NEOCOLONIALISM OR BALANCED PARTNERSHIP? REFRAMING AGRICULTURAL RELATIONS BETWEEN THE EU AND AFRICA

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Abstract

The narratives in the media with respect to EU external policies and their effects on developing countries generally paint a picture of unequal power dynamics and negative externalities, particularly with respect to international trade and land grabbing. In this paper, I use trade data to argue that reality is more nuanced and aim to provide a preliminary sketch of the institutional dynamics between the EU and Africa. I focus on agricultural relationships to highlight the interplay between historical path dependencies, colonialism, trade policy and domestic institutions on the EU and African side. While trade is often portrayed in an overly simplified manner as the main factor hindering agricultural development, African countries are often plagued by a long history of extractive institutions, both politically and economically, which lead to a vicious cycle of unequally distributed resources, exploitation, insecure human rights and a lack of incentives for innovation. This becomes apparent when examining phenomena such as land-grabbing, which often involve African elites partnering with foreign investors to conclude controversial deals. Overall, this paper aims to highlight the necessity of building institutional capacity particularly in countries with a long history of extractive institutional continuity, and to underline the importance of state centralisation for agricultural development, so that African partners can fully take advantage of the preferential trade regime with the EU and improve their position with respect to power dynamics.

INSTITUTIONAL FRAMEWORK ON THE EU SIDE

A controversial feature of **EU internal policy** are the agricultural subsidies. The Common Agricultural Policy (CAP) provides direct payments to farmers, decoupled from production. They are amounting to 72% of the EU farming budget.[1] On average, farmers receive €267 per eligible hectare and may be eligible for additional sources of funding. This effectively amounts to a blanket subsidy for farming, even in the absence of targeted subsidies for specific product categories. In order to receive the payments, farmers must comply to environmental standards like minimum greening requirements or management practices that support biodiversity. Agricultural subsidies have been heavily criticised for their distorting effects and incoherence with development objectives, and have subsequently been reformed until they reached their present form (Matthews, 2008). Nevertheless, some studies show eliminating subsidies would have marginal but positive effects on developing countries and their poverty indicators (see Boysen et al, 2016, for a case study on Uganda).

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[1] European Commission, DG AGRI homepage: https://ec.europa.eu/agriculture/direct-support/direct-payments_en

In terms of **trade**, the EU is a net exporter of food, registering a surplus of EUR 2.4 billion in August 2017.[2]

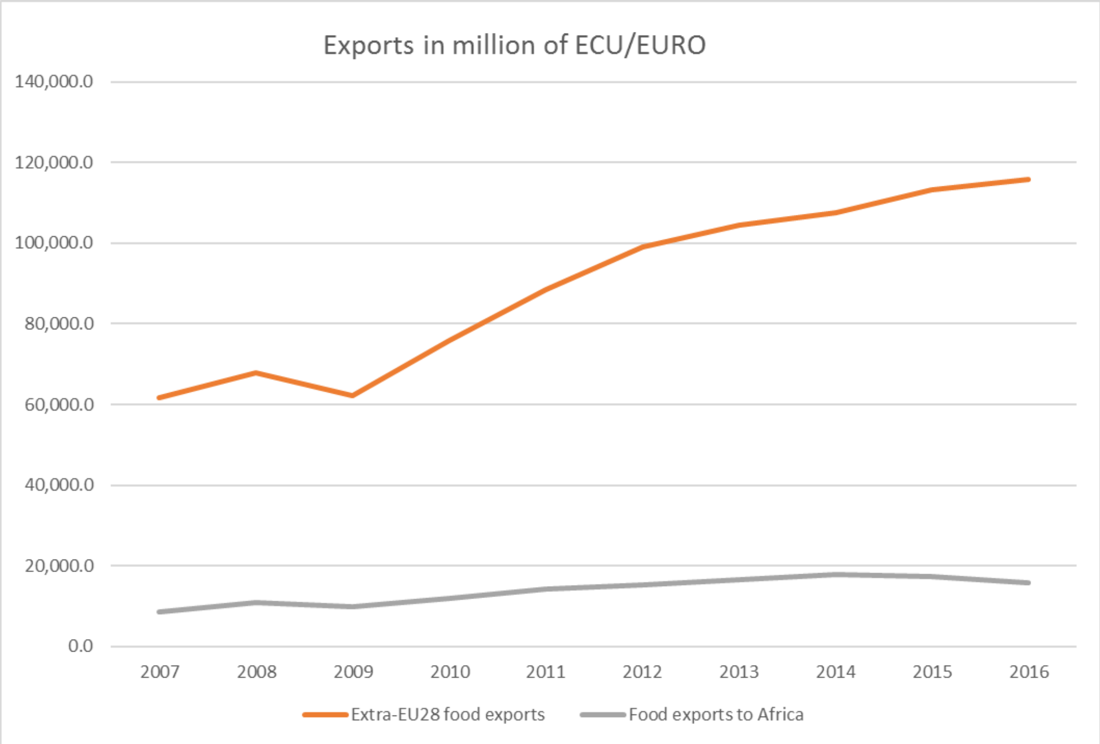
Table 1: Trade balance in million ECU/EURO – SITC 06: Food, drinks and tobacco

