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A Policy Briefing Note

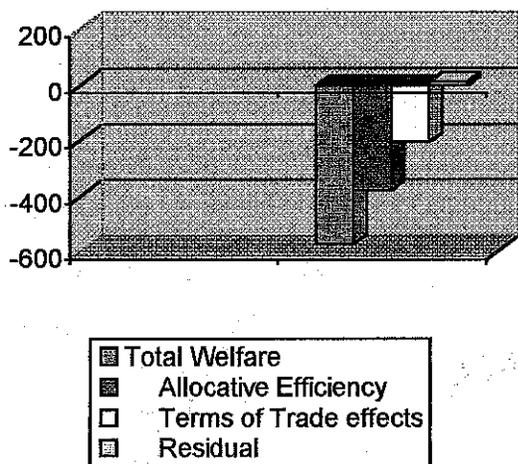
From the Central African Subregional Development Center
United Nations Economic Commission for Africa

Under Uruguay Round Africa will enter into the 21st century better off, achieving food self-sufficiency and contributing significantly to world food security....

providing that domestic policies are reformed and strategically planned and managed including focussing on agriculture, opening trade more towards Asia and increasing subregional and regional cooperation.

Following the World Food Summit, it became apparent to all that the world is so integrated that trade is vital to achieving sustainable food security even within national boundaries. Indeed, international trade has a major bearing on access to food via its effect on income and employment especially following the conclusions of the Uruguay Round (UR) and the inclusion of food and agricultural sectors in these negotiations.

Figure 1 Decomposition of Annual Welfare Losses with UR in million of US\$



An assessment of the impact of UR over its full implementation in 2005 was made using the Global Trade Analysis Project framework of Purdue University (USA) and presented at the 23rd session of the ECA Conference of Ministers in April 1997. This study had clearly shown that by 2005, Sub-Saharan Africa will incur an annual loss of at least US\$569 million in 1992 US dollar (Figure 1).

The decomposition of these losses in terms of what Africa is "doing to itself" via allocative efficiency including restrictive trade policies and what the rest of the world is "doing to Africa" in terms of world prices shows clearly that the former is the largest component. In Figure 1, the terms of trade effect captures the impact on Africa of the change in world prices induced by UR and is termed here as what the rest of the world is doing to Africa (36.1%). The change in efficiency of African economies in the context of the UR is the second and largest component and termed as what Africa is doing to itself (66.4%). About -2.5% are attributed to residual effects.

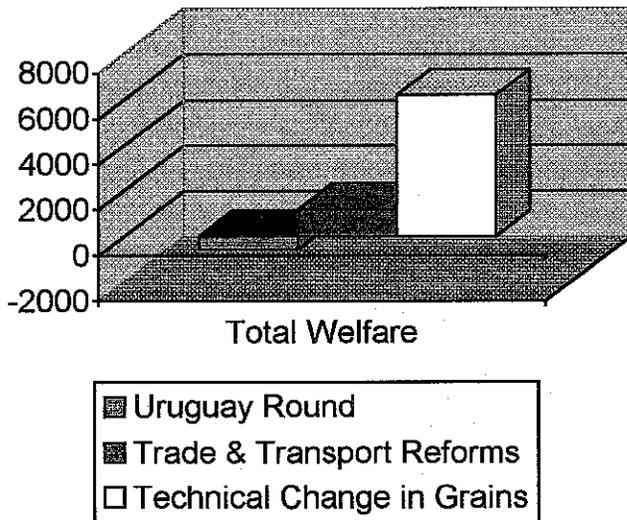
After confirming that Africa would lose under UR ceteris paribus, we asked ourselves can these losses be avoided and can Africa benefit from UR as other continents do? To convince ourselves and the pessimists, we limited our investigation to reforms that are at

reach of African themselves financially, institutionally and technically and targeted it to two strategic areas. These areas are agriculture, the backbone to the economy and to transport and trade essential for subregional and regional integration and the integration of Africa in the world economy. Within agriculture, we have limited our investigation to the grain sector essential for ensuring food security.

