropriate eligibility conditions, including internationally recognized labor standards, which would be reviewed annually through a more comprehensive, transparent process.

¹⁵ Progress in addressing trade policy issues could be linked to finance vehicles through an insurance guarantee mechanism and to donor funding through performance-based indicators. The World Bank Doing Business Report indicators and additional Doing Business in Agriculture indicators under development could be useful examples.