55668

Distr. LIMITED

E/ECA/TRADE/90/4
4 May 1990

ENGLISH
Original: FRENCH

UNITED NATIONS
ECONOMIC AND SOCIAL COUNCIL

ECONOMIC COMMISSION FOR AFRICA

GENERAL DOMESTIC TRADE STRUCTURES AND INSTITUTIONS IN AFRICAN COUNTRIES

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INTRODUCTION

1. The fact that the African economy depends on imported factors of production has serious consequences on cost structure, productivity and the exploitation of natural resources. What is more, with the African crisis, economic development patterns have not led to any significant improvement in the lives of Africans. The major economic indicators reveal deep structural weaknesses and a degree of vulnerability in the socio-economic structure of the continent.

2. The dependence of the African economy is equally obvious in domestic trade. Africa's exports comprise only a small number of agricultural and mineral commodities. Such dependency on raw material exports continues to have adverse effects on the export earnings of Africa because of the great inelasticity of supply of such products and the instability of international market prices.

3. In the context of domestic trade, there is a trade and investment promotion bias that favours the production of export crops at the expense of the food crops and consumer goods needed to meet domestic demand. This creates a distortion between the structure of production and that of actual and potential demand. In spite of the considerable effort made to create integration and economic co-operation groupings at the subregional level, there is virtually no intra-African trade.

4. Under those circumstances, African leaders, in their determination to shift to development policies based on the optimum use of national resources, adopted the Lagos Plan of Action (LPA) for the implementation of the Monrovia Strategy. The LPA emphasizes that Africa's growth and development should be based on a combination of its vast natural resources, its business, administrative and technical resources and the restructuring and expansion of its market to serve all the people. Africa must therefore formulate its own development strategy which should allow for deriving mutual advantage from the inter-dependence of nations.

5. In this regard, the LPA accords particular importance to domestic trade as a factor of self-sustaining and self-reliant development. This study has been written in this context and will review and appraise the domestic trade situation in Africa with a view to seeing how the various constraints to development can be controlled, if not removed, in order to promote self-reliant and self-sustaining development.

6. The study forms part of ECA's work programme and priorities for the implementation of the LPA. It comes in the wake of a series of national case studies conducted on the subject in various African countries.

7. In the first part, an attempt would be made to describe the production structure before going on to review the domestic trade structure in the second part. Through that, it will be possible to

conduct an in-depth analysis of the existing machinery. On the basis of the conditions within which such machinery is expected to operate, the third and fourth parts of this study will deal with financial policies and the legal framework. The problems and obstacles that hinder the development of domestic trade will then be analyzed in the fifth part of the study and recommendations made to reverse the current trend with a view to re-orienting and promoting domestic trade for the purpose of speedy and harmonious socio-economic development.

CHAPTER 1. MAJOR CHARACTERISTICS OF PRODUCTION

8. The trade structure and relations of African countries are highly dependent on a limited number of export commodities whose prices continue to decline. Both with regard to the volume and range of goods produced, the production base in Africa is limited. For that reason, the combined share of the agricultural and manufacturing sectors in GDP fell from 50 per cent in the 1960s to slightly less than 30 per cent in the 1980s[1].

9. Agriculture, which is the dominant sector of the economy, is characterized by traditional subsistence methods of farming and, consequently, by a low level of productivity. Attempts to restructure the agricultural sector have mainly focused on the export subsector to the detriment of food and raw materials. Unfortunately, these initiatives have been practically nullified by the declining demand for African exports resulting from a long-term trend that has taken, in the developed countries, the form of protectionist measures and the development of substitutes for African export products. The decline in exports had a direct impact not only on foreign exchange export earnings but also on public revenue and household incomes.

10. Agricultural production shortfalls are felt in the industrial sector characterized by inadequate linkages and, more particularly, in the manufacturing sector which is becoming increasingly dependent on imported factors of production.

I. Structure of production

1. Primary sector

11. Most African countries depend on agriculture for food, employment, incomes, convertible foreign exchange earnings and public revenue. The performance of the agricultural sector remains dependent on the weather since the industrial sector has been little developed to cushion the impact of climatic changes on production.

12. The share of the agricultural sector in GDP varies from one country to another and a review of the various case studies gives the following results:

<u>Cameroon</u>[2]

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[1] AAF-SAP, ECA (E/ECA/CM.15/16/Rev.6).

[2] <u>Analyse sommaire des structures, mécanismes et réseaux de distribution du commerce intérieur au Cameroun</u>. E/ECA/Trade/97.

