

A Study on the Relationship Between
Agricultural/Rural Development and Trade of
Agricultural Products in Africa

Final Report
-Summary-

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Introduction

This Paper is the summary of “A Study on the Relationship Between Agricultural/Rural Development and Trade of Agricultural Products in Africa” entrusted by the Japan International Cooperation Agency which lasted for two years from FY 2003 to FY 2004. The main purpose of the Study is to find the desirable manner for the provision of future development assistance to promote rural development in African countries by means of clarifying historical changes in the trade of agricultural products, agriculture and rural communities in countries in sub-Saharan Africa (hereinafter referred to as “Africa”) where trade liberalisation and a shift towards a market economy have been taking place for the last decades. The Study firstly examines whether or not the proposition that “trade liberalisation has positive impacts on economic development and poverty reduction in developing countries”, which has been the basis for the advocacy of trade liberalisation by the WTO and the World Bank/IMF, and whether it is actually applicable to rural communities in African countries, and then identifies factors affecting the causal relationship between trade liberalisation and its impacts on rural communities. Based on this examination, the Study aims at proposing the necessary policies (and donor cooperation) to ensure that trade liberalisation has positive impacts on rural communities in African countries.

This Paper consists of six sections. Section 1 clarifies the likely benefits of trade liberalisation/globalisation for rural communities. Section 2 provides an overview of the impacts of the rapid progress of liberalisation under the Structural Adjustment Programme (SAP) on African countries. Here, the trends of the trade of agricultural products in Africa imply that trade liberalisation has not produced the positive impacts as claimed by the World Bank/IMF in many African countries. Section 3 identifies the various factors affecting the impacts of trade liberalisation on rural communities based on case studies on Kenya, Ethiopia, Ghana, Senegal and Zambia in order to understand why trade liberalisation has not produced positive impacts in African countries. Section 4 analyses the problematic structure of the trade of agricultural products in Africa while clarifying the causal relationship of these factors by classifying them into groups. Based on the series of work conducted up to Section 4, Section 5 examines the desirable direction for aid which is required to ensure positive impacts and/or to mitigate negative impacts of trade liberalisation on rural communities in African countries. Finally, Section 6 identifies necessary research themes for the future.

1. Impacts of Trade Liberalisation/Globalisation on Rural Communities

Trade liberalisation/globalisation can possibly have several positive impacts on rural communities in Africa as described below.

(1) Increased income for independent farmers

- ① When a large proportion of export crops are produced by small producers, increased exports benefit many residents of rural communities.

- ② Through reform, the efficiency of the distribution of crops and input goods improves as the principle of competition comes into play, benefiting producers in the form of purchase of higher prices (traditional export crops).
 - ③ The improved efficiency of distribution leads to a rise of the purchase price for producing farmers and a fall of the retail price, benefiting both producers and consumers (main staple crops).
 - ④ Handling of the distribution of such inputs as fertiliser by private companies ensures a more efficient supply of input goods and the subsequent increased use of input goods leads to an increase of production (main staple crops).
- (2) Creation of employment in rural areas
- ① An increased demand for agricultural workers provides new opportunities for landless farmers and subsistence farmers to earn an income.
 - ② Employment in the distribution and other related sectors increases.
- (3) Promotion of the progress of production technologies and efficient production
- (4) Vitalisation of the entire rural economy through the development of related sectors
- ① Increased opportunities for non-agricultural income in related sectors (food distribution and distribution of agricultural input goods, etc.)
 - ② Increased domestic demand for food crops produced by small farmers, vitalising the entire rural economy
- (5) Stable supply of food (main staple crops)
- ① Stable supply of food through the deregulation of food imports

As listed above, trade liberalisation/globalisation can bring about considerable benefits for rural communities. However, there is no guarantee that rural residents in Africa will always enjoy such benefits because there are, in reality, many obstacles which prevent rural residents in Africa from enjoying the benefits of globalisation. For example, trade liberalisation/globalisation literally means worldwide competition and African products cannot penetrate the global market unless they win the competition against such exporting countries of agricultural products as Latin American as well as ASEAN countries which have been responding to globalisation for some time. It can be easily predicted that increased imports of low price agricultural products may inflict severe damage on domestic producers. In addition, the prices of agricultural products in the global market tend to significantly fluctuate and have shown a long-term trend of decline in general. Accordingly, a quantitative export increase of agricultural products will not necessarily lead to increased income for producing farmers. Moreover, the diffusion of knowledge of how to handle

information regarding production technologies and market trends is essential for producers to be able to respond to global demands. Another requirement is the development of a credit market where funds for the introduction of new technologies and for investment can be raised. Well-developed transport infrastructure in rural areas is also required to efficiently transport the produced crops. Furthermore, government policies must be formulated to provide incentives for both increased crop production and trade promotion. In African countries where not only human capital but also physical capital is lacking in addition to the absence of the conditions or requirements described so far, the benefits of globalisation or economic liberalisation for rural communities are likely to be limited. In short, it can be asserted that the impacts of trade liberalisation/globalisation on rural communities are not necessarily positive.

The process of liberalisation in Africa has rapidly gained momentum since the 1980's under the Structural Adjustment Programme (SAP) led by the IMF/World Bank. What impacts has the liberalisation process had on rural communities? The next section reviews the impacts of the rapid progress of liberalisation under structural adjustment programmes on African countries.

2. Africa's Experiences

2.1 Rapid Progress of Liberalisation Under the SAP

The importance of the WTO has been increasing in recent years. As of September, 2003, the WTO has 148 member countries, accounting for more than 90% of the global trade. Among transitional countries and non-member developing countries which almost uniformly commenced the process of shifting towards a market economy in the 1990's, there is growing recognition that affiliation with the WTO is essential for their economic development. By joining the WTO, developing countries hope to gain such benefits as ① non-segregative treatment by trade partners, ② incentives for regime reform, ③ access to procedures to solve trade conflicts and ④ participation in multi-lateral trade negotiations in the future.

In terms of policies, the IMF promotes the trade liberalisation of developing countries within the framework of the SAP, while the WTO discusses liberalisation policies from a global point of view and monitors the free trade system. The WTO also accepts international lawsuits concerning trade and passes judgement. In truth, the trade liberalisation of developing countries has been rapidly progressing under the SAP led by the IMF/World Bank, particularly under the policy conditionalities set by the IMF for individual countries. Not only trade liberalisation but also the liberalisation of national economies as well as the global economy is rapidly progressing to the extent that liberalisation has become a definitive direction for most countries regardless of their agreement with or opposition to it.

The IMF and the World Bank which have led the liberalisation of developing countries are under the influence of advanced countries, particularly that of the US. Meanwhile, the level of agricultural subsidies (ratio of a subsidy to the unsubsidised production value) in OECD

countries in the second half of the 1990's was historically high, exceeding 60% for the entire OECD countries in 1998. The figure was as high as more than 80% in Western Europe. In contrast, while there are huge economic gaps between different developing countries, the level of protection or subsidy afforded to the agricultural sector in most of these countries is much lower than that in advanced industrialised countries.

Most African countries are exporters of agricultural products and the level of trade liberalisation of agricultural products in these countries is higher than that in advanced industrialised countries. According to one report, African countries have no trade distortion which has become a problem for advanced industrialised countries and, therefore, they did not have many things to do in the agricultural sector under the Uruguay Round. If this is the case, it can be argued that many African countries which started their own structural adjustment programmes led by the US and the UK in the early 1980's have been unjustifiably forced to maintain low tariffs in spite of their small and weak economies.

Kenya was the first country in the world to receive a structural adjustment loan from the World Bank. Subsequently in the 1980's, the SAP was actively promoted in Africa. Even today, sub-Saharan Africa, and Latin America and many African countries are still implementing structural adjustment led by the IMF/World Bank. Despite this, many countries are still heavily indebted in this early 21st Century, having failed to shake off their economic difficulties. To improve this situation, a debt reduction initiative began in 1996 for heavily indebted poor countries (HIPC), ultimately followed by the cancellation of foreign debts accumulated by HIPCs around the year 2000. In the end, the SAP had failed to function.

Regarding the progress of the implementation of the SAP and related policies, there is no doubt that economic liberalisation has made much progress in the last 20 years. Many African countries can be classified into a group of countries with the most progressed liberalisation as their import tariff for agricultural products is around 13% compared to 20% imposed by OECD countries. While the realisation of economic stability as well as a certain economic growth rate have been valued as the result of structural adjustment policies, both the IMF and the World Bank admitted in the early 1990's that economic recovery in African countries was not as good as anticipated. In fact, the adverse impacts of the SAP on poor people became a major point of contention and led to a call by the UNICEF for "structural adjustment with a human face".

2.2 Trends of Trade of Agricultural Products in Africa

(1) Export Trends

In the agricultural sector, even though progress has been made in terms of the shift towards a market economy and trade liberalisation, the growth of exports of agricultural products from African countries began to stagnate in the 1980's and the growth rate cannot be said to be in line with the increase rate of the population engaged in agriculture in Africa. As far as this aspect is concerned, poor small farmers in Africa cannot be described as having benefited from the trade liberalisation of agricultural products.

In the case of traditional export crops, their stagnant exports are mainly caused by the long-term decline of prices and competition with other developing countries in Asia and Latin America where production has been increasing. One typical example is coffee. While the shipment volume has declined in Africa, it has more than doubled in the Asia-Pacific Region. In Latin America, the shipment volume has slightly increased. In terms of the regional share of the international market for traditional export crops (cacao, coffee and tea), Africa's cacao share fails to reflect the increased production volume while Africa's production volume and share of coffee are stagnant. Tea is the only product of which Africa's share in the international market has steadily grown in line with the increased production volume but this phenomenon is a simple reflection of the high growth of the production volume only in Kenya.

Because of the generally sluggish performance of traditional export crops, many farming households producing these crops have been forced to change their production items or to create added value instead of simply relying on the existing mode of production. One way of changing the production items is the introduction of such non-traditional export crops as vegetables and flowers as alternative products. However, the production history of these is still short and Kenya, which has a long tradition of exporting vegetables, dominates the exports of these items from Africa in terms of value.

(2) Import Trends

In addition to the problems regarding exports, Africa faces major problems with imports, mainly those of staple crops. As Africa's population trebled in the 40 years from 1961, it is easy to imagine that the demand for grains in Africa has been rapidly growing. Most African countries have tried to deal with this population explosion by means of increasing grain production while compensating for the stagnant unit yield by the expansion of farmland. At the time of independence (around 1961), the import volume of grains was slightly above 5% of the domestic production volume in many African countries. This figure exceeded 20% in 2002, indicating the fact that the shortfall of grain production to meet the growing demand was supplemented by imports. Regarding African agriculture, it is difficult to say that the production of both cash crops for export and crops grown mainly for domestic consumption have favourably increased, resulting in growing imports of agricultural products. In other words, rural areas engaged in agriculture are facing an increasingly difficult reality because of the negative impacts of trade liberalisation and stagnant agriculture.

2.3 Trade Trends of Agricultural Products in Four Target Countries

So far, we reviewed the general trends of the trade of agricultural products in Africa. In 2.3, the focus is placed on the trade structure for agricultural products in four target African countries to clarify the impacts of rapid liberalisation.