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Extra-EU28	-14095.6	-13168.9	-11542.3	-5,001.3	-2,972.0	5,959.3	10,806.4	9,155.2	4,546.5	6,749
Africa	-3,357.1	-1,445.0	-2,850.8	-1,653.2	-620.9	926.5	2,187.4	2,354.4	-285.9	-3,014.9

Source: Eurostat, own representation

The EU trade institutional structure is multi-layered, sector-specific and consists of various measures. Tariff measures include preferential tariff rates, tariff quotas (in which a specified quantity of a product can be imported at no cost, whilst quantities exceeding the specified amount are subjected to a tariff) and "third country duties", which apply to imports originating in non-EU countries. These are defined in the Combined Nomenclature[3], which provides the legislative structure to implement the Common Customs Tariff. Products are classified by CN code, with each being assigned its respective duty rate. As it is common for the EU legislative process, amendments to the Combined Nomenclature can originate as Commission regulations to be implemented once approved in Parliament and Council, or can be requested by individuals.

Figure 2: EU food exports



Quelle: Eurostat data, own representation

[2] European Commission (2017). Monitoring EU Agri-Food Trade: Development until August 2017. Retrieved at https://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/monitoring-agri-food-trade/2017-08_en.pdf

[3] Full text of the Combined Nomenclature can be retrieved at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2016:294:FULL&from=EN

In addition to tariff measures, the EU also implements agricultural measures specific to certain sectors (ex. additional duties on sugar, sugar content and flour content, representative prices for poultry, Standard Import Values and Unit Prices for fruits and vegetables or refunds for export of basic and processed agricultural products), Trade Defence measures in the form of antidumping duties (in the case of products whose price is deemed unfair or violating competition rules) and restrictions on imports and exports, such as veterinary or sanitary controls on food products. Full information on EU Trade measures is compiled in the TARIC Data base[4].

In practice, the architecture of EU trade measures means that while tariff liberalisation is often achieved within the framework of EU trade deals, there are numerous other measures, both general (i.e. applying to all categories of goods) and specific to the agricultural sector, that may constitute barriers to trade and limit the access and competitiveness of African imports.

The EU often applies preferential tariffs to African countries (ex: 0% on tomatoes from Ghana, while Ghana applies a 20% tariff on EU tomatoes) within the framework of the Generalised Scheme of Preferences (GSP) and, more recently, Economic Partnership Agreements (EPAs).

GSP treatment consists of three levels: a general arrangement, a special incentive arrangement for sustainable development and good governance ('GSP+') and the EBA ("Everything But Arms") Initiative. It is a preferential arrangement aiming to contribute to poverty eradication by expanding exports from countries most in need; to promote sustainable development and good governance; and to ensure a better safeguard for the EU's financial and economic interests[5]. The system has been reformed in 2012 in order to better align with the Policy Coherence for Development (goals) and will remain in its current form for 10 years from 2014 onwards. The standard GSP arrangement offers preferential market access in the form of suspended duties for non-sensitive products and reduced duties for agricultural and sensitive products for developing, low to lower-middle income countries. GSP+ introduces additional support for vulnerable developing countries (i.e. countries suffering from a lack of export diversification and insufficient integration within the international trading system) in order to encourage the ratification of human and labour rights conventions, climate change and good governance provisions. Additional incentives include the full suspension of duties across around 66% of EU tariff lines[6], more flexible Rules of Origin and the removal of the graduation mechanism, in return for submitting to international monitoring of the implementation of GSP commitments. Finally, the EBA Initiative is available to Least Developed Countries (LDCs) and allows duty and quota free for LDC exports excepting arms and ammunitions. An additional feature is that under the EBA Scheme, LDCs can profit from various institutional arrangements such as the Cotonou Agreement whenever these are more advantageous to them, whilst GSP and GSP+ exclude the possibility of cumulation.

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[4] Information on TARIC and access to data can be retrieved at https://ec.europa.eu/taxation_customs/business/calculation-customs-duties/what-is-common-customs-tariff/taric_en

[5] European Commission. (2011). Impact Assessment Accompanying the Proposal for a Regulation on Applying a Scheme of Generalised Tariff Preferences (SEC (2011) 536 final). Available at: http://ec.europa.eu/smartregulation/impact/ia_carried_out/docs/ia_2011/sec_2011_0536_en.pdf, p. 18-19

[6] Regulation (EU) No. 978/2012, Chapter III: Special Incentive Arrangement for Sustainable Development and

Good Governance, Article 12.

