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# A REGIONAL STRATEGY FOR THE STAPLE FOODS VALUE CHAIN IN EASTERN AFRICA

**A PRACTICAL APPROACH TO IMPROVING STAPLE FOODS  
COMPETITIVENESS AND FOOD SECURITY**

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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# ACRONYMS

ACOS	Agricultural Commodity Supplies
ACTESA	Alliance for Commodity Trade in Eastern Southern Africa
AISP	Agricultural Input Subsidy Program
COMESA	Common Market for Eastern and Southern Africa
COMPETE	Competitiveness and Trade Expansion Program
EAC	East African Community
EAGC	Eastern Africa Grain Council
EIAR	Ethiopian Institute of Agricultural Research
ESE	Ethiopian Seed Enterprise
FBO	Farmer-based organization
FTA	Free-Trade Area
GATT	General Agreement on Tariffs and Trade
MIS	Marketing information system
NGO	Nongovernmental organization
RATIN	Regional Agricultural Trade Intelligence Network
REC	Regional Economic Communities
RFBS	Regional Food Balance Sheet
SPS	Sanitary and phytosanitary
WRS	Warehouse Receipts System
WTO	World Trade Organization



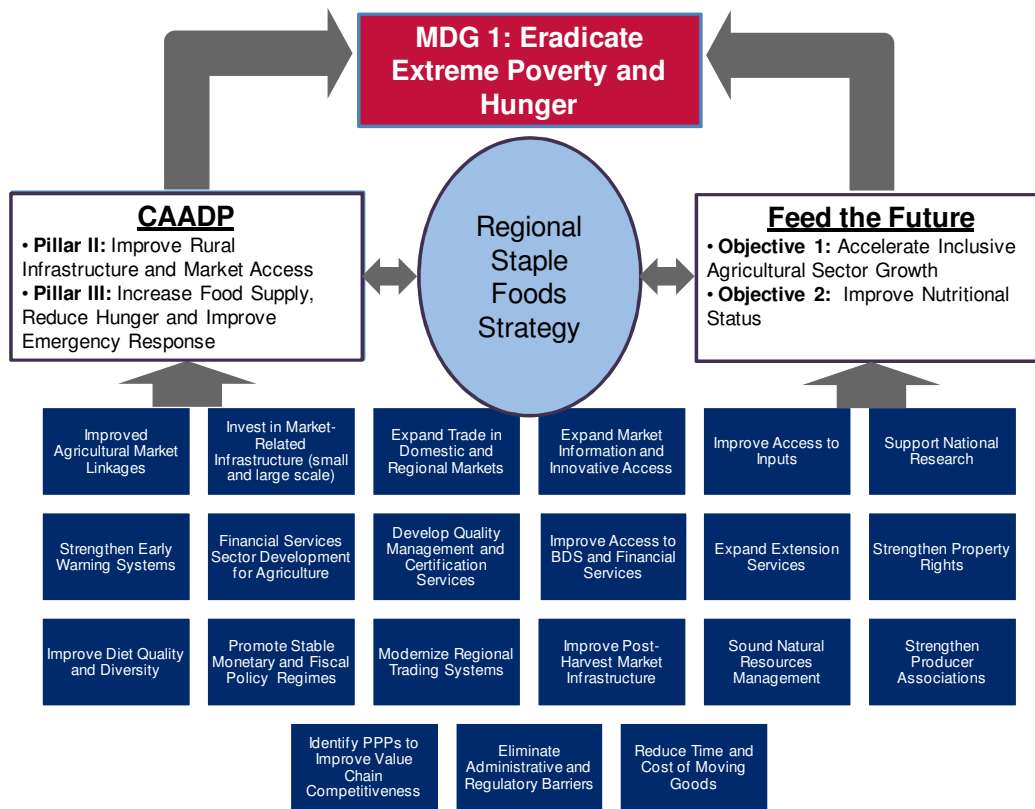
## **I. BACKGROUND TO THE REGIONAL STRATEGY**

Competitiveness is generally defined as the ability to efficiently produce goods and services for which there is high demand that leads to higher standards of living that are sustainable in the future. Strategy is about choice — choosing what to do to build competitiveness from a long list of viable options. This process requires making difficult decisions around what not to do as much as it entails choosing what to do. The Regional Staple Foods Competitiveness Strategy that follows reflects the choices made as a result of extensive analysis of the sector’s key constraints and a dialogue with key regional stakeholders in 2010. It also details the interventions and initiatives required to drive progress against key priorities.

### **A. Positioning the Strategy within Existing Global and Regional Initiatives**

The time is right for a regional staple foods strategy to focus and augment existing efforts. USAID COMPETE has been tasked with developing a five-year regional strategy for the staple foods value chain in Eastern Africa in collaboration with its regional trade association partner, the Eastern Africa Grain Council (EAGC). Development of this strategy is timely, as there has been a big push under the United Nation’s Millennium Development Goals, the New Partnership for Africa’s Development’s Comprehensive Africa Agricultural Development Program, and the U.S. government’s Feed the Future initiative to raise agricultural productivity, integrate smallholders into commercial markets, develop dynamic regional and sub-regional agricultural markets, and achieve food security. The East African Community (EAC) is also developing a Regional Food Security and Nutrition Plan that should help support regional staple foods value-chain development. The strategy USAID COMPETE has developed, in collaboration with the regional value chain contributes to and complements all of these initiatives. It also helps push the broader regional integration agenda, which is so critical to the issue of food security. Exhibit 1 below shows how the regional staple foods strategy fits in the context of the Millennium Development Goals, the Comprehensive Africa Agricultural Development Program, and Feed the Future.

## Exhibit 1. Positioning the Regional Strategy within the Context of Key Regional Initiatives



The strategy is already being used as a tool to shape the regional staple foods agenda. Following the validation of the regional strategy and implementation plan by a group of stakeholders at a meeting held in Entebbe on November 8, 2010, USAID COMPETE has held multiple meetings with donors and other implementing partners that are all eager to align their strategies and design their programs to fit within the regional strategy. The EAGC has developed its work plan to lead and drive forward key initiatives from the strategy. The Common Market for Eastern and Southern Africa’s (COMESA) Alliance for Commodity Trade in Eastern Southern Africa (ACTESA), which is leading the regional effort to promote agricultural trade and will be instrumental in the integration of regional agricultural value chains, has indicated that it would like to adopt the regional strategy as its own institutional strategy and assume ownership of the strategy.

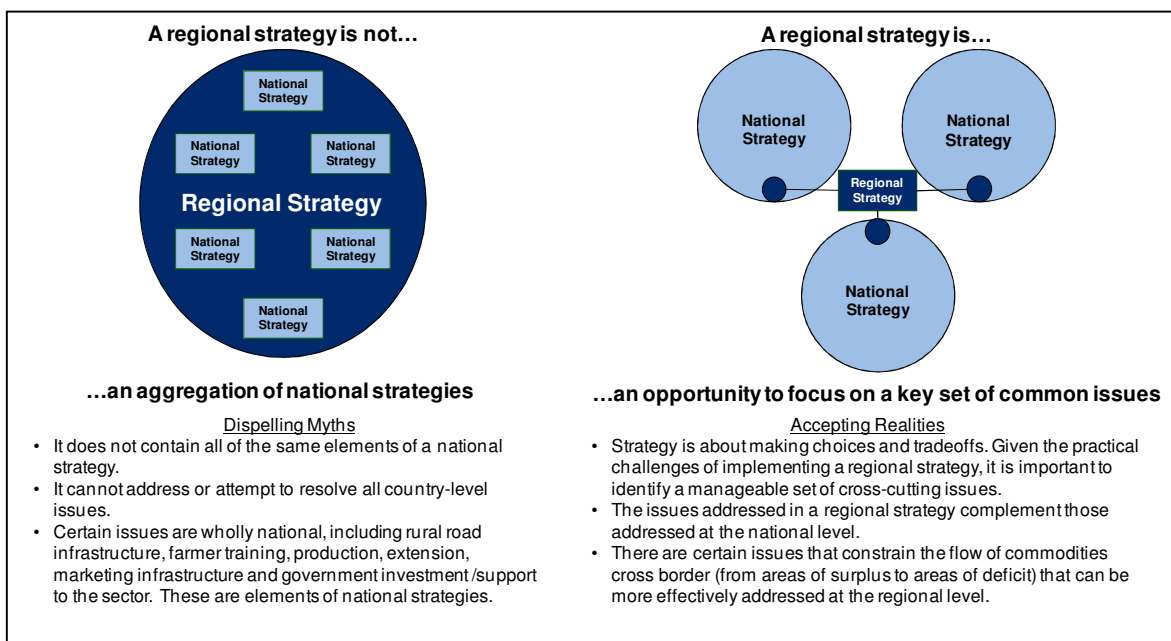
### B. Defining Regional Strategy

*Moving away from the traditional approach to competitiveness.* Developing a regional value-chain strategy is a novel undertaking in the field of competitiveness. Historically, value-chain competitiveness strategies have been developed at the national level where the players (private and public sector) are known to and familiar with each other, where constraints/challenges and priorities are well understood and where interests, which may initially be divergent, can be aligned provided the facts are well articulated, strategic alternatives/objectives are easily understood, and a strong case is made for the benefits of collaboration. This familiarity within national

value chains makes it easier to get people moving in the same direction, to agree to a unique strategic positioning, and to design public and private sector interventions to deliver on the strategic vision.

