

How Can Agriculture and Trade  
Lead to Livelihoods, Food Security  
and Development?  
*Evidence from Eastern and  
Southern Africa*



## *About the Monograph*

This monograph presents succinctly, the main findings of CUTS' country research studies on trade and agriculture issues in Kenya, Malawi, Tanzania, Uganda and Zambia. The 15-month research was undertaken under the FEATS project and adopted an inclusive approach by involving relevant country stakeholders in each stage of the studies. While the overall focus of research was on trade, agriculture and livelihoods, it also examined the links between agricultural productivity and trade facilitation in landlocked countries of Malawi, Uganda and Zambia, and between food security and regional trade in Kenya and Tanzania.

The monograph summarises the analysis around ten themes that range from the importance of agriculture to the role of governments, donors and CSOs. The themes also include international and regional (including informal) trade, education and capacity building needs, and multi-stakeholder consultations and coordination. This presentation brings out all the relevant issues and their interlinkages. It also offers comprehensive and yet concrete suggestions for action by all concerned. This holistic approach and inter-weaving of crisp analysis and specific recommendations should be particularly useful for policy makers.

The overall message is that agriculture and trade can be engines for inclusive growth and development in African countries. This will, however, require understanding the complex interlinkages, crafting comprehensive policies and strategies, and taking coordinated and sustained actions on several fronts.

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# How Can Agriculture and Trade Lead to Livelihoods, Food Security and Development?

*Evidence from Eastern and Southern Africa*

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## *Foreword*

With its earnest mission to promote and disseminate pro-trade solutions for the global South in order to pursue both social justice and economic equity, CUTS has been continuously undertaking research and advocacy work within the area of trade and development. Its project entitled “Fostering Equity and Accountability in the Trading System (FEATS)” was conceived and implemented in the same spirit. The project is supported by the William and Flora Hewlett Foundation of the US and focusses on building capacities of relevant stakeholders from Kenya, Malawi, Tanzania, Uganda and Zambia.

CUTS recently completed 15 months of research and analysis under the second phase of the project. This research follows the one undertaken in the first phase of the project on the role of stakeholders in trade policy making in the project countries, and focusses primarily on the complex and intricate inter-linkages between trade and agriculture issues. The objective of the current research is to provide knowledge and information to create better awareness and understanding among all relevant stakeholders in the project countries on the significance of implementing holistic and inclusive policies on trade and agriculture. The research makes an effort to highlight the renewed necessity to target the agricultural sector in order to foster greater development by promoting trade in agriculture, increasing rural livelihoods and ensuring food security.

A unique feature of the current project is that apart from its scope of providing general information and recommendations on the significant role of the agricultural sector and the importance of trade promotion in the countries, it also attempts to account for the most urgent needs and special challenges of the individual project countries. For instance, the research on Kenya and

Tanzania focusses primarily on the nexus between the role of the agricultural sector and the promotion of regional trade in addressing food security issues, while the research on Malawi, Uganda and Zambia (landlocked countries) focusses on the linkages between the promotion of holistic policies and improving trade facilitation in order to increase agricultural productivity and its connection with rural livelihoods and poverty reduction strategies.

The current research has also utilised the opportunity to engage and consult with all relevant stakeholders in the project countries in order to create an inclusive approach towards policy making and to fill in gaps in knowledge that currently exist. I am confident that audience from across the spectrum – public and private sectors, missions, trade policy officials, experts, researchers, civil society workers, NGOs, farmers groups, small businesses etc. will find this research useful. I will urge them to reflect on the ten themes presented in this monograph that summarise the main findings of the research and present recommendations. This can provide a shared basis for coordinated action by all. CUTS as always is ready to play its role.

Jaipur, India  
February 2011

**Pradeep S Mehta**  
Secretary General  
CUTS International



## *Abbreviations and Acronyms*

BIEAC	Building an Inclusive East African Community
CBOs	Community Based Organisations
COMESA	Common Market for Eastern and Southern Africa
CSOs	Civil Society Organisations
CUTS	Consumer Unity & Trust Society
EAC	East African Community
EAGC	East African Grains Council
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agricultural Organisation
FDI	Foreign Direct Investment
FEAD	Facilitating Equitable Agricultural Development
FEATS	Fostering Equity and Accountability in the Trading System
GDP	Gross Domestic Product
GNI	Gross National Income
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
ITC	International Trade Centre
ITPMI	Inclusive Trade Policy Making Index
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
NGOs	Non-governmental Organisations

NSAs	Non State Actors
NTB	Non Tariff Barrier
OGS	Out-Grower Schemes
RoO	Rules of Origin
RECs	Regional Economic Communities
SSA	Sub-Saharan Africa
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes
SPs	Special Products
SPS	Sanitary and Phyto-Sanitary
SSM	Special Safeguard Mechanism
TBT	Technical Barriers to Trade
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
WTO	World Trade Organisation

# 1

## *Introduction*

Trade, if managed well, can be a powerful instrument for economic development and poverty reduction, besides a tool to correct the imbalances between areas of surplus and areas of deficit, based on the comparative and competitive advantages. Therefore, by increasing opportunities and expanding markets, trade has a direct impact on competitiveness, productivity and livelihoods. This impact is particularly relevant for the agriculture sector in developing countries that is the main provider of employment, livelihoods, and food security. Since the early 1990s, several African countries have made numerous strides and considerable progress in opening up their economies to global markets through liberalisation and trade but the success of these measures has been mixed. While few can argue against the intrinsic worth or the importance of trade and liberalisation in addressing today's development challenges, it is of utmost importance that much of the pivotal interrogations on the subject should be channelled not towards its idiosyncratic merits or demerits, but rather on how it is managed (Stiglitz, 2007), in order to fulfill its desired objectives.

CUTS project entitled “Fostering Equity and Accountability in the Trading System (FEATS)” was undertaken in this context and with a view to contribute towards maximising the contribution of trade for inclusive growth and development. This three-year project focussing on five sub-Saharan African (SSA) countries of Kenya, Malawi, Tanzania, Uganda and Zambia (termed as project countries) had the following as its broad objectives:

- ensuring and enhancing positive linkages between trade and development in Africa by developing the capacity of governments to proactively and

positively respond to trade issues through their involvement in policy research;

- advocating with trade officials and in national capitals by establishing robust, two-way linkages between activities in Geneva and in project countries; and
- generating a more coherent and pro-trade for development voice in the formulation and implementation of trade and development policy at both the national and international levels.

The project was divided into two phases of 18 months each. The first phase from April 2008 to September 2009 focussed on trade policy making processes and the role of all relevant stakeholders. The outcome of this research brought out the critical importance of inclusive policy making processes to improve both the content and ownership of trade policies in the project countries (CUTS: 2009a; CUTS: 2009b). The research also developed a qualitative tool entitled “Inclusive Trade Policy Making Index (ITPMI)” to highlight the state of inclusiveness and role and constraints of various groups of stakeholders in trade policy making. This tool is being further refined and can be used to evaluate the inclusiveness of processes for policy making in general.

