Policies That Help Livestock Trade

Policy
Briefing
Paper
no. 3

After a decade of intensive policy reform positive economic growth has yet to be achieved in most African countries; the livestock sector is no exception. Some reforms have proved inappropriate, over-ambitious or misguided. More have lacked credibility or ownership. But a major cause for under achievement has been the failure to follow through reforms, and this is often the result of institutional weaknesses[1].

The first part of this Policy Briefing Paper outlines livestock policies that worked well, cost little and were easy to implement. They mostly involve removal of barriers and simplification of procedures. The second part of the paper looks at 'capital intensive' policies. These can be effective, but are expensive and require investment and strong, functioning institutions.

1. 'Stroke of the pen' policy reform

Border liberalisation
Reducing tariff and non-tariff barriers for livestock inputs and exports a very effective way of promoting growth in the livestock sector.

- The market for veterinary medicines in Chad increased 15 fold after liberalisation.
- After liberalisation in CAR veterinary drugs became more available, especially among the poor. As a result of health improvements, the number of livestock increased from 880,000 in 1974-76 to 2.7 million in 1992

Governments are reluctant to lower tariffs because they are a major source of revenue. However lower tariffs mean less incentive for evasion and for obtaining exemptions. If efficiency of collection is improved and efforts made to broaden the tax base government revenue need not suffer from border liberalisation.

- In Kenya revenue doubled after tariffs were halved, the result of improvements in efficiency and collection.

Trade liberalising devaluation
Exchange rate reform must accompany trade liberalisation in order to balance export and import flows. Letting markets decide exchange rates rather than governments usually results in currency devaluation, which increases the competitiveness of livestock products.

Impact of devaluation on livestock trade in West Africa

	Burkina Faso	Mali
Increase in producer price	72%	86%
Increase in exports	58%	85%

Trade facilitation
Reducing the bureaucratic burden of livestock trade (by simplifying customs, licensing procedures, technical regulations, and removing barriers to the mobility of businesspeople) is a major incentive to trade. It also removes scope for demanding bribes.

- The guichet unique (one stop export processing) established in many West African countries simplified export of livestock and boosted export
- Harmonising standards through MRAs.

Anti-corruption measures
In most countries, trading and transport of livestock involves 'unofficial payments'. In Mali bribes to customs, police and veterinary inspectors amount to 25% of all livestock marketing costs. A survey in Uganda found that 91% of exporters had to pay bribes (on average USD 9,800) - there was no evidence that this improved the services received[3].

- National and regional initiatives to simplify procedures and stop illegal taxes in West Africa decreased the bribes that traders had to pay by CFA 100,000 per truckload of animals.

2. Capital intensive policy reform requiring high-functioning institutions

Increasing production and productivity
Meeting domestic demand requires livestock sector growth of at least 4 % per annum (i.e. equal to human population growth) and expanding exports markets will require a faster growth rate. For most of Africa the land frontier has been reached, so increased growth must come through increased productivity. This is achievable but will require investment in research and development, infrastructure and enabling legislation and policy for intensive (e.g. industrial poultry, pork) and specialist (e.g. smallholder dairy, pastoralism) production systems that are already growing in Africa.

- Smallholder dairy production in Kenya has been a major success story: 400,000 farmers supply

70% of the milk market. Provision of infrastructure, development of veterinary services, price decontrol policies have been important in promoting dairy development.

Accessing high value markets
Processing adds value to livestock products and retains this value in African countries. It stimulates trade-related industrialisation. African countries have low wages and high transport costs and so it makes sense to process at home. Indeed Zimbabwe and Kenya have been very successful in adding value to horticultural exports. However in African countries less than 5% of food exports are fully processed compared to 33% of exports from industrialised countries[4].

Value adding processing of livestock products can be encouraged by investment incentives to encourage private investors to establish slaughterhouses which meet international standards and by training private operators in meeting the grades and standards required for meat products in international markets. Tariff escalation (higher tariffs on processed goods than primary products) can be an important constraint and African countries should continue to seek for their removal.