(1) Kenya

In Kenya, the import policy takes the form of rationalisation of the import tariff structure in particular, reflecting the country's emphasis on conformity with the WTO regime. According to the Government of Kenya, the only non-tariff barriers are those approved by the WTO Treaty and items of which imports are restricted under international treaties. Agricultural products and processed agricultural products, however, are treated differently as import duty of as high as 35% is imposed as of 2000 to mitigate the negative impacts of imports of agricultural products on small farmers. This policy of protecting small farmers has been inherited by the present government. For example, an emergency import restriction measure is put into force when there is a domestic surplus of maize production in order to prevent a crash of the market price.

Positive or negative impacts of trade liberalisation have been clearly felt by different industries in Kenya. Industries which used to rely on border protection, such as the processing industry of primary products, have lost their competitiveness due to the elimination of non-tariff barriers and lowering of the import duty, and have been struggling to grow. Negative impacts have been particularly experienced by industries producing cotton, textiles, beverages, processed foods, dairy products and sugar. In contrast, trade liberalisation has provided a spring board for producers of tea and horticultural products, including flowers. Tea in particular is referred to as a typical "success story" as a result of trade liberalisation. Garden products have also been attracting much attention as non-traditional export products.

Coffee, which accounted for nearly 50% of the export value in 1986, steadily lost its share in subsequent years and its position as a leading export item was overtaken by tea in 1989. It has since maintained its status as the second largest export item. While its share slightly dropped in the mid-1990s, it improved again to the 25% level in the late 1990's. Another major change is the remarkable growth of horticultural products, mainly vegetables and cut flowers. While the export value of these products, including fruits, was barely 10% of the total export value in the 1980's, their share excluding fruits reached almost 10% in 1999. Their growth momentum has since been accelerating, well overtaking the export value of petroleum products. The export growth of cut flowers has been particularly impressive with the export value reaching US\$ 110 million in 2001. At present, horticultural products earn some US\$ 300 – 500 million/year and have replaced tourism as the second highest earning source of foreign currencies.

As described above, while the composition of the leading export items has changed, the export structure relying on primary products of the agricultural sector has been basically maintained. Meanwhile, the export performance of such manufacturing products as processed agricultural products, processed foods, leather and textiles has been largely stagnant.

Agricultural products for domestic consumption consist of maize, rice, wheat, sorghum, potatoes, cassava, pulses, vegetables and sugar. The production costs of these agricultural products are comparatively high because of the high costs of input goods (mainly imported

chemical fertiliser and agrochemicals, etc.) and domestic transportation and, therefore, many of these products have not reached the level where they can compete in the international market. In the case of rice, only 34% of the domestic consumption is domestically produced. Given the extensive arid and semi-arid areas throughout the country, the production volume of grains in Kenya sharply declines in a year of drought. This explains the significant fluctuations or stagnancy of the domestic production and the trend of increasing grain imports.

(2) Ethiopia

Ethiopia grows conventional export crops such as coffee, tea and sugar cane, as well as horticultural products for export to EU, Arabian and neighbouring countries. Especially important is coffee, the production volume of which is ranked third in Africa after the Ivory Coast and Uganda, accounting for 2.3% of the global production volume. While 40 – 45% of the total production volume is consumed domestically, the export value of coffee accounts for 60% of Ethiopia's total export value, making coffee production and associated industries a major industrial sector providing work for 25% of the population. However, the price of coffee in the international market has been rapidly declining in recent years, severely damaging Ethiopia's export performance. Since the producer price in particular has suffered the highest rate of price decline, producers who are mostly small farmers are facing serious difficulties.

Looking at the situation of imports of agricultural products, Ethiopia's total grain import volume is comparatively small compared to the overall production volume. One reason lies with the ethnic and cultural uniqueness of Ethiopia among African countries and the main staple food is a local grain called teff (injera) instead of maize or cassava brought in by Europeans. Even though the grain import volume on a commercial base is small, however, the grain import volume under emergency food aid programmes of the WFP and others has been huge, reflecting the constant threat of drought due to climate change. In a situation where six million people are said to be permanently starving, 2002/2003 was a year of record-breaking food aid (13.2 million people required emergency food aid, necessitating emergency food supply of 1.8 million tons). It is apparent that food security is the most important issue regarding the production of staple food in Ethiopia.

(3) Ghana

Cacao accounts for some 70 – 90% of Ghana's total export value of agricultural products but the international price of cacao has been sluggish since 1980 when the SAP was introduced. Because of the major impact of the cacao export volume on government revenue, the Government of Ghana attempted to raise the producer (purchase) price as an incentive for cacao producers. This attempt failed to raise the real price of cacao and the domestic production has been stagnant since 1980 even with the export volume struggling to maintain its historical level.

The sluggish international price of cacao has been caused by intensive market competition due to increasing exports from Southeast Asian, Latin American and Caribbean countries.

Ghana's share of the international export market rapidly declined from the 1960's but has maintained just above 10% since 1985.

Under these circumstances, the Government of Ghana has been actively trying to diversify its agricultural products. Following the Presidential Special Initiatives, the Ghana Export Promotion Council, a body belonging to the Ministry of Trade and Industry, has been attempting to increase the production and exports of pineapples, mangoes, vegetables, processed marine products and processed cacao products. As a result of such efforts, for example, the export value of horticultural crops has tripled in the last five years. Nevertheless, cacao still has a large share of the export volume of agricultural products and the diversification of the exports of such products is still in its early stages. While the role of the Marketing Board, which used to have sole control of the distribution, etc. of agricultural products in Ghana, has been reduced under the SAP, the dependent structure on cacao exports has not been eliminated as evidenced by the fact that the export tax on many agricultural products has been withdrawn except in the case of cacao. Meanwhile, imports of agricultural products have been rapidly increasing since the second half of the 1980's. Although the main import products considerably vary from one year to another, grains (rice, wheat, yellow maize and sorghum, etc.) are the leading items, accounting for 16 – 30% of the total import value. The Government of Ghana has contemplated increasing the import tax from 20% to 25% to suppress an increase of rice imports but has scrapped this idea to be in line with the import tariff agreed upon by the West African Economic Community (ECOWAS). As such, no effective measures have so far been implemented to deal with the increasing grain imports.

(4) Senegal

The impacts of structural adjustment policies have also been highly significant in Senegal as all non-tariff barriers in place before 1995 have been withdrawn together with lowering of the import tariffs as a result of these policies. In January, 2000, joining of the West African Economic and Monetary Union (WAEMU) meant the application of common tariffs for areas outside the WAEMU area, lowering Senegal's import tariffs even further. At present, one of four different tariffs, i.e. 0%, 5%, 10% and 20%, is applied depending on the product. Agricultural products are mainly subject to either 10% or 20%.

Agriculture in Senegal currently faces two main problems, i.e. (i) sluggish exports of peanut-related products, which have been the main cash products for export, as in the case of Ghana, and (ii) increased grain imports. Exports of peanuts have long been considered the backbone of agriculture in Senegal, accounting for 75% of the agricultural production value and employing half of the total population. In recent years, peanut production has been stagnant due to the decline of the international price, competition with other producing countries and decline of the productivity. The problem caused by food imports is quite serious in Senegal as some 30% of the foreign currencies earned are used for the import of grains (mainly rice and wheat).

While Senegal's export value of agricultural products has been fairly constant at around US\$ 150 million, the import value of agricultural products has been rapidly increasing. The

trade deficit of agricultural products has now risen to nearly US\$ 400 million. While a rapid increase of grain imports is a common problem for African countries, the ratio of imported grains to the domestic production volume of more than 80% in Senegal is extremely high compared to other African countries. The ratio for Africa in general is approximately 20%. In 2001 and 2002, grain imports increased to the extent that the total import volume (some 700,000 tons of rice and some 250,000 tons of wheat) actually exceeded the domestic production volume.

As observed with the four African countries above, it cannot be said that the rapid liberalisation led by the IMF/World Bank has had positive outcomes for rural communities in Africa. The question which must be asked here is why have the positive outcomes failed to materialise as planned? To answer this question, it is necessary to examine various factors which constitute the preconditions for liberalisation to benefit rural communities.

3. Factors Affecting Effects of Liberalisation

The trade liberalisation of agricultural products may have either positive or negative impacts on rural communities. This is because such impacts are determined by various factors. Various factors identified in the course of the Study are further analysed in this section. From the macroscopic point of view, the impacts of trade liberalisation on rural communities are foremost determined by the trade and economic policies employed by the government of a developing country. They are also significantly affected by the international competitiveness of the agricultural products of developing countries and their price trends. Other factors which considerably affect the nature of impacts include civil war, governance, natural environment, demographic changes, structural changes of the food supply and demand and the liberalisation policies of advanced countries/donors towards their domestic markets and developing countries.¹

3.1 Trade and Economic Policies of Developing Countries

The speed of liberalisation (proper planning and phased reform) and depth of liberalisation (level of trade protection) greatly influence the impacts of trade liberalisation. For example, unlike African countries, East Asian countries have carefully proceeded with import liberalisation while placing their emphasis on export promotion. A study by Oxfam reveals that when using indicators based on the speed and scale of liberalisation, many countries which have successfully integrated the national economy to the global market, such as China, Thailand and Vietnam, did not embark on import liberalisation quickly. According to such experience of East Asian countries, import liberalisation in developing countries can benefit the poor if it is implemented at an appropriate pace with careful planning.

Although temporary measures to protect a domestic industry or farmers may be necessary in some cases, the prolonged enforcement of such measures may lead to a situation where the protected industry stagnates because of its loss of international competitiveness. The

¹ While other macroscopic factors, such as the level of initial income and pattern of economic development causing a subsequent change of the income distribution, also affect the impacts of liberalisation on rural communities, these are not dealt with in this Study.

insulation of a domestic industry by border control measures should be temporary because it is difficult to permanently resist the pressure for an import increase. Accordingly, strengthening of the international competitiveness and full-scale structural reform in preparation for trade liberalisation are essential for the long-term point of view.

Table 1 Factors Affecting Effects of Liberalisation

1) Trade and economic policies of the government of a developing country	> Speed and depth of liberalisation (level of trade protection) > Price and distribution policies
2) International competitiveness	> Price, technology and transportation/communication cost, etc.
3) International price trends	> Long-term decline/changes of international prices > Existence of a domestic market
4) Civil war/governance	> Capacity, transparency and accountability of the government > Post-conflict economic, social and security situation in the developing country in question
5) Natural environment and demographic changes	> Drought > Population growth
6) Changes of food supply and demand structure	> Changes of the production and consumption patterns
7) Liberalisation policies of advanced countries/donors for their domestic markets and developing countries	> Liberalisation policies concerning developing countries > Degree of liberalisation in each advanced country
8) Relationship between the poor and agricultural products	> Are the poor buyers or sellers of agricultural products? <ul style="list-style-type: none"> • Relationship with traditional export crops • Relationship with non-traditional export crops • Relationship with domestic staple crops
9) Market access	> High trade-related costs <ul style="list-style-type: none"> • Situation of road development • Transportation cost • Situation of communication infrastructure development • Production of low value crops • Production of crops prone to damage > Oligopolistic market structure (many small producers/consumers and small number of buyers and sellers) <ul style="list-style-type: none"> • Situation of road development • Market size • Level of private sector development • Relationship between small farmers and agrobusinesses > Lack of skills, information and organization (farmers' association)
10) Commercialisation and market access	> Obstacles to diversification <ul style="list-style-type: none"> • Distance to markets • Human and physical capital • Access to technologies • Access to credit • Access to the labour market
11) Risk management	> Risks in the production aspect (insufficient rainfall and damage by diseases, etc.) > Risks in the marketing aspect (sudden sharp decline of the producer price and refusal to buy, etc.) > Risk management by the poor <ul style="list-style-type: none"> • Low input production • Combination of multiple crops • Priority selection of food crops • Production with few inputs, such as chemical fertiliser and others

Source: Prepared by the author based on the findings of this year's study.