The second phase was launched in October 2009 and focussed on issues related to agriculture, trade and development. The research in the second phase was designed to examine in each country the linkages between agriculture and trade with particular focus on agricultural productivity and trade facilitation (in the context of landlocked countries of Malawi, Uganda and Zambia), and food security and regional trade (in the case of Kenya and Tanzania). The five country research studies adopted an inclusive methodology at each stage of the research with a view to maximise sharing and cross fertilisation of information, ideas and analysis and to ensure buy-in by all relevant stakeholders in the countries. The research was completed over a period of 15 months and has been published in a volume entitled “Agriculture in Development of Select African Countries: Linkages with Trade, Productivity, Livelihood and Food Security” (CUTS: 2011).

This research confirms that the project countries depend on their agriculture sector as the mainstay of the economy in terms of its contribution to employment, rural livelihoods, food security and international trade. On the other hand, however, their agricultural sector suffers from lack of competitiveness, limited productivity improvements, and occasional adverse

impact due to international trade. Although the project countries, their civil societies, donor agencies and international partners are wholly cognisant of the affirmative role which trade can play in addressing the aforementioned problems, there is a need for better awareness of the intricacies of the issues involved in order to forge coherent trade and agriculture policies that can then harness the full potential of the agriculture sector for inclusive growth and development.

This monograph summarises the main findings, analysis and recommendations of the research. These have been organised around ten themes which are inter-related and hence need to be appreciated and acted upon holistically.

## 2 | *Introduction to Project Countries*

Project countries share certain similarities as well as exhibit substantial differences in terms of their socio-economic conditions, political situations, historical backgrounds, development paths, agriculture and trade policies and performance records. Examining carefully the social, political and economic factors affecting each project country, as well as their common and unique factors, can facilitate a more comprehensive understanding of the underlying trade and agriculture-related developmental problems faced by them, and could further aid policy makers to adopt suitable strategies and interventions.

Table 1 presents basic information regarding the main economic indicators of the five countries. All project countries registered a real growth in their gross domestic products (GDPs) at an approximate average of six percent per annum during the first half decade of the new millennium, with Tanzania and Uganda recording the highest growth rates. This favourable growth in the first half of the decade could be attributed to higher commodity prices, growing export volumes, prudent macro-economic policies, increased foreign direct investments (FDIs), debt relief, and sustained aid packages, amongst others. But the global economic crisis post 2008 slowed down this growth.

The table also reveals that there are still broad differences among countries, e.g. between the per capita Gross National Income (GNI) of Zambia at US\$970 in 2009, and Malawi at US\$280. In terms of population too, they represent a wide range between Zambia with an approximate population of 13 million, and Tanzania with an approximate population of 44 million. Poverty is widespread in all the project countries, and the majority (almost 80 percent) of

Table 1: Main Economic Indicators									
	Nominal GDP (current US\$) 2009	Real GDP (annual percentage change) 2010 projections	Annual GDP growth rate (2005-2009) percent	Population 2009	GNI per capita (current US \$) 2009	Percentage of population living below US\$1.25 a day	Percentage of population living below national poverty line (2006)	Percentage of total population living in rural areas (2009)	Unemployment (percentage of total labour force)
Zambia	12,747,657,530	6.6	5.2/ 6.3	12,935,368	970	32.8 (2004)	68.0	64	12.9
Uganda	15,735,689,089	5.8	6.3/ 7.1	32,709,865	460	19.1 (2005)	31.1	87	3.2
Malawi	4,974,856,180	6.0	2.6/ 7.7	15,263,417	280	32.3 (2004)	52.4	81	7.8
Kenya	30,200,251,314	4.1	5.9/ 2.2	39,802,015	770	6.1 (2005)	46.6	78	9.8
Tanzania	21,623,014,292	6.5	7.4/ 5.5	43,739,051	500	46.8 (2000)	35.7	74	4.3
Source: World Bank, IMF (World Economic Outlook 2010)									

their respective populations reside in rural areas and is dependent either directly or indirectly on agriculture.

Table 2 provides information on the agricultural sector in the five countries. The potential of agriculture to contribute to inclusive and sustainable growth and development in all five countries is undeniable. In fact, the widespread poverty in these countries, which is much more pronounced in rural areas, cannot be eradicated without such agricultural development. Trade can play an important role in unleashing the potential of agriculture. But it must be recognised that this entails understanding and addressing complex interlinkages.

<b>Table 2: Agriculture in Project Countries</b>						
	<b>Agricultural land (percentage of total land)</b>	<b>Arable land (percentage of total land)</b>	<b>Agriculture value added (percentage of GDP) 2009</b>	<b>Agriculture value added per worker (constant 2000 US\$ prices)</b>	<b>Main agricultural products</b>	<b>Employment in agriculture (percentage of total employment) 2009*</b>
Zambia	34.4	7.1	21	220	Tobacco, Cotton, Maize, Sugar, Coffee, Tea	66
Uganda	NA	27.9	38	197	Coffee, Tea, Tobacco, Livestock, Maize, Fish	76
Malawi	52.8	31.9	36	136	Tobacco, Tea, Sugar, Cotton, Maize	79
Kenya	47.4	9.1	28	345	Maize, Tea, Horticulture Products, Coffee, Tobacco	69
Tanzania	38.6	10.2	45 (2006)	326	Maize, Cassava, Sweet Potato, Beans, Millet	77
<i>Source: Country research studies in this volume and the website 'New Agriculturist'</i>						
<i>*Calculated from UNCTAD Handbook of Statistics</i>						



