



Economic Commission
for Africa



African Union

Economic Report on Africa 2009



**Developing African Agriculture
Through Regional Value Chains**



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Economic Report on
Africa 2009
**Developing African Agriculture
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Addis Ababa, Ethiopia

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First printing April 2009

ISBN 978-92-1-125111-1
Sales Number: E.09.II.K.2

Material in this publication may be freely quoted or reprinted. Acknowledgement is requested, together with a copy of the publication.

Edited, designed and printed by the ECA Publications and Conference Management Section (PCMS).

Cover photos: From top left, UN Photo/Tortoli, Stock.xchng/Simon Tullstedt, Manoel Silva, Nino Satria, Linda Long, Celiece Aurea, Ehsan Namavar.

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List of Acronyms

ACP	Africa Caribbean Pacific
AfDB	African Development Bank
AfT	Aid for trade
AGOA	Africa Growth Opportunity Act
AGRA	Alliance for Green Revolution in Africa
AIDS	Acquired Immune Deficiency Syndrome
AMS	Amber Box
AMU	Arab maghreb Union
APN	Asian-Pacific Network
ART	Anti-Retroviral Treatment
AU	African Union
AUC	African Union Commission
AWPS	African Women's Progress Scorecard
BCR	Benefit Cost Ratios
BDS	Business Development services
BPFA	Beijing Platform for Action
CAADP	Comprehensive Africa Agriculture Development Programme
CAR	Central African Republic
CEDAW	Convention on the Elimination of all forms of Discrimination Against Women
CENSAD	The Community of Sahel-Saharan States
CEMAC	Economic and Monetary Community of Central Africa
COMESA	Common Markets for East and Southern Africa
DAC	Development assistance Committee
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything But Arms
ECA	Economic Commission for Africa
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EIU	Economic Intelligent Unit
EPA	Economic Partnership Agreement
ERA	The Economic Report on Africa

ERR	External Rates of Return
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GSP	Generalized System of Preferences
HIPC	Heavily Indebted Poor countries Initiative
HIV	Human Immunodeficiency Virus
ICPD	International Conference on Population and Development
ICT	Information Communication Technology
IFPRI	International Food Policy and Research Institute
IGAD	Intergovernmental Authority on Development
ILO	International Labour Organization
IMF	International Monetary Fund
KMC	The Kenya Meat Commission
LDC	Least Developed Countries
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
NAMA	Non- Agricultural Market Access
NEPAD	New Partnership for Africa's Development
NGOs	Non- Governmental Organizations
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation for Development
OPEC	Organization of the Petroleum Exporting Countries
RATES	Regional Agricultural Trade Expansion Support Programme
RECs	Regional Economic Communities
REER	Real Effective Exchange Rate
SACU	South African Customs Unions
SADC	Southern African Development Community
SMEs	Small and Medium Enterprises
SSA	Sub-saharan African countries
SVEs	Small and Vulnerable economies
TBT	Technical Barrier to Trade
TNC	Trade Negotiations Committee

TNCs	Transnational Co operations
UN	United Nations
UAE	United Arab Emirates
UNCTAD	UN Conference on Trade and Development
UEMOA	The West African Economic and Monetary Union
UNECA	United Nations Economic Commission for Africa
UN-DESA	United Nations - Department of Economic and Social Development
UNICEF	United Nations International Children Education Fund
UNIDO	United Nations Industrial Development Organization
USA	United States of America
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WB	The World Bank
WHO	World Health Organization
WTO	World Trade Organization

Foreword

Africa's commitment to improved economic management has resulted in significant progress in many fronts over the last half decade. The African Union Commission and the Economic Commission for Africa accompanied the process through their facilitation, tracking and reporting functions. Main issues and outcomes of these functions are presented in key publications such as the Economic Report on Africa. The Economic Report on Africa 2009 (ERA 2009) is focused on **“Developing African Agriculture Through Regional Value Chains”**.

The continent's efforts to grapple with the impact of the recent food crisis have been complicated by the unfolding global financial crisis and recession. Many African governments and donors had to reconsider expenditure allocations and design measures to provide emergency assistance and mitigate the impact of the high food and energy prices in the first half of 2008. Notwithstanding the decline in prices since the second half of 2008, the food crisis remains a challenge especially in the Horn of Africa, Western Africa and in conflict countries.

The sustained high food prices witnessed lately, coupled with a weak capital base, climate change and recurrent droughts continue to intensify the volatility in agricultural production and food supply situation in many African countries. Furthermore, falling commodity prices and export revenue, as well as contracted aid and private capital inflows as a result of the global credit crunch and recession imply reduced public and private funding for investment, particularly in agriculture and infrastructure.

Against this backdrop, the Economic Report on Africa 2009, prepared by staff from UNECA and AUC, thus provides thorough analyses of the key economic and social development challenges in Africa. The Report has emphasized the need for developing regional value chains for agricultural commodities in order to enhance agricultural transformation and global competitiveness. In addition, it has highlighted the role played by globalization in promoting agricultural value chains. In the context of the current global financial and economic crisis, ERA 2009 stresses the need for African countries to maintain sound macroeconomic policies and for development partners to fulfill their commitments towards attainment of the Millennium Development Goals (MDGs).

In addition to emergency and other short-term policy interventions, the Report calls for sustained long-term investment strategies to ensure agricultural transformation through the framework of the Comprehensive African Agriculture Development

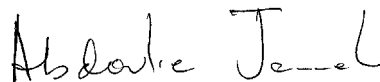
Programme (CAADP) of the African Union's New Partnership for Africa's Development (AU/NEPAD). The transformation of African agriculture does not only provide the best opportunities for economic diversification, it also enhances rapid and sustained growth for poverty reduction.