In addition to trade policies, the domestic economic policies of the government influence the impacts of trade liberalisation on rural communities. Under the SAP, the purchase prices of agricultural products have been liberalised. This means that price fluctuations in the international market directly affect the amount of money received by farmers. Therefore, the price and distribution policies in each country have major impacts on rural residents.

3.2 International Competitiveness

One factor determining the impacts of liberalisation on African countries is the necessity to compete with countries of competitive strength (Latin American and ASEAN countries, etc.). In the international market for traditional export crops of Africa, the significant progress of Asian and Latin American countries has been seen in recent years (for example, the rapid catching up of the Vietnamese tea industry with the Kenyan tea industry). Increased imports of inexpensive foods have driven out domestic producers who lack price competitiveness. As a result, domestic grain production has stagnated. In the case of Africa, since the producer prices of agricultural products are relatively high because of the high prices of input goods (mainly imported chemical fertiliser and agrochemicals), high transportation cost due to the absence of proper transport infrastructure and low productivity, many products have not reached the level of sufficient competitiveness in the international market. Moreover, exports can stagnate, as in the case of peanut oil in Senegal which faces tough competition from the alternative salad oil.

3.3 Trends of International Prices

There are cases where a quantitative increase of exports does not directly lead to increased income for farmers because of price fluctuations or a long-term trend of price decline in the global market. Farmers producing traditional export crops are a typical case in point. Following the liberalisation of the purchase prices of traditional export crops in many countries, the sharp price decline in the international market (for example, cacao in Ghana and coffee in Kenya) directly resulted in a decline of income for farmers. However, if there is a domestic market for such export crops, as in the case of Ethiopian coffee, the adverse impacts of price fluctuations in the international market can be alleviated.

3.4 Civil War/Governance

Trade liberalisation in developing countries may promise beneficial outcomes for the poor if it is implemented at an appropriate pace with careful planning. To make such outcomes possible, the government of a developing country must possess a high level of governance and capacity to plan and implement effective policies. However, in many developing countries, particularly African countries, the level of governance and capacity of the government is generally extremely low. In addition, liberalisation in post-conflict developing countries, such as Ethiopia where the economic situation is extremely severe due to the devastation of the national land caused by the long civil war, faces a number of obstacles.

3.5 Natural Environment and Demographic Changes

The restrictions posed by the natural environment and rapid population growth are major factors affecting the trade of agricultural products and rural development in African countries. Because of the geographical characteristic of being located in the arid or semi-arid zone, African countries are prone to drought and not only does their production of agricultural products tend to be unstable but the range of products also tends to be limited. Meanwhile, population growth has various outcomes, including changes of the cultivation or farming methods, population concentration in large cities and a worsening of environmental problems.

3.6 Changes of Food Supply and Demand Structure

The trade of agricultural products is considerably affected by the food supply and demand structure and changes of the production and consumption patterns relating to the said structure. For example, a characteristic change of the food supply and demand in Asia in the last 10 – 20 years has been the diversification of both production and consumption. Economic development has transformed the pattern of food consumption, facilitating the production and consumption of various agricultural products other than staple crops. Meanwhile, it cannot be denied that changes of the demand pattern due to an increase of non-agricultural workers in cities, particularly the Westernisation and simplification of the diet, have led to changes of the food supply and demand structure. One example in Africa of a change of the food supply and demand structure affecting the trade of agricultural products is increased rice imports in Senegal because of the increased demand for rice in urban areas.

3.7 Liberalisation Policies of Advanced Countries/Donors Towards Domestic Market and Developing Countries

As already mentioned earlier, trade liberalisation in African countries has rapidly progressed under the SAP led by the IMF/World Bank. The conditionalities set by the IMF for each country in particular have been the driving force for such liberalisation. This trend of rapid liberalisation has not restricted trade but has been extended to the national as well as global economies. As a result, the agricultural sector in most African countries has less protection or subsidies than the agricultural sector in advanced countries. While it is almost true to say that trade liberalisation in African countries has been promoted by advanced countries, the degree of liberalisation of the agricultural sector in advanced countries is often less than that in African countries. There is one school of opinion that this discrepancy is the main cause of the stagnant exports and rapid increase in imports of agricultural products of African countries.

The macroscopic factors affecting the impacts (outcomes) of trade liberalisation on rural communities have been discussed so far. The focus of the discussion now turns to the microscopic factors. When analysing what impacts the trade liberalisation of agricultural products is causing on rural communities, particularly on poor people, the important thing is to know what kind of agricultural products are being produced by the poor in rural

communities and whether the poor are the net sellers or buyers of specific agricultural products. The existence of well-developed markets and easy access by the poor to such markets are also essential if trade liberalisation is to have positive impacts on rural communities. Especially the impacts of liberalisation are largely determined by whether or not the preconditions for a shift towards the production of competitive agricultural products or the diversification of products are met. Moreover, under a market economy, farmers face major risks. The actions of farmers to avoid such risks can also affect the likely impacts of liberalisation.

3.8 Relationship Between the Poor and Agricultural Products

The way in which the trade liberalisation of agricultural products affects the poor significantly varies depending on the types of crops produced by the poor and/or whether the poor are net sellers or buyers of the agricultural products of which the trade is liberalised.

(1) Products by the Poor

Three types of agricultural products are produced in Africa: (i) traditional export crops, (ii) non-traditional export crops and (iii) staple crops for domestic consumption. Each type of product has its own characteristics which determine different impacts of liberalisation on the producers

① Traditional Export Crops

A fair proportion of traditional export crops (cacao, coffee, tea, leaf tobacco and cotton, etc.) is produced by small farmers. These traditional export crops are important sources of foreign currencies and are still important export items for many countries. However, the international prices of many of these products show a declining trend and significant price fluctuations constitute one characteristic of these products. As a result, price trends in the international market as well as the distribution and price policies of each country can have major impacts on rural residents.

② Non-Traditional Export Crops

Exports of non-traditional crops (vegetables, fruits and cut flowers, etc.) have rapidly increased in the relatively recent 10 – 20 years. Many of these are exported to Europe and, therefore, large European retailers have a major influence on the production and export processes as buyers. Many large-scale retailers in Europe often purchase from specific exporters in exporting countries via importers without using the wholesale market. In such a case, companies of advanced countries tend to continue purchasing over a long period of time from companies of exporting countries which are capable of supplying agricultural products of the standards or quality designated by buyers. As a result, there are signs that production by small farmers is gradually being marginalised.

③ Staple Crops for Domestic Consumption

The main staple crops (maize, root crops, plantain bananas, millet, sorghum, rice and teff, etc.) are mainly produced domestically and rural residents are both the producers and consumers of these crops. One characteristic of staple crops is their high transportation cost because of their heavy weight and bulk. Consequently, in African countries where the transport infrastructure is not well developed, products from remote areas incur a high transportation cost, pushing up the consumer prices. Another characteristic is the low crop price per unit weight, meaning that coupled with the high transportation cost, these crops are not very profitable for distributors or merchants who have little incentive to buy them from remote areas unless the purchase price is extremely low. Accordingly, producers in remote areas have a serious price disadvantage.

(2) Whether the Poor are Sellers or Buyers of Agricultural Products

Apart from agricultural products produced by the poor, the impacts of trade liberalisation on poverty reduction are affected by whether the poor are the ultimate sellers or buyers of specific agricultural products. This point is important, particularly when considering the likely impacts of the trade liberalisation of the main staple crops of the country in question because such crops are mostly domestically produced with rural residents being both the producers and consumers of these crops. In contrast, in the case of export crops, rural residents in Africa are almost exclusively the producers and hardly consume any of the crops they produce.

3.9 Market Access

Difficulty of market access is often pointed out as a major obstacle for small farmers in Africa to exploit new opportunities created by trade liberalisation. The question of market access can be re-interpreted in terms of three problems: (i) high trade-related cost, (ii) oligopolistic market structure and (iii) lack of skills, information and organization.

(1) High Trade-Related Cost

One factor which affects the ability of small farmers to adapt to increased competition and to utilise new opportunities is the trade-related cost concerning access to markets. This cost is high in Africa because of the following reasons.

① Insufficient Road Development

Market access is difficult because of the absence of roads, seasonally unusable roads and/or poorly maintained roads.

② High Transportation Cost

The insufficient road development in Africa pushes up the transportation cost of agricultural products which is coupled with the problem of the remoteness of production areas and lack of appropriate means of transportation.

③ Insufficient Communication Infrastructure

As market information is not sufficiently provided for farmers in Africa, decisions on the selection of crops to be produced are often made irrespective of the market demands.

④ Production of Low Price Crops

Many of the products produced and sold by the poor are local staple crops with a low value. As a result, transportation to markets is either difficult or prohibitively expensive.

⑤ Crops Prone to Damage

One characteristic of such non-traditional export crops as vegetables and fruits, etc. is their proneness to quality deterioration. For this reason, their packaging and transportation to a cold storage immediately after harvesting is essential to ensure their arrival at markets in consumer countries as quickly as possible. Because of these requirements, production sites tend to be concentrated in areas which are near an international airport or exporting port and which have well-established transport infrastructure to guarantee swift transportation. As it is both difficult and costly to quickly transport non-traditional export crops from rural areas where the transport infrastructure is not properly developed or from remote rural areas, the production of fresh crops for export is hardly conducted in such areas.

(2) Oligopolistic Market Structure

Many rural markets are characterised by an oligopolistic relationship between many small producers/consumers and a small number of buyers/sellers.² This kind of market relationship tends to be unfair and non-competitive and often functions in a disadvantageous manner for small producers. The oligopolistic market structure is assumed to be caused by the following reasons.

① Physical Obstacles

The poor state of the roads pushes up the trade-related costs, including the transportation cost for buyers and other traders of the products.

² However, the activities of private traders are fairly competitive in the case of the maize market in Kenya and the main staple food market in Ethiopia. The structure whereby farmers are exploited by monopolistic merchants or buyers was not seen in these markets. Nevertheless, as in the case of the market for input goods, private traders are not yet prominent in all four of the countries studied and trade liberalization has resulted in price increases of input goods.

② Market Size

In many rural areas, particularly remote areas with a low population density, traders lack any incentive to frequently visit these areas because of the low demand for input goods and/or extreme scarcity of products for outside marketing or barter trade.

