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Fostering the development & strengthening regional value chains in the agricultural commodities and processed food products under the African CFTA

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OUTLINE

1. African CFTA - New development paradigm
2. Agriculture - A CFTA development driver
3. Agriculture sector in Africa
4. Agricultural regional value chains development
5. Conclusions and recommendations



1- African CFTA The new development paradigm

❖ 2012 African Union Assembly

“Declaration on Boosting Intra-African Trade and the Establishment of a Continental Free Trade Area” (CFTA).

❖ June 2015 AU Assembly decision launching negotiations on CFTA with ambitious deadline of 2017.



2 - Agriculture - A CFTA driver

1. Key role of Agriculture in a Sustainable Development.
 2. 2006 AU Summit Abuja Food Security Summit Declaration & 2003 CAADP.
3. Limited scale of intra-African trade: 6% to 12% overall and from 1 to 6% for SSA agricultural trade.



Agriculture - A CFTA driver contd...

4. Higher **protection rates** for agricultural products in Africa.
 - Higher tariffs for African agricultural products than agricultural products imported from other regions of the world.
 - African exporters face large number of non tariff measures.



3. The agriculture sector in Africa



I) Macro-economic Profile

Macroeconomic profile	
Macroeconomic indicators	
Contribution to GDP	Around 25%
Export value / market value	68 billion USD
Export destinations	South Africa, Libya, Democratic Republic of Congo, Zimbabwe, Botswana, Namibia, Mozambique, Angola, Lesotho and Mauritius
Value added	Low; approx. 38% of agricultural commodities are processed
Socioeconomic indicators	
Workforce incl. number of smallholders	70% of the total workforce, 75 to 90% of the rural workforce, most of them smallholders
% of women in total workforce	At least 70%
Level of skills of labour force and management	Low
Mapping	
Type of products sold by African suppliers to African counterparts	Tobacco, sugar, essential oils, beverages, coffee / tea, cereals, animal and vegetal fats and oils, fish and crustaceans, milling products, dairy products
Segments	Input suppliers (seeds, fertilizers, etc.), Farmers, Processing industries, Service providers, Traders, Retailers, Etc.
Surface	733 million ha, 12% of the world arable land
Issues (seasonality, environmental risks)	Losses because of climate change: 25% on the short term, 6 to 47% on the long term



ii) Competitiveness

Competitiveness

Production costs	
Productivity	335 USD of VA per worker. Growth in yield: 6-9%
Labour costs	Problems in mobility of workers
Exchange rates	Variability: some RECs are monetary unions
Access to facilities	
Existing infrastructure (roads, etc.)	137 km for 1000 km ² on average in Sub-Saharan Africa
Energy supply	3% of the world electricity production
Access to technology / research / innovation / information	0.28% of the GDPs are invested in R&D. Market information systems existing
Investment	
Domestic investment	Partnerships to boost investment
FDI	
Incentives to investors	Platforms on agricultural risk management
Market access	
Tariffs	from 0 to 26.34% for preferential treatments in the first ten African importers
Non tariff measures	Prevalent, especially technical regulations
Certification and standards	Influencing sourcing and investment
Trade facilitation	Delays at customs: 12 days in Sub-Saharan Africa



iii) Business environment

Business environment	
Business actors	Sector-specific bodies, producers' associations, Parliamentarians associations
Competition framework	Some regional competition framework existing: COMESA, CEMAC, SADC or WAEMU

4. Agriculture The Regional Value Chain (RVC) development

- Recognized potential of RVCs as sectoral development enablers.
- Agricultural VC = set of actors and activities that bring a basic agricultural product from the field to final consumption - *and disposal after use* - and **add value at each stage of the production process.**
- RVCs at least two African countries involved in the production/supply network delivering the final product in at least one African country.



4. RVCs prioritization methodology

Economic criteria: export value, market demand, contribution to GDP, start up costs, etc.

Social criteria: workforce, potential for income generation, etc.

Environmental criteria: certification and standards, biodiversity and soil conservation.

Regional integration criteria: impact on regional employment, complementarities, potential for African initiatives (standards, infrastructures, etc.)

4. Proposed weight assessment sheet to pick VC

Weight	Categories and criteria	VC 1	VC2, etc.
	Economic criteria		
30%	Export value in Africa		
	Growth of market demand in Africa		
	Contribution to GDP		
	Start up costs		
	Existence of a competitive advantage		
	Potential for VA growth		
	Sub-total		
	Economic impact = (30 x sub-total) / 100		
	Social criteria		
20%	Target population		
	Potential for income generation		
	Potential for skills development		
	Other effects on rural life		
	Sub-total		
	Social impact = (20 x sub-total) / 100		
	Environmental criteria		
20%	Impact of the infrastructures needed on the environment		
	Existence of sustainable certifications and standards		
	Impact on biodiversity and soil conservation		
	Sub-total		
	Environmental impact = (20 x sub-total) / 100		
	Regional integration criteria		
30%	Potential impact on regional employment		
	Complementarities between countries		
	Potential for developing African infrastructures		
	Potential for innovation and R&D		
	Sub-total		
	Regional impact = (30 x sub-total) / 100		
	Total (sub-total+sub-total+sub-total+sub-total)		
	Total weighted score (impact+impact+impact+impact)		

