

Trade for agricultural development and food security

// Changing development landscape

Development cooperation is evolving into the direction of the broader concept of international cooperation for sustainable development. In his synthesis report “Dignity for All in 2013” the Secretary General of the UN has provided a firm basis for a global agenda of 17 sustainable development goals (SDG’s). The principles underpinning the proposed transformative agenda are “dignity, people, planet, prosperity, justice and partnership”. The transformation aims for (1) the termination of poverty in 2030, (2) sustainable development, (3) inclusive growth and decent jobs, (4) peaceful societies and transparent governance and (5) global partnerships for sustainable development.

[The Development Co-operation Report 2014](#) provides an overview of the sources of finance available to developing countries and proposes recommendations on how to better mobilise resources for sustainable development. Aid, trade and investment will have to work together to realise the global agenda. The currently negotiated [outcome document](#) of Finance for Development (FfD) underscores this focus.

As outlined in the policy document [a world to gain – a new agenda for aid, trade and investment](#) by the Ministry of Foreign Affairs of the Netherlands, a transition of the relationships between countries is strongly driven by policy directions which define the new development paths in terms of enhanced trade and (private sector) investment. This in order to find a sound economic basis for international cooperation. At the same time, increased trade and investment in the agricultural sector have proved to have the greatest impact on poverty reduction.

// What is the ‘Theory of change’ underpinning the transition from aid to trade?

“[Aid for trade](#)” emerged as an initiative of the WTO ministerial conference held in 2005 and addresses the hindrances of developing countries to participate in global trade, to express their trade needs in development strategies and to encourage donors to integrate trade into their financing strategies. Many developing countries face a range of supply-side and trade-related infrastructure obstacles which constrain their ability to engage in regional and international trade. Reducing trade costs will depend largely on the rate of success in removing those trade barriers and other constraints. In order to achieve enhanced trade, developing country governments and donors need to recognize the role that trade can play in development and in particular for agriculture and rural development, particularly in LDCs.

The medium-term AfT-objective is that developing countries move from aid dependency towards trade relations with countries inside and outside their respective regions. Trade is considered to be an engine for economic growth and social stability. Alignment with the global SDG-agenda is expected to lead to inclusive economic development.

Trade offers a dynamism which addresses both the socio-political and economic components of international development. It translates the notion of development assistance into one of private sector driven local economic development based on expanded trade, increased investment and building strong economic relations. Existing structures of global trade governance should support and enhance incentives for growth in intra-regional trade. This has the potential to further consolidate development effectiveness through ARD and trade policies which are addressing the demands of local, regional and global actors in terms of production, value-chain development and trade.

For many least-developed and low income developing countries, it is recognised that there is a need to balance this transition through the continued provision of technical and financial support to develop tradable sectors such as agriculture. In the Asia-Pacific region, Aid for Trade was found to be [driving private sector participation](#) in global value chains and considered an important mechanism for growth. The conclusion of the bilateral trade and development oriented [Economic Partnership Agreements](#) (EPA) in late 2014 has the potential to propel the aid for trade momentum in the development relations between the Africa Caribbean and Pacific (ACP) countries and the European Union.

Trade costs and connecting developing countries to international trade through value chains emerged as central subjects at the [4th WTO Global Review of Aid for Trade](#). Following this, the [WTO Aid for Trade work programme 2014-2015](#) is themed “Reducing trade costs for inclusive, sustainable growth” which frames this context to the emerging post 2015 financing for development agenda. The upcoming [5th WTO Global Review of Aid for Trade](#) will be a milestone in moving forward with “reducing trade costs for inclusive, sustainable growth”, SDG-alignment, implementing the Bali package (including trade facilitation), connecting developing countries (especially LDC’s) to value chains and regional trade integration spearheading the agenda.

As trade related agriculture support is the principle focus for two thirds of all country prioritized projects financed through the [Enhanced Integrated Framework \(EIF\)](#), there seems to be a strong demand for AfT resources for ARD.

// Intra-regional trade and international trade in global markets?