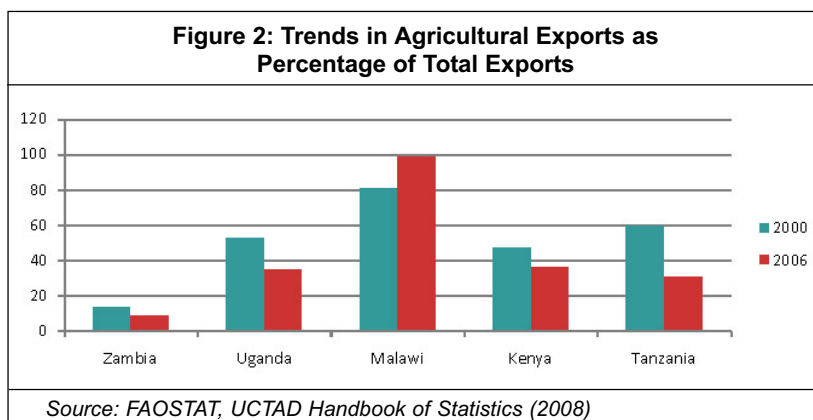
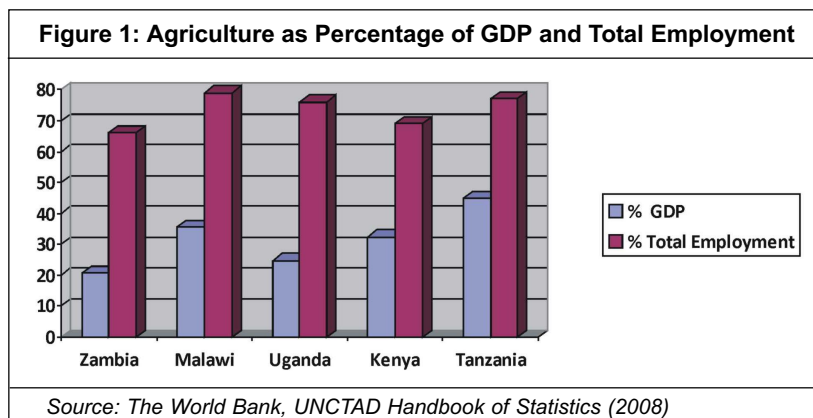
### 3

## *Lessons and Recommendations: The Way Forward – Ten Themes*

The five country research studies in the second phase of the FEATS Project provide a rich mosaic of information and analysis related to the role of agriculture in inclusive growth and development through trade with particular focus on issues such as food security and livelihoods, agricultural productivity, and regional trade, including informal trade (CUTS: 2011). Synthesised lessons and recommendations of the five country studies confirm several long-held views as well as offer some new insights into the complex interlinkages involved and present a coherent plan of action for all relevant stakeholders. Following is a summary of these conclusions and recommendations which are organised around ten themes. These themes and recommendations are interlinked and need to be addressed collectively.

#### ***a. Recognise agriculture as key to inclusive growth and development***

Despite its decreasing share in the GDP, agriculture remains crucial as the key driver for balanced, equitable and sustainable growth and development. This is especially true when seen in the context of its role as the main provider for employment and driver of international trade. In fact, 70 percent of Africans depend on agriculture for their livelihoods (Africa Progress Report: 2010, p.4). The project countries, being mostly agrarian economies, can benefit from their comparative advantage in agricultural products if complementing policies are



implemented which boost agricultural productivity and promote trade. Figure 1 demonstrates the main significance of agriculture to the economies in the project countries. Figure 2 underscores the relevance of agricultural exports as percentage of total exports for the project countries.

Yet, most project countries are net importers of food, manifesting a high prevalence of poverty, hunger and malnutrition. Therefore, agriculture in the project countries is not delivering its potential as a driver for poverty alleviation, rural livelihoods and food security. Changing climatic patterns further exacerbate the problem as most project countries are dependent on good weather and rain for irrigation purposes.

The reasons behind this lack of development in the agricultural sector in the project countries can be enumerated as:

- post independence government policies focussed mostly on import substitution and self sufficiency, with special emphasis on industrial development by indirectly taxing agriculture;
- the primary focus was also on self sufficiency in food production, with lesser emphasis on issues relating to food accessibility and affordability;
- perpetuation of the colonial legacy whereby the production and trading patterns in Africa are mostly extractive (minerals, energy products) and outward looking; and
- the Green Revolution which had a lasting impact on countries in Asia by increasing agricultural productivity and economic growth, bypassed Africa.

Although there has been substantial progress in agriculture in the last decade owing to renewed interest in the sector by governments and international donors alike, many challenges still remain. Malawi is one such success story which transformed itself from being a food deficit country to being a food surplus and exporting country for the past four years in a row (*Ibid*, p.33) due to sound agricultural policies. Unfortunately, such examples are rare.

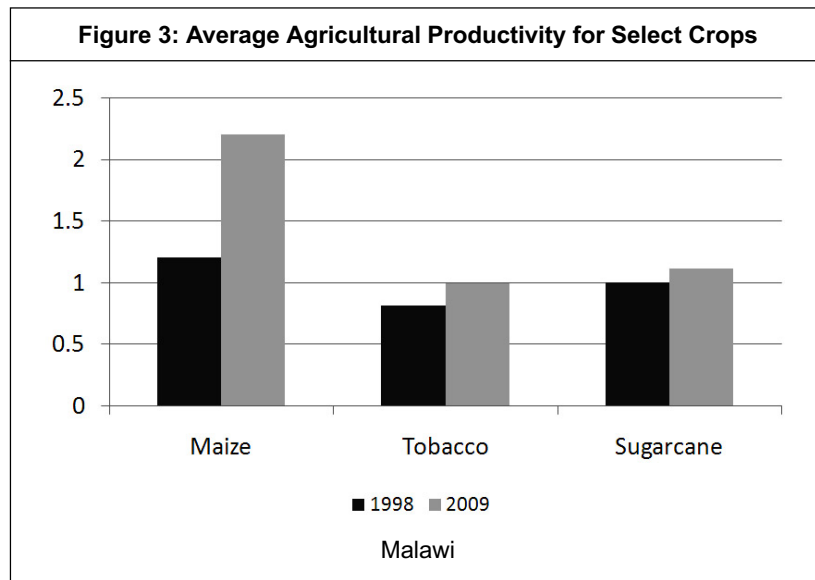
What is needed is a clear, unequivocal, and upfront acknowledgement of the critical importance of the agriculture sector in project countries by all concerned at the national, regional and international levels. This should then be appropriately reflected in all international, regional and bilateral trade agreements, as well as national policies and practices of governments, and efforts and actions of non-state actors (NSAs). More specifically:

- Governments should commit at least ten percent of their annual budget on agriculture;
- International organisations, donors and regional economic communities (RECs) should prioritise agriculture in their plans and interventions.; and
- Civil society organisations (CSOs) should focus on identifying and promoting the elements of an enabling environment for private sector led and farmer friendly agricultural development.