EPAs[7] are regional preferential agreements available to African, Caribbean and Pacific partners under the Cotonou Agreement, that "ensure that account is taken of the vulnerability of the economies of the [partner] region and that the liberalization process incorporates the principles of progressivity, flexibility and asymmetry in favour" of the partner (EU-Ghana EPA, Art. 2). They provide immediate tariff liberalization for imports from the partner countries, as well as duty-free and quota-free access to European markets and flexible Rules of Origin regulations. Financial assistance is also available to ensure cooperation on areas such as sanitary, phytosanitary and product standards. For their part, EPA partners are allowed to restrict market access for EU imports in the case of sensitive products or in order to protect infant industries. The EU has furthermore committed to stop export subsidies on all agricultural products exported to EPA destinations. [8] Nevertheless, barriers to African imports remain in the form of *erga omnes* rules comprising certifications and licenses, third country duties or non-preferential tariff quotas. For instance, banana imports from the Ivory Coast enjoy tariff-free access to EU markets but are still subjected to a 16% third-country duty.[9]

Additionally, the EU is offering trade development assistance in the form of the Aid for Trade program as part of Official Development Aid (ODA). In the case of African countries, it is financed through the European Development Fund for African, Caribbean and Pacific countries. According to the Aid for Trade 2015 Report, Africa receives the largest share of available grants over 55% of the total budget allocations)[10] EU Official Development Aid flows consist of loans and grants that can take the form of commitments (firm written obligation by EU institutions to allocate funds in order to provide resources under specified financial conditions and for specified purposes to the benefit of the recipient country) or disbursements (the placement of resources at the disposal of the recipient, be it a government or an official agency). Detailed data on aid flows broken down by geographic region and sectoral allocation are available in the OECD CRS database.

In the area of development and cooperation, the Cotonou Agreement[11](in force for the time period 2000-2020) provides the framework for the EU's relations with African countries. Besides trade and economic cooperation, it consists of two other pillars: development and political cooperation. Most development programs are financed through the European Development Fund, with African countries also receiving funding from the EU budget. Furthermore, on the 4th of May 2017, the EU launched a strengthened Partnership with Africa, in which agricultural development is specifically mentioned as one of the priority areas. Goals include facilitating private investment in sustainable agriculture via the Agriculture Financing Initiative and the EU External Investment Plan, investing in

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[7] EPAs are currently enforced with the following groups of countries: West Africa (Côte d'Ivoire, Ghana), Central Africa (Cameroon), Eastern and Southern Africa (Mauritius, Madagascar, Seychelles, Zimbabwe), and the Southern Africa Development Community (SADC) (Botswana, Lesotho, Namibia, South Africa, Swaziland). A complete overview can be retrieved at http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf

[8] European Commission. Putting Partnership Into Practice. EPAs between the EU and ACP countries. Retrieved at http://trade.ec.europa.eu/doclib/docs/2017/october/tradoc_156340.pdf

[9] Calculations on tariff and duty rates retrieved at http://ec.europa.eu/taxation_customs/dds2/taric/measures.jsp?Lang=en&SimDate=20171024&Area=CI&Taric=0803&LangDescr=en

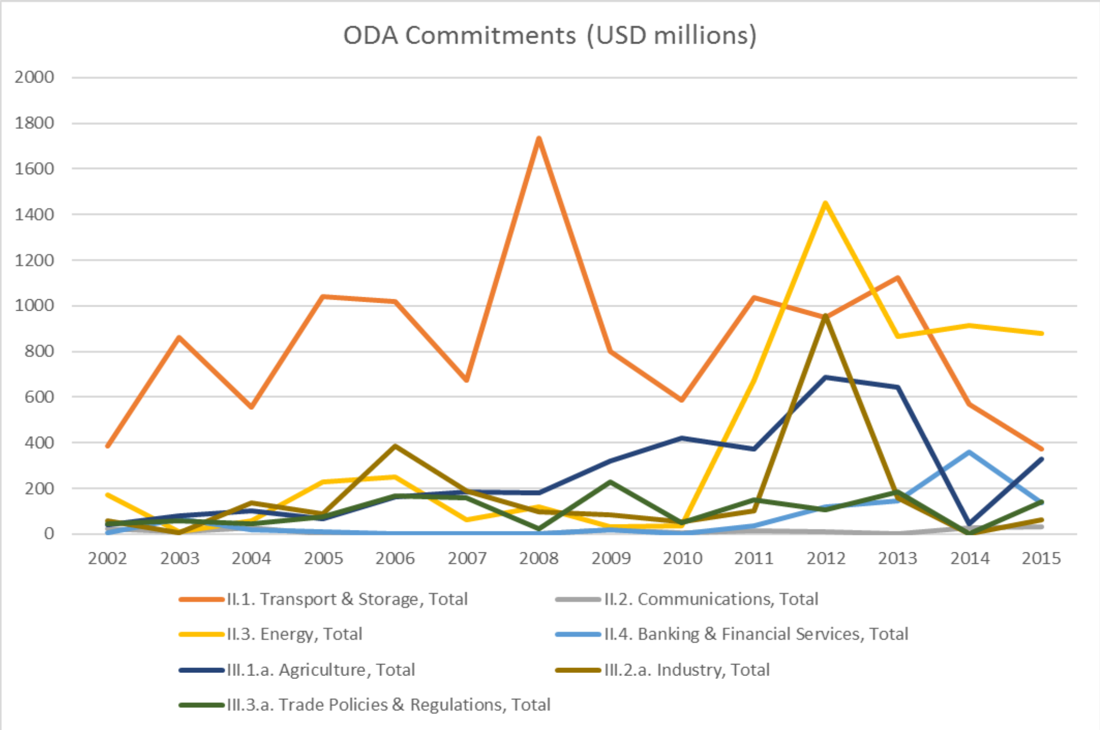
[10] European Commission, DG DEVCO. Aid for Trade Report (2015), retrieved at

