

External Constraints to Agricultural Development in Sub-Saharan Africa

Building a case for those poor people who can best make their livings from farming

Lassaad LACHAAL, Ph.D.; Senior Research Economist;
Development Research Dept (PDRE); African Development Bank;
BP 323, 1002 Tunis, Tunisia
Tel.: (+216) 71 10 34 87; Fax: (+216) 71 10 37 79
E-Mail: l.lachaal@afdb.org

External Constraints to Agricultural Development in Sub-Saharan Africa

Agriculture lies at the centre of most African economies:

- It accounts for more than a third of Gross Domestic Product (GDP);
- Employs nearly 70 per cent of the labor force;
- Supplies the bulk of basic food, provides subsistence and income for large rural populations; and
- Represents a major source of foreign exchange earnings.

External Constraints to Agricultural Development in Sub-Saharan Africa

On the internal front:

- **Economic constraints:** including the past policy bias against agriculture;
- **Political constraints:** including armed conflicts;
- **Physical constraints:** irregular weather patterns - drought, floods -, poorly developed infrastructure;
- **Social constraints:** low levels of literacy and schooling, insufficient access to safe water, low access to health care facilities; spread of malaria and HIV/AIDS;
- **Technical constraints:** low generation and application of appropriate technologies; and
- **Financial constraints:** large external debts, low public budgetary allocations to agriculture.

External Constraints to Agricultural Development in Sub-Saharan Africa

On the external front:

- Domestic support policies;
- Export subsidies (still tolerated for agriculture within the WTO); and
- Border protection in many developed countries;
- Safety and quality regulations;
- Food aid.

External Constraints to Agricultural Development in Sub-Saharan Africa

Developed countries must reduce their farm support

By blocking market access and driving down world prices for agricultural commodities, developed country policies:

Reduce agricultural exports from the developing world by \$37 billion (25%) annually;

Reduce agricultural GDP among developing countries by \$23 billion annually.

The value of total farm receipts from support policy measures (PSE), for OECD members as a group, stood at about \$240 billion in 2003 (31 % of total farm receipts).

Table: Average applied import tariffs, by sector and region (% ad valorem equivalent)

Importing region:	High income countries	Developing countries	World
Exporting region:			
Agriculture & food			
High income countries	18	18	17.8
Developing countries	14	18	15.6
All countries	16	18	16.7
Textile - wearing apparel			
High income countries	8	15	12.0
Developing countries	7	20	9.3
All countries	8	17	10.2
Other manufactures			
High income countries	2	9	4.1
Developing countries	1	7	2.5
All countries	1	8	3.5
All merchandise			
High income countries	3	10	5.4
Developing countries	3	10	4.9
All countries	3	10	5.2

Source: Anderson, Martin and van der Mensbrugge (2005a)

External Constraints to Agricultural Development in Sub-Saharan Africa

Export subsidies:

- Distort global markets and destabilize world prices;
- Have cost over \$5 billion in recent years, 90% of which is by the European Union;
- The deadline of *April 30 2006* to complete the disciplines for indirect forms of export subsidization (credit discounts and guarantees, exporting state trading enterprises and food aid is missed);
- Eliminating direct and indirect export subsidies would send a strong signal of multilateral commitment to imposing new disciplines on agricultural trade distortions.

External Constraints to Agricultural Development in Sub-Saharan Africa

Safety and quality regulations :

- The fastest growing world agricultural markets for developing countries are for fruits and vegetables, livestock products and other high-value commodities.
- Fruits and vegetables alone now account for nearly 20% of developing country agricultural exports.
- For these high-value products, regulations and standards related to safety and quality play a large role in determining trade opportunities, *thus must not be used as protectionist instruments.*

External Constraints to Agricultural Development in Sub-Saharan Africa

Food aid:

- Food aid has been used for less noble aims, including:
 - Dumping surplus production;
 - Promoting donor country exports; or even
 - Sold on recipient country market thru concessional financing or export credit guarantees.
- This type of food aid hurts poor farmers and distorts international trade. Strong disciplines against this practice must be agreed as part of the Doha Round negotiations at the WTO.

External Constraints to Agricultural Development in Sub-Saharan Africa

Looking forward:

- Progress in reducing agricultural support and border protection among the wealthy OECD countries will be an important accomplishment to agricultural development in Sub-Saharan Africa.
- Concerted efforts are required from all WTO members to deal effectively with the above thorny issues which distort agricultural markets.
- Assistance to cope with adjustment to external shocks is indispensable to gaining the full commitment of poor developing countries to freer trade.