The agricultural sector accounts for about 30 per cent of GDP. It employs 70 per cent of the active population and provides 40 per cent of national export earnings. Because it has attained food self-sufficiency in its staples, Cameroon imports only rice, wheat flour and a few luxury items. Then again, only 15 per cent of the agricultural output (see Table 1 in the annex) is consumed locally. The export products are coffee, cocoa, cotton, hevea, palm oil, timber, tropical food and livestock products which all account for 50 per cent of production.

Ethiopia[3]

Table 2 of the annex shows GDP growth from 1981 to 1986 with the agricultural sector contributing about 50 per cent, accounting for about 95 per cent of export earnings and employing nearly 85 per cent of the active population. The country is, however, hardly dependent on food imports. The major agricultural products (see Table 3 of the annex) are made up of:

(a) Cereals such as teff, sorghum, maize and wheat which account for 86 per cent of the production, roots, tubers and livestock products for domestic consumption;

(b) Coffee, the major export crop which accounts for the bulk of export earnings, and cotton.

Madagascar[4]

The agricultural sector employs nearly 85 per cent of the population and contributes 40 per cent of GDP as can be seen in Table 4 of the annex. Agriculture accounts for 80 per cent of export earnings, most locally consumed foodstuffs and industrial raw materials. The major agricultural products (see table 5) are made up of:

(a) Such food crops as rice (which is considered strategic), roots and tubers, pulses, fruit and vegetables;

(b) Export crops such as coffee, vanilla, cloves, pepper and cocoa which account for 10 per cent of agricultural production and 40 per cent of GDP;

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[3] Alternative patterns of domestic trade, structures and mechanisms: A case study of Ethiopia. E/ECA/Trade/98. 1987.

[4] Alternative domestic trade structures and mechanisms: Case study of Madagascar, E/ECA/Trade/107.

(c) Livestock products which account for 10 per cent of GDP, and fishing.

Food self-sufficiency has been attained and the economy is growing at a rate of 4 per cent per year by dint of the efforts made by the State in:

- Rehabilitating existing infrastructure;

- Improving and popularizing the use of seeds, fertilizer and small agricultural machinery;

- Conducting studies and research in support of food policy, etc.

Senegal[5]

The major crops (see Table 6) are:

(a) Cereals including:

- Rice (the major staple) whose insufficient domestic production is supplemented by massive importation;

- Millet, maize, cassava and vegetables;

(b) Industrial and export crops made up of groundnuts, cotton, sugarcane (which cover 65 per cent of national needs) and industrial scale tomato farming.

Senegal has substantial fishery potential, which makes fishing one of the key sectors of the national economy.

Sierra Leone[6]

The agricultural sector contributes 30 per cent of GDP and employs nearly 65 per cent of the population. The major agricultural products (shown in Table 7) are:

(a) Rice (which uses up 50 per cent of cultivated land and provides about 40 per cent of agricultural value-added), cassava, millet, maize, roots and tubers, unshelled groundnuts, oil palm, livestock and fishery products;

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[5] Etude sur la structure, les mécanismes et les réseaux de distribution du commerce intérieur au Sénégal. 1984.

[6] Domestic trade structure, mechanisms and distribution channels: A case study on Sierra Lone. 1985.

(b) The export products are coffee and cocoa.

13. It can be seen from the foregoing that African countries generally export agricultural commodities. And yet, domestic demand for food products is met only in few cases such as Cameroon and Madagascar. For that reason, the countries import food massively and this goes to highlight both the outward-looking nature of the economy and national dependence. Consumption patterns must therefore be harmonized with production capacity if the objective of food sufficiency is to be achieved. An effort should be also be made to reduce birth rates in order to secure for the African people the conditions of welfare, health and education that will enable them to participate actively in development. What is more, agricultural production should be built on an adequate transport infrastructure.

2. Secondary sector

14. Secondary sector of African countries is generally characterized by structural rigidity and few branches of production activity. There is, however, a strong tendency towards import substitutions in this sector with a view to shifting industrial activities towards the processing of goods for easily accessible domestic markets and to reducing the balance-of-payments deficit. Apart from the production of a few intermediate goods, however, the sector is mostly made up of light industries producing consumer goods and industries processing minerals, agricultural produce and raw materials for export. Heavy industry is rudimentary and only a few countries, such as Ethiopia, mention them in their industrialization project.

3. Tertiary sector

15. The services sector is little developed because of the priority accorded to the agricultural and secondary sectors in development. And yet, domestic trade, serving as an intermediary between supply and demand, produces services that add value to the products traded and increase their usefulness. Care must be taken, however, to produce such services at a cost affordable by consumers and producers alike. To do this, past policies which have often favoured consumers at the expense of producers need to be reviewed.

