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Plenary on Item 6:
Economic development in Africa: Intra-African trade:
Unlocking Private Sector Dynamism

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*Not checked against delivery **

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Intra Regional Trade in Africa: What role for Capacity Building?



- Case for intra regional trade in Africa
- Special case of resource rich but capacity poor countries
- Selected issues inhibiting intra African trade
- Challenges and Opportunities for intra regional trade in Africa
- What Capacities for a Successful Regional Integration
- Building productive capacity -- agriculture, natural resource management
- Role of capacity development and ACBF's contribution

Presentation Contents



Sectoral and individual contribution to economic growth varies across countries

Sectoral policy has impact on the job creation potential of countries

- Agriculture remains the sector with the highest potential for employment in many countries with the services sector being the next important one

Countries	Employment by Sector (% of total employment)		
	Agriculture	Industry	Services
Algeria	--	--	
Chad	--	--	
Egypt	31	22	47
Libya	--		
Mauritania	--		
Morocco	45	20	36
Tunisia	--		

Variation across countries in the productivity of those employed

- Improvements in productivity do not always translate into more job opportunities; not all countries can increase both productivity and employment opportunities

Countries	GDP per person employed (constant 1990 PPP \$)			
	2005	2006	2007	2008
Algeria	8,228	8,115	8,083	8,051
Chad	--	--	--	--
Egypt	11,658	12,145	12,680	13,348
Libya	--	--	--	--
Mauritania	--	--	--	--
Morocco	9,319	9,829	9,883	10,200
Tunisia	14,104	14,490	14,998	15,253

Source: Calculated using data from World Bank Data Finder



Opportunities in the state of intra African Trade

- Fast economic growth (1 to 2 ratio)
- Territorial rather than regional governance - advantage of nearest neighbor for trade
- Widen product categories (horizontal and vertical intra industry trade)
- Grow inter African FDI but broaden it to bundle better with externally sourced financing
- Remove inside border constraints (infrastructure, travel etc)

Sub-region with large resource exports

Types and level of resources affecting growth patterns of countries

Risks from dependency on natural resource exports

What countries need in place to manage the risks of dependency

Examples and lessons learned from countries with high natural resource export dependence

II. SPECIAL CASE OF RESOURCE RICH BUT CAPACITY POOR COUNTRIES



Sub-Region with Large Resource Exports

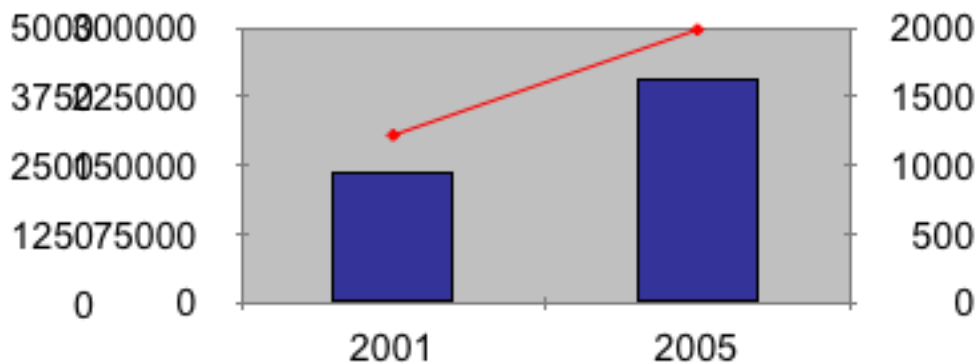
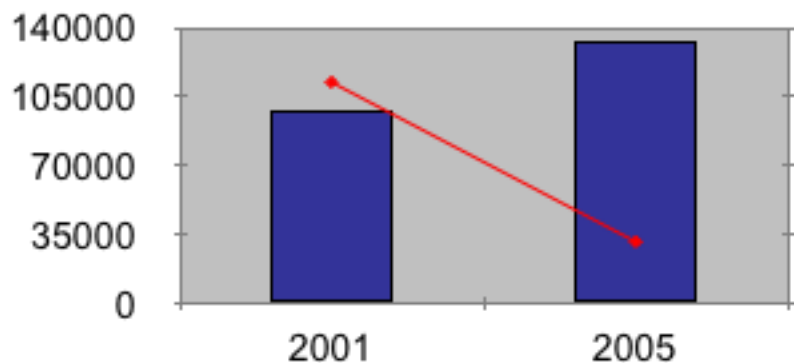
Country	Main Exports
Angola	Oil, diamonds, minerals, coffee, fish, timber
Burundi	Coffee, tea, sugar, cotton, hides
Central African Republic	Diamonds, tobacco, coffee, timber, cotton
Democratic Republic of Congo	Diamonds, copper, coffee, cobalt, oil
Republic of Congo	Oil, timber, plywood, sugar, cocoa, coffee, diamonds
Rwanda	Coffee, tea, hides, iron ore
Uganda	Coffee, fish and fish products, tea, tobacco, cotton, corn, beans, sesame