Looking at value-chain competitiveness through a regional lens required USAID COMPETE to rethink the traditional, national competitiveness strategy archetype and develop a new approach that differentiates between issues that are national in nature and those that are best addressed from a regional perspective. Exhibit 2 below details USAID COMPETE’s approach to regional strategies and how it addresses national issues.

### Exhibit 2. Understanding Regional Strategies



This regional recasting of the strategy methodology allowed USAID COMPETE to keep the process manageable and to focus on areas of convergence and those key drivers of regional competitiveness that cut across countries. USAID COMPETE used a simple filter as the first step in identifying national issues and to help narrow down the universe of potential regional priorities. Issues that either facilitate or impede the flow of products (inputs, raw commodities, processed goods, etc.) cross-border were labeled regional. Whereas issues that are fixed within a country’s borders or are governed solely by national policies or regulations were considered national. Certain issues such as finance and transit that impact all sectors in a similar way and that could be difficult to address solely within the context of a regional staple foods strategy were considered outside the scope of the regional strategy; however, where specific finance and transit issues touch or are central to key value-chain priorities, they feature prominently.

Exhibit 3 below identifies some potential regional and national issues. It is, however, important to note that this list is not completely mutually exclusive and that there will be some natural cross pollination between regional and national issues, particularly as the on-the-ground national implementation of many regional initiatives will rest with

national organizations. Successful implementation will require close collaboration and coordination between regional and national entities.

### Exhibit 3. Distinguishing Regional and National Issues

Potential Regional Issues	National Issues
<ul style="list-style-type: none"> <li>• Trade policy</li> <li>• Knowledge (e.g., sector/market information, research and development — management)</li> <li>• Marketing infrastructure (commercial warehousing)</li> <li>• Commodities exchanges</li> <li>• Transit</li> <li>• Finance</li> <li>• Quality assurance (grades, standards, and certifications)</li> <li>• Regional links and networks</li> </ul>	<ul style="list-style-type: none"> <li>• Production/improved productivity</li> <li>• Extension services and farmer training</li> <li>• Government support to sector (budget commitments, investment incentives, input supply system support)</li> <li>• National infrastructure (road/rail network, electricity)</li> <li>• Product diversification/expansion</li> <li>• Marketing infrastructure (on-farm storage, aggregation facilities)</li> <li>• Building local research and development capacity (training and funding)</li> <li>• Land tenure systems/property rights</li> </ul>

USAID COMPETE also adapted the strategy process to account for the added complexities that arise when more than one country is involved in the process. USAID COMPETE engaged value-chain stakeholders at the national level to discuss and prioritize national level issues/constraints, the results of which were aggregated into a regional prioritization of issues that informed the development of detailed implementation plans and timelines. Although the national-level strategy process is not simple by any means, the factors listed below, which complicate the regional strategy development process, are not present at the national level:

- Divergent national/government interests
- Balancing regional v. national interests (accounting for the highly political nature of staple foods)
- Conflicting trade policies, regulatory regimes, standards policies, etc., such as varying degrees of government intervention in agricultural markets
- Inconsistent regional economic community membership
- Varying stages of national/value-chain development
- Limited cross-border value-chain links and regional value-chain players
- Addressing issues of national sovereignty and managing work with multiple countries’ ministries, regulatory bodies, customs agencies, bureaus of standards and private sectors
- Disparities in market dynamics and marketing infrastructure

Although these issues make developing a regional strategy challenging, they further complicate the difficult task of coordinating and implementing strategic initiatives. USAID COMPETE therefore determined that detailed implementation plans that provide activity/task-level detail and clearly present the logical flow of implementation activities from regional to national implementation (and vice versa) would be critical for the strategy to achieve its goals. These detailed plans can be found in Section IV.

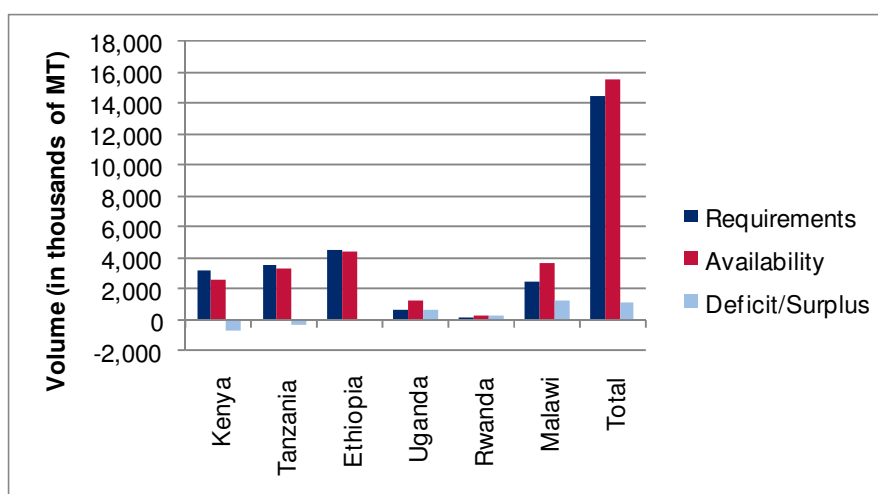
## II. CURRENT SITUATION OVERVIEW

### A. Regional Value Chain Analysis

#### A1. Understanding the Problem

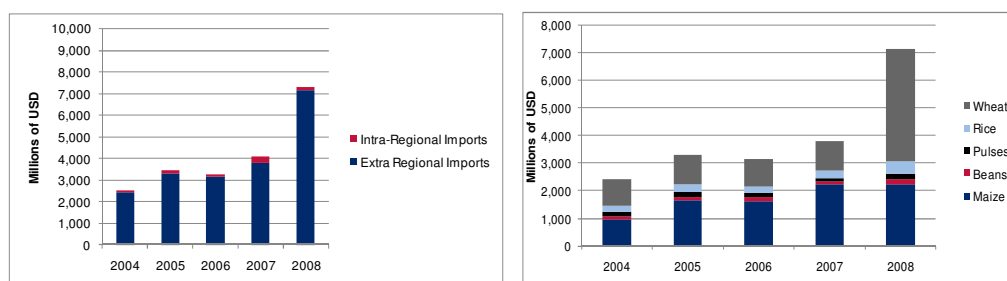
East and Southern Africa is a region that should be able to feed itself but isn't. A quick look at the maize food balance sheet (see Exhibit 4 below) for six countries across the region as of September 2009 reveals that despite deficits in certain countries such as Kenya, Tanzania, and Ethiopia, the region as a whole had sufficient production volumes to satisfy its own maize requirements. Analysis from other years and for other key staples commodities such as beans and pulses also show a regional surplus, while rice and wheat show a regional deficit. It is generally accepted that for many staples products, the region can, in most years, produce sufficient volumes to feed itself. The question that the regional strategy attempts to answer and subsequent implementation plans are designed to resolve is this: if the region could feed itself, what is constraining the movement of commodities from areas of surplus to areas of deficit and why does the region rely so heavily on imports from outside the region?