II. Investment policies

16. In most African countries, Governments have channelled domestic and foreign investment funds into correcting the outward-looking nature of their economy and laying a sound basis for self-sustained development. In Madagascar, for example, everything was done in 1979-1980 to finance investment in major social schemes including regional universities and all sizes of processing industries. From 1984 to 1985, the investment volume was raised in order to rehabilitate existing infrastructure. In most African countries, however, the

improper allocation of resources, the problem of selecting industrial locations, a lack of infrastructure, inadequate planning, organization and control have led to a decline of returns on investment. Indeed, industrial activities are highly concentrated in the urban areas with high costs of supply from distant (in particular rural) areas. There are also serious imbalances in the distribution of social services and community facilities between rural and urban areas at the same time as a wide gap exists in the distribution of employment and income. Certain Governments are increasingly making their investment policies flexible. Ethiopia, for example, has promulgated a new law (Act 18/1990) that promotes private investment through the reduction of taxes on business revenue. Madagascar is pursuing a general transport and communications policy that seeks to develop over the period 1986-1990 infrastructures that would feed industrial plants by bringing in local and imported inputs and help market finished products.

CHAPTER 2. STRUCTURE OF DOMESTIC TRADE

17. Domestic trade comprises all commercial transactions relating to the exchange of goods and services within a country. Its degree of importance in GDP formation varies from one country to another as can be seen in Table 8[7]. Domestic trade operates as an intermediary between supply and demand and should serve as a cornerstone to economic growth. To do that, it must meet the needs particularly of rural people through its operations of collection, transport, storage, warehousing and payment.

18. An analysis of domestic trade should therefore take into account:

(a) The growth of markets which are the meeting place of supply and demand;

(b) The role of major trade operators and their contribution to economic development; and

(c) The organization of distribution channels which place goods at the disposal of consumers.

Markets

19. Combined with the narrow production base, the small size of national markets constitutes a major problem for the African economy. The structure of domestic trade depends on market trends with particular reference to:

[7] These data refer both to local and imported products.

- The supply side which is a function of the types of goods on sale, price levels and competition, the proximity or distance of supply sources and import/export policy;

- The demand side which is determined by consumer incomes and their marginal propensity to consume specific products.

20. From the viewpoint of their market organization and structure, African countries show the same characteristics. Distinctions can be drawn between:

- Urban, rural and border markets, permanent markets and periodic markets;

- A structured modern sector existing side by side with an informal and generally unorganized sector which is characterized by low productivity.

21. Markets determine the volume of production, the type of products to be sold, the level of investment and for that reason, business activity. Thus, most manufactured, imported or local products are marketed in the urban areas having concentrations of people in the high-income bracket. It is therefore important to conduct an in-depth analysis of market mechanisms and commercial practices in all the African countries in order to formulate a development strategy based on trade promotion that takes into account the need:

- To strike a balance in the distribution of incomes;

- To adopt selective import programmes and to procure such capital goods as would make for the transformation and recovery of the agricultural section; and

- To formulate clearly-defined policies that aim at increasing productivity in the informal sector.

II. Trade operators

22. In domestic trade, trade operators comprise transactors carrying out distribution activities. Based on their structure, distinctions can be drawn among:

(a) Private trading operators,

(b) State- trading organizations or corporations having an exclusively commercial character and operating under the public authorities;

(c) Enterprises taking the form of marketing co-operatives;

(d) Foreign companies including transnational corporations; and

(e) Organizations of commercial operators.

1. Private commercial operators

23. Private or cottage commercial operators can be found at all levels of marketing and distribution. Women constitute a sizeable number when it comes to trading in local food products, fishery products and textiles. Households are generally more vulnerable than other categories of commercial concerns because of the many constraints in terms of competition (and for matter, the size of the business), financing and operating costs. Therefore, even when liberalizing trade, Governments are often compelled to take ad hoc measures in order to remedy excesses and to restore equilibrium in the commercial sector.

2. State trading organizations

24. State trading organizations are public enterprises of an exclusively commercial nature. They are either external trading enterprises or distribution enterprises operating within the framework of domestic trade. They take the form of:

- State corporations in which the State is the only stock-holder as in ETIMEX in Ethiopia; and

- Mixed corporations in which the State holds majority shares while the rest are held by private national operators. SONADIS in Senegal and SOGEDIS in Madagascar are cases in point.

Whatever be their structure, these companies control the marketing of strategic products and the supply of goods likely to meet the priority needs determined by the State.