What Countries Need in Place

- Modalities for management of revenues from extraction
- Capacity of the private sector to become more competitive and grow diversified sources of revenue
- Investing in human capital to absorb displaced labour when extractive resources dry up
- Investment policies that develop incomplete markets, speed up access to information and flow of goods and services and provide balance for need for revenues and investor incentive for efficient extraction
- Strengthened social safety nets to handle structural changes in the economy when resource flows go through boom and bust cycles
- Enhanced economic governance regimes to improve transparency, accountability and efficiency of public handling and spending of natural resource revenues

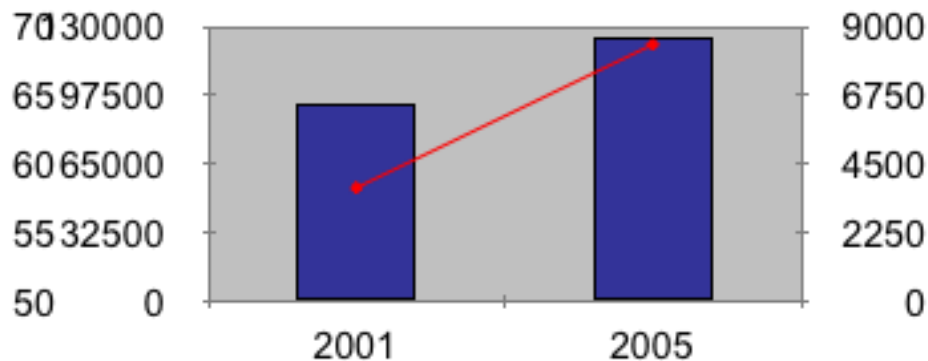
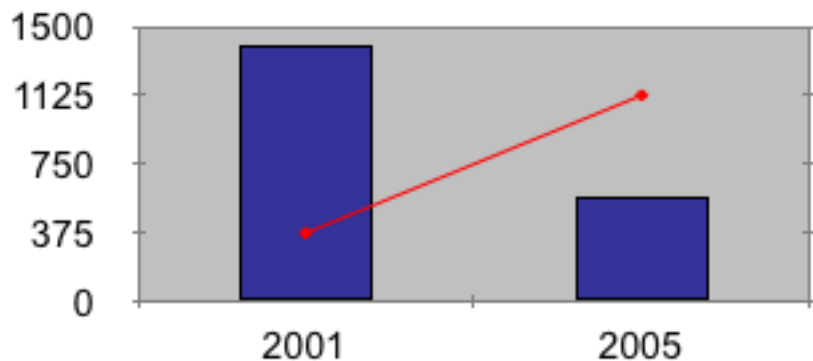


Cameroon: What can go right if attention is paid to Potential of Value-Adding Activities and Manufacturing



■ Cotton ◆ Textiles & Yarn

■ Cocoa ◆ Chocolate & Cocoa-based preparations



Cameroon: Gaining Leadership in Fresh Food Exports and Establishing a Role in Food Processing

Diversified Economy:

- Cameroon jumped from the rank of 131 out of 184 countries in growth per year of fresh food exports (valued in US\$) in 2006 to the rank of 50 out of 182 in 2010



Rank	2006	2007	2008	2009	2010
Fresh Foods	131	152	144	55	50
Processed Foods	139	130	54	19	20

Sophisticated Economy:

- Cameroon jumped from the rank of 139 out of 162 countries in growth per year of processed food exports (valued in US\$) in 2006 to the rank of 20 out of 168 in 2010.