http://trade.ec.europa.eu/doclib/docs/2015/september/tradoc_153808.pdf

[11] The full text of the Cotonou Agreement can be retrieved at http://www.europarl.europa.eu/intcoop/acp/03_01/pdf/mn3012634_en.pdf

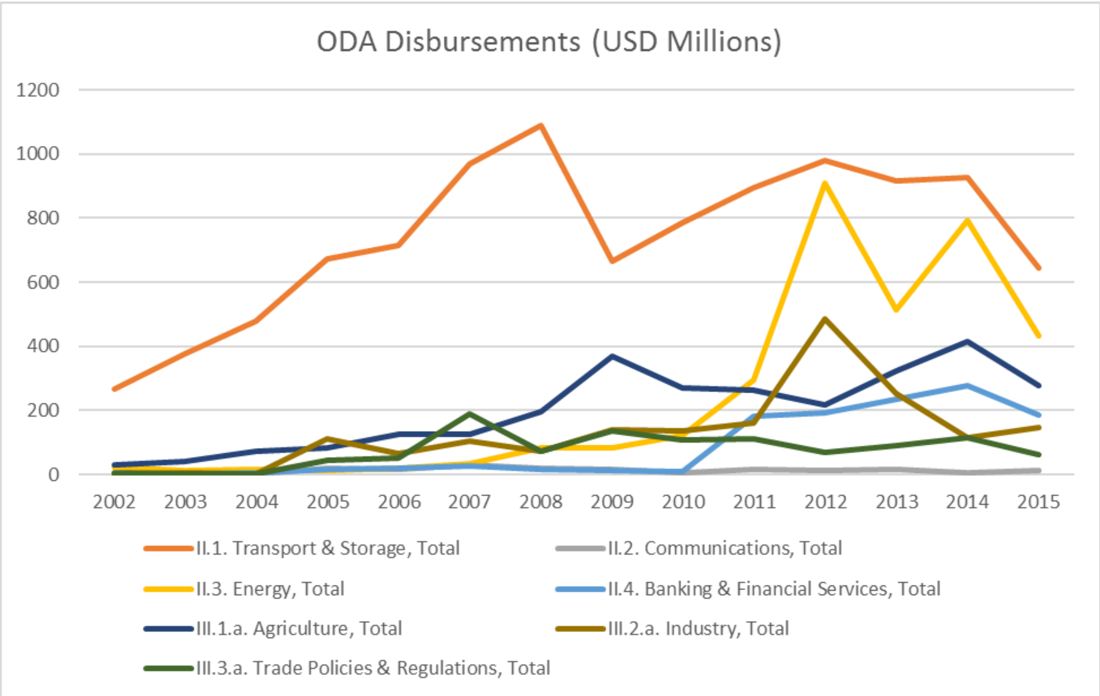
research and innovation in agriculture and enhancing sustainability for fisheries.[12]

Figure 2: Official Development Aid Flows from EU institutions



Source: OECD CRS Database, own representation

Figure 3: Official Development Aid Flows from EU institutions



Source: OECD CRS Database, own representation

[12] European External Action Service. Transform African Agriculture Factsheet. Retrieved 25.10.2017 at https://eeas.europa.eu/sites/eeas/files/6._transform_african_agriculture_final_2.pdf

AGRICULTURAL DEVELOPMENTS IN AFRICA

Dependence on agriculture measured as GDP share of agriculture ranges from a high in Sierra Leone (over 60%), Chad (50%) and Central African Republic (42.9%) to a low in South Africa (2.4%) and Zambia (around 5%)[13]. While some African countries have registered increases in agricultural value added and total factor productivity, others have experienced descending trends, leading to a very heterogeneous broad picture. The rapid population growth is accompanied by rises in unemployment and labour shifts to non-farm activities, which are nevertheless dependent on productivity increases in the agricultural sector. Farming will remain the main source of revenue and employment for the foreseeable future, which is why economic vulnerability and dependency relations continue to play a significant role. In the context of 40%–60% of smallholder farmers remaining either absolute buyers of staple foods or buying more than they sell over the course of the year (Jayne, Mather, & Mghenyi, 2010), subsistence agriculture appears to be unfit as a sustainable development strategy for the future. Furthermore, seasonality continues to be a significant determinant of price volatility and is reflected in consumption patterns of poorer households, which scale back their consumption of agricultural staples in the high-price months preceding harvests (Kaminski et al, 2014).