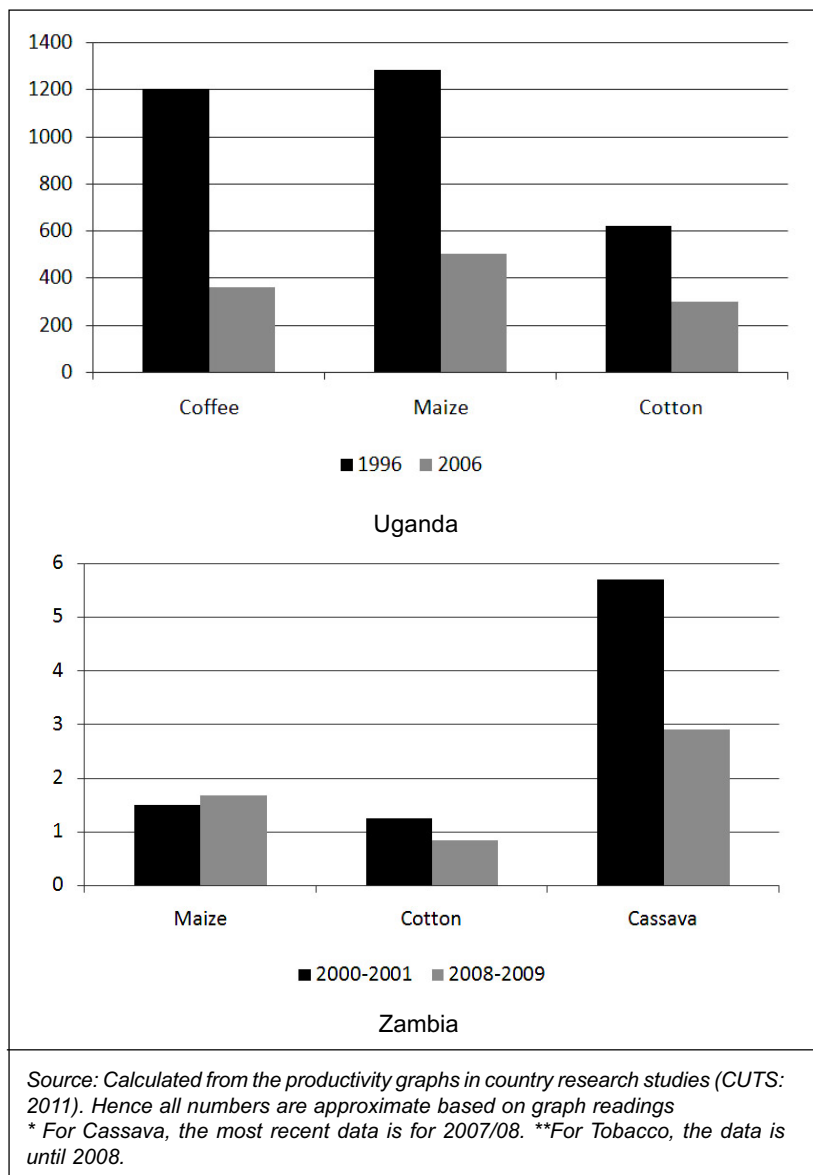
***b. Improve agricultural productivity to facilitate trade, improve livelihoods and ensure food security***

Policies adopted by the project countries to increase agricultural productivity can promote economic growth and truly benefit rural livelihoods, reduce poverty and ensure food security. Higher agricultural productivity can translate not only to increased food supplies and lower food prices for the consumers, but also to higher farmer/producer incomes which affect livelihood choices in the project countries. The project countries have a comparative advantage in many agricultural tradable crops and have abundant agricultural land. In spite of this, the countries exhibit lower agricultural productivity and high food insecurity. Figure 3 provides information on average agricultural productivity levels for key crops in Zambia, Malawi and Uganda.

The reasons for decreased productivity in agriculture are manifold and can be related to both physical as well as structural problems. Due to low prevalence of irrigation systems, the region is dependent mostly on favourable climatic conditions and rain for growing crops. Furthermore, despite access to abundant agricultural lands, the land yield in this region is much lower than in other parts of the world. Erratic rainfall, bad choices in crops, poor crop and animal husbandry practices, overuse of arable lands and decreasing soil fertility all negatively affect agricultural productivity.



Contd...



These physical challenges are compounded by other structural challenges. Most agricultural activities in the project countries are carried out in smallholder lands at subsistence level. There is also a paucity of complementary services. Decaying infrastructure characterised by poor road and rail networks (especially in rural areas), energy poverty and low access to farm power and mechanisation, inefficient telecommunication and information services, limited irrigation systems etc, decrease the scope for overall agricultural productivity. In addition, most agricultural land is held as collective and communal land with very limited land being individually owned. Land entitlements and ownership issues directly affect farmer incentive to invest in the land, such as technological innovations, thereby affecting productivity.

On the other hand, productivity improvements in some crops have been witnessed due to governmental efforts such as interventions that aimed at increasing land productivity by smallholder farmers through Farm Input Subsidy Programmes, the promotion of organic manure, intensive extension methods, and promotion of high yielding varieties. Private sector-farmers collaboration through Out-Grower Schemes (OGS), and participation of smallholder farmers in cash crop farming also have contributed in the improved productivity of some cash crops such as chillies, paprika, sugar, etc.

Productivity of most agricultural crops still remain much below the potential and the sector exhibits almost three times less productivity compared to services and industrial sectors. The limited productivity gains result in food insecurity, chronic poverty, and little surplus for trade perpetuating a vicious cycle of low productivity, low and high cost production, un-competitiveness in domestic and international markets, and little surplus/incentive to trade and invest in productivity improvements.

Increased productivity and efficient markets, in conjunction with rational government policies, can dramatically alter the economic contribution of agricultural sector to trade, food security and livelihoods. Following recommendations are made to achieve this objective:

- Governments should increase their expenditure on agriculture especially on feeder roads, extension services and key irrigation infrastructure for small-scale farmers. The increased governmental investment should target improving land, labour and water resource productivity as well as disease, pests and weed control.

- Agricultural inputs are often imported and are expensive. Therefore, the governments should continue and strengthen targeted input subsidy programmes particularly for small and resource-poor farmers to enable them to acquire these inputs at low cost.
- The private sector should join the governments and invest in improved seed multiplication and improved irrigation technology.
- OGS sponsors should provide a transparent production and marketing chain, ensure that the inputs to farmers are provided on time and the linkage between the prices and quality of the crops are well understood by the farmers. Further, farmers should be educated and be able to appreciate the product grading procedures.
- Farmers associations should link up with researchers and research institutions for collaborative work towards improving agricultural productivity. They should also sensitise the farmers in the use of improved productive technologies, such as improved seeds and use of farm manure or chemical fertilisers and improved animal breeds.

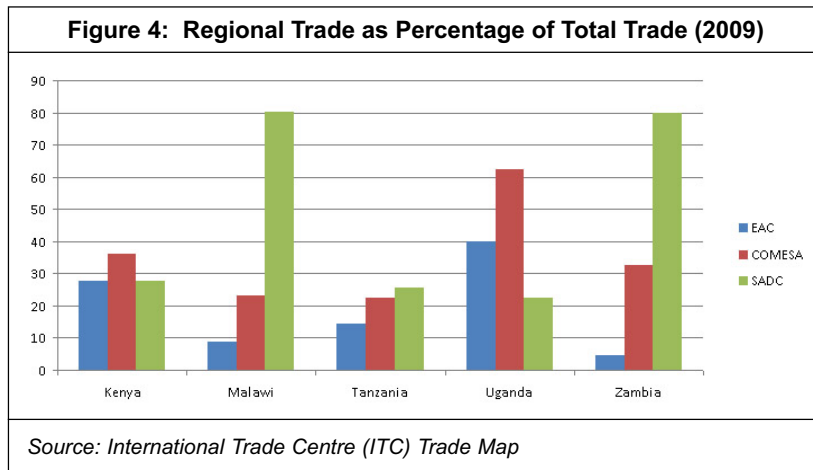
***c. Promote formal regional trade to improve livelihoods and food security***

SSA represents not only one of the poorest regions on the planet, but also continues to be the most food insecure. The situation has been further aggravated by recurrent food, energy and financial crises in the past decade. While the current financial crisis has certainly highlighted the consequences of neglecting the agricultural sector in the project countries, data shows that hunger and impoverishment were increasing even before the crisis (FAO: 2009). This suggests chronic and structural problems plaguing the project countries, and not just temporary fluctuations, which continue to negatively contribute to food insecurity.