Source: Own analysis using data from International Trade Center



Trade and migration and their combined effects

Capacity and the global movement of labor—trade in skills

Capacity to transform agriculture and country choices in trade

Example from cotton exporting countries

Sophistication in the agriculture sector and impact on trade

Technological and business model shocks and trade-related impact

Sophistication in the manufacturing sector and trade

III. CHALLENGES AND OPPORTUNITIES IN TRADE

African countries need to balance the effects of trade and migration to their advantage (2005-2008)

- Angola
- Benin
- Burundi
- Congo, R
- Djibouti
- Ethiopia
- Princi
- Gambia
- Ghana
- Guinea Bissau
- Kenya
- Lesotho
- Liberia
- Mali
- Morocco
- Niger
- Nigeria
- Rwanda
- Nigeria
- Sao Tome &
- Sierra Leone
- South Africa
- Swaziland
- Tanzania
- Togo
- Uganda
- Zambia

Growing remittances (current US\$)

- Cameroon
- Cape Verde
- Cote d'Ivoire
- Gabon
- Guinea
- Mozambique
- Senegal
- Sudan

Declining exports

- Chad
- Equatorial Guinea
- Eritrea
- Mauritania
- Mauritius
- Somalia

Growing exports (%growth)

- Burkina Faso
- Central African Republic
- Comoros
- Congo, DRC
- Madagascar
- Malawi
- Namibia
- Zimbabwe

Declining remittances

Source: Ranked using data for 2000 and 2005 from the World Development Indicators



Capacity and Global Movement of Labor: Building Skills, Trading Skills

BUY

**Angola, Botswana, Burundi,
Central African Republic,
Gambia, Liberia, Mauritania,
Mauritius**

DEVELOP & BUY

**Benin
Gabon
Rwanda**

SELL

**Cameroon, Chad, Congo
(DRC), Congo, Rep, Cote
d'Ivoire, Guinea, Guinea
Bissau, Lesotho,
Madagascar, Malawi,
Morocco, Mozambique,
Namibia, Niger, Senegal,**

DEVELOP & SELL

**Burkina Faso, Cape Verde,
Ethiopia, Ghana, Kenya,
Mali, Nigeria, Uganda,
Zambia, Zimbabwe**



Capacity to Transform Agriculture: Performance under Four Clusters

	Agricultural Strategy	Training-Innovation	Role of Private Sector	Information System	ACIAgric
Very Low	2.4	0.0	0.0	0.0	0.0
Low	9.5	47.6	4.8	2.4	11.9
Medium	50.0	52.4	23.8	9.5	54.8
High	35.7	0.0	33.3	26.2	33.3
Very High	2.4	0.0	38.1	61.9	0.0
Total	100	100	100	100	100

Source: ACI database 2012



Transforming Agriculture: Top 20 Exporting Countries of Cotton Lint in 2007 by Value in \$ 1000

Ran k	Country	Value (\$1000)	Ran k	Country	Value (\$1000)
1	China	11,317,680	11	Australia	406,747
2	India	6,531,712	12	Egypt	335,492
3	USA	6,207,813	13	Nigeria	228,609
4	Pakistan	2,942,239	14	Burkina Faso	218,367
5	Brazil	2,013,801	15	Argentina	215,249
6	Uzbekistan	1,677,462	16	Mexico	215,249
7	Turkey	1,425,101	17	Tajikistan	206,342
8	Syria	541,835	18	Kazakhstan	163,992
9	Turkmenistan	460,188	19	Benin	161,748
		445,344	20	Mozambique	139,884

Source: FAOSTAT, 2010.