It is essential that the continent addresses the overall constraints to agricultural development and focuses on high impact interventions such as regional value chain development in order to maximize value added, expand markets, and enhance productivity and the international competitiveness of African agriculture. For the transformation of African agriculture to become a reality, it is imperative that African governments translate their commitments into concrete action, notably the Maputo 2003 Declaration on Food Security, through which they pledged to devote at least 10 per cent of public expenditure to this sector.

Indeed, adequate funding of agriculture is a prerequisite for Africa to promote sustainable agricultural production systems, undertake essential agricultural research, provide efficient extension services, boost the use of yield-enhancing practices and technologies, increase investment in soil and water conservation, and improve marketing and rural infrastructure.

Agricultural transformation in Africa still remains a far cry given its weak inter-sectoral linkages, especially with manufacturing. Regionally integrated value chains and markets that build on local and national networks are essential to address Africa's diverse agro-ecological systems, small national markets and populations, and unfair competition from outside the continent. These key factors provide incentives for private investors to undertake long-term investments in agribusiness and agro-processing, including product upgrading.

The Report concludes by arguing for comprehensive strategies at both the national and regional levels to promote value chain development. Such strategies should provide information on relevant investment opportunities, incentives for their exploitation, support spillovers from lead firms, promote inclusive standards, and widen access to markets and credit for both firms and farmers. Governments must adopt measures to enhance regional integration and increase intra-Africa trade and investment, thus paving the way for Africa's agricultural transformation and sustained development.



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Acknowledgements

This Economic Report on Africa 2009, a joint publication of the United Nations Economic Commission for Africa (UNECA) and the African Union (AU), was prepared under the leadership of Abdoulie Janneh, Executive Secretary of UNECA, and Jean Ping, the Chairperson of African Union Commission (AUC). The report team benefited from the guidance and supervision of Mahamat Abdoulahi, Officer-in-Charge of the Trade, Finance and Economic Development Division (TFED), and Josué Dioné, Director of the Food Security and Sustainable Development Division (FSSD), of UNECA and Maxwell Mkwezalamba, Commissioner for Economic Affairs of AUC.

The UNECA team comprised Adam Elhiraika (Coordinator), Stephen Karingi, Patrick Osakwe, Peter Robleh, Susanna Wolf, Kavazeua Katjomuise, Ben Idrissa Ouedraogo, Joan Kagwanja, Benjamin Banda, Taro Boel, Fabrizio Carmignani, Mohamed Chemingui, Therese Ouedraogo, Deresse Degefa, Robert Lisinge, Sher Verick, Halima Nour Abdi, Emmanuel Louzet and Hamdou Wane. UNECA gratefully acknowledges the contribution made by Professor Alfred Muthee, Director, AHEAD Consultants' Consortium (Kenya) and the input provided by other UNECA staff members especially Joseph Atta-Mensah, Oumar Diallo and Bobo Diallo.

The AUC team was coordinated by René N. Kouassi, Director of Economic Affairs and comprised Abdallah Msa, Mandekor Djimadoum, Edson Mpyisi, Abia Udoh, Thiekoro Doumbia and James Mbata. Tsedale Demissie, Mamo Girma, Berhanu Haile-Michael and Nega Emiru provided excellent assistance with data management and analysis.

The Report team also appreciates the assistance from TFED interns: Laura Deotti and Michael Fabbri. Olle Östensson and Alexandra Laurent of UNCTAD provided valuable inputs on commodity price developments.

Internal and external reviewers provided comments and suggestions that have greatly improved the quality of the report. Twenty-nine staff members from various UNECA divisions and the Subregional Office for North Africa (SRO/NA), as well as AU staff attended the internal peer review. The following external reviewers provided insightful comments and suggestions on the manuscript: Professor Medani

M. Ahmed of the University of Khartoum (Sudan), Dr. Assefa Admassie, Director, Ethiopian Economic Policy Research Institute (Ethiopia), Professor Jean Sylvain Ndo Ndong of Université Omar Bongo Libreville (Gabon), Dr. Ousmane Badiane, African Director, the International Food Policy Research Institute (USA), Dr. Degnet Abebaw, Senior Researcher, Ethiopian Economic Policy Research Institute, and Dr. Felix N’Zue of the African Economic Research Consortium (Kenya).

The Report also benefited from comments and suggestions from Lalla Ben Barka, Deputy Executive Secretary, UNECA, and staff members from the UNECA Office of Strategic Planning and Programme Management (OPM), as well as from the SROs in North Africa (SRO-NA), Southern Africa (SRO-SA), West Africa (SRO-WA) and Central Africa (SRO-CA).

The Report team greatly appreciates the competent services of the staff of the Publications and Conference Management Section (PCMS), led by Doreen Bongoy-Mawalla, especially the English and French Translation and Editorial Units, Desk Top Publishing and the Documents Management, Reproduction and Printing Units, which handled the editing, text processing, proofreading, translation, design, quality control, printing and dissemination of the report. The Information and Communication Service (ICS) provided valuable assistance in media outreach and dissemination of the report. Also, we are grateful for the valuable assistance provided by the following TFED administrative staff: Rahel Desta, Shewaye Woldeyes, Agare Kassahun, Gerawork Getachew, Elleni Negash, Asnaketch Amde, Solomon Wedere and Bekele Demissie.