Some of these chronic and structural reasons for increasing food insecurity in the project countries can be attributed to growing demand for food and changing food consumption patterns in emerging economies, underinvestment in agriculture, gender biases in access to land and other resources, lack of reliable domestic markets, competing use of land for food products and bio-fuels, low land yield in project countries and soil depletion, lack of inputs and irrigation systems, limited regional trade and unfair trade rules, etc. (*see*: Africa Progress Report, 2010: pp. 33,34).

Greater regional integration including through open trading arrangements can not only boost economic growth through the creation of larger markets and reducing dependence on the mature and slowly growing developed country markets, but can also improve livelihoods by generating business activities particularly in the small and medium sectors. Moreover, regional trade in agriculture, and particularly in food products, can improve food security by allowing movement from surplus to deficit countries and areas. However, regional trade among African countries is still rather limited though growing steadily. Some factors that hinder African regional trade are over dependence on single primary commodities by many countries, lack of diversification in production and exports, lack of complementarities between the trading countries, and limited regional trade infrastructure (Kaukab: 2009).

All five countries are part of several RECs and regional trade is generally on an upward trend. However, a large part of regional trade in agriculture and food products takes place through informal means and hence is not recorded. Such informal trade while beneficial for some traders and for ensuring food security in the immediate term reduces governmental revenues and depresses prices of the traded commodities and hence can act as a disincentive to invest in agricultural activities by small farmers.



There are several reasons for the flourishing informal regional trade in agriculture and food products. Restrictive government policies create incentives for illegal trade. There are also legal requirements for trade in agriculture and food products such as compliance with sanitary and phyto-sanitary standards.



Moreover, there are often delays in clearing the goods at formal border trading points as well as illegal payments to be made to border officials. These add to the costs of formal trade and hence encourage informal trade particularly in small quantities along porous borders.

Governments, secretariats of the regional organisations and the private sector are recommended to take the following actions to promote formal regional trade in agriculture and food products which would help improve livelihoods, ensure food security and would also generate revenue for governments through customs receipts:

- Governments should encourage formal trade by reducing tariff and non-tariff barriers (NTBs) as well as clamping down on illegal payments.
- Relevant standards, including sanitary and phyto-sanitary (SPS) standards should be harmonised at the regional level and adequately communicated to farmers and agricultural traders.
- The secretariats of RECs should assist the governments of the member countries to apply harmonised food safety standards.
- The secretariats of RECs should ensure wide dissemination of information and knowledge regarding the regional market including establishing systems that can assist the agricultural producers and traders in forecasting the price levels, harvesting periods and market supply situations.
- Private sector regional organisations such as the East African Grains Council (EAGC) should work with the RECs secretariats to: establish regional crop forecasting systems; develop a transparent regional mechanism for management of seasonal export/import restrictions; and harmonise Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern African Development Community (SADC) trade facilitation measures.

***d. Urgently address trade facilitation issues, particularly in relation to landlocked countries***

A number of trade infrastructure constraints in these countries have led to fragmented and imperfect markets, increased costs of agricultural production and trade, and hence impoverished and food insecure livelihoods. Landlocked countries such as Malawi, Uganda and Zambia are particularly affected as their imports and exports have to cover larger distances across several borders to reach their destinations.

The major determinant factor in the case of landlocked project countries is the high cost of transportation owing to their geographical status, which increases both the time and costs required to export and import. Secondly, the landlocked project countries are not rich in resources and do not share their borders with countries that have the necessary markets for their products. Finally, the landlocked project countries not only have to depend on the infrastructure of their neighbours for trade, but also on other factors such as political relations with their governments. These problems are further exacerbated by the fact that the project countries have a limited agricultural export base which makes them dependent on international prices. Higher costs of transportation owing to landlockedness make their prices higher than the international prices and hence lead to loss of competitiveness and markets.

On the other hand, if their exports are marketed at the available international prices, reduced margins are transferred to the farmers/producers resulting in lower return to them and hence disincentivise further production for exports. This is particularly unfortunate, especially in the case of some of the project countries which share their borders with other numerous countries, that can use the potential of being 'land-linked' in their favour to access more markets in their region through trade. This can be done by initiating policies to remove constraints and improve trade facilitation.

Trade facilitation constraints can be categorised as: i) those related to internal transportation within a country; ii) those related to movement across borders; and iii) those related to movement through transit countries. None of the project countries have reliable and efficient internal transport networks. Hence, the cost of transporting goods, including agriculture inputs and outputs, from one part of the country to another is very high. It is often mentioned that the core problems that do not allow farmers to reach the targeted markets are the high transport costs and poor transport conditions. The formal border trade points between countries are constraining trade instead of facilitating it due to cumbersome customs procedures, taxes, bribes and delays occurring on the border posts. These problems are further aggravated for landlocked countries as their imports and exports have to cross several countries and borders.

There is a general recognition of these constraints and several schemes in the project countries are being implemented related to, among others: the harmonisation of customs documentation and procedures; the introduction of a code on handling goods in transit; the Yellow Card Scheme; the Customs Bond Guarantee Scheme; the harmonisation of axle load; the harmonisation of

SPS measures and technical barriers to trade (TBT); and a number of Corridor schemes to link landlocked countries to ports.

A lot more still needs to be done. Some of the recommendations related to the promotion of regional trade are also relevant for trade facilitation constraints. In addition, the following actions should also be taken:

- Governments should give priority to: improvements in transparency of procedures; better use of information technology; improving efficiency in customs administration through upgrading customs infrastructure; reducing border clearance procedures; upgrading road and rail networks and reducing transport costs; integrating border agencies and developing a single processing and payment window; and training of trade/border officials.
- The REC secretariats should concentrate on ensuring that there is a reliable regional transport network – including roads, railways and waterways – so that the agricultural products in the region can be easily moved from one country to another.
- The private sector, together with the governments and REC secretariats, should invest in *interconnections*. The nodes along the Corridors provide a range of services including intermodal transfer, equipment exchange and cargo inspection. If the interconnections are to operate efficiently, it is necessary to provide sufficient capital investment for infrastructure and ensure effective management of the services provided at these interconnections. The private sector can play a critical role while at the same time reaping commercial benefits.
- Landlocked countries should invest to transform into land-linked countries and hence turn their current geographical disadvantage into an advantage. For example, Zambia borders eight other countries and is the origin, destination or transit country for five of the 18 major transit Corridors in SSA. This can be used to make it an efficient hub for cross-border trade.