State of trade

The EU is Africa's main trade partner, with a share of 35.2% of total trade. 37.5% of African exports go to the EU, and 33.8% of imports originate from the EU. According to Eurostat's Africa-EU key statistical indicators (2016), the EU has an overall positive balance of trade with Africa, but a deficit for trade in food products, with imports from Africa exceeding exports. Most African products imported into the EU are from Algeria (16%), South Africa (15%), Nigeria (14%) and Morocco (9%), while most EU exports to Africa go to the same countries (South Africa, Algeria, Morocco, Tunisia, Nigeria and Egypt). DG TRADE's recently released statistics (May 2017)[14] show a more nuanced overview of trade with Africa. Imports of agricultural products from Africa make up nearly 15% of EU total trade and increased by over 7%, while exports amounted to 9.7% and decreased by 8% in 2016. For the time period 2013-2016, imports of agricultural products have been steadily increasing, whilst exports to Africa evolved differently and have been declining from 2015 onwards. Breaking down SITC sections by SITC category, we observe a steady increase in imports of food and fish from Africa, while EU exports of food and fish have been declining between 2013 and 2016.

Focus on Sub-Saharan Africa

Data from the recently released EU – Sub-Saharan Africa Agri-food Statistical Factsheet (2017) reveals that EU exports of food make up 12.5% of total trade and are declining, while EU imports of food are increasing and currently amount to 21.3% of total trade. EU imports overwhelmingly consist of primary products and commodities, while Sub-Saharan imports are distributed more evenly between commodities, processed food and beverages. In terms of exports, the EU's main products are wheat, cereal, dairy processed products such as infant food and poultry, while Sub-Saharan exports are dominated by cocoa beans, cocoa paste and powder, tropical fruit, seeds, coffee, tea and raw tobacco.

The largest increases in EU exports for 2015-2016 are in rice (80%), sugar (88%) and oilseeds (100%). As regards Sub-Saharan exports, significant increases are registered for soybeans (85%)

[13] World Bank Data, retrieved 25.10.2017

[14] Retrieved at http://trade.ec.europa.eu/doclib/docs/2011/january/tradoc_147189.pdf

and palm oil (273%). An interesting evolution is given by the ascending trend in EU exports of coffee, tea, cocoa paste and powder, suggesting that Sub-Saharan countries import back from the EU processed versions of the very products they export to the EU in unprocessed form. Furthermore, it becomes apparent that in sectors where EU exports increased, such as sugar or oilseeds, African exports were negatively affected, with Sub-Saharan sugar or oilseeds exports contracting by 20% each. This suggests there may be some truth to the hypothesis that EU exports are crowding out African exports in some sectors.

Endogenous weaknesses

Institutions and Growth

Inclusive economic institutions go beyond the notion of free market, ensuring a level playing field and rights and opportunities available to all social categories, not just to the elite. In the absence of inclusive political institutions, extractive economic institutions arise, which are established by the ruling elite to extract rents from the general population. This leads to a vicious cycle of enrichment of elite, which in turn consolidates power structures (e.g. via financing military rule). Fearing the redistribution of resources through inclusive economic institutions, or the dilution of power via inclusive political institutions, the ruling elites effectively have incentives against prosperity and maintain a set of extractive political and economic institutions, which have a highly detrimental effect on development. (Acemoglu and Robinson)

In the case of Africa, history plays a significant role in the establishment of so-called path dependencies. Slavery is a classic example of an extractive institution that set in force a path of institutional change. The economic and political development of certain African states were historically dominated by the goal of capturing and selling slaves to Europeans (particularly bad in Angola, Ghana, Senegal, Gambia, Mozambique, Congo) via continuous warfare, often with devastating effects on fertility, demographics and education. Following the abolishment of slavery in the 19th century, slaves continued to be employed internally in agriculture and plantations, cultivating export products for "legitimate commerce" (Acemoglu and Robinson, p. 256).

With respect to agriculture, its development was influenced by the concept of a so-called Dual Economy (Lewis, 1954), created by European colonialism as an artificial divide between a traditional and a modern sector. The South Africa case (Acemoglu and Robinson, p. 262) showed how incumbent prosperity via modernization of the agricultural sector (following the introduction of irrigation, fencing, plows) and individual property rights was kickstarted an economic boom that led to increasing prosperity among African farmers. Their agricultural performance drove down prices for crops also produced by Europeans, which in turn led to an active policy to impoverish black farmers, remove private property and transform them into a pool of cheap labour. This was achieved by dividing South Africa into a modern sector and a traditional, impoverished one. 87% of the land was allocated to the white population following the Natives Land Act of 1913 (a precursor of the future Apartheid regime), education for Blacks was actively discouraged and their access to skilled jobs forbidden – a textbook example of extractive political institutions leading to no economic incentives or means of economic survival for blacks, other than as source of rented unskilled labour.