**Exhibit 4. Regional Maize Balance Sheet (as of September 2009)**



The region is almost entirely dependent on extra-regional imports to supplement national production and meet food needs. An analysis of trade data for the following basket of five staple commodities — maize, beans, pulses, rice, and wheat, which represent 92 percent of all imports into the region — reveals a worrying trend. As the chart on the left in Exhibit 5 below illustrates, the COMESA region (plus Tanzania) is increasingly reliant on imports from outside the region to meet its food requirements. For the 2004-2008, intra-regional imports represented an average of ~4 percent of all non-locally sourced commodities. Add to that the fact that extra-regional imports for the basket of five staple foods grew at an average annual rate of 31 percent, significantly faster than the 11.7 percent for intra-regional trade, and the trend becomes even more worrying.

## Exhibit 5. Regional Import Value Data with Extra-Regional Import Detail



Source: COMESA COMSTAT Database, International Trade Center Trade map (for wheat import data)

As the chart on the right above shows, extra-regional wheat imports, which were fairly static from 2004-2007, exploded in 2008. This clearly skewed the annual growth rate for the period. However, when USAID COMPETE removed wheat from the basket, the annual extra-regional growth rate for the new basket (maize, beans, pulses, and rice) was still 20.6 percent compared to 13.5 percent for intra-regional trade. It is clear that extra-regional imports are becoming a more important piece of the region's food security equation, and as a result, the region will be increasingly at risk to global price volatility and food supply shocks. The challenge for the region now is how to reverse this trend. It must determine how to tap and distribute regional surpluses and where to invest its limited resources to drive its own food security.

Looking at the five-year average (2004-2008) composition of extra-regional trade value data also raises interesting questions. For example, if there often exists a surplus of maize at the broader regional level, why does maize represent ~44 percent of the average extra-regional import basket with an annual average value of \$1.76 billion and why has that number grown at an average annual rate of 22.7 percent (see Exhibit 1 below) from 2004-2008? One possible answer: given maize's importance in national food baskets, it is highly politicized and is therefore often the focus of export bans and other market interventions that limit regional supply and impinge on the competitiveness of regionally produced maize. Consequently, countries within the region have to rely on exports from outside the region to meet national demand despite the fact that there might be a surplus just across the border. Other possible answers: there is limited knowledge of what is available within the region and/or moving commodities from one part of the region to another is not cost effective. One thing that is clear from discussions with the value chain is that it is not just one factor that limits intra-regional trade.

Exhibit 6 (next page) provides more detail on intra- and extra-regional import values for the five key staples commodities for 2004-2008. It is important to note that these data represent only formal trade flows as captured by COMESA and the International Trade Center. Given that a significant portion of intra-regional trade in staples is informal, the data below likely understates the real value of intra-regional flows; however, it is difficult to imagine that it could approach the extra-regional numbers given increased demand for all commodities and the limited and variable nature of local production.

## Exhibit 6. A Detailed Look at Import Values by Commodity (in Millions of USD)

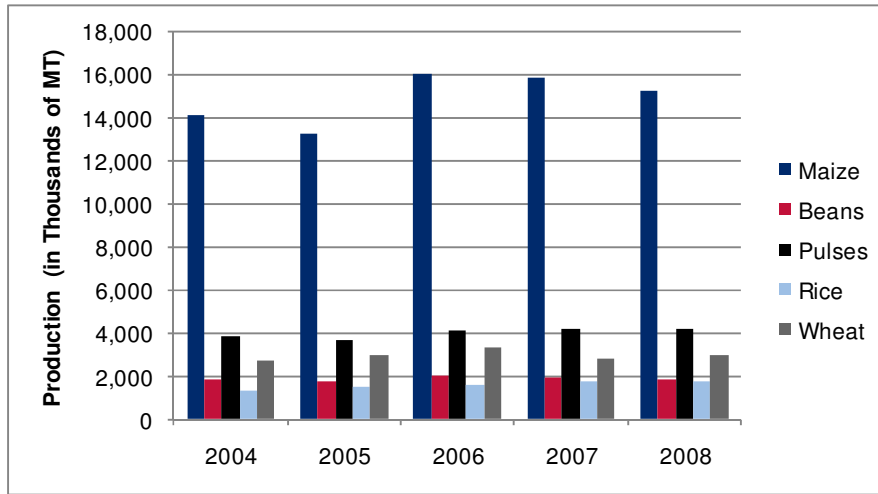
Commodity	2004	2005	2006	2007	2008	Five Year CAGR
<b>Maize</b>						
Extra Regional Imports	975	1,659	1,619	2,212	2,214	22.7%
Intra-Regional Imports	30	7	2	122	49	13.4%
<b>Beans</b>						
Extra Regional Imports	119	117	142	122	212	15.6%
Intra-Regional Imports	11	8	20	31	19	15.5%
<b>Pulses</b>						
Extra Regional Imports	119	177	161	144	184	11.6%
Intra-Regional Imports	6	40	2	6	3	-17.9%
<b>Rice</b>						
Extra Regional Imports	240	266	233	270	466	18.0%
Intra-Regional Imports	30	77	65	109	57	17.0%
<b>Wheat</b>						
Extra Regional Imports	982	1,081	998	1,067	4,087	42.8%
Intra-Regional Imports	7	9	1	1	3	-21.6%

Source: COMESA COMSTAT Database, International Trade Center Trade Map (for Wheat Import Data)

*Stagnant production coupled with significant demand growth.* The issues that limit the region's ability to feed itself are well known. One factor is stagnant production, which is further exacerbated by rapid population growth, increased urbanization, and rising incomes. Not only is demand increasing across the region but the composition of that demand is changing as a result of economic growth and urbanization. The increased demand for imported rice and wheat is a good example of this. Exhibit 7 below depicts aggregate production volumes for the following seven countries in the region: Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia (which USAID COMPETE used as a proxy for the rest of the region). A quick look at the chart below shows flat production growth for 2004-2008 across all five commodities. Annual production growth in key staples such as maize and beans has been a meager 1.9 percent and 0.3 percent respectively. The average annual growth in production for 2004-2008 for the entire staples basket was 2.2 percent. If this low rate of production growth continues and the population in that same group of countries grows at the projected annual rate of 2.5 percent<sup>1</sup>, it will become increasingly difficult for the region to break its dependence on imports from outside the region and food aid.

<sup>1</sup> Population Reference Bureau, <http://www.pbr.org>; USAID COMPETE analysis

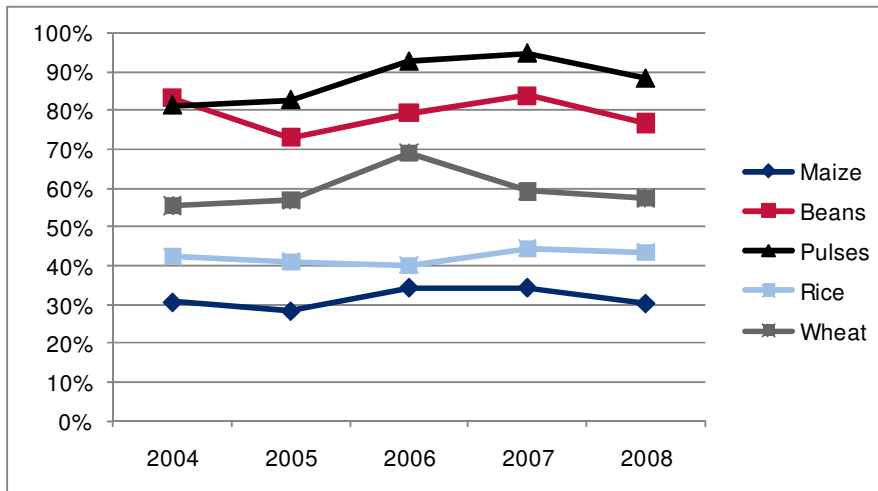
**Exhibit 7. 2004-2008 Production Volumes for Seven Countries**



Source: FAOSTAT and USAID COMPETE Analysis

*Poor productivity/yields and limited improvement for key staples.* USAID COMPETE derived yields of key staples in the region (again using Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia as a proxy) for 2004-2008 from Food and Agriculture Organization data on production (MT) and area under production (ha). The region's yields relative to the global average for each commodity is a good indicator of the region's competitiveness at the individual commodity level. Not surprisingly, relative yields were well below the global averages with the exception of pulses and beans, whose yields were slightly closer to global averages. Exhibit 8 below illustrates that relative yields of maize, rice, and wheat — the three fastest-growing commodities in terms of extra-regional imports — were less than 60 percent of the global average. The regional average yield for maize, the most important staple commodity across the region, was only 30 percent of the global average.