③ Level of Private Sector Development

Because of the slow development of the private sector in Africa, the withdrawal of the government from certain business fields following trade liberalisation has led to the phenomenon where farmers have become dependent on monopolistic private merchants or isolated from the market. One example is Ghana where the price of fertiliser increased after trade liberalisation because of the absence of a well-developed private sector, resulting in a decline of the fertiliser input per unit area compared to the pre-liberalisation period. This decline of the fertiliser input is considered to be one factor for the weaker grain production.

④ Relationship Between Small Farmers and Large Agrobusinesses

Following the withdrawal of a public marketing organization for agricultural products, the number of exporting companies of these products has rapidly increased in some countries. In such cases, small farmers produce crops to be sold to large agrobusinesses. However, the monopolisation of processing, credit, marketing and technological capability by large companies means a basically unequal relationship between these companies and small farmers. A typical example is the growth of certain exporters and the marginalisation of small farmers in connection with the production of non-traditional export crops.

(3) Lack of Skills, Information and Organization

Trade liberalisation brings about considerable changes to the environment in which small producers conduct their activities. In the past, their decisions on which agricultural products to grow were limited and the prices of input goods and products were usually fixed prior to the commencement of cultivation. Trade liberalisation has changed this and all prices now change on practically a daily basis. In the face of this kind of market, small farmers cannot effectively respond and tend to experience a disadvantage. One way to overcome such weakness of small farmers is the establishment of an effective farmers' association. Prior to the implementation of the SAP, a farmers' association was seen as a government device for coercive intervention so that many farmers are still deterred from the idea of a farmers' association. Nevertheless, market liberalisation has provided the opportunity for recognition of the importance of farmers' own organizations in many countries.

3.10 Commercialisation and Market Access

Emphasis on only the production aspects of agricultural products can neither achieve the necessary growth of the agricultural sector to reduce poverty in rural areas nor generate the funds required for the continual expansion of socioeconomic services. Once the self-sufficiency of staple crops has been achieved to a certain extent, the diversification and commercialisation of agricultural products become more important to achieve increased income in rural areas and to develop rural communities. Areas producing commercial crops are generally richer than areas producing crops for self-consumption and offer more employment opportunities. Meanwhile, the diversification of agricultural products is one way to reduce the vulnerability of farmers (especially small farmers) to price and production fluctuations. However, the efforts of small farmers to diversify their crops to include cash crops face a number of obstacles, including difficulty of market access, lack of human resources (education and health) and physical resources (access to water and/or land) and difficulty of access to technologies, credit and the labour market, etc.

As a result of these obstacles, only a limited number of small farmers can benefit from commercialisation and diversification. Commercialisation most benefits those groups which have good access to urban areas, export markets, infrastructure, human capital and technologies, etc. The most disadvantaged are those farmers in inland areas who do not have a suitable environment for agricultural production, little access to technologies and hardly any or no access to modern education and credit facilities.

3.11 Risk Management

Under the market economy system, small farmers face many risks. In addition to such risks affecting production as insufficient rainfall and harmful diseases, small farmers also face marketing risks in the form of a sharp fall of the producer price or refusal to buy. In order to disperse these risks, small farmers tend to employ the low input production method, the method of combining various crops and the prioritised selection of food crops, etc. The production of export crops using much chemical fertiliser and other input goods carries a high risk and the marketing risk associated with this type of production is also high. Accordingly, the poor who live on the survival line do not have any leeway in their lives to produce risky export crops.

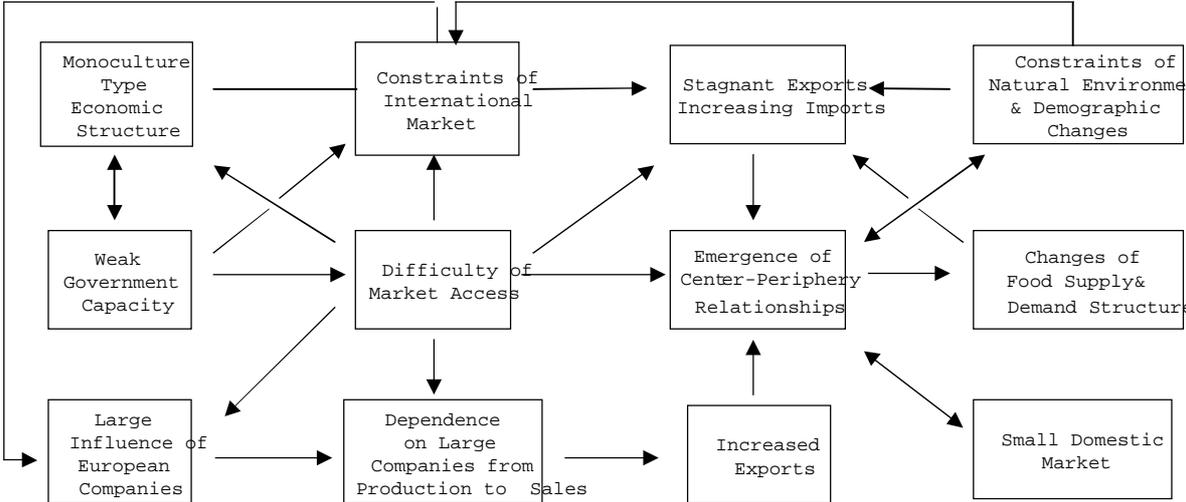
As observed so far, various factors determine how trade liberalisation/globalisation affects rural communities in Africa. Liberalisation must, therefore, proceed taking the various factors discussed so far into consideration to ensure that trade liberalisation/globalisation has positive impacts on rural communities. How these factors interact with each other is examined in the next section to highlight the problems of the trade of agricultural products in Africa.

4. Problem Structure

Fig. 1 shows the interconnection of problems regarding the impacts of liberalisation in Africa. This figure indicates the problems in such relatively advanced countries in Africa as

Kenya, Ghana and Senegal which are experiencing the rapid export growth of non-traditional export crops even though it is still at early stage. Accordingly, a different diagram is required to show the situation in such less developed countries as Ethiopia although major revision may be unnecessary except for the removal of the bottom line depicting the export movement of non-traditional export crops.

Fig. 1 Problem Structure



Source: Prepared by the author

Monoculture Type Economic Structure

The main common problem for the four countries studied is the existence of a monoculture type economic structure where the national economy is extremely reliant on exports of a specific primary agricultural product, such as coffee, tea, cacao or peanut oil. The specialised agricultural product for export varies from one country to another. For example, cacao accounts for more than 70% of the total export value of Ghana while peanut-related products account for more than 50% of the total export value in Senegal. Nevertheless, this monoculture structure specialising in a certain agricultural product can be observed in many African countries. For Africa in general, the export ratio of traditional export crops is still as high as some 70%.

The staple crops produced for domestic consumption include maize, cassava, sorghum, millet, yams, rice and teff (Ethiopia). Recently, the export of these staple crops has increased rapidly, which constitutes a threat to poverty and food security problems in Africa. In contrast, since liberalisation, rapid export growth has been recorded by such non-traditional export crops as vegetables, fruits, cut flowers, palm oil and shea butter. Exports of these crops are characterised by the predominance of Europe as the destination market in

which large European retailers have huge influence on the processes from production to export as buyers.

Constraints Posed by the International Market

The export growth of traditional export crops began to stall in the 1980's and the growth rate does not reflect the increase of the number of people engaged in agriculture in Africa. In regard to staple crops for domestic consumption, the rapid growth of grain imports is a common problem for African countries. One major cause of the stagnant trade of African agricultural products is the constraints posed by the international market. Many African countries have experienced rapid trade liberalisation under the SAP led by the IMF/World Bank without having the room to establish their own trade policies. In this process of trade liberalisation, African countries have firstly faced price fluctuations of their products in the global market and then a long-term trend of a price decline of primary products. The prices of traditional export crops in particular experienced a sharp fall after the implementation of the SAP. The main reason for this sharp fall of international prices has been the rapid production growth of Asia-Pacific countries and Latin American countries which boast price competitiveness in the international market. Competition with other developing countries has led to not only a decline of the international prices of coffee, cacao and peanut oil but also to an increase of grain imports. In Africa where the transport infrastructure has not been sufficiently developed, low price foreign crops imported by sea do not cause competition in the importing domestic market because of the high transportation cost of staple crops produced domestically. In terms of productivity, African countries are greatly inferior to developing countries in other regions. Apart from competition with other developing countries, competition with alternative products has also caused a price decline of traditional export crops and subsequent stagnation of exports. For example, exports of peanut oil from Senegal have been severely affected by increased imports of salad oil through trade liberalisation. In regard to exports of non-traditional export crops to the European market, small farmers are finding it difficult to meet the strict export standards and quality level set by the importing countries. Because of these constraints, the trade of African agricultural products has been struggling to grow in the international market and this situation is further aggravated by the protectionism of advanced countries.

Constraints Posed by Natural Environment and Demographic Changes

The trade of agricultural products in African countries is significantly affected by not only constraints posed by the international market but also by constraints posed by the natural environment and demographic changes. As mentioned, African countries which are geographically characterised by an arid or semi-arid climate constantly face unreliable production due to drought and experience major annual fluctuations of the import and export volumes. Their population growth has led to a shortening of the fallow period and expansion of the cultivated area, transforming the conventional farming style in remote areas. Increased inputs of fertiliser as well as the use of tractors and oxen, etc. facilitate the penetration of the monetary economy into rural areas, thereby forcing local farmers to sell their products. Meanwhile, the population growth has worsened the urban environment

through population concentration and the rural environment through excessive stock raising and/or farming. While a rapid population increase may well aggravate poverty, it must be noted that poverty itself is a major cause of population growth in Africa.

Changes of Food Supply and Demand Structure

The rapid increase of food imports by African countries has been caused not only by the lack of international competitiveness of their products but also by changes of the food supply and demand structure. Economic development generally tends to change the pattern of food consumption, boosting the consumption of agricultural products other than staple crops. An increase of the number of people engaged in non-agricultural work in urban areas as a result of the progress of urbanisation changes the pattern of the food demand in the form of Westernisation and simplification, i.e. convenience foods. The problem in Africa is that the production activities cannot respond to the changing consumption pattern. For example, increased imports of rice in Senegal have led to a lower consumption of millet and sorghum produced domestically. The background of this increased rice consumption is that the ease of cooking rice compared to millet or sorghum stimulates the demand for rice in urban areas. It is anticipated that this trend will continue because of the expansion of working opportunities for and increased income of women. The system of producing and marketing rice in Senegal has so far failed to meet the growing demand for rice.