***e. Reform the international trading system in agriculture and developed countries' policies***

The international trading system comprising the WTO, inter-regional trade agreements, and non-reciprocal preferences granted by developed countries to least developed countries (LDCs) and other developing countries are important determinants of production and investment decisions and flows of

trade in agriculture. Developed country policies, such as protectionism, tariffs and other NTBs which lead to distortions in agricultural markets adversely impact free and fair trade and hence livelihoods and food security in project countries.

In fact, it has been the combination of domestic support, market protection and export subsidies by developed countries that reduce global market prices and market access for project countries (IFPRI: 2003). Developed countries provide more than US\$300bn a year as subsidies to their farmers (*Ibid*). This decreases global prices for agricultural products and negatively affects countries that cannot compete with such low prices.

Similarly, in the case of market access through non-reciprocal trade arrangements in developed countries, especially in the EU and the US, the true potential for such access and preferences cannot be realised by the project countries if the developed countries follow policies relating to tariff escalation and other NTBs like SPS measures and complex rules of origin (RoO). Tariff escalations hurt African economies by imposing exponentially high tariffs to their finished products, thereby reducing their scope of comparative advantage and building competitiveness. Imposing NTBs like strict SPS measures on agricultural products originating from the project countries can also limit the scope of their products being granted access in developed countries market.

Though some attempts have been made to address these issues through agricultural negotiations in the WTO Doha Round, e.g. through proposals regarding the Special Safeguard Mechanism (SSM) and Special Products (SPs), not much progress has been made in terms of finalising the negotiations with concrete commitments. Moreover, creating an open, equitable global food system requires bringing trade, investment and technology together in a much more coordinated way than is possible in traditional trade agreements and negotiations.

It is, therefore, important to have a global system that addresses these concerns. Neither food self-sufficiency nor food assistance is up to the task. They are too costly and largely antithetical to the changes needed to ensure greater food safety and security. Trade reforms, buttressed with additional institutional and resource commitments, are less costly, more reliable and cognisant of the needs of the poor. Hence following recommendations are offered:

- The WTO Doha Round should be completed at the earliest with balanced and development-friendly outcome, including an agreement on agricultural trade that includes effective provisions related to SSM and SPs for developing countries.
- Trade policies of developed countries that cause distortions in agricultural markets must be removed.
- Economic Partnership Agreements (EPAs) between the EU and project countries should be based on a clear recognition of their unequal economic and trade situations, and with a view to supporting livelihoods, agriculture and food security in these countries.
- Non-reciprocal market access granted by trading partners to exports from the project countries should be accompanied by the removal of NTBs on these exports.
- International trading and food and agriculture systems should work in tandem by involving FAO on issues related to agriculture and food trade.

***f. Develop and implement holistic, balanced, and specific government policies and strategies***

As with most SSA countries which are primarily agrarian, some of the five project countries have reverted from being exporters to being net importers of food. This phenomenon can not only be singularly attributed to demographic, natural and climatic factors, although they do play a role, but also to the negligence and inefficient government policies regarding agriculture.

The research conducted under the present project reveals that the sector was mostly neglected by the governments in the past. The pattern and direction of production and trade, post independence in the project countries, not only followed a colonial trajectory, but was mainly focussed on industrial growth and self sufficiency. These skewed governmental policies were further compounded by some of the Structural Adjustment Programmes (SAPs) implemented during the 1980s, which encouraged project countries to shift their agricultural production from food to cash crops. These policies have led not only to decreased agricultural productivity, but have also negatively affected rural livelihoods and food security.

The research also shows that even when the government intervened in the agricultural sector to boost productivity, these interventions were beset with ineffective, misguided and uncoordinated macroeconomic and trade policies.

It is clearly evident now that the agricultural sector in project countries presents an opportunity to use trade and trade policy measures to promote productivity, rural development and food security. On the other hand, it also presents a formidable challenge to governments as both the constraints that the sector faces and the solutions required span several policy domains and thus require holistic, inter-connected, balanced and sustained policy interventions. Lack of such a policy approach has tended to exacerbate the situation. For instance, there is generally a disconnect between trade and food security policies. Moreover, both agriculture and trade policies do not directly tackle the issue of livelihoods. The problem is compounded by the lack of knowledge and commitment by political decision-makers.

There is also a growing emphasis on commercial aspects in agriculture and trade policies. While this makes sense to transform subsistence farming into profitable activity, there should be a balance between commercial imperatives of agricultural policy with welfare imperatives such as employment, improved livelihoods, food security and nutrition and gender equality. Market orientation does not need to be at the cost of livelihood orientation.

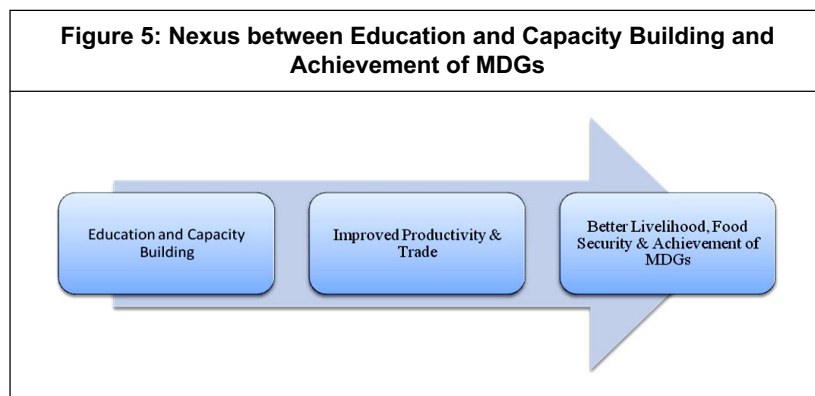
Several recommendations under the earlier themes are addressed to governments. Recognising the key role of government policies and actions in trade and agriculture, following further recommendations are also made:

- Governments should adopt comprehensive and balanced trade and agriculture policies that are interlinked and take into account the importance of regional trade for livelihoods and food security. These policies should also tackle issues of domestic/internal trade by dealing with internal bottlenecks such as infrastructural constraints and distribution mechanisms from areas of surplus to areas of deficit.
- The governments should pay attention to the needs of the farmers as presented by the national farmers' associations and incorporate them into relevant policies and strategies.
- The warehouse facilities should be improved as these will assist in the management of the harvests and thus diminishing the possibilities for food insecurity.