**Exhibit 8. East Africa's Relative Yield of Key Staple Commodities**



Source: FAOSTAT and USAID COMPETE Analysis

The above exhibit underscores a significant and well-known fact: (East) African farmers are producing far below what is technologically possible. Annual yield growth in the five commodities for 2004-2008 was: maize, 0.7 percent; beans, 1 percent; wheat, 2.1 percent; rice, 2.3 percent; and pulses, 2.3 percent<sup>2</sup> (maize) and 2.3 percent (pulses). With average annual yield growth for 2004-2008 effectively flat, the limited production gains are probably the result of increased area under production. Looking at this within the context of the global food production, it is clear that the increases in production that helped alleviate the global food crisis of 2007 occurred outside of Africa. In fact, much of the increase came from rich countries, which increased their 2008 harvests by 11 percent, while developing countries only increased their production by 1 percent<sup>3</sup>. Production in the regional proxy group across the basket of five commodities actually decreased 2 percent from 2007 to 2008<sup>4</sup>. Consequently, Africa's food security is as tenuous as it was before the crisis. Its producers' inability to react quickly in an environment of increased demand and high prices would seem to indicate that the opportunity to capture value from growing demand in the region and globally will be seized by more nimble producers outside the region.

## **A2. National Staple Foods Value-Chain Highlights**

USAID COMPETE commissioned a series of national value-chain studies across the region to assess the realities in a number of staple commodity chains including: maize, beans, pulses, rice, sorghum, millet, wheat, groundnuts, and cassava. The studies evaluated individual commodity value chains and provided critical data related to extension, production, producer organizations, input supply and usage, consumption, market structure, key players, and government/trade policy. These data, combined with the key constraints that were identified, helped USAID COMPETE formulate its initial strategic hypotheses, which it then tested and validated with both national and regional stakeholders. What facilitated this process was the recognition that the constraints affecting a specific value chain were not unique to that commodity but cut across a number of others. And because the value-chain participants (outside the producers) were often the same from commodity to commodity, it became clear that a well-designed regional strategy could focus on those areas of regional convergence and commonality that were having the greatest impact on value-chain competitiveness.

Below is a brief summary of the staple foods situation in the following seven countries: Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, and Zambia.

### **A2a. Ethiopia<sup>5</sup>**

Agriculture in Ethiopia employs ~80 percent of the labor force and accounts for 47.5 percent of gross domestic product. Although coffee has been the primary export earner, accounting for 40 percent of total export revenue, export values for staple commodities grew ~69 percent annually for the period 2004-2008<sup>6</sup> and have benefited

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<sup>2</sup> FAOSTAT and USAID COMPETE Analysis

<sup>3</sup> The Economist; "Whatever Happened to the Food Crisis?"; June 2009.

<sup>4</sup> FAOSTAT and USAID COMPETE Analysis

<sup>5</sup> COMPETE; Market Assessment and Baseline Study of Staple Foods in Ethiopia; 2010

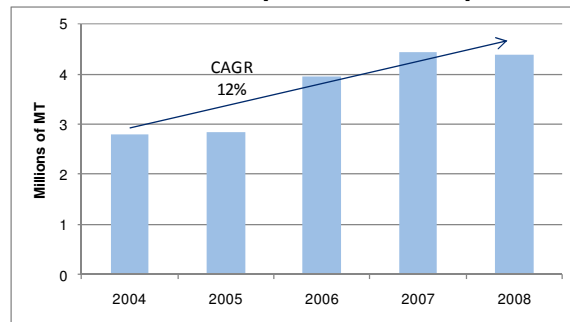
<sup>6</sup> COMSTAT Database

from the recently launched Agricultural Development Led Industrialization strategy, which focuses on addressing key national constraints such as access to inputs, access to credit, and investment in irrigation. Use of improved technologies in Ethiopia is incredibly low, with fertilizer used on only 15 percent of the cultivated land and improved seed varieties on only 4 percent. This is despite the efforts of the Ethiopian Institute of Agricultural Research (EIAR) and the Ethiopian Seed Enterprise (ESE) to try to bring new technologies into the country. Even with these low numbers, Ethiopia has experienced significant yield increases across most staple commodities for the 2004-2008 period: maize yields increased at an average annual rate of 6.8 percent, beans at 8.3 percent, pulses at 7.7 percent, rice (a marginal crop where production numbers remain insignificant and yet meet 40 percent of local demand) at 19.5 percent, and wheat at 3.1 percent. These increases combined with increased area under production have bolstered output of Ethiopia's major staple commodities; however, it is still dependent on food aid for roughly 10 percent of its requirements.

*Maize.* Maize is Ethiopia's largest crop in terms of production although it is second to teff in terms of area under production. As Exhibit 9 indicates, maize output increased 12 percent/year for the period 2004-2008. According to Food and Agriculture Organization production data, Ethiopia was the region's (as represented by the seven countries in the proxy group)

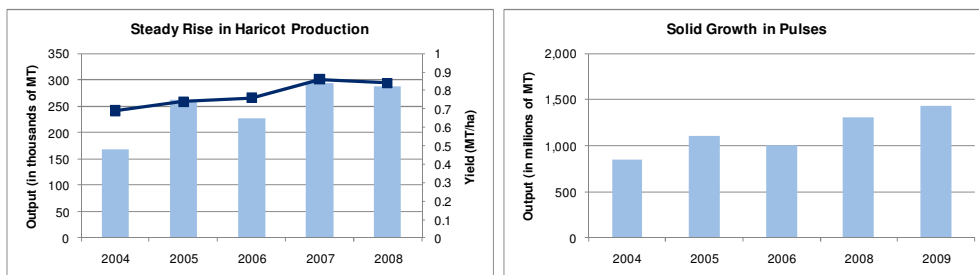
leading maize producer for three of those five years. Unfortunately, little of that is tradable surplus, as Ethiopia is typically just able to satisfy its domestic demand. It achieves this significant feat despite the fact that certified seeds are used on only 10 percent of land under maize, due mainly to use of F1 hybrids.

**Exhibit 9. Ethiopia's Maize Output**



*Beans and Pulses — incredible upside potential.* Production of haricot beans in Ethiopia has grown significantly over the past several years (see Exhibit 10) and Ethiopia exports a significant amount — roughly 25 percent of that production (the equivalent of 50 percent of the tradable surplus) to the region (particularly Kenya) and beyond (e.g., to Italy through companies like ACOS). There are also considerable exports of Fava beans from Western Ethiopia into Eastern Sudan. Chickpeas and lentils are also widely consumed and fit in well with the teff rotation.

**Exhibit 10. Production of Beans and Pulses**



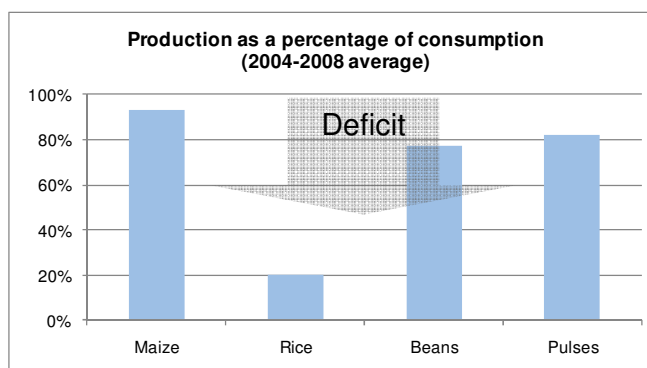
Unlike many other countries in the region, pulses form an important part of the Ethiopian diet and serve as a key source of protein. Production has increased 14 percent/year over the past several years and is approaching 1.5 million metric tons; however, because local demand is so high, only 1/3 of that makes it downstream in the domestic value chain, where retailers manage 60 percent of the traded volume. Exports of pulses account for 5 percent of total production. Ethiopia is well positioned to capture some of the growth in regional and global (specifically Indian) demand for both beans and pulses as its yields for both crops are significantly higher than global and regional averages. Its five-year average yield for beans is ~18 percent higher than the global average and ~50 percent higher than the regional average. For pulses, the five-year average yield is 35 percent above the global average and 54 percent above the regional average. Also, when one considers the benefits to soil fertility from leguminous crops, a proper rotation could significantly help yields of other staples and increase regional availability.