Increasing Total Factor Productivity by 1% annually in the food grain sector. Despite considerable progress in developing technological packages to increase substantially yields including in the grain sector in the environment of the farmer, the farming community was not in a position to take advantage of this progress due essentially to the lack of enabling environment.

Assuming that policy reforms are

Figure 2. Total Annual Welfare with UR and Reforms in Trade and Transport and Grain Sector in million of USD



targeted to increase Total Factor Productivity (TFP) by 1 percent per annum in the food-grain sector, the welfare gains by 2005 are estimated to be over ten times as large as the losses due to

UR (Figure 2). Also, by 2005, Food Self-sufficiency Ratio would be about 100% and significant increases in other agricultural and processed outputs would be recorded (Figure 3).

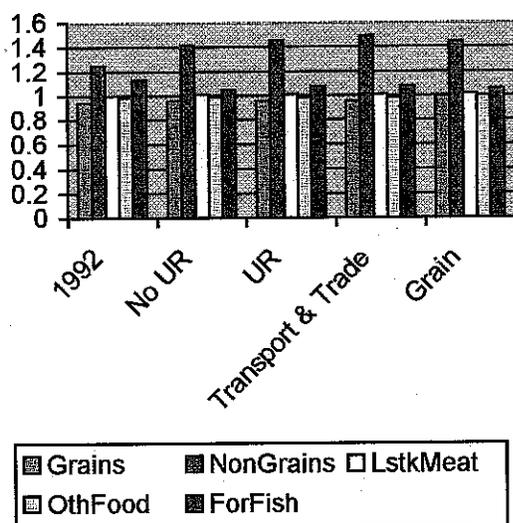
Bringing down shipping margins in Africa by 20%. A recent study of the World Bank had shown that margins on non-energy exports from Sub-saharan Africa are 20% higher than comparable margins from other developing countries due to a host of reasons including delays in custom clearing and poor coordination of activities.

By reforming in the transport and trade sector to bring down shipping margins on non-fuel exports by 20 percent and in line with the cost in other developing countries, the resulting welfare gains will be twice as large as the welfare losses from the Uruguay Round (Fig 2).

Lessons Learned:

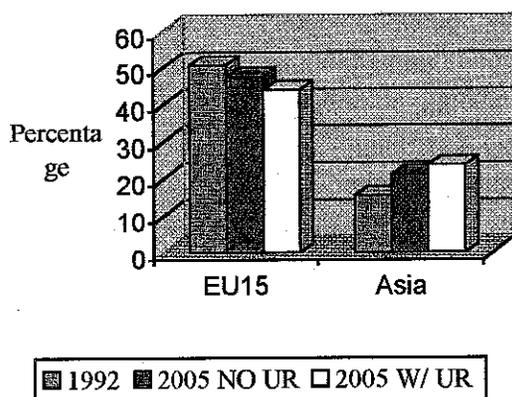
- Africa should recognize that its development is the responsibility of African governments and population themselves and can be sustained only based on increased measures of self-reliance;
- Africa should, also, recognize that trade including at subregional and international levels has a potential to contribute to sustainable development;
- Africa should continue to undertake reforms that are deep rooted, strategically planned and managed and based on increased measures of self-reliance at individual household, national, subregional and regional levels. For instance, the reforms as dealt in the study show that real household income can substantially grow if they are well targeted and sustained;

Figure 3 Self-sufficiency Ratio in Selected Products in 1992 with or without UR and Reforms in Percentage



- Agriculture has the potential under UR to substantially improve the income and food security situation of its population and thereby world food security and to put Africa on the path of sustainable and self-reliant development. Indeed, reforming in grain sector to allow for 1 percent increase in productivity or 13.8 percent over the period 1992-2005, real income in sub-Saharan Africa could increase by about 1.5 percent per year or almost US\$7

Figure 4 Shares in Total Exports of Sub Saharan African in 1992 and 2005 with and without UR



billion annually by year 2005. The net present value of the outcome of such reforms at 5 percent real rate of discount will be \$140 billion. ECA/SRDC-CA/PBN/97/1

billion. Also, prices at consumer level for grain would be 16% lower;

- Perhaps because of the erosion under Lomé preferences under UR and the moving out of Asia of food and agricultural production while demanding more of these commodities, Africa would be better off by strengthening its commercial relationships with Asia. Figure 4 shows clearly that the traditional partner of Africa, Europe is losing steps in favor of Asia. Hence the need to develop policies and programmes to realize that opportunity.