In the case of Sierra Leone after 1967, Stevens pursued a policy of active destruction of railways to eliminate political opposition of Mende farmers, thus eliminating infrastructure for exports (cocoa, diamonds, coffee). Colonial, extractive institutions such as marketing boards were also preserved during Stevens' rule. Although theoretically designed as a price-setting institution to cushion against fluctuating world prices for agricultural commodities, they turned out to be highly extractive in practice, paying farmers much less than the world price and hence destroying any incentives to invest, use fertilisers or preserve the soil. Another example is the institution of undemocratically elected paramount chiefs (Fanthorpe, 2001), originally established during colonial rule then preserved after independence to collect taxes and act as "land custodians". In practice, this translated to insecure property rights over land, a dependence on personal connections to the chief and the inability to sell, buy or use land as collateral, or to freely choose which crops are cultivated.

Zimbabwe showed a similar evolution, when the Mugabe regime took over colonial extractive institutions (agricultural marketing boards, price controls and trade regulations, state run industries) and engaged in land expropriations and redistribution to consolidate political power. This led to insecure property rights in agriculture and the collapse of agricultural output and productivity. Ghana, Kenya and Zambia followed similar trajectories. Overall, there was a large degree of continuity in extractive institutions following colonialism.

The success story of Botswana relied on a combination of relatively inclusive traditional political institutions (state centralization, accountability of chiefs and private property rights for cattle) and comparatively low interest of British colonial power to establish extractive institutions (no marketing boards). Following independence, the country transitioned towards inclusive political institutions via democratic elections, and established marketing boards that encouraged fencing and meat exports. Before the discovery of diamonds, the legislative framework made mineral resources property of the nation, not of tribe, thus generating revenue streams to fund investments in infrastructure and education. This was accompanied by state centralization via active policies to eliminate heterogeneity through education (e.g. promotion of a single national language).

The role of institutions and colonial history becomes apparent also with respect to **land grabbing**, an issue that has been extensively discussed in the media. It is perpetuated by foreign entities such as sovereign wealth funds and financial actors looking for investment opportunities, state-owned enterprises from emerging (BRICS) and developed (OECD) economies, or transnational agribusiness corporations. Accordingly, a significant share of these deals is aimed at agricultural production. The arguments pro foreign investment in agriculture mention modernization of the agricultural sector, economies of scale, widespread mechanized farming and employment opportunities (Borras and Franco, 2010b). Critics invoke factors such as commercial pressure on land, less poverty alleviation in the case of large capital investments than when small scale farming is encouraged (de Schutter, 2011), but also the problematic power dynamics that arise from outsourcing human rights and codes of conduct to corporate capital (Baglioni and Gibbon,2015). In general, both the supply and the demand of land have increased, with investors being met by a willingness on the part of African states to cede land. Land grabbing can thus be understood as a crisis of neoliberalism intersecting with neoliberal development narratives, as privatization of state owned plantations and large-scale farms accelerated after the food crisis of 2007. (Kachika, 2017)

Baglioni and Gibbon (2015) examine 20th century agricultural policies with respect to plantations, large scale and small scale farming in order to elucidate the historical and organizational continuity between the current, foreign-led scramble for land and past agricultural trends and models. While the media predominantly paints a picture of "accumulation by dispossession" and a neo-colonial push of rich countries buying resources off poor countries (Hall, 2011), reality is more nuanced. They highlight the historical resilience of domestic capital and of investments by non-white, indigenous actors, such as local business people, civil servants and politicians, either on their own or in partnerships with foreign capital.

Hall (2011) highlights how the popularity of the generic term "land-grabbing" conceals the diversity in outcomes, legality and structure of commercial land deals, as well as the key role indigenous and local elites play in such deals. Agrarian change is a highly complex process involving a mélange of historical continuities and countervailing trends, that has been oversimplified by the media. Land-grabbing is generally associated with highly publicised "mega deals" of questionable legality, in which foreign investors dispossess local communities in large scale acquisition projects. Overall, she finds that most land-grabbing deals are predominantly legal (even if they violate international human rights conventions) and heavily rely on partnerships with domestic investors or domestic parastatal institutions, a conclusion also supported by Kachika (2017). Furthermore, grabbing is not only reduced to land, but also involves the grabbing of minerals, forestry, water resources and pools of cheap labour to be employed in their exploitation. Furthermore, large food production deals appear to be scarce, limited to a narrow number of crops and oriented towards export rather than servicing domestic markets.

Borras and Franco (2010a) propose a framework with four categories for capturing the multidirectional evolution of land deals. Potential for problematic developments lies in each of them: domestic food production in food-insecure countries replaced with food production or production of biofuels for export, or indigenous forest clearances to produce food and biofuels for export. Social power dynamics with respect to land are also captured in four categories: redistribution of land to the landless in a zero-sum manner, distribution of land in market-based reforms, non(re)distribution that formalises pre-existing inequality conditions and employs privatization of public land, and finally, re-concentration, when land is redistributed to the benefit of political or corporate elites.