European Influence

In comparison to the stagnated performance of traditional export crops, the export volumes of non-traditional export crops to the European market are rapidly increasing. However, it must be noted here that it is difficult for African companies, let alone African small farmers, to meet the strict standards and quality demanded by the European market without external assistance. For this reason, large European retailers as buyers have a major influence on the processes from production to export. What are progressing in this context are the growth of specific export-related companies and the marginalisation of small farmers. The production side is required to consistently supply large quantities of products of the same standard and quality. As the types, quality and size of the demand for products frequently change because of the changing tastes of consumers in the European market, the production side must have the capacity to acquire technologies and information to conduct production activities which respond to such changes. Fairly advanced distribution management capacity is, in fact, required as investment in cold storage and transportation facilities/equipment to maintain product freshness is required at the post-harvest stage in addition to the securing of cargo space for export by sea. Because of these requirements, exporting companies are moving to integrate production at large farms with exports (vertical integration) or to purchase from a small number of entrepreneurial farms (increase of the production scale). Consequently, the market share of the agricultural products of small farmers has been showing a declining trend in recent years.

Weak Government Capacity

One of the crucial domestic factors which has resulted in stagnation of the exports of traditional export crops and a rapid increase of grain imports is the weak capacity of African governments to formulate adequate policies and to provide suitable services. A rapid increase of grain imports aggravates the social unease in rural areas and constitutes a threat for such important issues as poverty and food security. However, African countries cannot be described as having effectively acted in trade negotiations with the WTO and others. In addition, to overcome the instability of the trade of agricultural products and of farmers' income originating from the monoculture type economic structure, diversification in both exporting and importing countries is essential. However, African governments have so far been unable to effectively tackle this issue. As typically shown in Ghana, one reason for their failure is the extremely unstable government revenue base because of the lack of a taxation system for farmers on the part of local governments as well as the excessive dependence on earnings from agricultural product exports. The sluggish agricultural product exports have resulted in a shortage of public funds, thereby causing high cost agricultural production due to the insufficient development of infrastructure, inadequate agricultural technologies and technical research and an insufficient budget for extension activities, all of which are major obstacles for improvement of the international competitiveness and diversification of agricultural production.

Problem of Market Access

Related to the weak government capacity, the problem of market access is closely associated with the sluggish trade of agricultural products and the issues of poverty and food security in Africa. The inadequate development of transport infrastructure in Africa prevents producers from effectively responding to not only trends of the international market but also demand and price changes in various parts of the country. Apart from the high trade-related costs, the oligopolistic market structure poses another problem. Rural residents in remote areas find it difficult to benefit from liberalisation because of the inadequate road network and the small available markets. The weak private sector tends to encourage the oligopolistic tendency of the distribution market. The problems in the market of agricultural input goods is particularly serious as the private sector distributing fertiliser has not been properly fostered following the liberalisation of the distribution price of fertiliser. The withdrawal of the government subsidy has led to a price increase of fertiliser and the fertiliser input per unit area has actually decreased compared to the pre-liberalisation period. Such immaturity of the market for agricultural input goods is one factor for the weak grain production. When discussing the problem of market access faced by African countries, it is also necessary to point out a lack of skills, information and organization on the part of agricultural producers. The difficult access to markets, water, land, technologies, information and credit, etc. constitute real obstacles for agricultural producers, particularly small farmers, to utilise the opportunities provided by the free economy. Except for the development of large-scale transport infrastructure, these problems can be solved by the establishment of effective organizations by farmers as evidenced by the notable progress of the tea industry in Kenya. However, Kenya's success

remains an exception in Africa in general and efforts to organize farmers are still in their infancy. The reality is that many efforts to organize farmers are being made through trial and error in many parts of Africa.

The problem of market access is extremely important in Africa. Unless this problem is solved, other problems related to the trade of agricultural products in Africa, namely the monoculture type economic structure, constraints posed by the international market, stagnant trade, dependence on exports to Europe, dependence on large companies in the processes from production to marketing and the centre-periphery relationships in progress in advanced agricultural production areas in Africa, cannot be solved.

Emergence of Centre-Periphery Relationships

As a result of the various problems discussed above, there has been some progress of centre-periphery relationships in such advanced agricultural production areas in Africa as Kenya and Ghana. This phenomenon involves the expansion of regional gaps in addition to the growth of specific export-related companies and the marginalisation of small farmers as already mentioned earlier. Trade liberalisation most benefits people living in the consumer market of large cities and in areas near international airports and ports. In contrast, the majority of people living in remote rural areas experience disadvantages in terms of the transportation cost, access to information and/or technology, obtaining of input goods and product pricing.

The speed of progress of such centralisation and marginalisation in the domestic scene is affected by the size of the domestic market. Many of the present problems faced by Africa originate from the excessive dependence of the national economy and livelihood of farmers on exports of specific primary products. The instability of the national economy and livelihood of farmers caused by price fluctuations in the international market can be mitigated by the fostering of the domestic market. The violent crash of the coffee price caused massive damage to Kenyan farmers while the damage to Ethiopian producers was not so severe because of the large consumption of coffee in the domestic market. The contrasting experiences of these two countries suggest the importance of fostering the domestic market.

5. Recommendations

Traditional export crops and staple crops for domestic consumption in African countries have experienced stagnant exports and an increase of grain imports due to such constraints posed by the international market as increased production by competitive Asia-Pacific and Latin American countries, fluctuations, especially the falling, of international prices, competition with alternative products and the protectionism of advanced countries in addition to the constraints posed by the natural environment, population growth and changes of the domestic food supply and demand structure as observed so far. The constraints posed by the international market can be countered by an expansion of exports through improvement of the international competitiveness of agricultural products and dispersion of the price fluctuation risk through the diversification of agricultural products.

However, effective measures have not yet been taken because of the insufficient capacity of the government and the problem of market access deriving from this. Meanwhile, exports of non-traditional export crops, such as horticultural crops, have been rapidly growing under the strong influence of large European retailers on the processes from production to export. The side effects of this export growth are the growth of specific export-related companies and the marginalisation of small farmers in the midst of the recent trends of vertical integration and an increased production scale. The progress of centre-periphery relationships in advanced production areas in Africa, such as Kenya and Ghana, and the consequential regional gaps are the result of the recent development of the trade of non-traditional export crops. What are then, the best ways to tackle the problems of the trade of agricultural products in Africa? Based on the analysis of the problem structure concerning the trade of African agricultural products, desirable ways of assisting the development of agricultural and rural communities in Africa are examined next from the viewpoints of “poverty reduction” and “food security”, both of which can be described as key phrases for rural development in Africa.

5.1 Assistance for Diversification of Production and Export Structures, and for Increased Added Value of Agricultural Products

In the midst of the global trend of trade liberalisation, the key for African countries to solve “the problem of poverty” is diversification of the production and export structures for agricultural products. One fact clarified by analysis of the problem structure is that the fundamental cause of poverty in Africa is the monoculture type economic structure where the national economy and the livelihoods of farmers are excessively dependent on exports of certain primary products. The constraints posed by the international market, including the long-term declining trend of the export prices of traditional export crops and competition with Asia-Pacific and Latin American countries and also with alternative products, which form the background for such price decline have caused the instability or impoverishment of rural life and a public finance crisis. The excessive dependence on exports to Europe has not only considerably weakened the negotiating power of African countries vis-à-vis Europe but has also become a major problem in terms of the stability and self-reliance of the national economy and people’s lives.

Diversification of Agricultural Products

In recent years, such non-traditional export crops as vegetables and flowers have been introduced in some parts of Africa, the exports of which have been rapidly growing. Further growth of the export volume of these non-traditional export crops is important from the viewpoint of diversifying the range of export products. As the ratio of horticultural products in the total export value is still small, there is good potential for non-traditional export crops to contribute to the development of agriculture and rural communities and the expansion of exports from Africa in the future. However, the farmers producing these non-traditional export crops face many problems, including market access (markets, roads and means of transportation, etc.), access to water, access to technologies, fund raising for the purchase of input goods, establishment of regular customers, selection of suitable products and the development of storage and cold storage facilities to reduce the product loss. There

are also many technical barriers to trade (TBTs) which African farmers must overcome. These include the SPS standards under the WTO regime and the certification standards employed by supermarkets in EU countries which are the major buyers. Because of these problems and tasks, there are many areas for which Japan can provide assistance for African countries to achieve product diversification.

For example, in the area of fund raising, while investment in agricultural input goods, machinery, tools and storage facilities is essential, inadequate access to capital is hampering diversification. In this context, the introduction of a micro-credit function using farmers' organizations is necessary. A body to support farmers' banks is also necessary. One problem faced by these banks at present is that of limited funds. Even if such banks want to provide loans for farmers, the available lending amount is very limited. Effective support for these banks can be provided by offering additional funds to allow them to conduct independent management and by becoming a guarantor for these banks. A body or mechanism to support small farmers' banks is required, as in the case of Japan where individual unions, associations of agricultural credit unions and the Central Bank for Agriculture and Forestry form such a mechanism.

In regard to access to technologies, the re-education of extension workers is strongly required so that they can provide guidance on not only cultivation techniques but also on techniques to organize farmers, organization management and business judgement. An education course for extension workers should be provided to equip them with technical expertise to provide comprehensive technical guidance rather than partial guidance. The role of extension workers has been shifting from that of instructors on cultivation techniques to organizers, advisors and coordinators. Accordingly, the development of a training programme or OJT to enhance the capacity of extension workers is essential. In this context, the mechanism for extending technical expertise used in the mid to late Meiji Period in Japan may be helpful. Under this mechanism, traditional techniques were combined with government-introduced techniques and private sector meetings to exchange seeds were held. An extension system which differs from the American type top-down extension experienced by Japan in the post-war period may be feasible in Africa.

Another idea is to launch a pilot project for rural development based on the production and marketing of a horticultural product(s) by selecting areas with some potential. This project should aim at solving a wide range of problems by the initiative of local residents in collaboration with the administration with a view to extending similar activities to other areas in the future while spending as little money as possible. Japan's experience of developing production areas for specific products based on the needs of consumer market should prove useful here.

Diversification of Export Structure

As long as African countries depend on Europe for exports of agricultural products, they will have little choice but to observe the strict certification standards imposed by the European market. Moreover, it has been pointed out that African agricultural products cannot be marketed in the international market because of their poor quality even if the

import tariffs and non-tariff barriers of advanced countries are reduced. Accordingly, the future for exports of African agricultural products is not bright if African countries choose advanced countries, particularly the European market, as the sole destinations for their products. Instead of waiting for the withdrawal of trade barriers in advanced countries, what African countries should be doing is looking towards the markets of neighbouring countries, including those in the Middle East, which are said to provide better potential for exports of agricultural products from Africa. In the case of intra-regional trade, however, the abolition or reduction of import duties between neighbouring countries will be required in addition to the development of intra-regional transport infrastructure. Here, it should be possible for Japan to provide assistance for the development of soft aspects to facilitate intra-regional trade in addition to assistance for the development of transport infrastructure covering multiple countries.

Increased Added Value of Agricultural Products

There are many preconditions for an increase of agricultural income, ranging from the improvement of production techniques to the improvement of marketing techniques addressing many aspects, including storage, preservation, processing, distribution, standardisation, packaging and product indication. It is no exaggeration to say that in the case of processed agricultural products, their added value cannot be increased unless their characteristics in terms of quality and materials, etc. are accurately conveyed to the demand side. African countries face a mountain of problems relating to the processing, packaging and hygiene control techniques/technologies of agricultural products. The intensive development and training of human resources and the development and application of various techniques/technologies to solve these problems are as equally important for Africa as the development of production techniques/technologies.