Differentiated Pattern of Diversification & Sophistication in the Agricultural Sector

Rank by Export Growth per annum in (%) of Fresh Food Exports

Rank by Export Growth per annum in (%) of Processed Food Exports

Country	2006	2008	2010
Burkina Faso	35	163	145
Djibouti	5	3	143
Ethiopia	24	15	19
Liberia	26	83	142
Malawi	68	33	96
Rwanda	1	180	119
Senegal	3	162	155

Country	2006	2008	2010
Burkina Faso	67	137	78
Djibouti	7	-	-
Ethiopia	146	72	63
Liberia	-	-	-
Malawi	113	149	54
Rwanda	-	-	-
Senegal	73	130	80

Ethiopia shows a steady growth in fresh food exports, while Rwanda and Senegal reversed declines in fresh food export growth rates. Other countries could not maintain growth in fresh food exports at a high level. Ethiopia managed high growth rates in processed food exports, while Burkina Faso, Malawi and Senegal recovered their growth rates of processed food exports. Djibouti, Liberia and Rwanda do not have a large processed food export business.



Sophistication in the agriculture sector: Changes in use of agricultural machinery, tractors 1965-2005



Source: Constructed using data from ADI, World Bank



Technological and Business Model Shocks: Global Brands-- Top 20 Wool Exporters 1994 to 2004 by Value in 2004 (US\$ 000)

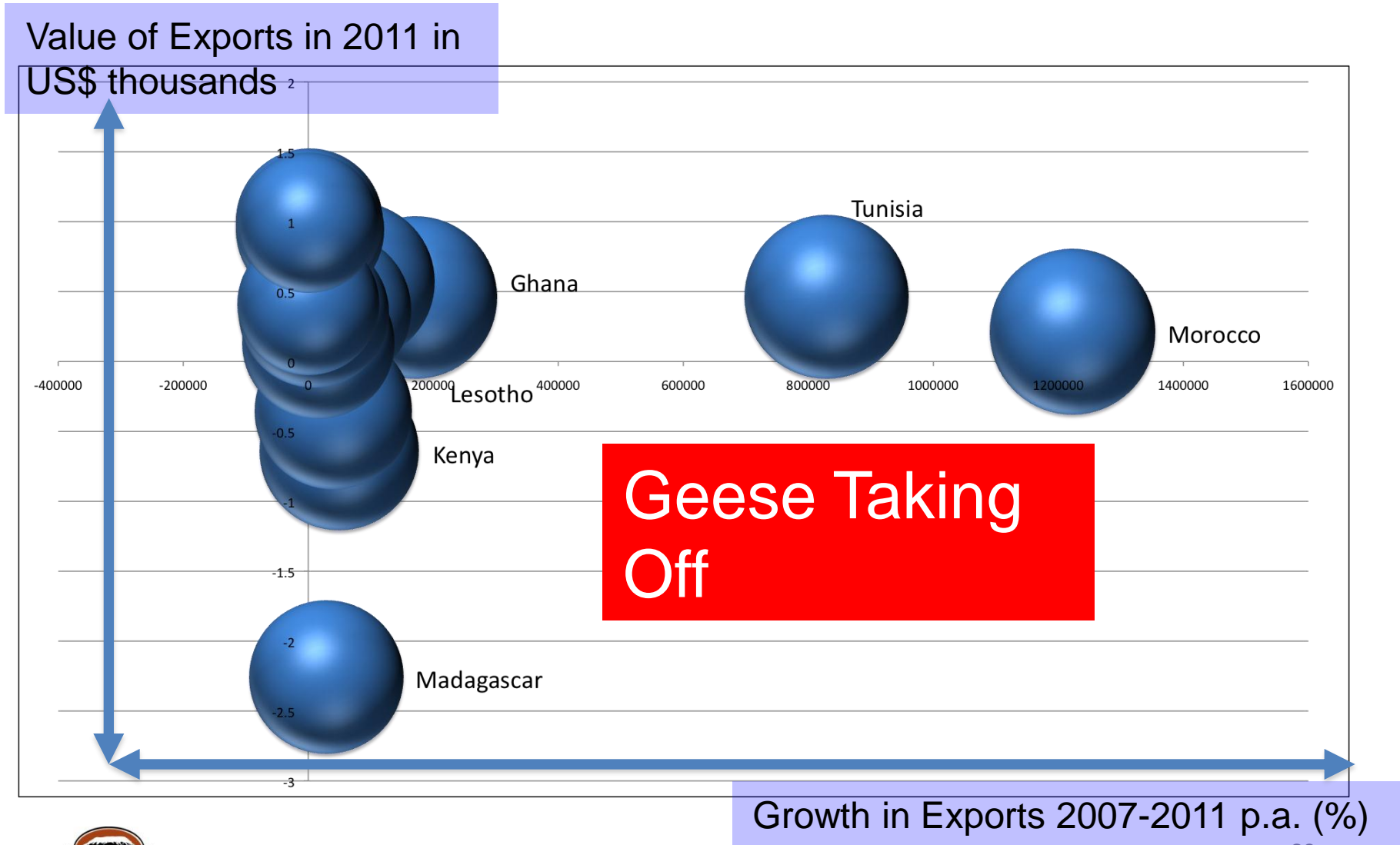
Wool Greasy		Wool Scoured		Wool Tops	
1994	2004	1994	2004	1994	2004
Australia	Australia	Australia	New Zealand	France	Germany
New Zealand	New Zealand	New Zealand	Australia	Germany	Italy
Argentina	South Africa	United Kingdom	United Kingdom	Australia	France
South Africa	Germany	Argentina	China	Uruguay	Australia
Kazakhstan	Argentina	France	Germany	United Kingdom	Czech Republic
Russian Federation	United Kingdom	Russian Federation	Turkey	South Africa	Argentina
Uruguay	France	South Africa	South Africa	Argentina	China
France	United States of America	Germany	Belgium	Thailand	South Africa
United Kingdom	Italy	Uruguay	France	Malaysia	Thailand
Ireland	Uruguay	Malaysia	Argentina	United States of America	Spain
Kyrgyzstan	Ireland	Spain	Spain	Italy	United Kingdom
Italy	Hungary	Ireland	Uruguay	Brazil	Bulgaria
Mongolia	Romania	Kazakhstan	Italy	China	India
Germany	Belgium	Pakistan	Mongolia	Spain	United States of America
Spain	Spain	Italy	Saudi Arabia	Czech Republic	Chile
Chile	Norway	Azerbaijan	Russian Federation	Netherlands	Brazil
Brazil	Brazil	Netherlands	Portugal	Portugal	Hungary
Lesotho	Chile	Romania	United States of America	Republic of Korea	Austria
China	Peru	United States of America	Romania	Iran (Islamic Republic of)	Malaysia
Netherlands	Czech Republic	Greece	Syrian Arab Republic	Bulgaria	Republic of Korea

