

Intra-African trade, the African Continental Free Trade Area (AfCFTA) and the COVID-19 pandemic

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Key messages:

- Many African countries depend on imports from outside the continent for their food security.
- African economies are vulnerable to both demand and supply-side shocks, making the countries more exposed and vulnerable to the COVID-19 pandemic.
- AfCFTA could play an important role in facilitating intra-regional trade in agri-food products.
- Expediting the AfCFTA integration process should help ensure pan-continental food security; COVID-19 could open a window of opportunity to fast-track regulatory and structural reforms.

Current status of agri-food trade in Africa¹

Africa's participation in the global market for agri-food products has steadily expanded in the last half century, with exports growing by 4 percent and imports by 6 percent per year.² However, exports are comprised mainly of cash crops (cocoa, fruits and nuts, coffee, tea and spices), which have relatively limited markets in Africa, while most agri-food imports are basic food products, such as cereals, vegetable oils, sugar, meat and dairy products. The vast majority of imports are sourced from outside the region (e.g. wheat, sunflower oil and dairy products from Europe; rice and palm oil from Asia; maize, poultry and beef from Latin America). While intra-regional trade has grown over the last decade, currently it only makes up 27 percent of total agri-food exports and 17 percent of total agri-food imports; a trend that generally holds across African regional economic communities (RECs).³

Vulnerability of African agriculture to COVID-19-related disruptions

While access to extra-regional imports of food products can help to deal with localized supply shortages, high dependence can increase the exposure of producers and consumers to shocks of a global nature, such as the food price spikes of 2007-08 and the current COVID-19 pandemic. In fact, COVID-19 could exert a significant supply shock in the region. With agricultural production being highly labour-intensive in most African countries, shortages of workers due to the lockdowns may compromise farming activities, as well as downstream trading and transportation activities. These immediate impacts on domestic food production and distribution may be compounded in the medium run, if countries are unable to manage pest and disease outbreaks due to restrictions on movement (Box 1). At the same time, dependence on extra-regional imports for food makes African countries vulnerable to disruptions in international logistics and distribution, in addition to production problems in other countries. This could result in food shortages and raise food prices, particularly in countries highly dependent on food imports (Table 1), as is the case of many low-income and landlocked countries and Small Island Developing States (SIDS). These factors, combined with losses in consumer incomes, minimal savings and limited access to public safety nets, mean that COVID-19 also creates significant demand side risks, particularly among the poor populations.⁴

¹ Analysis of trade in Africa has limitations due to under- or misreporting of customs data. This issue is compounded by the high prevalence of informal cross-border trade in the continent. As such, official statistics may underestimate agri-food trade.

² Calculated based on data from FAOSTAT (export and import volumes measured at constant prices, USD, year 2000)

³ Calculated based on ITC TradeMap (agricultural products include HS codes 1-24)

⁴ Schmidhuber, Pound and Qiao, 2020. COVID-19: Channels of transmission to food and agriculture. FAO, Rome. <http://www.fao.org/3/ca8430en/CA8430EN.pdf>

The African Continental Free Trade Area (AfCFTA) as a way forward

Promoting intra-regional trade in agri-food products is crucial, both as a short- and long-term policy objective in Africa. Reducing vulnerabilities to COVID-19-related market disruptions and mitigating its impacts on the poor would require immediate efforts by African countries to ensure that agri-food supply chains and trade channels remain open. In the medium to long run, given the rapidly growing populations, incomes and levels of urbanization in African countries, substantial growth in food demand is expected, providing significant market potential for African producers. The entry into force of the AfCFTA in 2019 will likely expedite regional integration efforts and promote intra-regional trade in agri-food products, which is projected to expand by 20-30 percent by year 2040.

The role of intra-regional trade as a catalyst for agricultural development has been recognized in both the 2003 Comprehensive Africa Agricultural Development Programme (CAADP) and the 2014 Malabo Declaration. The AfCFTA provides a concrete and timely mechanism to realize such continental agricultural policy commitments.

As a way forward, this implies that African policy-makers would commit to:

a. Avoiding policy responses to COVID-19 that may undermine the AfCFTA Agreement: it would be important to avoid both import and export-restricting measures, both in keeping with the spirit of the AfCFTA, and more immediately, to ensure food availability and access in the region.