### A2b. Kenya<sup>7</sup>

Kenya continually faces food security issues and has to rely on imports from both its neighbors and key global trading partners to meet national requirements, and although production has increased in

recent years, it has not kept pace with the growth in demand. Exhibit 11 below shows average annual production for 2004-2008 as a percent of average annual consumption for four key staple commodities and the production shortfall in each. Although it must be pointed out that 2004-2008 includes a period of post-election violence, when instability

**Exhibit 11: Kenya’s Staple Foods Shortfall**



and internal displacement in the Rift Valley disrupted production and hurt output, it is clear that food deficits across the spectrum of staples are a constant challenge that will likely increase as Kenya’s urban population grows and the composition of national consumption changes. Smallholder production accounts for nearly 70 percent of total agricultural output, which already creates significant inefficiencies in the value chain. Add to that the fact that the average smallholder farm size is falling to uneconomic levels as families subdivide, and it is difficult to see where the production gains needed to meet growing demand will come.

Maize is king, but challenges abound. Maize is Kenya’s most important staple crop and up until the 1990s it produced a surplus, but production growth has not kept pace with population growth, resulting in a perennial deficit. Production over the period 2004-2008 was up and down but for the first four years grew at a respectable annual rate of 4 percent before falling ~20 percent in 2008 as a result of the post-election violence. Subsequent drought further hurt production and strained the strategic grain

<sup>7</sup> COMPETE; “Staple Foods Value Chain Analysis and Market Assessment (Kenya)”; 2010.

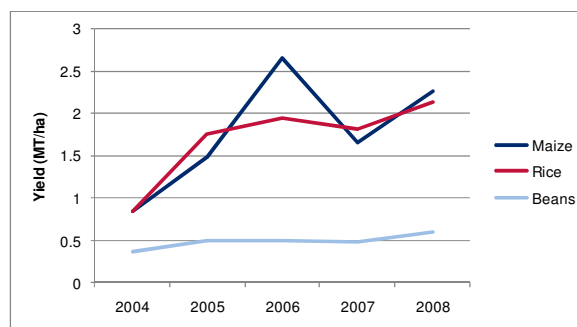
reserves. Fertilizer usage among maize farmers has increased, but cost remains a barrier to uptake at the smallholder level. Yields relative to the regional average are not terrible — Kenya’s five-year average yield of 1.7 MT/ha was almost 10 percent higher than the regional average — but relative to the global average and what is technologically possible they are incredibly low at 35 percent. With diminishing farm sizes, the prevalence of a maize monoculture and suboptimal fertilizer/input use, it is difficult to see how the situation will improve. The maize value chain is long, making it difficult to build formal links along the chain, and inefficient. On the processing end of the value chain there are 20 millers that account for roughly 85-90 percent of the market who rely almost exclusively on an extensive network of large, medium, and small traders to source from smallholders. The market has also been subject to unpredictable government pricing policies and allegations of corruption within the National Cereals and Produce Board.

*Everything else.* In looking at the massive production shortfall in rice, it is clear that rice consumption is growing fast. Rice production in Kenya is 80 percent irrigated and is centered primarily in the Mwea Region. There is a significant yield differential between smallholders (4.7 MT/ha) and large producers (8.6-10 MT/ha). Production of beans increased 3 percent/year from 2004 to 2008; however, Kenya still relies heavily on Uganda to make up the shortfall. The beans value chain, unlike that of Ethiopia, which is formal and includes the country’s larger grain traders, is highly fragmented, with many small scale traders and aggregators, which limits opportunities for greater smallholder value capture. Pulses production in Kenya declined 1.5 percent over the five year period and its yields are significantly lower than both the regional and global averages; however, because the crop, which is primarily grown in the marginal soils of Kenya’s arid northern and eastern provinces, is harvested just ahead of India’s (the leading global market), good opportunities exist.

### A2c. Malawi<sup>8</sup>

Maize production in Malawi has been the focus of recent international attention. Since the government of Malawi launched the Agricultural Input Subsidy Program (AISP) in 2005 the country has shifted from a maize deficit of 500,000 MT in 2004/2005 to a surplus of more than 1 million MT in 2008/2009, which is helping to satisfy its neighbors’ food requirements. From the 2007/2008 season to the 2008/2009 season alone, maize production increased 43 percent from 2.63 million MT to 3.77 million MT and total production across the entire basket of staple foods (maize, beans, pulses, rice, wheat, sorghum, millet, groundnuts, and cassava) increased 31 percent from 4.4 million MT to 5.84 million MT. Exhibit 12 below highlights the significant

**Figure 12: Malawi's AISP has Helped Improve Yields of Key Staples**



<sup>8</sup> COMPETE; Staple Food Value Chain Analysis: Malawi Country Report, 2010.

improvement in yields experienced for maize and rice since the introduction of the AISP, although it must be noted that favorable weather over this period also contributed to those increases.

Despite the apparent success of the AISP, it should be asked how long the government of Malawi can sustain the costs, which in 2008/2009 amounted to 5.6 percent of gross domestic product. There is additionally a growing resentment among those farmers who do not “qualify” to participate in the AISP program, which reaches only a small percentage of farmers across the country. The rapid increase in production has also uncovered another glaring deficiency in the national staple foods value chain — insufficient or under-used storage capacity. Within the government’s support to the maize sector, only 0.2 percent of resources are committed to developing/improving storage capacity. Government intervention in the maize sector has also discouraged private sector investment in maize; however the government has made an effort to include private sector in policy discussions with establishment of the Grain Marketing Advisory Council.

*Other commodities.* Beans and pulses, which are often intercropped with maize, also experienced strong production gains over the same period, increasing 37 percent and 20 percent respectively. Malawi is the second largest pigeon pea producer in eastern and southern Africa; pigeon peas accounted for 85 percent of the country’s total pulse production or 184,156 MT. However, yields, which average 0.9 MT/ha, are 50 percent of potential.

*A look at cross-cutting issues.* The study highlighted a number of cross-cutting issues, which will come as no surprise to anyone. They include: limited productivity arising from a low input-low output production system, fragmented production units, limited value addition opportunities for smallholders, no incentives for quality, and lack of harmonized standards resulting in poorer and poorer quality, high costs due to poor infrastructure, insufficient storage, insufficient hard assets among producers/traders limiting access to finance, informal/transactional nature of value chains resulting in higher costs, lack of information and inaccessibility of government agencies, and red tape making import/export difficult.

The issue of transport in Malawi is made even more difficult during the tobacco marketing season when demand for transport is higher than usual and therefore much more expensive, driving up the costs across all staples. This situation can last anywhere from 5 to 7 months, depending on the size of the crop.

Under the government of Malawi’s Food and Nutrition Security Policy (June 2005), the main focus was improved access to domestic, regional and international markets. The policy also emphasized operational market information and the creation of transparent agricultural markets. This same focus was captured at the broader regional level in the African Union’s Arusha Declaration and plan of action on African Commodities (November 2005) where the critical role of commodities exchanges was emphasized. Establishment of the Agricultural Commodities Exchange for Africa, a regional exchange platform, in 2006 helped deliver critical services that addressed these needs.

## A2d. Rwanda<sup>9</sup>

*A challenging food security situation.* Rwanda already has the highest population density in Africa, which means limited opportunities to expand the area under production. Combine that with a population that is growing at an annual rate of 2.9 percent and it is clear that food security is an issue that will continue to plague Rwanda in the future. As it stands now, Rwanda is already heavily dependent on food aid, a trend that seems likely to continue. The government of Rwanda is actively addressing these challenges through the Plan for the Strategic Transformation of Agriculture II, which has as its lead objective the intensification and development of sustainable production systems.