3. Marketing co-operatives

25. They are in the business of collecting and marketing agricultural produce. In Ethiopia, farmers' co-operatives together with public enterprises distribute consumer goods. In Senegal, merchant co-operatives set up since independence provide commercial operators in the interior with credit facilities using the national development bank (BNDS). In Cameroon, co-operatives also collect and market commodities such as coffee and cocoa. In contrast, the co-operative movement in Madagascar has not become a thing of the masses. Significant efforts have been made, however, since the charter of the socialist co-operative movement was adopted in June 1977.

4 Foreign enterprises

26. Foreign enterprises have been located in the African countries since colonial times or have been established during the last decade. They monopolize domestic trade because of their substantial financing facilities. They corner the high-income market at the expense of national enterprises. Foreign enterprises, especially transnational corporations, manipulate the markets because they use modern communications and unlimited access to highly sophisticated marketing techniques in their promotion of brand names and other activities. What is more, their strategy of maximizing profit has no positive impact on the national economy since such profits are transferred to the account of the mother company and no national policies exist to oblige them to invest part of it in the countries of their location.

5. Organizations of commercial operators

27. On account of the increasingly important role that the State and major trading companies play in trade, national private commercial operators have formed associations or become members of Chambers of Commerce. These various organizations have the responsibility of providing their members with assistance and guidance for the promotion of their business. Distinctions can be drawn among:

- The three types of professional organizations in Madagascar;

- The Groupement des opérateurs Malgaches (GOM), the Groupement des entreprises de Madagascar (GEM) and the Chambers of Commerce, Agriculture and Industry;

- The Chamber of Commerce in Ethiopia;

- The Chamber of Commerce and Industry in Senegal and trade union groupings such as SCIMPEX, GES and UNISYNDI.

28. As part of their development policies, African States should support the activities of national commercial operators by way of guidance and promotion of domestic trade. In this regard, it will be necessary:

- To promote trade within the context of a development strategy which entrusts certain key sectors of production and marketing to nationals;

- To develop adequate transport structures and storage facilities; and

- To restructure distribution networks.

III. Distribution networks

29. In most African countries, commercial activities are most often concentrated in urban areas because of industrial concentration and inappropriate distribution networks. What is more, there is a serious problem of infrastructure. An analysis should therefore be conducted of the organization of available distribution networks relative to the needs of people.

1. Organization of distribution networks

30. The forms of distribution are based on the type of business (generally wholesale trading, semi-wholesale trading, retailing and petty retailing) and the distribution channels used. With regard to the types of business, the bulk of wholesale and specialized trading is concentrated in the urban areas.

In Cameroon, for example, about 65 per cent of the wholesalers and the semi-wholesalers have their head offices in two provinces alone. In Senegal, there is a high concentration of wholesalers in the administrative centres of the regions. The Government of Cameroon has planned, however, for the establishment of a network of wholesale markets in the major production and consumption areas. On their part, the Ethiopian authorities have started developing private wholesale trading organizations.

31. The functions of wholesalers and retailers are regulated in official texts. And yet, many of the operators may combine the two functions in faraway rural areas. Furthermore, because rural areas are hard to reach, many middlemen abound and this makes the distribution channels excessively long with the result that prices are high for local consumers.

32. Some African countries have tried to remedy this situation of inadequate distribution networks. By Legislative Act 30/25 of November 1980, Cameroon decided to accord preference to the short circuit which includes one wholesaler and one retailer between the producer and the consumer at the same time as it provided for the possibility of direct sale by the producer to the consumer of agricultural products and essential food items. Ethiopia is also promoting a short circuit between the State producing enterprises and the consumer with the only intermediary being an agricultural co-operative, an association of urban dwellers or a retail distribution enterprise. In Madagascar, the sale of essential commodities is controlled by the urban Fokontany and political party co-operatives which are authorized to manage the retail markets and to provide consumers with produce at official prices.

2. Distribution facilities

33. In terms of infrastructure and facilities, it can be observed that:

- Road networks in the rural areas are virtually non-existent and this tends to create a constant imbalance when it comes to distribution;

- The rural sectors neither have appropriate warehousing nor storage facilities for the preservation of produce. This situation creates distribution shortages and leads to price fluctuations at the expense of local consumers; and

- Both rural and urban markets are unequipped. Their storage facilities are rudimentary, their hygienic and sanitation conditions precarious and so on.

34. Therefore, apart from <u>ad hoc</u> initiatives taken by the farmers themselves (such as in the financing of collective silos), distribution facilities are virtually non-existent. The improvements envisaged are still in the pipeline as in the case of Cameroon which, in its sixth 5-Year Development Plan, has provided for the establishment of storage depots as an integral part of its road transport project.

