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## The Impact of Regional Integration on Investment, Agricultural Production and Industrial Production in Africa

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## Focus of Presentation

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- General impacts of Regional Integration are well understood
  - Trade gains through larger markets that permit economies of scale,
  - Increased returns and wider competition,
  - Enhanced credibility of national reforms,
  - Strengthened unity for international negotiations, etc.
- This is a brief presentation that focuses on an approach to understanding the impact of regional integration on agricultural production and its linkages with other sectors.

## Agriculture the dominant sector in Africa

- More than any other region in the world, Africa depends on agriculture for its investment opportunities and industrial growth.
- Yet performance in African agriculture remains poor
  - Land productivity 42% Asia and 50% of Latin America
  - Labor productivity 60% of Asia and Latin America
  - Use of fertilizers low (9% of world average)
  - Only 6% of arable land irrigated - 40% in Asia

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Agriculture in Africa

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### African Agricultural Systems are characterized by:

- Smallholder subsistence farming
- Limited application of modern technology and weak knowledge base
- Poor production and market support infrastructure
- Incomplete and poorly integrated input and product markets
- Weak backward and forward linkages between agriculture and other sectors



Harnessing  
agriculture for  
development requires  
thinking beyond  
agriculture

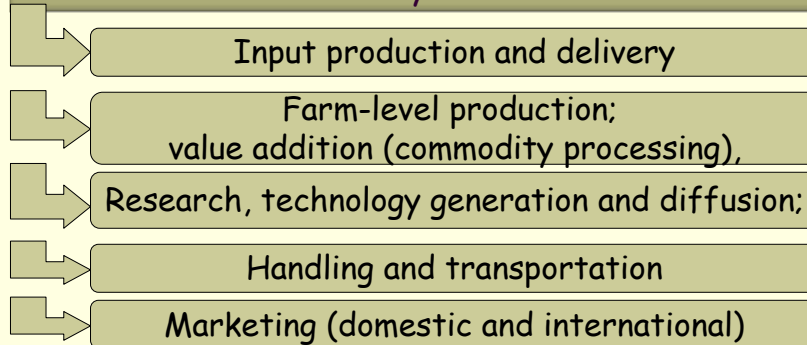
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Weak agricultural systems persist in Africa

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# Agricultural development conceptualized along value chains

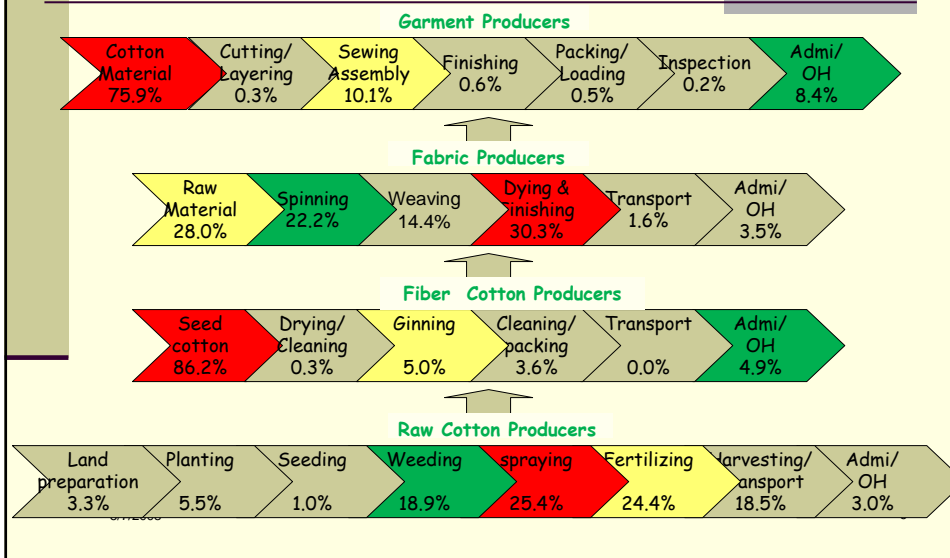
A comprehensive system comprising set of physical production and transformation stages inter-linked by transactions



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## An illustration Value Chain: Cotton-to-Garment



# Regional Integration

Efficiency gains along the value chain of any product can be captured from regional integration arrangements (FTA, CU, common markets) arrangements through:

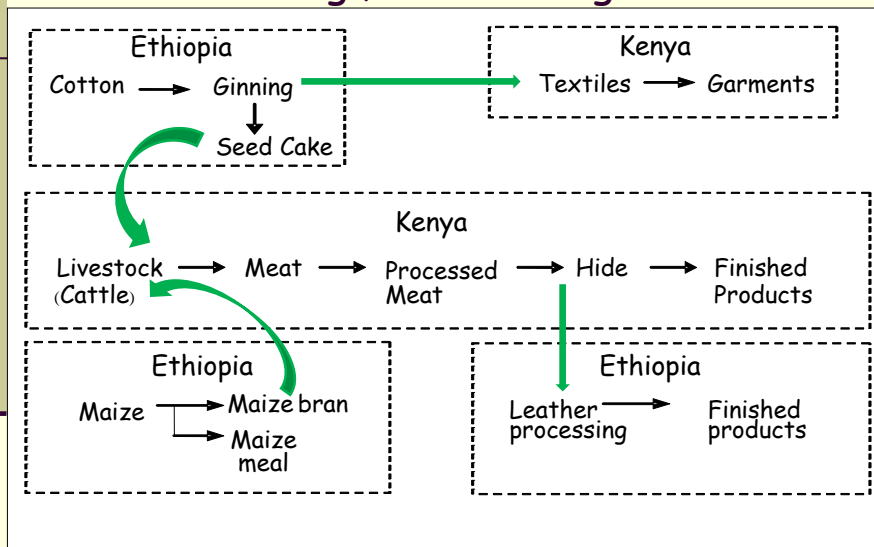
- ✓ more integrated markets and economies of scale in the provision of support services along value chains of strategic commodities
- ✓ Development of inter-regional value chain integration building on comparative and competitive advantages offered by two or more countries in a region

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Regional Integration & VCA

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## Opportunities for integration of value chains; e.g., cotton-to-garment



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## Conclusion

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- Identifying strengths and weaknesses along inter-regional value chains allows:
  - a proper understanding of the opportunities created by regional integration and
  - targeting of efforts towards those parts of a product value chain that are rendered more efficient through cross-country linkages.

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THANK YOU!!