Government programs led to a significant increase in maize production for the period 2007-2008 as output increased from 80,000 MT to 170,000 MT;

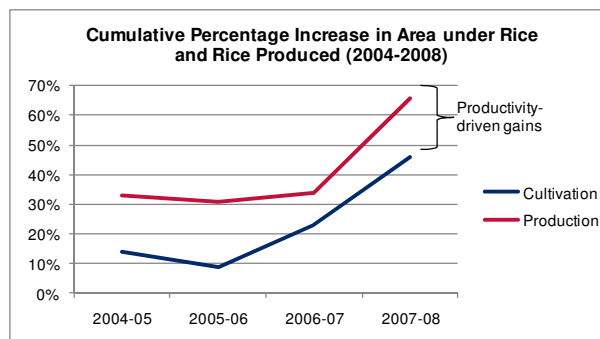
however, even with the gains, Rwanda is still unable to meet its maize requirements. Low production levels have meant that there is limited milling capacity. The large millers in Kigali process 61,000 MT each year, which is far short of the five-year (2004-2008) average output of 110,000 MT and considerably short of 2008's bumper harvest of 170,000 MT. Government efforts to address the staples deficit have also had an impact on rice production. Although the majority of rice consumed in Rwanda is imported, Rwanda is making use of valley land to increase its production. Between 2004-2008, the total area under rice production increased more than 50 percent; meanwhile, total production has increased faster still (33 percent/year) as a result of yields that grew at an average 5 percent/year. The comparison of cumulative percentage increases in production and area under production contained in Exhibit 13 below indicate that Rwanda has made substantial productivity gains in rice.

Cross-cutting constraints highlighted in the study include: limited land availability, uneconomical smallholder farm sizes, limited market access (including rural road infrastructure), inadequately trained extension officers, and variable/unreliable rainfall.

## A2e. Tanzania<sup>10</sup>

Tanzania's staple foods sector suffers from under-investment in a variety of areas. Expensive fertilizers lead to utilization rates that are less than half the average for Sub-Saharan Africa. Additionally, less than 25 percent of farmers have access to extension services and of those with access, fewer than 50 percent attempted to implement the technical advice, which means that appropriate technologies and updated agronomic practices are either not reaching farmers or falling on deaf ears.

**Figure 13: Rwanda's "Smart" Rice Production — Making Great Strides**

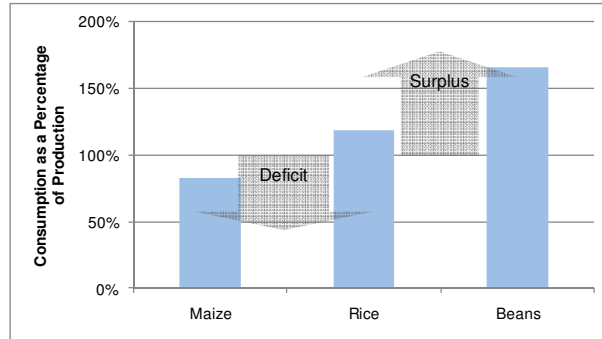


<sup>9</sup> COMPETE; "Study on the Value Chain Analysis for Staple Foods in Rwanda, 2004-2008"; 2010.

<sup>10</sup> COMPETE; "Tanzania Value Chain Analysis," 2010.

Both situations are equally discouraging. Outside of rice and wheat, production figures across key staple commodities fell from 2004-2008: maize production fell 5.8 percent, beans fell 6.4 percent, and pulses fell 7.3 percent. Production did manage to rebound between 2009 and 2010, and Tanzania managed a fairly healthy surplus of rice and beans but was deficit in maize (see Exhibit 14 below).

**Figure 14: Tanzania: A Mixed Bag in Terms of Surplus and Deficit**



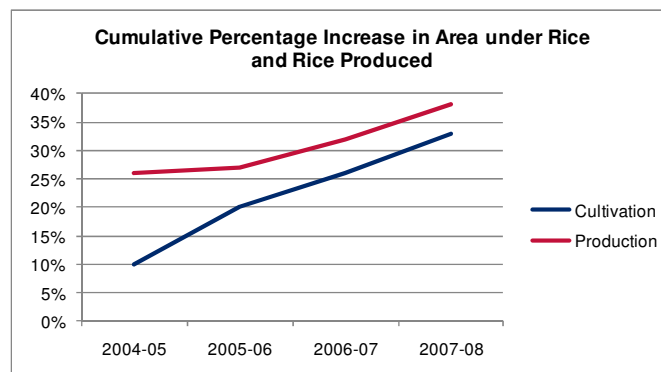
Storage capacity is a serious issue in Tanzania, where the current warehouse receipt system (WRS) has between 300,000 to 400,000 MT of capacity. Consequently, smallholder post-harvest losses are substantial, and smallholders are often forced to sell soon after harvest, at rock bottom prices, to a virtual oligopoly of two to six price-making traders.

Key constraints at the sector level include: weak extension services with limited reach, limited village-level storage infrastructure, unrealized potential for the warehouse receipt system, and lack of information and transparency across the entire value chain.

**A2f. Uganda<sup>11</sup>**

Uganda has a favorable climate with two cropping season and extensive and productive agricultural land. From 2000-2007, Uganda experienced a marked increase in food production although this was achieved mainly through increases in area under production and not yield improvements, which raises doubts about the sustainability of production growth rates.

**Figure 15: Strong Production Growth in Rice but Decreasing Productivity Gains**



Unlike Kenya and Tanzania, maize is not Uganda’s primary staple and is therefore grown primarily as an income earner. As a result, there is typically a significant surplus. Consumption accounts for only 32 percent of local production, which is usually exported to neighboring Kenya, although Southern Sudan is becoming an increasingly important export destination. Estimates put

<sup>11</sup> COMPETE; “Market Assessment and Baseline Study of Staple Foods: Uganda,” 2010.

Uganda’s annual maize export potential at between 200,000-250,000 MT; however, its performance generally falls well short of this, as supply is unreliable and quality issues — particularly moisture content — constrain regional demand. As with other staples, maize production is characterized by low yields (Uganda lags the regional average and has been static for five years), which drive up unit costs and hurt farmer returns.

Rice production in Uganda increased dramatically in the period 2004-2008, primarily as a result of the rapid adoption of rain-fed “upland rice” varieties. Production increased at an average annual rate of 9 percent for the period 2004-2008, while area under production grew at a slightly lower rate of 8.3 percent, indicating marginal yield increases. However, as Exhibit 15 below reveals, productivity gains, which were significant early in the period, are slowly shrinking.

### A2g. Zambia <sup>12</sup>

Maize is Zambia’s main staple commodity and as a result is very political. Throughout the 1980s, Zambia, due in large part to producer subsidies, produced an average of 2 million MT a year, which was generally sufficient to meet domestic demand and provide a surplus. Total production has fallen of late and, as Exhibit 16 below reveals, is fairly volatile and occasionally falls short of domestic requirements. For the period 2004-2008, Zambia averaged a modest deficit of 3,800 MT. What is particularly interesting about the chart below is the tightness between production and consumption. This is often attributed to the government of Zambia’s maize export ban, which is a disincentive to production and investment in the sector, as there is a price penalty for producing a surplus, which is inevitably borne by farmers. Although the government of Zambia’s position may be suppressing production and placing undue pressure on the country’s food security, it is at least understandable, given the huge demand for maize from neighboring Zimbabwe and the potential for production to move cross-border and increase deficits.

**Exhibit 16. Consumption and Production: Little Margin for Error**



<sup>12</sup> COMPETE; “Staple Food Value Chain Analysis: Zambia Country Report,” 2010.

Despite strong growth in demand for rice (20 percent/year for 2004-2008), it is still a marginal crop that is mainly consumed in months when maize stocks are low. Production has kept pace with growth, but Zambia still imports an average of 11,000 MT/year, indicating there is sufficient runway for production growth.