While the development of processors and distributors requires the availability of a certain volume of agricultural products of a certain quality, it is difficult to meet this requirement in Africa. It may be possible to solve this problem by means of contracts with villages or producers' unions. However, the signing of a contract to establish a relationship of trust is said to be the most difficult task. As far as prospective Japanese assistance is concerned, it appears to be important to provide incentives for farmers to engage in commercial trading through small projects designed to train processors, distributors and staff members of producers' unions, to extend processing technologies and to display and/or market processing and distribution machinery.

5.2 Assistance for Formulation of Trade Policies and for Improvement of International Competitiveness

(1) Assistance for Formulation of Trade Policies

Speed and Depth of Liberalisation

Agricultural policies and trade policies for agricultural products have a major influence on traditional communities based on agriculture as well as on the very basis of traditional

resources management systems, such as the land system. They also change the state of food security and influence the stability of not only rural communities but also the lives of urban dwellers. To avoid harmful damage by the destabilisation of communities, gradual changes of policies and flexible responses are essential, and the geographical and cultural backgrounds of each community must also be respected. In many Asian countries, the government makes its own policy decisions through trial and error to suit the situation of its own country albeit with some influence by the global popularity of certain policies. For the management of an agriculture-based economy in less developed countries, careful trade policies for agricultural policies as adopted by Asian countries are essential. What is crucial for the coexistence of various modes of agriculture and an eventual take-off based on consolidated social foundations is to leave some leeway for the independent as well as strategic selection of policies instead of the application of a uniform policy scheme.

From this point of view, the problem of many African countries lies with hasty trade liberalisation with the application of a uniform policy scheme under the SAP when the degree of liberalisation of the agricultural sector in advanced countries is still high. In the coming years, therefore, Japan should support proposals incorporating sufficient measures to assist transition rather than more conventional proposals for the quick implementation of policies, at least in connection with a further reduction of the protection of and financial assistance for developing countries at WTO negotiations and other international conferences.

Establishment of Food Security

The issue of the food security of African countries is closely related to the issue of the speed and depth of trade liberalisation. One of the problems faced by many African countries at present is the rapid increase of grain imports. Behind this problem lies exports specialising in primary products and the weak production of grains, both of which are historical characteristics of African agriculture. However, it must be noted that the crucial point here is the low level of awareness of the importance of “food security” among African governments. In those countries where the export tax on cash crops provides a revenue source for the government, under a structural adjustment policy, there has been strong resistance to the liberalisation of marketing and the distribution of cash crops for export and many regulations have stayed in place. In contrast, the trade of food crops has been liberalised in most countries.

However, the self-sufficiency of basic foodstuffs is a policy adopted by many developing as well as advanced countries in the past and is still maintained to some degree. Dependence on imports of basic foodstuffs carries major risks in terms of securing funds for purchase and establishing a stable distribution route(s). Concern regarding the introduction of export restriction measures by exporting countries can never be wiped out and there is also concern regarding a worsening of the trade conditions for developing countries or a shortage of funds for imports due to the repayment of debts. The cost of creating a strategic reserve is generally lower if basic foodstuffs are domestically produced. The self-sufficiency of basic foodstuffs is an important policy especially for countries with little foreign money reserves (LLDCs) or remote areas located far from markets. The careless

abandonment of this policy may cause a problem of food security and could lead to starvation in areas which lack an adequate means of transportation.

It is important for Japan to support proposals which accept the self-sufficiency of at least basic foodstuffs of developing countries at WTO negotiations and other international conferences. Government intervention relating to staple crops (grains) does not contradict WTO rules today. As the Marrakesh Declaration in 1994 puts it, the liberalisation of trade by the WTO should not cause any negative impacts on the food security of developing countries.

As African countries have initially aimed at “self-reliant development” in the form of Africanisation or import substitution, they have developed such weaknesses as (i) a relative shortage of people who are fully conversant with trade policies or who have excellent negotiating skills in both the public and private sectors and (ii) a weak system for the education and training of such people. This means that Japanese assistance for policy making by those responsible for trade policies and also for the development of an education/training system in African countries would be very useful. Moreover, the implementation of joint research involving African officers and researchers and Japanese researchers should be considered on the trade and food security policies of African countries, Japan and other Asian countries.

Development of Trade System

African countries have experienced rapid trade liberalisation without having had sufficient time to establish their own trade policies. Because of this, many problems relating to the trade system have remained unsolved. In particular, there are no domestic laws corresponding to such measures as anti-dumping, off-set and safeguards which are accepted under the WTO Treaty. The same situation exists with intellectual property. The problem here is that of limited human resources capable of systematically formulating truly effective laws and measures. In connection with the import system, a large proportion of the revenue from customs duties in the overall government revenue creates a dilemma where lowering of a tariff reduces the size of the government revenue, resulting in an increase of the fiscal constraints. For the promotion of exports of agricultural products, what is urgently required is to clear non-tariff barriers, including measures relating to quarantine and hygiene, especially fulfilment of the EUREPGAP in the EU market. In general, small farmers have no capacity to effectively deal with these measures. The urgent establishment of a system involving exporters to assist small farmers is, therefore, highly desirable.

(2) Assistance for Improvement of International Competitiveness

For the promotion of exports, strengthening of the international competitiveness of products is essential in terms of both cost and quality. Improvement of the causative factors of the high production cost poses an unavoidable challenge.

Improvement of Land Productivity

When attempting to improve the agricultural productivity in Africa, careful attention must be paid to the fact that improvement of the labour productivity does not promise immediate improvement of the income of farmers because of the extremely low opportunity cost of labour and general lack of scope for farmland expansion. Accordingly, the key issues are improvement of the yield per unit area and an increase of the unit price. At the same time, heavy inputs aiming at production growth carry a high risk of considerably damaging the prospects for sustainability under the production conditions in Africa. What is important is to determine a mode of agriculture which can achieve high productivity of a sort with low inputs even though this is quite difficult. This approach suggests the importance of gathering information on traditional farming techniques and traditional methods of utilising resources, the scientific verification of such techniques and methods and the creation of the relevant database. This should include the possible use of such agricultural input goods as fertiliser and agrochemicals which can be easily obtained locally. The creation of a mechanism where conventional techniques and resources are identified from the viewpoint of knowledge management should prove highly effective for systematic utilisation.

One effective approach to improve the land productivity is the provision of assistance for soil preparation. For example, while Zambia used to rely on chemical fertiliser, the number of farmers actively using manure from oxen and other domestic animals has been increasing since the liberalisation of distribution because of the sharp price increase of chemical fertiliser. In addition to the effective use of chemical fertiliser, the provision of scientific and technical assistance for farmers, i.e. soil preparation using organic fertiliser, should also prove useful.

Development of Transport Infrastructure

The inadequate development of roads in Africa increases the transportation cost and lowers the international competitiveness of Africa's agricultural products. African countries are commonly facing a rapid increase of grain imports due to the fact that domestically produced staple crops with a high transportation cost because of the inadequate transport infrastructure cannot compete with low priced imported foreign crops even in the domestic market. Furthermore, the development of transport infrastructure is closely related to the issue of food security. For example, the levels of rainfall and soil fertility in Ethiopia greatly vary depending on the area, and starvation can occur in some areas even in a year of plentiful production in general. It is, therefore, pointed out that starvation in Ethiopia is caused not only by poor production but also by the lack of storage facilities and the high transportation cost.

Enhancement of Quality Competitiveness

In addition to cost competitiveness, quality competitiveness is required for the promotion of exports. In this context, African exports of agricultural products face a number of problems in terms of quality control, product design, marketing testing, packaging, brands and labelling. In the case of Kenyan tea or Ethiopian coffee for example, even though the

quality is high, there is a certain lack of attractiveness as merchandise. The development of added value poses another challenge and the fostering of supporting industries is required in addition to a trade information service. In view of the fact that domestic industries do not have well-accumulated resources, it is difficult to expect an increase of capable exporters without the infusion of foreign capitals to a certain degree although such infusion itself may cause various problems. Accordingly, consideration must be given to the formulation and implementation of supporting measures to create an effective network which benefits foreign investors, exporters and producers alike.³

Another important area meriting external support to enhance quality competitiveness is the capacity development of small farmers. In Kenya, after the enforcement of the National Code of Practice (CoP) which sets out the allowable maximum residual level (MRL) for agrochemicals and the need for traceability, many small farmers have been withdrawing from the production of horticultural crops because of their inability to meet the CoP. While some 80% of small farmers were involved in the production of horticultural crops in the past, this ratio has now dropped to approximately 60%, indicating the need for the provision of intensive training for small farmers to cope with the MRL and the CoP. Training for small farmers should also be provided on such matters as standards and product sorting.⁴

5.3 Solving the Problem of Market Access

The problem of market access is strongly related to the current sluggish trade performance of African agricultural products and the problems of poverty and national security, both of which originate from the said poor trading performance. Activities worthy of support to solve this problem include lowering of the trade-related costs, improvement of the market and distribution systems, effective grouping of farmers to enable small farmers to have access to markets, skills, credit and processing/distribution facilities, and fostering of the private sector.

³ In one successful example of a JICA project to promote Chilean exports, a local foundation provides support for product development, technological development and production by farmers' groups. These farmers' groups attempt to increase their exports through a governmental export body based on (i) barter trade with developing countries and (ii) long-term purchase agreements with advanced countries. When such long-term purchase agreements are used as collateral, banks can provide loans for the governmental export body. Aid organizations can (i) provide technical cooperation for the foundation and (ii) facilitate the conclusion of long-term purchase agreements by introducing importers of advanced countries to the export body. Such cases of cooperation with the private sector or farmers' groups may well be found in other developing countries and the gathering and analysis of successful cases are important with a view to their application to Africa in an appropriate manner.

⁴ At present, the ratio of returned kidney beans at local depots of the HCDA (Horticulture Development Authority) exceeds 20% for more than 80% of the producing farmers. As these local depots receive pre-cooled products transported by cold storage vans, this ratio should be much lower. One reason for this massive loss is the way in which harvesting is conducted. At the time of harvesting, farmers defy the hot weather and place the beans directly on the ground or place them in vinyl bags liable to mould or dirty corrugated cardboard boxes. In addition, simple basic equipment, including measuring instruments (weight and length) are absent at the time of preliminary sorting after harvesting. Another reason is the insufficient sorting which can be attributed to a lack of proper training for farmers. Moreover, the standards adopted by the central depot are not properly understood by the local depots. This situation would be much improved if centrally trained people responsible for sorting are dispatched to local areas to provide guidance on the appropriate harvesting method.

(1) Lowering of Trade-Related Costs

Improvement of Rural Roads

The fact that the inadequate development of transport infrastructure increases the transport cost of agricultural products and weakens the international competitiveness has been mentioned earlier. In this context, the improvement of rural roads is particularly important since inadequate rural roads make the access of local agricultural products to markets difficult. Roads in rural areas in Africa are unpaved or even non-existent, causing fundamental problems, such as the impossibility of local producers to transport harvested agricultural products to markets. Here, assistance for the improvement of rural roads can significantly contribute to poverty reduction.