Continued reforms but home grown are keys to sustainable development

Considerable efforts at reforming were seen over the last decade in Africa. Although a stop-and-go pattern has been observed under the orthodox Structural Adjustment Programmes, reforms should continue. Well targeted reforms as shown in the study can bring tremendous dividends and African governments are conscious of the potentials of reforms. As a matter of fact, African population are crying for reforms that can release their self-help and self-reliant capacity to serve themselves better.

It is our considerate view that the low results of current reforms can be attributed to limitation in the indigenous capacity in the region to plan and manage strategically the reforms. Indeed, there is a lack of capacity in Africa to evaluate quantitatively the reforms that are devised by its development partners, to recommend reforms that are quantitatively assessed in terms of cost and benefit within a comprehensive framework and to recommend policies, programmes and actions that would enable Africa to bargain with its trade or so-called development partners or take maximum advantage of the opportunities offered under subregional, regional and international trading arrangements.

Building critical capacity in strategically planning and managing the interventions. ECA in partnership with GTAP

and UNDP are committed to address the issue of capacity building of African policy analysts in economy wide analysis of issues relating to subregional, regional and international trading arrangements with particular emphasis on linkages between food security, trade expansion and sustainable development. This partnership aims at putting African policy analysts in a better position to provide authoritative advises to African decision makers, civil society organizations and business and farming communities and prepare them to take advantage of opportunities and challenges

including under subregional and multilateral arrangements.

The Policy Briefing Notes are derived from major policy studies undertaken by the Center or ECA for wider distribution and intended for government officials, civil society organizations, law makers, media and business communities.

Views expressed in this Quarterly Policy Briefing Note are those of the staff of the Central African Subregional Development Center.

About the CA-SRDC

The CA-SRDC is one of the five subregional branches of UNECA established in 1997 to replace the 20 years old Multinational Programming and Operational Centers (MULPOC) following a renewed process of ECA launched under the leadership of Dr. K. Y. Amoako, Executive Secretary. The Center covers Cameroon, Chad, Congo, Equatorial Guinea, Gabon, the Republic of Central Africa and Sao Tome and Principe totaling 3.025 million square km and over 25 million inhabitants. The Economic Community for Central African States (ECCAS) and the Union Douanière de l'Afrique Centrale (UDEAC) to be replaced by the Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC) are the main Regional Economic Communities (RECs). These RECs are assisted by a number of sectoral Intergovernmental Organizations.

The CA-SRDC is to promote and sustain cooperation and economic integration in the subregion through networking, developing critical institutional, infrastructural and human capacity, advocating policies and strategies, providing a coordination service, at the level of the subregion to operational programs of the United Nations system and acting as the outreach of ECA in the subregion.

The Intergovernmental Committee of Experts (ICE) is the Policy Organ of the CA-SRDC. The ICE meets annually and oversees the overall formulation and implementation of the programme of work and priorities of SRDC. The ICE makes recommendations on important issues concerning economic and social development in the subregion, as well as on the promotion and strengthening of subregional economic cooperation and integration.

The last meeting of ICE was held in March 1997 in Brazzaville under the Chairmanship of the Minister of Planning of Republic of Congo.

The CA-SRDC publishes annually a variety of papers and studies including the Survey on the socio-economic conditions of the subregion, two Bulletin on Development Issues and four Policy Briefing Note.

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The ECA Paper prepared in association with the Center for Global Trade Analysis of Purdue University entitled *After the Uruguay Round: Global Challenges and Africa's Responses in Selected Areas*, upon which this briefing note is based, is available free of charge from:

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