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OPPORTUNITIES AMID COVID-19 Advancing intra-African food integration*

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KEY MESSAGES

- The COVID-19 pandemic comes at a time when Africa still struggles to ensure food security of its population and is working to eradicate malnutrition, hunger and starvation.
- Africa significantly lags other regions in its ability to leverage agri-food trade as a catalyst for economic growth and structural transformation. In this brief, we argue that the COVID-19 pandemic and the ensuing economic disruptions should be a wake-up call to promote intra-African food trade and market integration and reduce the continent's exposure to shocks to global food value chains. In particular, commitments to harmonizing food trade rules and policies by coordinating policies across Africa's Regional Economic Communities could prove to be a game changer.
- The recently ratified African Continental Free Trade Agreement (AfCTA) provides an excellent opportunity to enhance food market integration and boost intra-African and global food trade.

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Africa is bound to face a significant economic downturn as a result of the COVID-19 pandemic. Recent projections show that Africa's GDP could contract in 2020 by 3.4% if the pandemic continues beyond the first half of 2020, pushing the region to its first recession in over two decades (AfDB, 2020). Although all sectors of the economy are expected to be adversely affected by the COVID-19 crisis, agricultural workers, in particular, are among the most vulnerable. Before the COVID-19 outbreak, 135 million people, the majority of them in Africa, were already experiencing hunger that threatened their lives and livelihood—and this number is projected to double by the end of 2020 due to the coronavirus pandemic (WFP, 2020).

The on-going pandemic could affect Africa's agricultural sector through at least three channels. First, public policies designed to flatten the COVID-19 curve, such as physical distancing restrictions and shutdowns of businesses, disrupt agricultural markets and demand for farm products. Furthermore, restrictions on trade across borders imposed by most African countries accentuate the negative effects of COVID-19 on the agricultural sector, especially for women in the informal sector. Second, the pandemic could lead to a loss of employment for many actors along the food value chain, such as traders and small transporters. In turn, this could affect the distribution of food to and from the farm gates, increase consumer prices, and thus exacerbate the

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food insecurity of vulnerable individuals such as low-income workers and the unemployed. Third, due to the contraction of global demand, African exports of agricultural products are likely to decline; in some food-exporting countries, disruptions are being observed in specific sectors such as horticulture in South Africa and cocoa in West Africa.

To address all the damage that the COVID-19 pandemic is likely to cause Africa's agricultural sector, we must focus on the areas that needed urgent improvement even before the pandemic arrived. In particular, COVID-19 has highlighted the following structural deficits of Africa's agricultural sector. First, the pandemic has exposed the strong interconnectedness of the global agricultural economy, as well as the risks associated with an undeveloped and undiversified domestic agro-processing model, as recently instituted travel bans have almost universally made it difficult to import food. This is particularly alarming because Africa as a whole has been a net food importer since the 1970s (Rakotoarisoa et al., 2012): its annual food imports are projected to rise to about US\$110 billion by 2025 (AfDB, 2016) and its food trade deficit has been averaging about US\$18–20 billion in recent years. Second, the composition of African food exports is still predominantly low-value primary and unprocessed agricultural commodities, while food imports are mostly high-value processed food. This persistent problem inhibits the development and competitiveness of Africa's agricultural sector and its contribution to economic growth. Third, the over-reliance of the continent to global food value chains has exhibited its vulnerability to global shocks. Africa's share of global trade is only 3.2% and its intra-regional trade is almost the lowest in the world, at 15% of total trade over 2015–2017, compared with 47% for the Americas, 61% for Asia, and 67% for Europe (Kanu et al., 2014; UNECA, 2015; Shaw and Fanta, 2016; UNTAD, 2019).

While there are no magic bullets to address these structural challenges, in our opinion efforts to support regional integration of Africa's food markets and promote intra-African food trade should be prioritized and scaled up. There are indeed many potential benefits to expanding intra-African food markets, particularly in a post-COVID-19 world. For instance, empirical evidence suggests that strong regional market integration via trade openness (especially export promotion) boosts national economic growth (Frankel and Romer, 1999; Awokuse 2003). The European Union, the United States, China, Vietnam, and Taiwan, China are successful examples of trade serving as an “engine of growth”. A direct benefit of expanded food trade is the facilitation of a more diversified and vibrant cross-border value chain for the food industry. A diversified export portfolio of primary commodities and value-added processed food products can provide foreign exchange to pay for increased imports of final and intermediate goods. In addition, more integrated food markets are likely to lead to more competitive agricultural and food markets in Africa (Fafchamps et al., 2005; Dillon and Dambro, 2017; Zant, 2019). This would be a constructive response to the growth of Africa's population, especially in cities, coupled with a rapid shift in diets from cereal-based food to non-grain products (e.g., fruits and vegetables; roots and tubers; meat, fish, and dairy; and edible oils) (Tschirley et al., 2015).