Source: FAO, Key Statistics of Food and Agricultural Trade, 2007

Capacities to transform primary products, manage complex supply chains, and negotiate appropriate trade agreements



Sophistication in the manufacturing sector: Value of Exports of Women's Apparel in Africa 2007-2011



Factors for expanding South-South trade

Implementation capacity for large scale infrastructure needs

Key elements for a logistical revolution

IV. ROLE OF REGIONAL INTEGRATION IN INTRA AFRICAN TRADE

Factors for Expanding South-South Trade

- Improve trade within borders (rural-urban) and outside borders by:
 - Mitigating for geographic characteristics: country size; proximity to other countries; common borders and land-lockedness
 - Rethinking trade policies in place: domestic (connectivity through transport and communication investments; competition and reliance on markets) and international (trading agreements, barriers and tariffs)
 - Adjusting for income levels: richer countries to interact more with other countries (regional trade)
- Other factors for consideration:
 - Import and export policy reforms
 - Functioning of the labour markets



Capacity Needs to Support South-South Trade

- Designing and implementing oil and mineral import and export policies to handle depletion points
- Reviewing public revenue and expenditure policies to avoid “boom and bust” cycles and prepare for future generations
- Defining domestic and foreign investment policies to support non-extractive sectors and diversify the economy
- Reforming investment and resource allocation policies across sectors (private sector, agriculture, services, and industry)
- Introducing fiscal incentive regimes and contracts for investors for prospecting, development, and extraction of natural resources
- Focusing on policies guiding reporting on revenue collection and spending and those policies developed to increase oversight and ensure appropriate checks and balances



