

How African intra-continental trade can benefit land reform, agriculture

The African Agri Investment Indaba (AAIL), which recently took place at the Cape Town International Centre (CTICC) from 18-20 November 2019 explored disruptions and trends that will likely influence food and agribusiness economics over the next decade in Africa.



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The conference is Africa's largest agriculture conference and attracts over 700 decision-makers ranging from governments, banks, financiers, investors, project owners, project developers, commercial farmers and the agro and food processing industry.

Speaking at the conference, Peter Setou, chief executive of the Vumelana Advisory Fund, said: "Trade standoff between the US and China has helped to spur a push among African nations to create a more self-reliant continent. The International Monetary Fund (IMF) estimates that the trade war will slow global growth in 2019 to 3.0%, the slowest pace in a decade."

The African Continental Free Trade Agreement is a trade pact signed by 27 African Union member states in Kigali, Rwanda, on March 2018.

Setou noted that while the signing of AfCTA is timely and the failures of the Brexit deal has reaffirmed the importance of intra-continental trade, he cautioned that the signatories to AfCTA should tread with caution to avoid replicating the pitfalls that have beset similar trade agreements.

"AfCTA is an ambitious effort by our African leaders, and if we can follow through its implementation it can go a long way towards growing African economies that can thrive. It is crucial that leading and developed African economies must take the lead to avoid mismatches that could destabilise economies, drive the wedge between the continent's economic powerhouses and smaller states. This is important not only for citizens in countries facing economic challenges to have hope but to manifestly experience the benefit for weaker states," said Setou.

To that end, Setou advocates that signatories to AfCTA need to ensure a closer alignment between their country's development agenda and the continental objectives.

"We need to strike this delicate balance and be prepared to make trade-offs especially in the context of rising global populism and nationalism as well as protectionist approaches we have witnessed thus far. It is also important to note that by simply reducing tariffs without addressing non-tariff trade barriers such as poor trade logistics, capacity building and infrastructure, we will not promote efficient integration," added Setou.

Land reform

On land reform, Setou noted that South Africa is currently grappling with its land reform programme, and a lot of countries on the continent are yet to finalise the question of land reform. He noted that there can be learnings from failures and successes by the different countries on the continent for Africa to drive truly progressive and partnership-driven land reform that can yield results for beneficiaries and nations.

"From different experiences of our neighbouring countries and at home here in South Africa, we have seen how land reform has caused some disruptions in agriculture production. Any land reform approach must be pragmatic. It's unfortunate that a lot of what we have seen across the region around land reform has brought disruptions to food security and affected agricultural productivity as beneficiaries in most cases are not financially supported to drive commercial farming," said Setou.

In South Africa, over 8 million hectares of land has been transferred to beneficiaries of land reform, however, the land redistribution programme has not lived up to expectation as much of the land redistributed fell into disuse, resulting in a failure of many agricultural projects and the shedding of jobs. Setou cautions against giving in to the temptation to rush the completion of the land reform for political expediency, as this will simply multiply the already high failure rate.

"Returning land without access to other factors required to make the land productive leaves the intended beneficiaries stranded and projects failing. It is crucial that a fund is created that could finance transaction advisory and other post-settlement support services would attract private investment into the land reform programme. This could have a significant impact on boosting trade and investment since some of the restored land is premium agricultural land," said Setou.

Vumelana Advisory Fund has been assisting beneficiaries of land reform to develop their land in order to create much needed jobs income and skills. The organisation believes that successful land reform programme should be anchored on partnerships between beneficiaries, private partners and commercial operators who have access to networks, capital and skills required to make the land productive.

"These partnerships seldom form spontaneously because of the perceived risk and lack of trust between potential partners. Where they are attempted the asymmetry of power cannot produce the desired results. It is therefore imperative to have properly mediated partnerships where independent and skilled advisors help beneficiaries of land reform to establish risk-

sharing partnerships that attract investments, maintain productivity and expand employment.

"We have seen how successful this partnership is. We have facilitated 20 partnership agreements with the potential to mobilise R610m in private investments and putting approximately 68,800 ha of land into productive use and positively impacting on about 15,000 beneficiaries. In addition to this, our current project portfolio is likely to raise additional R900m and impact positively on about 18 000 households," said Setou.

He said that if this partnership model can be expanded and replicated on a large scale it would go a long way to ensure economic inclusion, social cohesion and mobilise much-needed investments for the benefit of all.

"It is important that there needs to be policy certainty and an enabling environment if we are to overcome disruptions affecting trade and investments across the continent," concluded Setou.

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