- **Avoid blanket import restrictions:** Many countries in Africa have imposed import restrictions as part of border closures to manage the disease outbreak. However, as many countries are import-dependent, it is important to establish safe trade and travel corridors according to WHO guidelines, to minimize the impacts of COVID-related disruptions and keep food supply chains alive.
- **Avoid ad hoc export restrictions:** In the past, countries have responded to market uncertainties by imposing export restrictions. While such measures can increase domestic food supply and help control domestic prices in the short term, lower and volatile prices and an uncertain policy environment can create disincentives for producers to invest in the long run. Moreover, they can be particularly damaging to poor import-dependent countries within the continent, particularly if similar measures are taken by a number of countries at the same time.

b. Addressing key regulatory barriers impeding intra-regional trade: Free trade areas are in principle based on lowering tariffs among trading partners. Given that African countries have been participating in RECs, intra-regional tariffs are generally low.¹ Non-tariff measures (NTMs), by contrast, particularly sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) are more important challenges. The AfCFTA provides a continental framework to address such regulatory barriers to trade, with provisions offering the opportunity to:

- **Ensure that SPS measures do not unnecessarily affect trade flows:** SPS measures have the legitimate and critical function to protect public health and animal and plant life and health. However, limited capacities to comply with SPS requirements can result in a country's exclusion from key markets; poorly applied procedures can increase the cost of trade and inadvertently encourage informal marketing channels. The establishment of the African Food Safety Agency (AFSA) is a significant step to improving such capacities.
- **Simplify and harmonize administrative procedures to reduce trade and transportation costs:** Transportation costs in Africa account for more than half of marketing costs and frequent

¹ IFPRI, 2019. Africa Agriculture Trade Monitor. Figure 3.1.

roadblocks add to these mark-ups.¹ Lengthy procedures for obtaining export and import-related certifications can further increase the time and costs of trade, which are estimated to be the highest in the world.²

- c. **Making public investments to address structural constraints:** By providing an overarching regulatory framework, the AfCFTA can also complement CAADP in streamlining national and regional agricultural investments to address underlying structural barriers to trade. ³
- **Boosting production and productivity:** Significant improvements in productivity would be needed to keep pace with consumption growth in Africa. Public investments in R&D, training and extension are required, but also programmes promoting access to high quality inputs (seeds, fertilizers, machinery), where Africa faces large gaps compared to OECD high-income countries.⁴ Improving farmers' access to adequate and appropriate financial tools is also important in this regard.
 - **Investing in marketing and trade infrastructure, and de-risking private investment:** Public expenditure in market and trade-related infrastructure is crucial to crowding in private investment in agriculture. In particular, last mile infrastructure, electricity and water provision, as well as ICT service provision are identified as key impediments, while, at the same time, there is a need to de-risk private financing in agriculture through blended finance and guarantee schemes.
 - **Adopting strategic regional approaches to agro-industrial investments:** Several food commodities (rice, maize, livestock and poultry products, dairy, certain fruits and vegetables) have been identified as having significant potential and private sector interest for intra-regional trade. This would require coordination in agro-industrial policies to promote regional value chains and related agro-processing zones along trade corridors.

Box 1 Expected Impact of COVID-19 on countries' ability to manage plant and animal health

Restricted movement and other COVID-19 containment measures may compromise the ability of countries to manage risks to plant and animal health. Limitations in ground surveillance and monitoring of plant pests for instance, may lead to upsurges in pest populations and resulting crop losses. Similarly, poor access of farmers to animal health and welfare services may lead to greater disease prevalence among animal populations. Limitations in inspection personnel at ports of entry and exit at borders may affect food availability and compromise food safety.

Source: African Union, 2020. "The Impact of COVID-19 on Africa's Agriculture, Environment and Natural Resources". Department of Rural Economy and Agriculture (DREA) internal document.

¹ Pannhausen, Untied, 2010. Regional Agricultural Trade for Economic Development and Food Security in Sub-Saharan Africa. Conceptual background and fields of action for development cooperation. Eschborn, Germany, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) mbH.

² World Bank, 2017. Enabling the Business of Agriculture, 2017. Figure 6.1

³ On March 2, 2020, FAO organized the African Agribusiness Leadership Dialogue (AALD) which brought together over 50 private sector entities across the African continent. This section draws from the outcome document of this event (the forthcoming "Declaration of the Private Sector")

⁴ World Bank, 2019. Enabling the Business of Agriculture, 2019. Figure 2.4.

Table 1 Import dependency ratios (percent)

	AFRICA, TOTAL	NORTH ERN	EASTE RN	MIDD LE	SOUTH ERN	WESTE RN
VEGETABLE OILS	71	78	86	44	74	60
CEREALS - EXCLUDING BEER	33	54	19	34	32	24
MEAT	12	8	2	34	16	13
MILK - EXCLUDING BUTTER	9	14	2	9	10	9
PULSES	8	52	5	5	42	1
OIL CROPS	7	29	2	0	14	1
VEGETABLES	3	1	4	5	11	5
FRUITS - EXCLUDING WINE	3	4	2	1	15	2
EGGS	2	0	3	40	1	3
STARCHY ROOTS	0	4	0	0	5	0

Guiding questions for consideration by the Ministers:

- How are COVID-19 containment measures affecting the trade of food and agricultural products in your country and in neighbouring countries?
- What policy and regulatory measures can be taken at a regional and/or continental level to keep trade channels open, minimizing impacts on food supply chains? What is the role of the AfCFTA in this regard?
- How can the link between the AfCFTA and the trade pillar of CAADP be strengthened to enhance investment in agriculture and address structural barriers to intra-regional trade, in particular considering the current context of COVID-19?