The example of livestock disease control - most markets will not accept meat from countries where uncontrolled epidemic diseases are present in livestock. As livestock disease control improves in other parts of the world (such as Latin America and Asia) markets for products with lower standards will shrink. Livestock diseases that can affect humans have the greatest potential to disrupt trade. Controlling epidemic diseases of livestock must be done on a national scale.

- In Botswana, which successfully exports to Europe, the cost of an uncontrolled outbreak of contagious bovine pleuropneumoia was estimated at 980 million Pula.
- In Côte d'Ivoire the direct and indirect cost of re-introduction of African swine fever was between USD 10 and 20 million.
- Rift Valley fever, which caused hundreds of human deaths in Saudi Arabia, resulted in a livestock export ban affecting Horn of Africa countries and dramatic reductions in livestock trade.

Improving efficiencies in support industries
Livestock trade depends on transport, communication, processing and financial sectors. These continue to be constrained by monopolies (private and public), operating inefficiencies and structural problems.

- Transport costs in Africa are among the highest - the result of poor maintenance and high taxation. In East Africa two thirds of unpaved and nearly half of paved roads are in poor condition.
- In West Africa taxation of vehicles, fuel, lubricants and spare parts make up one third of truck transport costs.

Privatisation improves efficiencies provided there are competition policies to discourage cartels, monopolies and consumer exploitation. Transparent, independent and accountable judicial and arbitration systems are a pre-requisite for trade. Capital inflows can be encouraged by capital account convertibility, insurance agencies and investment charters. Policies to promote macro-economic stability will help attract FDI.

References
[1] For a discussion on the impact of trade reform see the FAO
[2] Prospects for Developing Malian Red Meat and Livestock Exports, Jeffrey Metzel, Abou Doumbia and Lamissa Diakite
[3] The Cost of Doing Business: Ugandan Firms' Experiences with Corruption, Jakob Svensson June 2000, World Bank Working Papers Africa Region No. 6
[4] FAO (1997) The Impact Of The Uruguay Round On Tariff Escalation In Agricultural Products

The Organization for African Unity/Interafrican Bureau for Animal Resources

The Organization for African Unity/Interafrican Bureau for Animal Resources (OAU/IBAR) is a specialist technical agency of the OAU mandated by member states to promote livestock development in Africa. Based in Nairobi, Kenya, OAU/IBAR implements major livestock development programmes including the Pan African Programme for the Control of Epizootics (PACE) and Farming in Tsetse Controlled Areas of Africa (FITCA).

The objectives of OAU/IBAR are to:

- Co-ordinate activities of all OAU member states in the field of Animal Health and Production
- Collect, collate and disseminate information in all aspects of Animal Health and Production
- Initiate, develop and execute projects in the field of Animal Health and Production
- Liase with appropriate authorities of member states, regional groups, inter-governmental and international organisations.

For many years, OAU/IBAR has been African success story by attracting donor funds and providing technical and policy support to the member states, particularly state veterinary services. In the new millennium, the bureau understands that livestock issues are becoming increasingly complex due to forces such as globalisation, rapid technological advances and the demands of stakeholders. Stakeholders at all levels are becoming more vocal, influential and involved in governance, priority setting, financing and evaluation of development interventions. OAU/IBAR provides effective responses by having a clear vision of its direction, policy and strategies.

For further information contact:

The Director
OAU/IBAR
PO Box 30786
00100 Nairobi
Kenya
Tel: +254 2 334550/251517/226651
Fax: +254 2 332046/226565

The Policy Briefing Paper Series

This series of Policy Briefing Papers aims to provide short and easy-to-read introductions to some of the key policy issues affecting the livestock sector in Africa. In particular they show how livestock can contribute to the following widely held policy objectives:

- Food security
- Economic growth
- Equity
- Export promotion
- Revenue generation
- Resource conservation

Each briefing paper provides an overview of an issue and directs readers to source documents (many produced by OAU/IBAR) where further information and more detailed analysis can be found.