- The governments should also set up farm service centres which will be responsible for addressing the needs of the local farmers regarding agricultural machinery and inputs such as fertilisers.
- In order to ensure fairness in the cash crops sector, the governments should play their role as a regulator and facilitate the development of a code of conduct or enforce a Marketing Act that could encourage ethical and transparent trading between farmers and the sponsors of OGS. Moreover, the government can facilitate the commercialisation of small-scale farmers by developing their expertise, knowledge and infrastructure to support the private sector investment in the agriculture sector.
- Small scale farmers cannot access loans due to lack of formal security. To resolve this problem, the governments should accelerate the establishment of non-traditional forms of security, such as warehouse receipts, accounts receivables, and forward contracts.
- Governments as custodians of land must ensure grant and enforcement of land rights and title deeds must be given where appropriate to ensure security.
- Governments need to invest in irrigation technology as a public good to minimise farmers' reliance on rain fed agriculture.
- A number of donors are involved in promoting agriculture and trade in these countries. Governments should properly coordinate the activities of these donors to ensure effective and efficient use of funds.

***g. Educate and build capacity of small farmers and traders***

The majority of the population in the five project countries is rural. Therefore in order to achieve the Millennium Development Goals (MDGs), the governments of these countries should make special efforts towards rural development. In this regard, agriculture, food security and nutrition play an important role in the attainment of the MDGs (FAO *et al.*: 2005). It is argued that policies that promote education and capacity building in rural areas are the most effective method of empowering the rural community (*Ibid*). Education and capacity building for rural farmers in the project countries can result in increased productivity by empowering the farmers with the knowledge and information regarding good farming practices and trading opportunities.



One of the important factors affecting agricultural productivity in project countries is the social and cultural disposition of rural farmers. As mentioned earlier, most agricultural production in the project countries takes place in smallholder lands at subsistence levels. The smallholder farmers view these agricultural practices as a way of life and for self consumption, rather than as a commercial or business activity. Reaping the benefits of agricultural productivity to increase rural livelihoods necessitates a shift in farmers' mentality to adopt a more business-oriented outlook towards farming practices.

Secondly, most smallholder farmers in these countries lack the required knowledge and information on efficient farming practices, good animal husbandry practices, and the use of better quality seeds, feed, and fertilisers, etc. They also lack awareness and skills necessary for the use of new technologies and innovations which make farming more efficient. Education and capacity building programmes can go a long way in empowering the rural farmers with information and knowledge on agricultural inputs, financial services available to them, and promotion of labour-saving mechanisms and technologies. They can also be very important for raising awareness on nutrition issues and to reduce gender discrimination in farming practices (*Ibid*).

Finally, a recurring theme in the five country research studies is the lack of information and relevant knowledge (e.g. about national, regional, and international policies and agreements; market opportunities, etc) on trade issues among many stakeholders, particularly small farmers and traders. This constrains governmental effort to improve agricultural productivity on the one hand, and the utilisation of trading opportunities to improve livelihoods by small farmers and traders on the other.



Extensive and collaborative intervention by the governments, REC secretariats, donors, CSOs, and private sector are needed to address the education and capacity gaps. Some recommendations in this regard include:

- Extension-Research-Farmer linkages should be strengthened to identify the causes of farmers' inability to adopt good crop husbandry practices and high yielding varieties. Where possible, research should identify the factors that determine progressive farming which could be introduced to other farmers so as to increase rates of technology adoption to reduce supply-side constraints and improve agricultural productivity.
- Other stakeholders such as the REC secretariats, private sector, donors and CSOs should assist the governments by carrying out research, seminars and workshops, etc. to educate farmers and small traders and disseminate information widely.

#### ***h. Encourage multi-stakeholder consultations and coordination***

Research under the first phase of the FEATS project (CUTS: 2009a) showed the importance of well-functioning consultative forums to improve the content and implementation of trade policies. It provided analysis which could be shared in the current context for the need to adopt capacity building measures on trade and agriculture related issues among all stakeholders to promote an overall development policy. These not only include the governments and donors, but other NSAs such as the private sector and the civil society.

The country research studies in the present volume strengthen the earlier findings by pointing out the need to involve all relevant stakeholders in the development and implementation of trade and agricultural policies and strategies. Multi-stakeholder consultations are useful when developing projects or policies to foster agriculture and trade, as such consultations representing every interest group can reveal a holistic account of the key problems and challenges they face.

Having greater consultations also provides information necessary at national and regional levels for monitoring areas of stress, channelising donor funds to crucial sectors, improving marketing channels, increasing information flows and helping the governments in developing early warning systems.

The current research shows the importance of dialogue between governments on the one hand and NSAs (private sector, farmers' associations and CSOs) on the other, in order to foster the latter's enhanced participation and cooperation

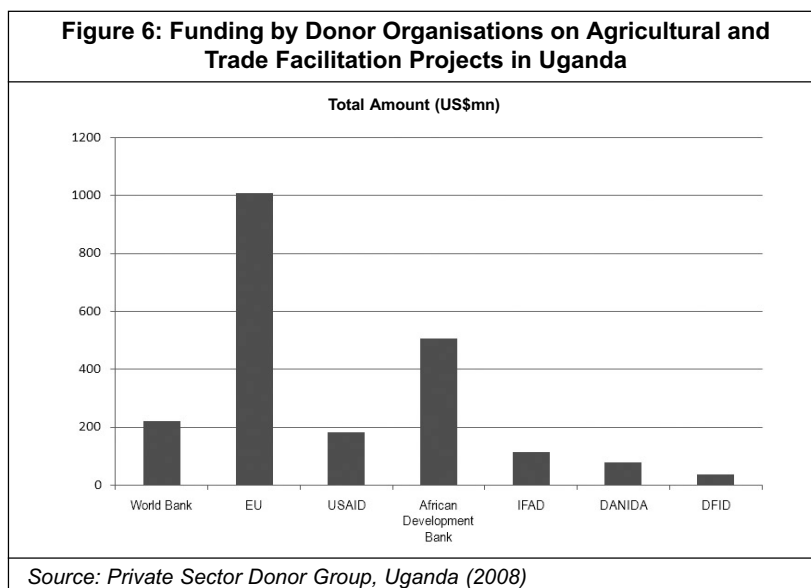
in policy making processes. This represents ‘politics of inclusion.’ These dialogues offer substantially greater opportunities for all stakeholders to engage on policy issues. The ITPMI developed in the first phase of research presents a useful way of looking at the inclusiveness of multi-stakeholder participation in policy making sphere.