Improvement of Communication Infrastructure

The lack of the precise production and supply of agricultural products to meet the demand is a major factor in African countries prompting the rapid growth of grain imports. Market information, including price information, is essential for the promotion of trade and economic liberalisation. This gathering of information, however, comes at a high cost. In the case of Zambia where the liberalisation of distribution was actively pursued in the first half of the 1980's for example, the USAID played a central role in funding and the Agricultural Distribution Information Centre was established at the Ministry of Agriculture. While market information was gathered on a weekly basis to start with, information gathering activities have now stalled due to a shortage of funds. Another important area for assistance in connection with the gathering and supply of market information is the preparation of statistics. Government statistics in African countries are quite inadequate at present. The preparation of basic statistics, especially statistics on agricultural production, is essential for the systematic and planned development of agriculture and rural areas.

(2) Improvement of Market and Distribution Systems

In addition to lowering of the trade-related costs, improvement of the market and distribution systems is another important area requiring support.

Improvement of Market System

It has been pointed out that the distribution and sales systems in developing countries are generally oligopolistic, acting in a disadvantageous manner for small farmers. In the case of the production of staple crops in Ghana for example, most of the produced crops are distributed and consumed domestically. Accordingly, staple food crops tend to be sold in local markets. At those local markets which have retained the customary system, it is common for women called market mummies to control both purchasing and selling activities, including decisions on the prices. Because of this, local farmers are often forced to sell their products at prices of which the decision mechanism is ambiguous. The

establishment of a market system with a price decision mechanism based on the principle of a free market is important to improve the present situation.

The current stage of the markets for such agricultural input goods as chemical fertiliser, seeds, machinery and materials, etc. is far from ideal and the private sector supposed to be running these markets is extremely weak. As a result, African farmers have no choice but to rely on comparatively expensive imported goods, significantly reducing their potential for adding value to their products. The development of the markets for agricultural input goods is, therefore, an important task to be addressed in the coming years.

Improvement of Collection, Forwarding and Storage Facilities

In regard to rural infrastructure in Africa, improvement of the distribution infrastructure, including the cold chain, is essential together with the improvement of roads as this improvement will lead to price stabilisation and the increased added value of products, both of which are necessary for an income increase for producers. The inadequate availability of warehouses makes it impossible to store products to await a good timing for their sale at high prices. At the same time, the prices of agricultural products considerably fluctuate because of the shortage of such facilities. Given the fact that the lack of warehouses is one factor for starvation in Ethiopia, their improved availability should contribute to improved food security.

One way of providing effective assistance for the improvement of collection, forwarding and storage facilities is the creation of a system to provide long-term low interest loans for local public bodies, distributors and farmers' and fishermen's unions (cooperatives) for the construction of collection, forwarding, processing, storage, distribution and retailing/wholesaling facilities in addition to such facilities as tasting facilities related to quality control to maintain the product quality. Such loans should also be made available for the training of staff in regard to market management and the use of facilities. This kind of financial assistance system is in place in Japan and has the advantage of contributing to the development of not only local public bodies but also to the development of private companies and farmers' associations. Since the construction or improvement of facilities alone is not sufficient to improve the market system, simultaneous technical cooperation for facility management is also required. In order to support this field, a major problem is that the present situation of the market and distribution system for agricultural products in African countries is not clearly understood. The first step should, therefore, be to conduct a development study aimed at clarifying the present situation and problems of the domestic and intra-regional markets and distribution systems in African countries.

(3) Capacity Development of Farmers' Associations

Small farmers are in a disadvantageous position to utilise the opportunities created by trade and economic liberalisation as they have difficult access to markets, water, land, technologies, information, credit and storage/cold storage facilities, etc. despite the absolute necessity for such access for the commercialisation of agriculture and increased food production. One way of approaching this situation is to create an effective organization so

that small farmers can collectively solve their common problems. The example of the Kenyan Tea Development Agency Ltd. (KTDA), which has been making a great contribution to the development of the tea industry in Kenya with small farmers acting as investor, confirms the importance of establishing effective farmer's organizations for small farmers to utilize market opportunity under trade liberalization. Farmers' unions can be expected to not only conduct commercial activities and to provide various services for small farmers (joint purchase and marketing, extension of techniques, provision of market information and credit facilities, etc.) but also to act as the base for the efficient as well as effective use and management of resources (land, forests and irrigation systems) which have a public character.

The governments of African countries have proceeded with the reduction of agricultural subsidies and the dissolution of public corporations following the implementation of the SAP. The termination of government assistance for the agricultural sector has necessitated that farmers organize themselves. Under these circumstances, the hitherto practically dormant farmers' organizations have begun to voluntarily act. In some countries today, they have a strong say vis-à-vis the government and have even grown to the extent that they can formulate agricultural policies themselves. In Senegal, for example, an association of farmer's groups at the national level has been active in supporting agricultural and rural development in collaboration with international organizations such as FAO. Some producers' unions, such as the horticultural crop producers' union in Ghana and the coffee producers' union in Ethiopia are now capable of arranging their own exports even though their activities are still at an early stage. When considering the possible recipients of international aid, it is essential to pay attention to these unions.⁵

(4) Fostering of the Private Sector

The basic aim of the SAP was the achievement of a high level of efficiency by allowing the market to decide the prices. The implicit premise was that the withdrawal of the government from such conventional areas of activity as the supply of input goods, production support, financial support and marketing support would create room for the private sector to operate. The problem in Africa, however, was a lack of private sector development which was a precondition for the implementation of the SAP. As a result, the market structure has become oligopolistic, excluding small farmers from the market economy. Fostering of the private sector is, therefore, essential for any attempt to solve the problem of poverty in Africa in the general trend of liberalisation. As there have been signs of the development of the private sector together with farmers' unions in African countries, the provision of assistance for this development is necessary.

⁵ One possible way of providing assistance is the introduction of a scheme under which farmers can jointly operate processing and distribution facilities and to assist such activities with a view to maximizing the domestic consumption of domestic resources through the development of these facilities. For example, farmers, public bodies and related companies (haulage companies and material suppliers, etc.) can jointly invest in the establishment of "a special purpose company" of which the activities include the construction and management of facilities, the development of various technologies and marketing. Under this scheme, it will be possible to obtain bank loans using the invested capital as collateral. Meanwhile, aid organizations can provide technical cooperation and assistance for the establishment and institutionalization of this special purpose company. What is important here is that farmers use their own money for advance payment for various services. It is believed that the importance of this type of aid based on a public-private partnership will increase in the coming years.

In the case of Kenya for example, likely effective assistance measures include assistance for the Export Promotion Council (EPC) which aims at promoting the development of new markets for Kenyan tea as well as assistance for the efforts of medium-size cut flower producers to collaborate their physical distribution through the shared use of cold storage vans and others. There are private exporters in Kenya which offer contracts to small farmers for the production of kidney beans and cut flowers, and provide various services in regard to cultivation know-how, seeds and other agricultural input goods, means of transportation, cultivation guidance by supervisors and training on the selection of appropriate farming sites for small farmers. In addition, these exporters have established their own association to improve the efficiency of their businesses. In the case of fresh vegetables, there is a union of exporters called the Fresh Produce Exporters Association of Kenya. Meanwhile, the cut flower sector has its own private sector organization called the Kenya Flower Council. The activities of these organizations include a market information service, sales promotion to overseas markets, training of member farmers and response to the CoP introduced by the government. As organizations representing local producers, they play the important role of negotiating with foreign importers and large retailers. Technical cooperation and financial assistance for these private sector organizations should be included in the scope of Japanese assistance. As there can be many occasions where joint assistance with the JETRO, other aid organizations and/or a European donor(s) is more effective than sole assistance by the JICA, possible collaboration with other aid organizations should always be taken into consideration. Given the fact that the relationship between the private sector and small farmers can easily become unequal, a mechanism to benefit both the private sector and small farmers should be created as part of the assistance for the private sector.

5.4 Expansion of Domestic Market

Alleviation of the instability of the national economy and rural communities originating from the excessive dependence on the exports of specific products to Europe requires expansion of the domestic market in addition to the development of markets for African products in other advanced as well as developing countries. The fostering of local industries in this context can contribute to local development through the diversification of livelihoods and increased employment opportunities for women (especially in the dry season). The diversification of livelihoods acts as a means of risk avoidance for the poor and also as a means of wealth accumulation for the rich. It is desirable for any attempt to foster local industries to specially emphasise the creation of consumption markets (for processed foods, handicrafts and tourism) in local cities. The development of local cities has direct implications on not only the creation of consumption markets but also on the promotion of agricultural production as well as local industries. As the development of the food processing industry requires the availability of a fair amount of agricultural products of a certain quality, agricultural activities to meet this requirement develop around processing companies. In addition, supporting industries performing such functions as packaging, storage and quality inspection, etc. are required. An integral approach covering both rural and urban areas under the same focus as much as possible is important from the viewpoints of food security and poverty reduction because it is practically impossible for

agriculture or rural communities to develop on their own. In this context, one idea is to primarily channel aid resources to an area where the development of the local production and distribution systems can link local communities with a city. Activities to provide comprehensive support for the poor comprises part of this local development approach. Another important requirement is to consider the establishment of a network type urban-rural relationship where local cities are horizontally linked instead of the more conventional development framework where rural communities are radially linked to a large city.

5.5 Support for Remote Areas and the Weak

The progress of trade and economic liberalisation will certainly stimulate the further development of agriculture serving foreign and domestic markets in areas around cities with a good transport system. At present, agricultural activities in remote areas and areas with disadvantageous conditions appear to be considerably declining, widening the income gap between the areas and suburban rural areas. In these remote rural areas, the diversification of production and livelihoods has been generally slow, partly because of geographical and climatic constraints. As a result, there are cases of remote rural communities where residents are increasingly seeking employment in urban areas for cash income while local farming is only conducted for self-sustenance. What is necessary in the coming years is the promotion of the diversification of production and livelihoods in trailing areas in this aspect by analysing successful cases of diversification and finding the desirable way for small farmers scattered in remote areas to improve their lives.

In remote areas, the introduction of such support measures as promotion of the production of food crops as well as export crops and the creation of employment in non-agricultural sectors is necessary for income gap correction, poverty reduction and a reduction of the under-nourished population. In particular, such tasks improvement of the crop varieties and animal breeds and improvement of the cultivation and raising techniques should be examined in addition to the introduction of non-traditional crops.

The increased exports of shea butter produced in northern Ghana to Europe is an interesting example of promoting a non-traditional crop in remote areas. European countries and the US are now importing a large volume shea butter from West African countries to produce and market such cosmetic products as organic soap and natural lotions and toilet water to combat the rapidly increasing number of cases of skin allergies among their populations. In response to such a move by European countries and the US, international and local NGOs are jointly implementing activities to improve the production and processing techniques for shea butter and shea oil as a programme to enhance the status of women and to eliminate rural poverty in savannah areas of not only Ghana but also other West African countries. The scope of the marketing of these products is no longer restricted to local markets but includes contract-based sales to local companies introduced by NGOs. In this way, new opportunities to earn cash are created for rural communities in northern Ghana where self-sustenance has traditionally been the predominant purpose of farming. As a result, the scope for local development is currently expanding. However, the quality of the shea butter manually produced by rural women is rather poor and the price offered by buyers is extremely low. Companies in advanced countries appear to further refine the shea butter

purchased from local companies in Africa so that only high quality shea butter is used to produce their own merchandise. In this context, the implementation of a project to improve the quality of shea butter locally in collaboration with a NGO should considerably contribute to the enhancement of women's status and the elimination of rural poverty in savannah areas in West Africa.