CHAPTER 3. LEGAL FRAMEWORK

I. Regulation of domestic trade

35. The laws which govern trade in African countries go back to colonial times. In many cases, they have been reviewed, especially in terms of pricing policy and taxation. In November 1980, Cameroon promulgated Legislative Act 80-25 setting guidelines for commercial activities. Under the law, direct sales from producer to consumer are exceptionally allowed for artisanal products and essential food items. Since 1975, the Government of Ethiopia has expressly regulated access of the private sector to domestic trade and public sector participation in the distributive trade. On its part, Senegal has drafted a set of legislative tests and regulations for strengthening trade promotion.

36. In their trade regulations, African countries generally stipulate that access to a profession or commercial activity should depend on fulfillment of a number of decreed conditions, namely:

- Due registration with the trade board;

- Possession of a minimum storage capacity, if applying for license as a wholesaler; and

- Conditions under which foreigners can trade.

II. Pricing policies

37. Control of pricing mechanisms forms an integral part of economic policy-making whatever be the degree of national development. In African countries, this need is accentuated by the concern to maintain the purchasing power of people. In Cameroon, manufactures and imports are subjected to price standardization prior to sale. The regulation trade margins range from 15 to 77 per cent. The Government of Senegal enforces price controls ranging from the setting of prices at all stages of product marketing (as in the case of agricultural products) to market prices by way of standardization. In Madagascar, domestic trade prices are set either by ministerial bye-law (in the case of essential items), or left to the laws of supply and demand. Product quality control conducted by such specialized institutions as the economic inspection unit in Senegal come to complete the enforcement of price controls. Efforts being made by African countries to control prices are, however, often thwarted by the effects of inflation. So much so that actual selling prices go beyond the reach of most low-income (especially rural) people.

III. Measures to encourage domestic trade

38. Domestic trade incentives are generally instituted to promote indigenous as opposed to foreign trading concerns. Indeed, nationals who do not have enough domestic funds to promote their business activities and to cover their operating costs often find themselves at grips with liquidity problems. The Government of Senegal has accordingly enacted laws to promote investment in small- and medium-scale enterprises. A case in point is Legislative Act 77-91 of 10 August 1971 (subsequently superceded by Legislative Act 81-51 of 10 July 1981) providing national operators with a number of financial, customs and fiscal advantages having to do with exemption from duties and taxes payable on entry as well as value-added tax for equipment and materials neither produced nor manufactured in Senegal[8]. Nationals could also secure easier access to bank credit. Through its new economic policy tending to promote the private sector and economic liberalization by way of reducing business revenue taxes and reviewing a number of laws relating to selling, the Government of Ethiopia is doing as much. In contrast, the only incentive for economic operators in Madagascar is exemption from the payment of sales tax on local products.

39. Generally, trade incentives are limited and do not include many specific activities of training or informing operators. The same can be said of the distributive trade. The Government of Cameroon is working commendably towards the institution of a permanent information

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[8]. Legislative Act 77-91 of 10 August 1977 superceded by Legislative Act 81-51 of 10 July 1981 and otherwise known as the "Petit Code".

system on food product marketing and the restructuring of the commercial sector.

CHAPTER 4. FINANCING OF DOMESTIC TRADE

40. The basis of business promotion is trade financing. It is indispensable for any commercial activity because of the many costs involved in stock turnover, transport expenditure, sales promotion, warehousing and the like. Its importance depends on the volume and quality of products to be sold. Commercial operators therefore need to resort to sources of financing in order to keep their businesses running.

I. Evaluation of existing systems of financing

1. Bank financing

41. The financial systems in Africa vary with the type of national economic structure. In countries such as Cameroon and Senegal, the financial sector is dominated by subsidiaries of foreign banks. In such other countries as Ethiopia, the financial system is entirely in the hands of Government. However, financial policies are, in the main, designed to benefit the modern sector in terms of tax and monetary advantages. The problem is that current financing techniques are generally unsuited to commercial activities. Examples are restrictive policies. In the context of their commercial credit programmes and policies, funding agencies accord a degree of priority to the modern sector (mostly urban and foreign-owned), to import/export trade and to agricultural produce marketing. In Ethiopia, for instance, commercial credit goes to marketing co-operatives as a matter of priority. In Senegal, commercial banking is more specifically oriented towards the external sector and only two per cent of the loans granted by BNDS go into the domestic sector. In Madagascar, commercial banks grant loans by preference to ventures that have a proven degree of viability. Because of that, commercial operators turn to other sources of financing which, though informal, are certainly more flexible.