Current initiatives to promote intra-African food trade and market integration should be supported and encouraged. In particular, the implementation of the African Continental Free Trade Agreement (AfCFTA), which aims to create the world's largest barrier-free trade zone, provides an excellent opportunity to enhance food market integration and boost intra-African and global food trade. A commitment to harmonizing food trade rules and policies via the coordination of policies and practices across the Regional Economic Communities (RECs) could prove to be a game changer in this regard. African leaders committed to boosting intra-African trade for agricultural transformation and to fast-track creation of a continent-wide free trade area through the 2003 Maputo and 2014 Malabo Declarations, under the Comprehensive Africa Agriculture Development Programme (CAADP). They pledged to triple intra-African trade in agricultural commodities and services by 2025.

However, intra-African trade has slowed in the face of a combination of trade and non-trade barriers. These include: (1) low productivity in food production due to external shocks such as extreme weather; high food price volatility and conflicts; and lack of quality inputs, seeds, fertilizers, and rural extension services; (2) difficulties delivering processed and unprocessed food, including meat, and dairy products to local and national commodity markets because of high transport and transaction costs due to weak infrastructure, logistics, and financial services, among others; (3) policy constraints at customs that inhibit the delivery of food exports and imports; and (4) overlapping memberships make regional agreements on food trade difficult to implement. Some countries in Africa belong to two or more regional economic blocs. For example, Kenya, one of the members of the East African Community (EAC), also belongs to the Common Market for East and Southern Africa (COMESA), as well as the Intergovernmental Authority on Development (IGAD). This creates a “spaghetti bowl”—“a complex entanglement of political commitments and institutional requirements, adding significantly to the costs of conducting intraregional business” (Draper et al., 2007: 7).

Accelerating the implementation of the AfCFTA agreements, including by addressing bottlenecks, will benefit the continent in many ways. For instance, under the simplest scenario—whereby African countries can only remove their own bilateral tariffs while adhering to simple rules of origin—simulations have shown that the continent could gain around US\$2.8 billion in real income and increase intra-African trade by 15% (AfDB, 2019). Deeper integration could bring even greater benefits to intra-African trade in general and food trade in particular. In the case of total integration—including the removal of bilateral tariffs, adoption of the Trade Facilitation Agreement on the most favored nation basis, and increased market access in other developing countries—African countries could experience an increase in real income of US\$134 billion and a boost in intra-African trade of 110%. This means that well-functioning and integrated national and regional food markets are critical to effectively addressing the challenges of food insecurity in Africa, especially now during a global pandemic.

Although AfCFTA will not probably be able to start functioning on its scheduled start date of July 1, 2020, because of COVID-19

and the related containment measures and restrictions on trade and movement of people, there is a renewed urgency to implement the agreement. Important negotiations to complete some pending technical elements—such as the rules of origin for some sensitive sectors including the agricultural sector, and the exchange of tariff concessions on trade in goods—which were suspended due to the pandemic, should resume as soon as possible to ensure that AfCFTA is not unnecessarily delayed. This is crucial for the future of the agricultural sector and its structural transformation (Jayne et al., 2016). This also means that, in the short term, African policymakers should avoid anti-COVID-19 policy responses that could undermine the AfCFTA agreements. For instance, although import- and export-restricting measures are understandable to contain the spread of the coronavirus, it is also important to establish safe trade and travel corridors that minimize disruptions to agricultural supply chains as much as possible and maintain the provision of essential food items.

Furthermore, as African countries start to reopen their economies and ease confinement measures, it is also

equally important to think of structural agricultural reforms that could facilitate the success of the AfCFTA agreements and maximize their impact. Such reforms could include, for instance, agricultural infrastructure development to ensure productivity growth and boost food production; increased uptake of improved technologies and modern inputs to enhance competitiveness of the agricultural sector; removal of labor, land, and financial market failures that impede technology adoption and efficient resource allocation; and better connection of farmers to agricultural markets to increase their revenues. These reforms are particularly essential in the context of rapidly growing populations and increased levels of urbanization in most African countries, which necessitate substantial growth in food production.

The on-going COVID-19 pandemic is a wake-up call for African countries and presents unique opportunities to speed up Africa's integration agenda and implementation of AfCFTA agreements. This is important to reduce the impact of COVID-19 and any future pandemics, enhance food security, and foster economic growth on the continent.

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