Intra-regional trade is a key component of international trade and a means of increased access to agricultural produce (including food), to develop value chains (create added value in the region), employment etc. Both market places need to be valued and evaluated for best development results. This also depends on the investments of the national, regional or international private sector.

With regard to global markets, Africa continues to be highly dependent on food imports. Considering an [annual import market for food into Africa](#) of over 50 billion USD in 2012, particularly in staples, African heads of states at the recent [Malabo Summit](#) renewed their commitment towards increasing intra-regional trade supported by African regional economic communities such as the EAC and ECOWAS. Boosting intra-regional trade has become a continental priority, and trade is increasingly regarded as a key driver for growth, employment, and agricultural transformation. LDCs farm exports constitute only 14 per cent of total LDC exports, while 44 out of 48 countries rely on imports to feed their populations. Therefore, increasing attention is being given to trade in food staples (crops and animal/livestock products), particularly to the potential to increase regional trade in food staples competing with imports.

While self-sufficiency in food supply, particularly in Africa, continues to be one of the hot political topics, the abolishment of protectionism and the support to trade liberalisation is underscored. In this regard, the comparative advantages of intra-African trade will determine the possible advantages and disadvantages of substitution of food imports from the global market in particular and enhanced involvement private sector investment and value-chain development as suggested in [UNCTAD reports](#).

Increasingly, countries in other regions are exploiting regional trade and their agreements for gaining access to strategic markets in the neighbourhood. The Asia–Pacific region has been [promoting intra-regional trade](#) through the Asia-Pacific Trade Agreement which covers East and South Asia, including China and India. [Asia-Pacific case stories](#) illustrate that AfT interventions have positively impacted on intra-regional trade.

The urban markets in developing countries are growing rapidly with migration from rural areas and market opportunities are in the rise. Intra-regional trade can benefit from these developments. One contentious issue is that on-going subsidies in the agriculture sector and the use of export subsidies puts local producers in developing countries at a disadvantage.

// Raising Attention for Trade and Food Security

Aligning trade and development objectives in opening up new market opportunities and driving inclusive growth in agriculture has become a priority to many Platform member organisations. The links between trade and food security are well documented and have become central in both the development and trade agenda.

Despite this favourable context, capacities to develop and implement trade policies and strategies in support of agricultural development and food security are still limited. The food price crisis in 2007/2008 has demonstrated the need to make trade policies more effective for food security and poverty reduction. This requires consideration of country specificity in terms of the stage of development of the agricultural sector, issues of complementary policies of ARD and trade and the need of investments, regulations and institution building. Possibilities to apply mixed policy approaches should be explored that combine trade promotion with ARD priorities, including production and value chain development.

Finally, with evolving international markets dynamics and expanding global value chains, the continued competitiveness of food products from developing countries depends increasingly on the country's ability to assure appropriate levels of quality and safety standards. As the trade development agenda gradually moves away from the traditional agenda of tariff reduction, greater attention is also being given to other issues such as international standards, intellectual property rights, removal of non-tariff barriers and technical barriers to trade.

While developing countries, and especially LDCs, need increasing assistance to design holistic trade strategies/policies and to negotiate trade and related agreements that are supportive of agricultural development and food security, the planning of agriculture development and trade-related priorities is generally undertaken through parallel processes as an evaluation in [Uganda](#) shows. In practical terms, ARD-related policies have been distant from and not coordinated with trade and market development policies.

// Enhanced coherence for development through improved synergies between trade and agriculture.

The concept of policy coherence for development is intended to facilitate the achievability of shared goals. Aid for trade for agriculture and rural development is a good example of how this can be put into practice. The OECD and the EU have emphasised that [policy coherence for development is of vital importance for achieving the SDG's](#).