When addressing an issue of poverty problems in rural areas, it is important to collaborate with local NGOs that have rich experience in this field. After the reduction or abolishment of government agricultural services under SAP, it is local NGOs that have promoted the formation of farmers'/producers' associations and conducted relevant trainings for their skill development. These developmental NGOs have sufficient know how of how to analyze poverty problems in rural areas and how to deal with them. Some of the NGOs have had those experiences over 20 years in local areas under strict monitoring of Western donors, and have even been asked to support by the government for its specific projects. Therefore, it is important for rural development projects by Japan's ODA to utilize their experience and know how for the conduct of preliminary studies as well as planning and consignment of various training projects for rural leaders and residences. In order to collaborate with local NGOs, however, it is necessary for JICA's local offices to have capacity to collect information and monitor the performance of those local NGOs.

In regard to development activities by women, the increasing popularity of the production and marketing of such processed products as juices and jams by women's groups in some rural communities in Senegal in recent years is very interesting. In these communities, local women apply the processing skills they have learned while working at factories of foreign subsidiaries to produce their own products for local markets. The provision of assistance for the activities of these women's groups has the advantages of not only contributing to enhancing the status and increasing the income of women but also a strong likelihood of the wide spread of the aid effects. Women's groups are often organized at the community, local and national levels. A multi-layer network of women's groups is said to exist in Senegal. Under these circumstances, the implementation of a project in collaboration with women's groups with a network within the community could extend the project effects not only within the community in question but also at the local and national levels let alone to neighbouring communities.

The improvement of market access is also important when dealing with the problems of remote areas. In the case of northern Ghana which is an inland region for example, while agriculture relying on the external supply of input goods is necessary to improve the productivity following the penetration of the monetary economy into the region, it is difficult to earn cash because of the lack of commodity crops. Moreover, it is extremely difficult for producers in this region to obtain information, partly because of the absence of a large city. To solve this problem caused by the geographical conditions, the establishment of an efficient distribution network is necessary based on a proper understanding of the current situation of the production and marketing of agricultural products in Ghana. One way to achieve this is the establishment of an economic zone with southern Ghana which is practically separated from the north at present. In southern Ghana where agricultural production is dominated by export crops, the variety of crops cultivated is limited with

agricultural activities being primarily geared to earning cash. In contrast, most staple crops are cultivated in northern Ghana where the cultivation conditions are limited. As such, northern Ghana constitutes the granary of Ghana. The integration of these two regions so that the grains produced in northern Ghana can be supplied to southern Ghana at low prices will be advantageous for the development of both regions. However, it must be remembered that the establishment of an economic zone with a neighbouring region of another country may have a better cost-benefit effect than the integration of domestic markets depending on the country or region. Such a possibility indicates the importance of planning the development of remote areas in the light of the relationship with neighbouring countries instead of confining the development prospects within the framework of the economic development of a single country.

5.6 Enhancement of Government Capacity

Enhancement of the government capacity is essential to effectively deal with the problems of the trade of African agricultural products examined so far. Emphasis on the role to be played by the government does not mean a return to the situation of the pre-SAP period. While structural adjustment policies are designed to remove conventional government intervention as much as possible, reduction of the scope of government intervention does not contradict emphasis on the government capacity to formulate policies and to provide services. One historical problem of structural adjustment policies is that the government role is under-estimated because of excessive emphasis on the efficiency of the private sector. It is apparent that none of the tasks related to the trade of African agricultural products can be solved without appropriate government intervention. These problems range from the diversification of agricultural production and the export structure and the increased added value of agricultural products to the implementation of trade and economic policies which are appropriate for the situation of each country in a careful and planned manner, strengthening of the international competitiveness of domestic products, improvement of market access, fostering of the domestic market and assistance for remote areas as well as the weak. One major problem faced by African countries is the lack of the government capacity to properly and effectively deal with these wide-ranging tasks.

Enhancement of the government capacity can be assisted by means projects addressing the said tasks, a sector wide approach or budgetary support. Although the implementation agencies of Japan's aid projects in African countries are expected to diversify more in the coming years to include NGOs, communities and the private sector, JICA's use of public institutions as the main counterparts of aid projects may not be changed for the foreseeable future. In this respect, what must be kept in mind is that a project using a public institution, even if it is successful, tends to simply enhance the capacity of the counterpart organization and does not necessarily lead to the spread of the project effects to other areas or capacity development at the community level. It is, therefore, essential to create a mechanism in the project which is capable of developing not only the counterpart organization but also the capacity of other stakeholders such as related public institutions, the private sector, NGOs and local residents. Based on the collaboration with those stakeholders, it is also important

to develop measures to enhance project sustainability and spread project effects to other areas from the time of project formulation.⁶

Development of the government capacity can be attempted by the sector wide approach or the budgetary support in addition to the approach involving an aid project. The World Bank, UK and Scandinavian countries are increasingly emphasising these new aid modalities because of the increasing criticism of project-based assistance and structural adjustment policies. Now the application of these approaches has spread quickly not only from African countries but also to many developing countries in other regions. The strength of the new approaches lies with their ability to promote policy change and institutional reform of a recipient government. The conventional project-based assistance has the shortcoming that regardless of a project being good or bad, it becomes ineffective if policies which contradict the project objectives are in place. In addition, positive project outcomes cannot be expected if corruption is prevalent or the workplace environment is detrimental to the incentive for staff to work hard. These problems relating to government policies and the institutional environment are factors which have considerably weakened the aid effects on African countries. Therefore, new approaches to overcome these problems may be necessary in order to improve aid effectiveness. It may be especially effective to deal with weak government financial capacity through policy dialogues in the case of budgetary support. However, it must be noted that the new approaches mentioned here also have the risks of lowering the level of ownership of local stakeholders of the development activities if they are applied in an incorrect and/or careless manner. The rise of sector wide approach and the budgetary support was a result of growing dissatisfaction of project aid and the SAP that were planned and implemented under the leadership of donors with the result that they have failed to be truly effective because of an absence of ownership and hence commitment to projects or programmes among local stakeholders. However, when observing the implementation process of the sector wide approach or the budgetary support, the emphasis appears to be placed on the management of development process of recipient countries and the domestic accountability of the donor rather than on respecting the ownership of local stakeholders. If this is the case, the current spread of new aid modalities is possibly damaging significantly the ownership of local stakeholders to their entire development process. Moreover, the imposition of the domestic policies and institutional arrangements of advanced countries on developing countries cannot be said to have been fully eliminated under the new modality of aid. It is therefore important for Japan to become actively involved in the new approaches so that improvement of the policy and institutional environment can co-exist with the facilitation of local ownership. Japan is in a position to understand the thinking of both developing countries and donor countries,

⁶ This mechanism should be equipped with a means of (i) enhancing the motivation of local stakeholders to successfully implement projects through the adoption of the participatory decision-making system, (ii) building the capacity of public bodies to meet the needs of beneficiaries, (iii) designing projects which function as models to realize policy targets and (iv) implementing projects to develop a relationship of trust among the stakeholders, including local residents. For Japan to make the best use of the advantages of technical cooperation, one precondition is that local counterparts are capable and able to commit themselves to projects for a long period of time. It is necessary to request the government of a recipient country to arrange the necessary environment (including an additional allowance for counterparts) for counterparts. When the dispatch of Japanese experts is planned in the face of the recent criticism of the long-term assignment of experts, the government of a recipient country and/or other donors must consent to the reasons given for the necessity for Japanese experts. In this context, the selection of fields where Japanese knowledge and experience is useful is important.

because of its past experiences of adapting Western technologies and knowledge to Japanese society especially during the Meiji Period and after becoming a recipient country after the Second World War. For this reason, Japan should be able to greatly contribute to the ongoing process of aid coordination if it plays the role of an intermediary between African countries and other donors.

6. Future Study Themes

The present Study on the relationship between the trade of African agricultural products and agricultural/rural development in Africa over two years has clarified the actual state of the trade in question and the impacts of liberalisation under the SAP. The study has also identified and analysed various factors affecting the effects of trade liberalisation on rural communities in Africa. The Study has found that the hypothesis of “trade liberalisation has positive impacts on both economic development and poverty reduction in developing countries”, which forms the basis for the advocacy of the WTO and the IMF/World Bank for trade liberalisation, does not necessarily hold its ground in (sub-Saharan) African countries. For trade liberalisation to have positive impacts, enhancement of the international competitiveness and the improvement of market access, etc. must be simultaneously attempted together with the implementation of carefully planned measures for transition. Here, both the governments of developing countries and donors can play a significant role. Meanwhile, analysis of problem structure relating to the trade of agricultural products in African countries has identified the causes of the sluggish trade of agricultural products and has clarified the desirable directions for government policies and donor cooperation to solve the problems. Further studies are, however, required to ensure effective aid for agricultural and rural development in Africa in order to prepare for truly beneficial trade liberalisation.

(1) Impacts of Trade Liberalisation on Agricultural and Rural Development in Inland African Countries and Desirable Direction for Aid

The present Study has featured four sub-Saharan African countries, i.e. Kenya, Ghana, Senegal and Ethiopia, for various reasons and all of these countries except Ethiopia are relatively wealthy compared to other countries. Accordingly, the Study has been unable to establish the problems faced by inland African countries in a generalised manner. Because of this, the desirable direction for aid is not clearly presented. Analysis of the impacts of trade liberalisation on agriculture and rural communities in inland African countries and the desirable direction for aid must, therefore, be left to further studies.

(2) Gathering and Analysis of Successful Cases in African Countries and Japan/Asia for Future Technical Cooperation

Although the Study has clarified the desirable fields/sectors for aid, it has been unable to fully discuss the concrete manner in which effective aid can be provided. In other words,

the methodology of aid for individual assistance field has not been established. This will require the gathering and analysis of successful cases in each assistance field in African countries and the re-arrangement of the analysis results in a manner which allows their utilisation for the formulation of effective aid methodologies. As part of such efforts, it is preferable to study the experiences of Japan and other Asian countries. Although the application of the experiences of these countries to Africa must be carefully conducted, such experiences in regard to, for example, the speed and depth of trade liberalisation should prove very useful for African countries. Further studies on the following themes in addition to trade policies will be equally important.

- 1) Food security policies
- 2) Methodology to organize farmers and the relevant roles of the government
- 3) Methodologies for marketing and developing production areas for specific products based on the needs of consumer market.
- 4) Roles of the private sector, farmers' organizations, NGOs and CBOs in rural development and the relevant roles of the government
- 5) Study on a mechanism to benefit both the private sector and small farmers
- 6) Development of local industries in remote areas and the relevant roles of the government
- 7) Current situation and problems of regional integration in Africa