Biofuels production to the detriment of food has been observed in Tanzania, Zimbabwe, Zambia, Angola, Madagascar, Senegal and Mozambique (Kachika, 2017). The production of agrofuels is focused on crops such as sugarcane and jatropha and oriented in the direction of serving external markets such as the EU, while developments of small-scale processing industries to help farmers generate fuel from their own livestock and supply rural households have lagged behind, as did job creation. Following the dip in oil prices and the mounting skepticism as to the profitability of biofuel production, the initial rush has subsided. (Hall, 2011)

Zimbabwe provides a clear-cut illustration of the countervailing trends mentioned in Hall (2011). While land grabs initially referred to the illegal occupation of commercial farms by poor, black farmers, a phenomenon that started in the early 2000s, the situation has been reversed, with insecure property rights making way for a new generation of state-led land grabs. Interestingly, the actors at the forefront of the new land grabbing movement are domestic investors and state institutions, with foreign companies present only in the role of contractors for technical assistance of contract farming.

Another trend with respect to land grabbing are intra-regional movements, in particular of white, South African farmers facing a loss of their apartheid privileges and increasingly high hurdles at home (such as minimum wage and labour rights requirements, or claims by formerly dispossessed black farmers). The response has been to relocate to other African countries and negotiate large, often questionable deals with other African governments offering land. Hall (2011) describes a significant expansion of farmers' associations and large agribusiness corporations and processing industries, often centrally organized and sponsored by the South African state, and warns against a "South Africanisation of the region" that would render the agrarian structure of African countries more similar to that of a settler state.

To summarize, the development of power dynamics in African agriculture nowadays points out towards an intervention vacuum of the European Union. First, historical dependencies and extractive institutions have persisted after decolonization, a situation that becomes apparent with respect to to land grabbing, where African state institutions play a key role in facilitating or leading abusive deals. Furthermore, the legality of those deals seems enshrined in national legislative frameworks, which points out the necessity of legal reforms guaranteeing human rights. Additionally, the presence of non-EU investors sketches a picture of shifting spheres of influences and a decreasing importance of the EU. It thus becomes clear that there is significant potential for the EU to act as a driver of change and a key player in the region, by exporting its corporate values and standards and by enforcing the political conditionality of regional cooperation agreements more strictly. With respect to the former, the binding European Parliament resolution on conflict minerals[15] is a first step. Furthermore, EU trade agreements mention CSR standards, which are nevertheless criticized for not being properly enforced or sufficient to mitigate the effects of land grabbing (Borras and Franco, 2010b).

Current Picture

Despite market liberalization, African agricultural factor markets are still subjected to **widespread market failures** that appear to be structural and unrelated to factors such as geography or gender of the household head (Dilllon & Barrett, 2014). Challenges such as poor infrastructure, insecure property rights over land, limiting regulations that prevent investment in agriculture, lack of access to credit, electricity and modern technologies or limited labour and capital mobility still plague the agricultural sector. Another factor inhibiting growth is the increased proliferation of very small farms due to fragmentation of land in family holdings (as part of inheritance processes), which greatly limits efficiency. Further issues related to market failures and power relations have also been addressed in existing literature, such as land-grabbing activities by foreign nationals, speculative operations involving land and markets that are not accessible to vulnerable demographic categories, such as women or young people. (IFAD Rural Development Report 2016, p. 145-146). Institutional deficiencies in some countries are other explaining factors.

Agriculture is still the **main source of income** for the rural population, with little income diversification and very low transition into wage labour inside or outside the agricultural sector. After controlling for GDP and level of development, diversification appears to be in line with levels observed in other countries and conditional on household wealth, with wealthier households deriving a larger share of their income from nonfarm activities (Davis et al, 2014). Labour productivity is low, which seems to be determined by labour allocation and employment gaps, as measured by the amount of hours of work supplied by labourers (McCullough, 2015). Non-farm enterprises have a limited contribution to rural household incomes and mostly operate informally and/or seasonally, as a means to cope with agricultural shocks or to create employment opportunities for household members (Nagler & Naude, 2014).

The use of **modern inputs** is still limited and low input agriculture is preferred. There is a large degree of heterogeneity between countries, as well as large within-country variations (modern agricultural inputs are used differently according to region – richer and less educated use more - and variables such as gender). Overall, there are large deviations from an optimal usage (ex. negligible irrigation and tractor use, input combinations not employed together to maximize agricultural output, lack of credit usage to purchase inputs) (Sheahan & Barrett, 2014). In terms of **crop diversification** and changes in production structures, the trend appears to be stagnant as well, with output growing but remaining limited to basic agricultural staples. In general, agricultural growth can mostly be attributed to expansion in land and labour use and favourable price and terms of trade effects, with technological change or increased use of inputs assuming a much less significant role. (IFAD Rural Development Report 2016) **Post-harvest losses** (i.e. the amount of food that is discarded between production and consumption) appear to be minor, uncorrelated with poverty and reduced by factors such as economic incentives, post-primary education and gender of the household head (with female-led households experiencing lower losses) (Zoya et al, 2011). Overall, **agriculture is intensifying** in response to demographic pressures, urbanization and better market access, but at the expense of sustainability and soil degeneration. Permanent land cropping is becoming the norm, while investments in agriculture technology are lagging behind (Binswanger-Mkhize & Savastano, 2014).