With the SDG's we will have a global policy framework in place that should be translated into national policies per country. Global goals require global solutions. However, national contributions to the achievement of such global goals will have to be specified at the national level, taking into consideration the varying capacities, realities and development levels of countries. The universal post-2015 goals will need a pragmatic and flexible system of differentiation that accounts for country ownership and priorities. In other words, the universal aspirations of the SDGs should be inspired by the principle of "Common but Differentiated Responsibilities" which has been firmly established in environmental law since 1992¹. This vision should also underpin the creation of a common agenda on trade and agriculture for sustainable development.

A number of donor countries have reorganised their institutional set up by amalgamating the trade, foreign affairs and development functions. Three members of the Platform dispose of first institutionalised experience in working with this broadened development concept:

- Canada's new [Department of Foreign Affairs, Trade and Development](#)
- Netherland's new [Minister for Foreign Trade and Development](#)
- Australia's [Department of Foreign Affairs and Trade](#)

This represents a major opportunity for enhancing the synergies and coherence of agriculture and trade policies, and for addressing the governance weaknesses that have hampered the effectiveness of AfT in the agricultural sector.

// How to build the right mix of supporting institutions and instruments in order to achieve coherence for development through improved synergies between trade and agriculture?

Recently, new financing mechanisms have been introduced to address trade-related issues connected to agriculture development strategies and investment plans. One example is the GAFSP Fund which is meant to implement the pledges made by the G20 in Pittsburgh in September 2009. The Fund includes both a public and private sector financing window.

On the other hand, following the establishment of the AfT initiative, trade ministries have become a new actor in the development arena. A number of trade-related financing instruments also exists². However, trade-related financial flows are organized around the priorities established by national trade development strategies/plans coordinated by trade ministries, which include agriculture, although they are often not aligned with the agricultural strategies, policy directives and investment plans.

¹ The principle of CBDR emerged in 1992 at the Conference on Environment and Development and is applied by UNFCCC

² Some of these instruments have a geographic focus: for example, all regional banks now have AfT Trust Funds, and a dedicated Trust Fund for LDCs is attached to the EIF for Trade-Related Technical Assistance. Some other instruments have a thematic focus: for example the World Bank's Trade Facilitation Facility (TFF) focuses on trade facilitation, the Standard and Trade Development Facility (STDF) relates to sanitary and phytosanitary measures, and the World Bank's Multi-Donor Trust Fund for Trade Development (MDTF-TD) covers a wider range of thematic areas

Some of the major supporting instruments, programmes and initiatives of the trade regime include :

- Trade agreement like the [Economic Partnerships \(EPA\)](#) between ACP countries and the EU
- [Enhanced integrated framework](#) (EIF) is a partnership of 23 bilateral donors and 8 international agencies and the main mechanism through which least-developed countries access Aid for Trade
- Donor attention is traditionally focused on export promotion, but more work will have to be done by countries on the import side, where probably most gains can be made in terms of Trade Facilitation. [Trade facilitation agreements](#) contain provisions for expediting the movement, release and clearance of goods, including goods in transit. [Sanitary and Phyto-sanitary agreements](#) as well as the agreements on [Technical Barriers to Trade](#) also focus on trade facilitation
- [Standards and Trade Development Facility](#) (STDF) is a global partnership in SPS capacity building between FAO, OIE, WHO, WTO and the World Bank. The STDF is a knowledge platform and supports developing countries in preparing and implementing projects to implement international food safety, animal and plant health standards, and hence gain and maintain access to markets.
- [Seas of change](#), an initiative of the CDI part of the Wageningen University and Research centre is an example of scaling up inclusive agri-food markets.

The future challenge of donors' engagement with regard trade promotion, value-chain development and ARD will be to help overcome conflicting policies on trade and ARD and to improve governance issues in bridging the planning/implementation processes of trade and ARD in developing countries. AfT and other financial means and instruments are available with potentials untapped. On the other hand, donor agencies need to address the same issues in their institutions and in their ministerial coordination between the trade community and the development community.

Both aspects are subject to the Platform's engagement in interface between trade promotion and ARD support for economic development, food security and social stability in developing countries.

This DiscussionNote has been compiled for the members of the Global Donor Platform for Rural Development

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