2. Self-financing and financing co-operatives

42. With bank financing policies being unsuited to trade, commercial operators are compelled to resort to self-financing. In Sierra Leone, for example, more than half the number of merchants are self-financing. In Cameroon, traders form savings associations or co-operatives within which the accumulated capital is shared out in accordance with established norms. A study on foodstuff marketing in Ghana reveals that about 51 per cent of the retailers financed their activities through loans they secured from relatives as compared to two per cent only who secured loans from the bank. And yet, domestic trade promotion must be based on financially sound principles and the

programmes and policies developed by the financial institutions will need to be reviewed.

II. Review of credit schemes and policies

43. Generally speaking, the short-term conditions for paying back domestic trade loans are hard to accept when consideration is given to stock rotation, seasonal variations and financial liquidity. The public authorities should expand their activities to improve loan conditions by broadening the range of loans granted by financial institutions and by adapting the repayment modalities to domestic trade realities. To do this, commercial banking activities should be geared to economic development in general and domestic trade promotion in particular. Obviously, this would be difficult because of the many constraints imposed on commercial banks in monetary zones, especially. A case in point is the fixed parity which exists between the French franc and the CFA franc within the franc zone.

CHAPTER 5. PROBLEMS AND OBSTACLES

44. In the foregoing chapters, an attempt has been made to sketch out the current trade situation in Africa. From the observation made, a number of the limitations and constraints to the development of domestic trade and, for that matter, to various economic development policies, have been noted. All this is reflected in disparities in the benefits accruing to rural and urban dwellers and in the incentives given to farming and trade. There is also a very significant imbalance between available savings and financial needs. What is more, the population growth rates far exceed productive employment rates. For that reason, the problems of and obstacles to the development of domestic trade will be reviewed in the light of general economic development.

I. Production deficiencies

45. As was pointed out, production in Africa has a narrow base both in terms of production volume and range of products. The agricultural sector which constitutes the predominant area of activity is generally characterized by a low level of productivity. The mean annual growth rates of agricultural output fell sharply from 2.7 per cent in the 1960s to 1.6 per cent in the 1970s[9]. Since that time, cereal imports have more than trebled because of the combined effect of population growth and changing food habits, especially in the urban areas. According to ECA and FAO projection, the cereal food self-sufficiency

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[9] The African Development Problematique (Adebayo Adedeji) and ECA and Africa's Development 1983-2008: A preliminary perspective study.

rate in Africa will fall to about 7 per cent in the year 2008 (see documents referred to in foot note 9).

46. The root causes of declining agricultural production are:

(a) Low yields resulting from insufficient investment in the agricultural sector, few incentives to farmers, lack of agricultural extension services staff and massive rural-urban drift;

(b) The inadequacy of transport, storage and warehousing facilities which constitute a heavy handicap to the speedy distribution of production factors and lead to many post-harvest losses; and

(c) Abrupt climatic changes which cannot be absorbed by an industrial sector which remains structurally weak and wanting in intra-sectoral linkages.

47. What is more, the poor performance of the industrial sector adds to the seriousness of agricultural problems. Indeed, the secondary sector is generally concerned with the production of consumer goods and/or the processing of agricultural commodities or raw materials for export. It is also highly dependent on imported factor inputs.

II. Structural/institutional

48. Some government policies and market structures also impede the development of domestic trade. Mention can be made in this regard of:

(a) Political and economic structures which tend to operate as short-term crisis management mechanisms rather than the long-term economic planning institutions they should be; the debt burden which is a major constraint to economic management; also the fact that there are no supporting institutions and adequate resources for the promotion of trade has deeply shaken the structure and organization of commercial concerns with no result that institutional mechanisms must be restructured and their role redefined;

(b) Serious market imbalances resulting from the distribution of community services and facilities and the type and nature of products sold. Furthermore, the combination of industrial concentration in urban areas and inadequate physical infrastructure raises high the cost of supply from the more distant (rural) areas. To remedy the situation, rural folk most often resort to buying goods from neighbouring countries and this promotes the creation of border trade, increasing its impact on the economies of the countries sharing such borders.

III. Financing of domestic trade

49. Financial institutions should be able to combine development financing with profit making. This is because development financing

also involves the allocation of funds both for investment purposes and for the financing of commercial ventures. The problem is that loans granted in the commercial sector often go, by preference, into the foreign modern sector. What is more, the terms of securing access to credit are very much restricted to the short term and inflexible, unsuited as they are to such trade realities as stock rotation and sales promotion. Commercial operators therefore are often left to their own self-financing devices when it comes to meeting their financial needs.