Asymmetric production and consumption patterns - limited trade between countries
inhibiting intra-regional trade

- Infrastructure bottlenecks due to weak investment (capital spending) and poor maintenance culture (recurrent spending) - e.g., disinvestments in roads
- Product and market concentration at regional, national and micro level
- Inability to transform critical value chains in mining and natural resource management, in addition to manufacturing and agriculture
- Private sector that is concentrated in a few

Role of Regional Integration

- Trade: getting a billion people to trade with each other in a regional market
- Social/political/cultural: integration depends on how people associate with each other, their expectations for the future, and the role afforded to women and excluded groups
- Infrastructure: to connect people, spaces, and economies across cities, countries, sub-regions
- Policies and processes: to allow free movement of ideas, goods, and people



Role of Regional Economic Communities

- Building blocks for integration with a primary focus on economic integration as a step facilitating political integration
- RECs have recorded some successes but are bottlenecked by a number of challenges, including weak capacity and overlapping membership
- Many opportunities exist for RECs to contribute to development results as they tackle the policy and process reforms needed



III. *Critical capacities for regional integration*

- Capacity to build and keep peace and stability
- Capacity to formulate and implement common macroeconomic policies;
- Capacity to formulate and implement regional sector policies (infrastructure including energy, agriculture, education, climate change, etc.);
- Capacity to harmonize national and regional policies ;
- Capacity to create the enabling environment for the promotion of intra-regional trade;
- Capacity to engage the private sector
- Capacity for civil society participation, etc.



Strategies to achieve Regional Integration objectives

- (a) The strengthening of existing RECs
- (b) The conclusion of agreements aimed at harmonising and coordinating policies;
- (c) The promotion and strengthening of joint investment programmes in the production and trade of major products and inputs;
- (d) The liberalisation of trade through the abolition, among Member States, of tariff and Non-Tariff Barriers;
- (e) The harmonisation of national policies to promote Community activities in agriculture, industry, transport and communications, energy, natural resources, trade, money and finance, human resources, education, culture, science and technology;
- (f) The adoption of a common trade policy vis-à-vis third States;
- (g) The establishment and maintenance of a common external tariff;
- (h) The establishment of a common market;



Acceleration of Priorities in PIDA

- Tackle policies for resuming growth in low or stalled growth countries, sustaining growth in high growth countries and ensuring inclusive growth
- Implementation capacity for large scale infrastructure investments for both short and long term benefits
- Attention to policies and implementation in agricultural sector (productivity, food security, transformation potential) across key value chains that stretch multiple countries
- Attention to the service sector to develop unique value including trade in services
- Effectively manage the interface between capacity development and capacity utilization, and focus on capabilities to increase production and productivity and enhance learning and implementation
- Conduct value chain analysis in critical sectors such as:
 - Food processing; Construction; Motor cycle, tractor and TV assembly; Computer assembly; Metal processing; Textiles; and Leather



Strategies to achieve Regional Integration objectives

- (i) The gradual removal, among Member States, of obstacles to the free movement of persons, goods, services and capital and the right of residence and establishment;
- (j) The establishment of a Community Solidarity, Development and Compensation Fund;
- (k) The granting of special treatment to Member States classified as least developed countries and the adoption of special measures in favour of land-locked, semi-land-locked and island countries;
- (l) The harmonisation and rationalisation of the activities of existing African multinational institutions and the establishment of such institutions, as and when necessary, with a view to their possible transformation into organs of the Community;
- (m) The establishment of appropriate organs for trade in agricultural and cultural products, minerals, metals, and manufactured and semi-manufactured goods within the Community;
- (n) The establishment of contacts and the promotion of information flow among trading organisations such as State commercial enterprises, export promotion and marketing bodies, chambers of commerce, associations of businessmen, and business and advertising agencies;
- (o) The harmonisation and co-ordination of environmental protection policies; and
- (p) Any other activity that Member States may decide to undertake jointly with a view to attaining the objectives of the Community.