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[15] http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2017-0090+0+DOC+XML+V0//EN

The current agricultural situation in Africa highlights the need for economic incentives for larger-scale, community-integrating agricultural initiatives such as **agricultural cooperatives,** to stop the fragmentation of land and increase efficiency. Several studies for Ethiopia have highlighted the positive impacts of cooperative membership on agricultural extension and the use of fertilizer (Abebaw & Haile, 2013), improving the livelihoods of farmers by facilitating higher incomes, lower input costs and higher savings (Getnet & Anullo, 2012) and may generate positive spillovers for non-members. (Bernard & Spielman, 2009)

POLICY RECOMMENDATIONS

Market failures in Africa are structural and connected to poor governance and a lack of functioning institutions. (Bräutigam and Knack, 2004) This suggests that aid should go beyond addressing the lack of tangible resources and providing material support or temporary external assistance (as is often the case with European experts being sent in to provide technical assistance). Focus needs to be on **long-term orientation and capacity building on an institutional level**.

Following a decline in the role and capacities of the state under neoliberalism, NGOs have witnessed an increasingly high usage of their services in development programs in Africa. Nevertheless, non-state actors face limitations stemming from their very nature, such as the often small size of the projects, limited institutional capacity, limited awareness of the sociocultural milieu in which they operate or the problematic notion of relying on private actors to fix society-wide problems, thus increasingly weakening and bypassing the state. NGO developmental solutions and outcomes are inherently small-scale and short-term, and may not be replicable or efficient on a national level, which raises the necessity of state institutional development and closer cooperation with governmental actors. (Nega & Schneider, 2014). Some authors also argue the focus on microlending and social entrepreneurship in Africa is leading to a commodification of basic services and "spreading the market into the very life of the poor through the commodification of basic services, and the turning of the poor into micro-entrepreneurs relying on microcredit" (Maharaj et al. 2011), while the focus should be on building up a politically sound state as a critical institution of development (Nega & Schneider, 2014).

The EU could contribute to the creation of sound, inclusive political and economic institutions within the framework of the Cotonou Agreement, as part of the Political Cooperation Pillar, or using the GSP+ framework. **Political conditionality** is an important tool, rendered even more credible and thus effective by the current geopolitical context and the increased global focus on democracy and human rights (Dunning, 2004). The focus should thus lie on the proper enforcement of conditionality, in order to create clear incentives for reform.

On the African side, EPA partners have some institutional advantages when it comes to trade with the EU and should **make full use of EPA advantages by protecting sensitive sectors.** For instance, the interim agreement with West Africa includes a chapter on trade defence with bilateral safeguards allowing each party to reintroduce duties or quotas if imports of the other party disturb or threaten to disturb their economy; there are also safeguards for food security or the protection of infant industry[16]. In the case of Ghana, it has chosen not to liberalise some sectors deemed sensitive, such as sugar, chicken, tomatoes or tobacco, which will continue to be taxed at the regular ECOWAS tariff rate.[17]

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[16] Chapter 2, Art. 22 and 23. Full text of the agreement available at http://data.consilium.europa.eu/doc/document/ST-13370-2014-INIT/en/pdf

[17] European Commission, DG TRADE. Interim EPA Between Ghana and the EU Factsheet, 2017, available at http://trade.ec.europa.eu/doclib/docs/2017/february/tradoc_155314.pdf

Targeted EU assistance for industrialization success stories such as the development of the textile industry in Madagascar or cocoa processing in Ghana and Cote d'Ivoire[18] is crucial, especially since importing back products processed in the EU hurts the same sectors in the domestic market. This could be achieved in the form of sector-specific grants from EU development assistance funds, so as to provide funding for incentive schemes such as tax credits. Given that the share of ODA funds allocated to industry is rather low, there is potential for redistribution here.

Overall, this paper has highlighted the need for a recalibration of EU policy and more differentiated narratives with respect to agricultural relations between the EU and Africa. While trade is often portrayed in an overly simplified manner as the main factor hindering agricultural development, reality is more nuanced. African countries are often plagued by a long history of extractive institutions, both politically and economically, which lead to a vicious cycle of unequally distributed resources, exploitation, insecure human rights and a lack of incentives for innovation. This becomes apparent when examining the agricultural sector and phenomena such as land-grabbing, which often involve African elites partnering with foreign investors to conclude controversial deals. Overall, EU external policy should focus on building institutional capacity and strengthening state centralization, so that African partners can fully take advantage of the preferential trade regime with the EU and improve their position with respect to power dynamics.

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