50. In addition to all that, financial institutions and commercial banks in particular also need funds to promote their activities. Needless to say, savings are one source of such financing and yet with private domestic savings being generally limited because individuals do not secure the expected benefit, the growing debt- burden increasingly affects foreign exchange earnings and thereby regulates consumption. Financial institutions also find it difficult to cope with the financial requirements of traders. This situation is worsened by capital flight into more profitable foreign ventures.

IV. Unsuitable distribution facilities

51. As earlier indicated, domestic trade in Africa is subsistence-oriented (which explains why investment is insufficient, why credit facilities are virtually non-existent, why transport infrastructure and rural warehousing facilities in particular are precarious. There can be no increase of agricultural output without an adequate basis of transport infrastructure in terms of feeder roads. Nor can such increase be secured without necessary production factors such as fertilizer and agricultured equipment, implements and the like. Unfortunately, the transport and communication network in African countries is far from adequate and makes it difficult to distribute agricultural factor inputs speedily at the same time as it militates against efficient product marketing. What is more, the lack of storage facilities most often causes shortages (to occur when products are out of stock) and many post-harvest losses. To rectify this situation, such countries as Cameroon have prepared rural road and track-construction programmes to open up some of their provinces.

CONCLUSION AND RECOMMENDATIONS

52. The basic factors impeding the development of domestic trade and at the same time militating against economic development can therefore be summarized as:

(a) The narrowness of the agricultural production base whose deficiencies and weaknesses in turn affect the industrial sector and perpetuate its dependence on imported factors of production;

(b) The economic dualism of a relatively substantial, capitalistic and structured sector located in the towns and a

traditional sector that is generally marginalized. This explains the low level of incomes and the lack of credit facilities in the rural areas, resulting in weak purchasing power;

(c) The existence of generally poor distribution networks which, in the main, have no institutional support or adequate transport, storage and warehousing facilities; and

(d) The virtual non-existence of domestic trade financing resulting from low savings rates and making bank repayment modalities unsuited to trading activities.

53. African countries should therefore seek ways of revitalizing and promoting domestic trade with a view to laying a sound foundation for self-sustaining economic growth. In this regard, and in the concern to improve the living standards of people, the following instruments and mechanisms are recommended:

(1) Governments should conduct an evaluation of the food needs of their people with particular reference to cereals and food products and with a view both to meeting domestic demand and achieving food self-sufficiency. They must work at improving existing farming systems and methods in the traditional sector, at restructuring transport and communications services and at establishing supporting institutions;

(2) It is of particular urgency to create an enabling environment for agricultural production by supplying enough agricultural factors of production in good time, providing appropriate agricultural credit services, setting sufficiently remunerative producer prices and instituting efficient agricultural extension services;

(3) The authorities should deconcentrate industry towards the rural areas in order to put an end to the dualism of a modern-structured sector and a traditional marginalized sector. This would promote the development of appropriate marketing infrastructure, create jobs that would bring more revenue and improve rural living standards;

(4) Distribution networks should be reorganized and developed into reliable marketing systems based on enforceable pricing policies and regular supplies of products (particularly during low-output periods);

(5) Permanent financial support and credit facilities should be extended to small businesses in such a way as would make for the promotion of business and the coverage of operating expenses. This should be done by making the credit allocation systems more flexible and strengthening national and regional credit institutions in co-operation with international funding agencies;

(6) African countries should find ways of promoting information exchange, training and guidance using new marketing techniques.

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STATISTICAL ANNEX

Table 1. Cameroon: production of major crops

(in thousands of tonnes)

	1985	1986	1987	1988
Cereals including:	888	921	884	963
Rice	107	110	123	125
Maise	337	360	410	420
Millet	110	110	75	100
Sorghum	333	340	225	317
Roots and tubers including:	2 170	2 212	2 232	2 256
Potatoes	170	172	172	174
Sweet potatoes	140	150	150	152
Cassava	670	670	680	680
Yams	380	400	410	420
Pulses	120	124	127	129
Vegetables and melons	420	431	434	439
Fruits exclusing melons	1 198	1 202	1 226	1 328
Groundnuts (unshelled)	140	141	142	142
Coffee	100	132	96	138

Source: ECA secretariat

Table ?. Ethiopia: GDP by branch of origin at factor cost in millions of birr)

	1981/82	1982/83	1983/84	1984/85	1985/86
Agriculture	4 061	4 388	4 069	3 918	4 970
Industry	1 296	1 401	1 476	1 486	1 553
Distribution including	1 337	1 503	1 562	1 576	1 705
Commerce	893	980	997	962	1 020
Transport et Comm.	443	523	564	614	684
Growth rate of distri-bution	9,8	12,4	3,9	0,9	8,2
Services	1 600	1 788	1 834	1 958	2 045
GDP	8 296	9 082	8 943	8 939	10 274

Source: National committee for Central Planning (ONCCP).