### **A3. Regional Value Chain Survey**

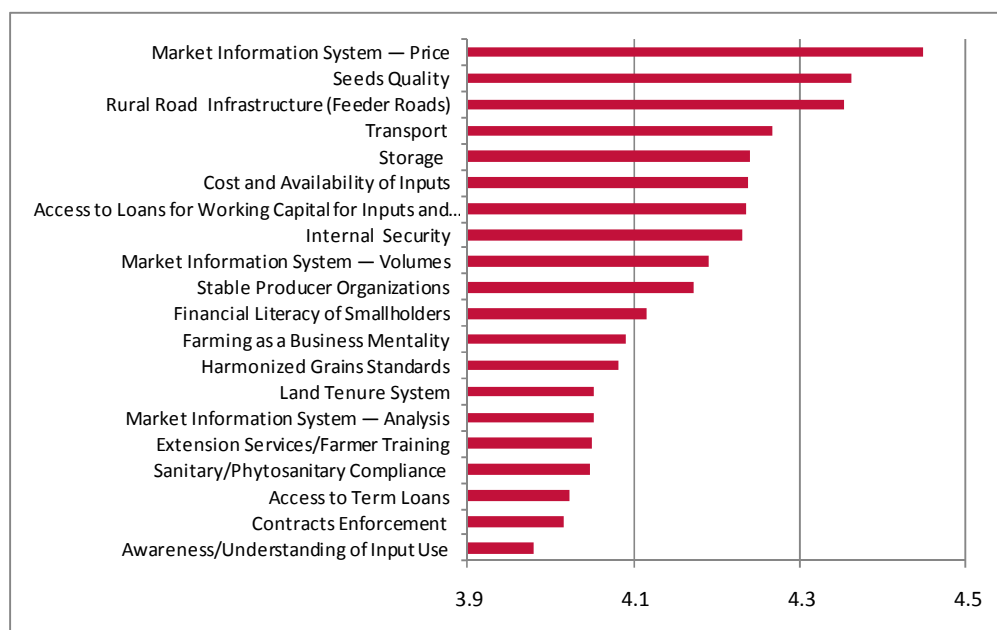
*Directly engaging the value chain to better understand the critical issues.* To complement its assessment of national value chains and further test its strategic priority hypotheses, COMPETE surveyed 154 value-chain participants in the following six countries: Kenya, Uganda, Rwanda, Malawi, Zambia, and Tanzania. The surveys asked respondents to evaluate 41 critical issues/constraints across two criteria, importance (from their perspective in the value chain) and performance (from a national sector perspective).

The issues in the survey, which are all critical to the development and competitiveness of the value chain, were identified in the national value-chain studies and in discussions with value-chain participants. They were grouped into four broad categories: production, marketing, enabling environment, and finance. USAID COMPETE included issues that could be considered either national or regional in the survey because it was important from a national perspective to understand the critical points of pain and because COMPETE did not want to bias the survey by focusing only on issues it considered regional. USAID COMPETE used the aggregated national results data to create a regional picture, which helped shape the prioritization of regional strategic issues. Engaging value-chain participants in a discussion of the most critical issues affecting their business/sector from their position in the value chain in their specific country ensured that strategic priorities reflected top-of-mind issues that cut across the entire value chain.

#### **A3a. Identifying the Most Important Regional Issues**

Evaluating the importance of key issues at the regional level was critical to the selection of strategic priorities. Exhibit 17 below ranks the 20 most important issues from the perspective of the region's value-chain participants.

## Exhibit 17. Regional Look at the Most Important Issues



Source: USAID COMPETE Regional Value Chain Surveys

At the broad survey category level, the region’s value-chain participants rated production as the most important issue, with an average intra-category score of 4.08. This was closely followed by marketing, with a score of 4.05. Financing and enabling environment, which scored 3.96 and 3.94 respectively, were both at the high end of the 3-4 “neutral-important range” and not far below the other two categories.

*Pulling out national issues.* From the exhibit above, there are a number of issues that, once viewed through USAID COMPETE’s national/regional filter, are clearly national. Issues such as rural road infrastructure, internal security, and land tenure system were excluded from consideration in the strategy because they are directed by national government policies and because they impact all productive sectors in a similar way and would, therefore, not be best addressed within the context of a regional staple foods strategy.

Issues such as financial literacy of smallholders, farming-as-a-business mentality, extension services/farmer training, and awareness/understanding of input use were also considered national because they rely almost exclusively on resources committed by national/local governments or local nongovernmental organizations (NGOs) with grassroots reach. Responsibility for managing and addressing these issues rests with national value chains (and governments). There is, however, a common thread that links them: knowledge management. For some knowledge management issues, there may be a benefit to the entire regional value chain of a common, harmonized, and coordinated approach to the dissemination of information and training of value-chain participants. This idea will be explained further later.

The issue of cost and availability of inputs was also labeled a national issue. This issue is extremely political and has two distinct components, which vary from country to country, year to year and season to season, that would confound any effort to

address it at a regional level. The first component is cost, which in the region is often governed by national policy and distorted by government interventions. Some government subsidy programs like Malawi's AISP that covers seeds and fertilizers have had some success in increasing production; however cost (estimated at 5.6 percent of gross domestic product) and the government's ability to sustain the program long-term are serious factors, particularly as the subsidy comes at the expense of other potential government investment. The second component, availability, is a true value-chain issue that, in the absence of government intervention, depends entirely on the coverage and efficiency of each country's agricultural input supply system.

*Regional issues that impact trade in staple foods.* Having eliminated a number of national issues from the importance ratings, USAID COMPETE remained with a narrower set of issues that could potentially be addressed at the regional level such as: market information, transport, storage, access to loans for working capital, stable producer organization, harmonized standards, sanitary and phytosanitary (SPS) compliance, and contracts enforcement.

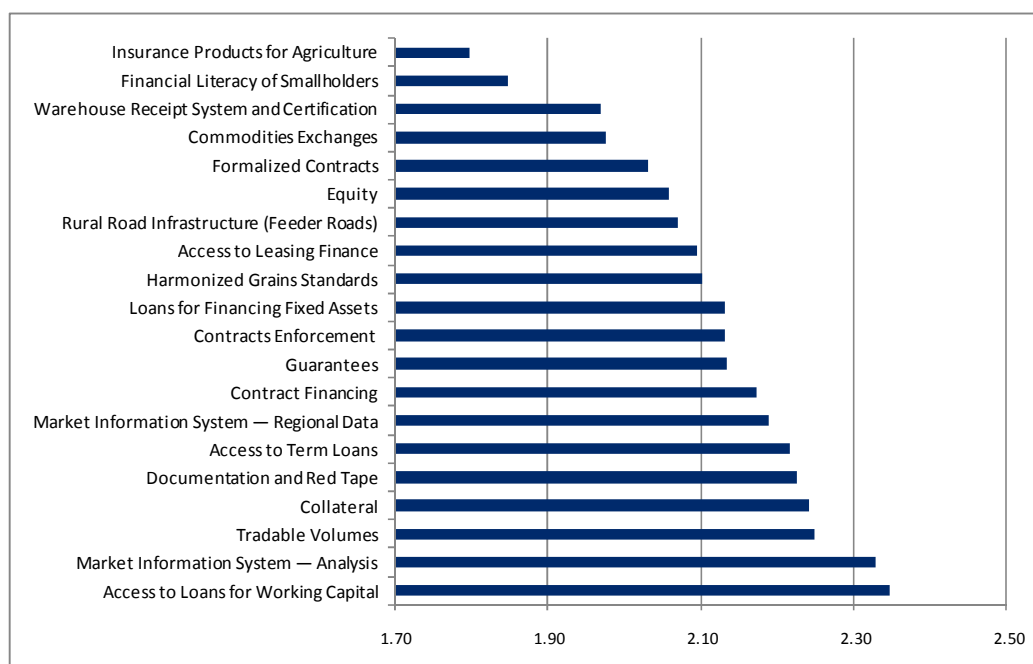
### **A3b. Evaluating Performance: Another Key Factor in Identifying Regional Priorities**

Understanding the importance of regional issues, while critical to understanding regional value-chain requirements, is just one component of the strategic prioritization process. The regional survey also assessed national and regional performance across the same issues in an effort to identify areas where performance was weakest. Issues where regional performance was poor represent critical needs and another potential opportunity to address key constraints affecting the value chain's competitiveness.

At the broad category level, regional performance rated lowest in the area of finance, which had an average issue score of 2.1. This was followed closely by marketing with an average performance score of 2.28. Production and enabling environment performed slightly better, but average issue performance was still within the 2-3 range, which is considered "poor" to "neutral." It is not surprising given the current state of value chains across the region.

Exhibit 18 below shows the 20 poorest-performing issues from the regional survey. From this ranking only two issues were excluded because they were considered national: financial literacy of smallholders and rural road infrastructure.