4. Selection of promising commodities for RVCs

Categories and criteria	Floriculture	Cashew	Pineapples	Avocados	Tea	Onion / shallot	Potato
HS code	HS0603	HS 0801	HS 080430	HS 080440	HS 0902	HS 0703	HS 0701
Economic criteria							
Export value in Africa	3	2	1	1	5	4	4
Growth of market demand in Africa	3	2	4	4	5	2	4
Contribution to GDP		3		3	5	3	2
Start up costs	3	3	3	3	3	3	3
Existence of a competitive advantage	3	3	2	2	2	2	2
Potential for VA growth	3	4	4	4	5	3	4
Sub-total	15	17	14	17	25	17	19
Economic impact = (30 x sub-total) / 100	4.5	5.1	4.2	5.1	7.5	5.1	5.7
Social criteria							
Target population	3	4		2	4	2	3
Potential for income generation		3					
Potential for skills development					2		
Other effects on rural life		2	2				5
Sub-total	3	9	2	2	6	2	8
Social impact = (20 x sub-total) / 100	0.6	1.8	0.4	0.4	1.2	0.4	1.6
Environmental criteria							
Impact of the infrastructures needed on the environment							-1
Existence of sustainable certifications and standards	3	3	3	3	3	3	3
Impact on biodiversity and soil conservation					-2		3
Sub-total	3	3	3	3	1	3	5
Environmental impact = (20 x sub-total) / 100	0.6	0.6	0.6	0.6	0.2	0.6	1
Regional integration criteria							
Potential impact on regional employment	4	3	3	2	3	2	2
Complementarities between countries	4	4	4	3	4	3	3
Potential for developing African infrastructures	3	2	2		3	3	2
Potential for innovation and R&D	3	3	3	3	3		4
Sub-total	14	12	12	8	13	8	11
Regional impact = (30 x sub-total) / 100	4.2	3.6	3.6	2.4	3.9	2.4	3.3
Total (sub-total+sub-total+sub-total+sub-total)	35	41	31	30	45	30	43
Total weighted score (impact+impact+impact+impact)	9.9	11.1	8.8	8.5	12.8	8.5	11.6

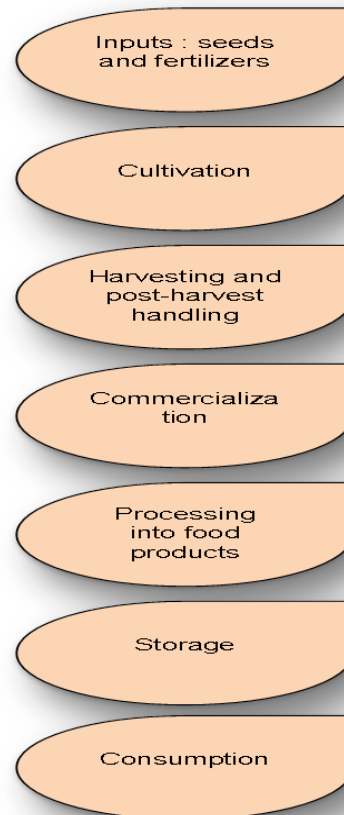


The potato value chain

- Potato is “more than an ordinary food for the poor”; it also provides solid nutritional benefits.
- Potato production has been rapidly increasing since 1997 and exports totaled US\$ 369 million in 2013, and imports reached US\$ 432 million.
- African main suppliers are S. Africa, Ethiopia, Morocco, Namibia, Tunisia, Kenya, Egypt, Rwanda, Nigeria & Swaziland.
- But, the potato value chain is said to be promising in West Africa. However, potatoes cultivated in West Africa are mainly sold on local markets; regional trade is still weak.
- For most of West African producers, potato is a cash crop.
- Women play an important role in the VC.



Basic representation of Potato value Chain in West Africa



Source: Centre pour le développement de l'entreprise 2009, guide technique de la culture de la pomme de terre en Afrique de l'ouest FAO and CFC (2010). Strengthening the potato value chains technical and policy options for developing countries.



Framework for the analysis of a possible VA optimization strategy for the potato sector in West Africa.

1. Processes: institutional strengthening in the sector.
2. Products: there is space for the development of new potato products in West Africa.
3. Functions: linkages with other agricultural sectors can be found.
4. Chains: developing a stronger sustainability certification culture.



5. Conclusions: General recommendations

- Develop productive capacities using ARVC methodology.
- Strengthen sector actors and capacitate policy-makers.
- Monitor production costs and propose improvements.
- Facilitate access to infrastructure and information.
- Foster access to funding and investment.
- Abolish tariffs and pay attention to non-tariff barriers.
- Harmonize trade facilitation and custom procedures.



5. Conclusions: General recommendations contd.

- Develop regional standards.
- Foster dialogue between stakeholders.
- Raise awareness among populations.
- Develop joint marketing.
- Foster research by RECs and international organizations.

Thank you
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