Multi-stakeholder coordination has also been identified as very important to maximise the benefits from policy interventions and market opportunities. Some recommendations in this regard include:

- The ministries of agriculture and trade should closely collaborate with each other as well as with other relevant ministries and agencies to plug the existing gaps between trade, rural livelihoods, agriculture, and food security issues.
- Agricultural producers and traders should be involved in the formulation and implementation of relevant policies at both the national and regional levels.
- At the regional level, organisations such as the EAGC should be involved in view of their role as honest brokers by virtue of being regional organisations with membership including farmers, traders, millers, input suppliers and other stakeholders.
- National and regional consultative and coordination mechanisms should include as appropriate: representatives of relevant REC secretariats and government ministries and agencies, private sector, farmer organisations, food-processing units, non-governmental organisations (NGOs) and community-based organisations (CBOs). There should be collaboration among the stakeholders based on the role of each of them as outlined in policies and strategies. This concerted and coordinated effort will certainly improve regional food security and rural livelihoods through improved agricultural productivity and regional trade.

***i. Define a more positive role for donors in the host and home countries***

In most recipient countries, like the project countries, the donors wield a lot of influence in the formulation of public policies. Their influence is generally based on the contributions they have made towards providing development funds in project countries including for agriculture and trade facilitation projects.



Many bilateral and multilateral donors are providing valuable assistance to improve trade and agriculture policies, strengthen REC secretariats and relevant government ministries, improve trade facilitation and promote regional trade, increase agricultural productivity, promote multi-stakeholder consultation and coordination, and facilitate better livelihood opportunities and food security. The positive reach and impact of these assistance activities can be increased by changing some priorities and expanding donor role in their home countries. Following recommendations should be considered for this purpose:

- Donors should shift from prioritising aid targeting price incentives to prioritising aid targeting land and labour productivity. This will require increasing aid in areas such as disease control, soil erosion control and development and adoption of improved seeds and animal breeds. Donors can set up funds to lend to the private sector, e.g. for investing in improved seeds multiplication.
- Donor assistance should target productivity improvements in agriculture by promoting investments such as sponsoring of producers associations and storage facilities where possible.
- Donors should collaborate in the development and smooth functioning of various Corridors to reduce the costs of imports and exports.

- Donors should purchase food products to be used for food aid from the region to encourage regional production.
- Lobbying their own governments to reduce market access and entry barriers for imports from project countries should also be undertaken by donors.
- Moreover, they should encourage the multinational corporations that originate from their own countries to take on corporate social responsibility by offering appropriate prices for the produce of small-scale farmers and investing in improving rural livelihoods.

***j. Acknowledge CSOs as important partners in these endeavours***

CSOs have been recognised by governments, international institutions and development agencies as an important potential partner in agricultural development and trade promotion. In fact, the UN through many conferences and the MDGs call for the full inclusion of civil society in the implementation

**Box 1: Positive Role of CSOs in African Development  
– Example of CUTS**

CUTS work in Africa, including on issues related to trade, agriculture and development, is an example of the positive role that CSOs can play for inclusive growth and development by persuading governments and empowering people. CUTS approach is pragmatic and not ideological. It believes that trade can be an important means to achieve inclusive growth and development; that development of agriculture in developing countries is essential to improve livelihoods and food security; and that African countries should be supported to take full advantage of trade and agriculture synergies.

CUTS is convinced of the potential of the agriculture sector in Africa to be an engine of broad-based growth. It also believes that development of agriculture in Africa requires a multi-pronged approach combining policy and practice, private and public partnership, and national and multilateral synergies. A key aspect of this approach relates to the creation and nurturing of an enabling environment both at the national and multilateral levels for farmer-friendly and private sector led agricultural development. This approach also requires robust links between the national and multilateral levels and the pro-trade, pro-development dimension needs to be emphasised to sustain and strengthen pro-trade constituencies. This is going to be the focus of another CUTS project in Africa entitled “Facilitating Equitable Agricultural Development in Africa (FEAD)”.

of agricultural policies and programmes (Jones: *et al*, 2007). As reported in the first phase FEATS publication (CUTS: 2009a) project countries have a vibrant CSO sector. CSOs in these countries have been working on issues related to trade, agriculture, livelihoods and food security both at the policy and project levels. They have proved to be effective in lobbying for fair policies on behalf of the poor and weak.

Although CSOs have also been active to some extent in the policy making process in the project countries, they face the challenge to adopt a coordinated position on agriculture and trade policies.

Based on the experience and unique strengths and challenges of CSOs, following recommendations are made:

- CSOs should continue strengthening the research and information dissemination to all stakeholders. Based on the informed output, the CSOs must lobby for domestic policies that promote the welfare of small-scale farmers.
- CSOs in project countries should network with CSOs in countries where OGS sponsors originate and encourage these scheme sponsors to offer fair prices to farmers in project countries.
- CSOs should work closely with the governments and lobby for the creation of bodies that could act as fair arbiters between the farmers and agribusiness organisations.
- They should lobby for the increased government spending on poverty reducing oriented agricultural projects such as improvement of feeder roads, research, export promoting activities and extension services.
- Small farmers often regard agriculture as a way of life and not as a business to improve their way of life. Therefore, CSOs should design programmes targeted at sensitising the farmers on the commercial side of agriculture.
- Other stakeholders, particularly the governments, REC secretariats and donors should recognise the importance of CSOs for inclusive growth and development and should strive to engage with them.

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**Fostering Equity and Accountability in the Trading System (FEATS)**  
*Another African Initiative of CUTS*

CUTS Geneva Resource Centre (CUTS GRC) in collaboration with CUTS Africa Resource Centres: Nairobi and Lusaka is implementing the FEATS project. This three-year project envisages multi-stakeholder capacity building on trade and agriculture-related issues in Kenya, Malawi, Tanzania, Uganda, and Zambia through organically linked research, advocacy and networking activities.

CUTS has been actively working on trade and related issues in a number of sub-Saharan African countries since 2000. Working with local partners on issues such as competition, investment and regulation, and trade, development and poverty linkages, it has established itself as a research based advocacy organisation assisting in achievement of the development aims of countries in the continent through South-South partnerships and raising their voices across the globe wherever international trade and development policies are being forged.

To sustain and expand these efforts with national and regional linkages, CUTS established its centres in Lusaka, Zambia in 2000; and in Nairobi, Kenya in 2003. Both the centres are active civil society participants in their respective regions as well as in pan-African events.

The international trade and development policy making community is active in Geneva, and the African voice needs to be heard better there. Accordingly, with funding support from the William and Flora Hewlett Foundation of the US, CUTS GRC was established in July 2008.

FEATS project implementation is in two phases. Focus of first phase (April 2008-September 2009) was on political economy of trade with particular focus on trade policy making processes and role of stakeholders in project countries. The second phase (October 2009-March 2011) while building on the foundations laid by the first phase focuses on agriculture development and trade issues in project countries with particular focus on livelihoods, agricultural productivity, regional trade and food security.

<http://www.cuts-grc.org/FEATS-Projects.htm>



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