Table 3. Ethiopia: production of major crops
(in thousands of tonnes)

	1985	1986	1987	1988
Cereales including:	4 820	6 080	5 727	5 875
Wheat	774	821	834	850
Barley	914	1 041	1 024	1 050
Maise	1 037	1 788	1 560	1 600
Millet	190	190	188	180
Sorghum	905	1 092	950	964
Roots and tubers	1 275	1 380	1 320	1 370
Pulses	929	986	885	908
Raw sugar	187	191	182	190
Coffee	170	170	186	170

Source: ECA secretariat

Table 4. Madagascar: GDP by branch of origine at market prices
(in billions of Malagasy Francs)

	1981	1982	1983	1984	1985	1986
Primary Sector	313	409	525	581	653	795
Secondary Sector	125	150	185	214	254	290
Tertiary Sector	230	298	362	408	451	533
Administratives salaries	90	107	115	128	142	160
Import duties taxes	29	30	34	43	53	60
GDP at market prices	789	996	1 221	1 374	1 553	1 838

Source: Etude de cas de Madagascar.

Table 5. Madagascar: Production of major crops
(in thousands of tonnes)

	1985	1986	1987	1988
Cereals including	2 319	2 384	2 455	2 387
Rice	2 178	2 230	2 296	2 235
Maize	140	153	158	150
Roots and tubers including:	2 949	3 246	3 005	3 036
Potatoes	264	264	267	265
Sweet potatoes	450	467	467	472
Cassava	2 142	2 421	2 178	2 200
Pulses	45	52	49	50
Vegetables and melons	294	295	300	301
Fruits excluding melons	733	755	762	806
Coconuts	79	79	79*	82*
Raw brut sugar	101	101	98*	107*
Coffee	79	82	81	81

Source: ECA secretariat
*= estimates.

Table 6. Senegal: Production of major crops
(in thousands of tonnes)

	1985	1986	1987	1988
Cereals including:	1 242	893	1 054	905
Rice	147	148	136	156
Maize	147	108	114	125
Millet	768	502	690	485
Sorghum	175	132	111	135
Roots and tubers	49	93	72	30*
Pulses	66	55	29	15
Vegetables and melons	98*	100*	102	101
Groundnuts (unshelled)	587	841	963	800
Raw sugar	68*	74*	76*	73*

Source: ECA Secretariat

*= estimates.

Table 7. Sierra Leone: <u>production of major crops</u>
(in thousands of tonnes)

	1985	1986	1987	1988
Cereales including:	486	577	517	475
Rice	428	525	466	420
Roots & tubers	145	147*	152*	152*
Pulses	33	33	35	35
Vegetables	179*	180*	186*	186*
Fruits	790*	813*	828*	813

Source: ECA secretariat

*= estimates.

Table 8. Share of trade in the GDP of some African countries
(in thousands of dollars at 1980 constant prices)

	1982	1983	1984	1985	1986	1987
Cameroon						
Trade	780670	842870	938130	1041040	1064030	1069220*
GDP	7166140	7620130	8149280	8783870	8955820	8798450*
Percentage	10,89	11,06	11,51	11,85	11,88	12,15*
Ethiopia						
Trade	413530	439610	441550	417390	441550	465700*
GDP	3805800	4008700	3847340	3597100	3838160	4087440*
Percentage	10,87	10,97	11,48	11,60	11,50	11,39*
Madagascar						
Trade	250860	254610	255400	261750*	264830*	271610*
GDP	2735770	2781490	2834130	2866560*	2923450*	3016200*
Percentage	9,17	9,15	9,05	9,13*	9,06*	9,01
Senegal						
Trade	376350*	387400*	376940*	3874709*	398140*	394310*
GDP	2762260*	2788280*	2690690*	2777920*	2904320*	3009610*
Percentage	13,63*	13,89*	14,01*	13,95*	13,71*	13,10*
Sierra Leone						
Trade	153660	125920	106190	104090	97320	9040*
GDP	1077590	1071700	1020590	995140	955300	918880*
Percentage	14,26	11,7 5	10,41	10,46	10,19	9,9*

Source: <u>ECA Secretariat</u>
*= estimates.