IV. Building Productive Capacities

Private Sector

- Linkages between formal and informal firms need to be developed to reverse the trend of informality
- Strengthen inter firm linkages (local and foreign, formal and informal, large and small, across industries, and across countries)
- Kenyan and South African firms have an Africa export strategy, but less so for the firms in other countries -- learn from them

Capacity Priority Areas in the context of PIDA

- Enhance effectiveness in prioritizing critical needs
- Put more attention on drivers of change
- Address emerging needs and implementation in addition to improving policies in the enabling environment



PIDA priority Areas: improve effectiveness in prioritizing Critical needs

Critical needs	Share (%)
<i>Infrastructure to integrate economies and societies</i>	63%
<i>Food Security and Agricultural productivity</i>	58%
<i>Private sector and business environment</i>	63%
<i>Productive sectors</i>	37%



PIDA priority Areas: Attention to emerging needs and implementation capacity

- Implementation capacity for large scale infrastructure investments for both short and long term benefits
- Attention to policies and implementation in agricultural sector (productivity, food security, transformation potential)
- Attention to the service sector to develop unique value including trade in services



Selected entry points: National, Regional, Continental, Sectoral

- Continental attention on issues related to external aid, FDI, diaspora and remittances (ACIR and ACBF-sponsored research)
- Country level attention to competitiveness, including support to self-discoverers and innovators (FICAD)
- Support local value chains and link them across borders (EWA)
- Invest in regional capacity markets, including active movement of skilled and talented individuals and enterprises (regional talent pools)



Selected entry points: Local value chains and competitiveness

Regional Issue in Agriculture

- Raising productivity in agriculture and use of technology
- Agriculture valued added as a share of GDP is higher in countries that tap into science and technology, regional markets, and use entrepreneurial skills for farming
- Most countries still need to define agricultural policies and implement them

ACBF Response

- Support the Initiative to Empower Women in Agriculture (EWA)
- Invest in science and technology education through the AISTs in Abuja, Arusha and Ouagadougou
- Develop policy experts under AREC-CMAE, and supporting regional networks like FANRPAN
- Investment in research and benchmarking and assessing of capacity through ACIR 2012 focused on capacity to transform agriculture



Private Sector

- Infrastructure

Capacity

- Skills of workforce - AIST, EPMS, PSMTTPs, CMAAE
- Finance - FMA through regional institutions (MEFMI, WAIFEM)
- Local and regional value chains
- Dialogue with private sector
- Peace and security - stability

Potential Actions

- Set priorities and build the necessary capacity to achieve them with proper implementation
- Reduce dependence on donor resources for capacity building as such dependence skews priorities away from what is really critical for Africa
- Break the efficiency-size barrier (how to be efficient at smaller sizes and to raise productivity through tapping regional markets or getting foreign capital into smaller firms)

V. Capacity Development: ACBF's Contribution

To support the process of unlocking the potential of Actors involved in steering regional integration through:

- Individual development through:
 - Critical mass of skilled staff (staffing quantity and quality)
 - Relevant skills through short term and long term courses
 - Networking and experience sharing for tacit knowledge
- Institutional development, including availability and relevance of:
 - leadership and managerial capabilities (training and evaluation)
 - policies, systems and procedures (direct support under ACBF grants and TA)
 - Finance and technology (ACBF grants to RECs and regional initiatives)
 - Effective organizational structure (through governance reviews during appraisal and supervision)



Selected entry points: Capacity Development Markets, Migration and Capacity Utilization

BUY

Angola, Botswana, Burundi, Central African Republic, Gambia, Liberia, Mauritania, Mauritius

DEVELOP & BUY

Benin
Gabon
Rwanda

SELL

Cameroon, Chad, Congo (DRC), Congo, Rep, Cote d'Ivoire, Guinea, Guinea Bissau, Lesotho, Madagascar, Malawi, Morocco, Mozambique, Namibia, Niger, Senegal, Swaziland, Tanzania, Togo

DEVELOP & SELL

Burkina Faso, Cape Verde, Ethiopia, Ghana, Kenya, Mali, Nigeria, Uganda, Zambia, Zimbabwe