## Exhibit 18. Regional Look at the Areas of Weakest Performance



Source: USAID COMPETE Regional Value Chain Surveys

Finance issues such as insurance products for agriculture, access to leasing finance, loans for financing fixed assets, contract financing, guarantees, access to term loans, and access to loans for working capital featured prominently among the poorest performers. Other weak performance areas from the perspective of the regional value chain were warehouse receipts system and certification, commodities exchanges, and formalized contracts, which were rated in the top five poorest performing issues.

harmonized grain standards, contracts enforcement, two key elements of market information — regional data and analysis — tradable volumes, documentation and red tape, and collateral were also among the poorest performers.

Interestingly, only five issues appeared in the top 20 for both importance and performance. They are, in order of their average ranking from both lists (highest to lowest): harmonized grain standards, access to loans for working capital, contracts enforcement, access to term loans and market information-analysis. Given the emphasis the region placed on these issues, it seemed likely that they would feature prominently in the strategy.

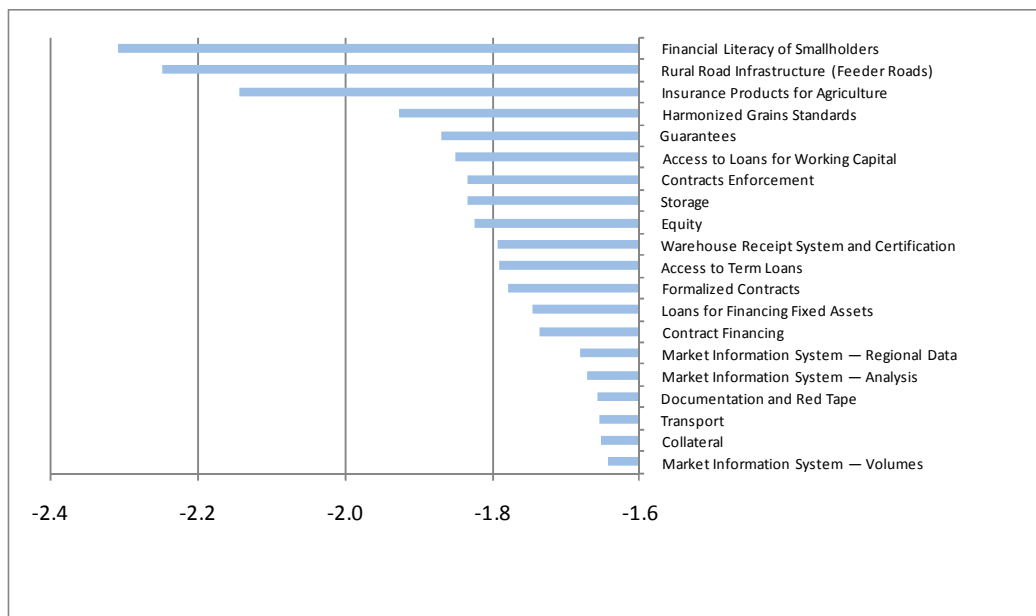
### A3c. The Delivery Gap: Identifying Potential Opportunities for Big Impact

USAID COMPETE also looked at the difference between performance and importance ratings from the survey — the delivery gap (delivery gap = performance – importance) — as another tool to validate its strategic hypotheses and identify opportunities where interventions could deliver outside returns. A positive delivery gap would indicate that performance exceeded importance and that the issue was sufficiently addressed. A negative delivery gap, on the other hand, would indicate that performance lagged importance and, therefore, there could be an opportunity to

deliver tremendous value to the value chain by improving performance; the larger the negative gap, the greater the need. Exhibit 19 below shows the 20 largest negative delivery gaps. Not surprisingly, financial literacy of smallholders and rural road infrastructure are among the largest, given that they were both near the top of the importance ratings and their performance ratings were very low. However, as they are considered national issues, responsibility for addressing them will fall to national organizations. Finance issues such as insurance, guarantees, loans for working capital, equity, access to term loans also had substantial delivery gaps indicating that if addressed, there could be significant impact.

Several market information issues — regional data, analysis, and volumes — made the list, which was interesting considering that market information-price was rated the most important issue. This would seem to indicate that even though price is extremely important, there might be significant benefits to the value chain if other types of market information, particularly regional data and analyses, were provided.

**Exhibit 19. Delivery Gap: Quantifying the Gap between Performance and Importance**



Source: USAID COMPETE Regional Value-Chain Surveys

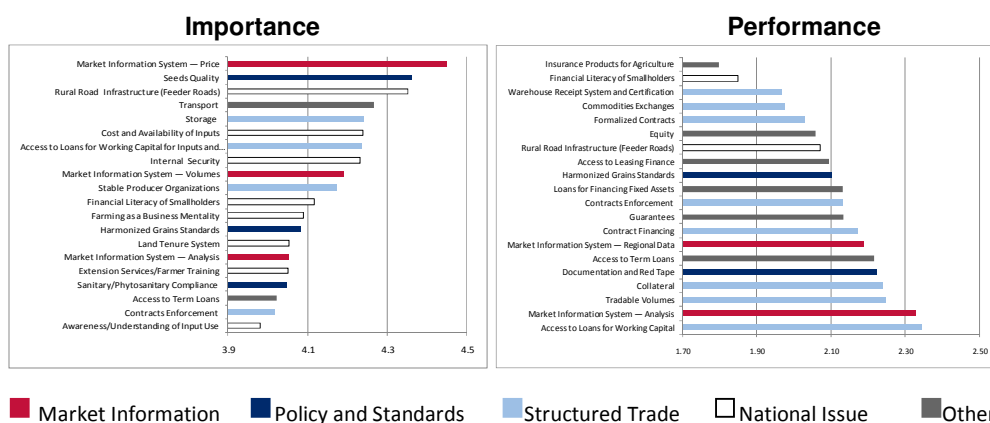
harmonized grain standards, which was the only issue to average a top-10 ranking on all three survey measures, had a significant delivery gap and, therefore, it could be safe to assume that if addressed at the regional level that the value chain could experience significant returns from regional standards. Other issues such as contracts enforcement, storage, warehouse receipts systems, formalized contracts, contract financing, and collateral had sizeable gaps. Again this indicates significant potential benefit to the value chain from establishing or improving formal marketing systems.

## B. Getting to a Manageable Set of Regional Priorities

As was mentioned earlier, strategy is about making choices and tradeoffs in an effort to more efficiently allocate limited resources to the highest priority issues — ones that have the greatest potential to enhance competitiveness. For this strategy, some of the more difficult choices centered around which issues were national and which issues were regional. To narrow the focus of the strategy to a manageable set of priorities, USAID COMPETE began to look for areas of convergence between the key cross-cutting issues from the national value-chain studies and the top issues that came out of the regional value-chain survey. Within this set of issues, USAID COMPETE tried to identify high-level themes that knit the individual issues together.

A side-by-side comparison of the top 20 issues in terms of importance and performance helped stakeholders identify natural groupings of issues and clearly define the three key regional priorities: structured trade, market information systems, and policy and standards. Exhibit 20 below captures the rationale for the prioritization and the issues that comprise each. These priorities are more narrowly scoped and more actionable than the broad survey themes of finance, marketing, production, and enabling environment. Additionally, all three strategic priorities are sufficiently inter-related and mutually reinforcing that excluding one would weaken the others. As a result, the three are critical if the strategy is to achieve its overall objective. to increase regional trade in staple foods and enhance food security by creating the systems and policies necessary to build/strengthen the regional value chain.

**Exhibit 20. Identifying Strategic Themes within the Ratings of Importance and Performance**



Source: USAID COMPETE Regional Value Chain Surveys

*Market information systems.* In looking at the key cross-cutting issues from the national value-chain studies and as Exhibit 20 above reveals, market information is clearly a priority issue for the regional value chain — one that could help strengthen horizontal links across national value chains and lay the foundation for a truly regional value chain. Lack of market information, poor-quality information, and limited distribution are problems that plague countries in the region and drive information asymmetry in every national staple foods value chain. The current situation not only constrains production and movement of staple foods in the region

but also breeds mistrust among the value-chain players and marginalizes producers, thus limiting their integration into the commercial marketing chain.

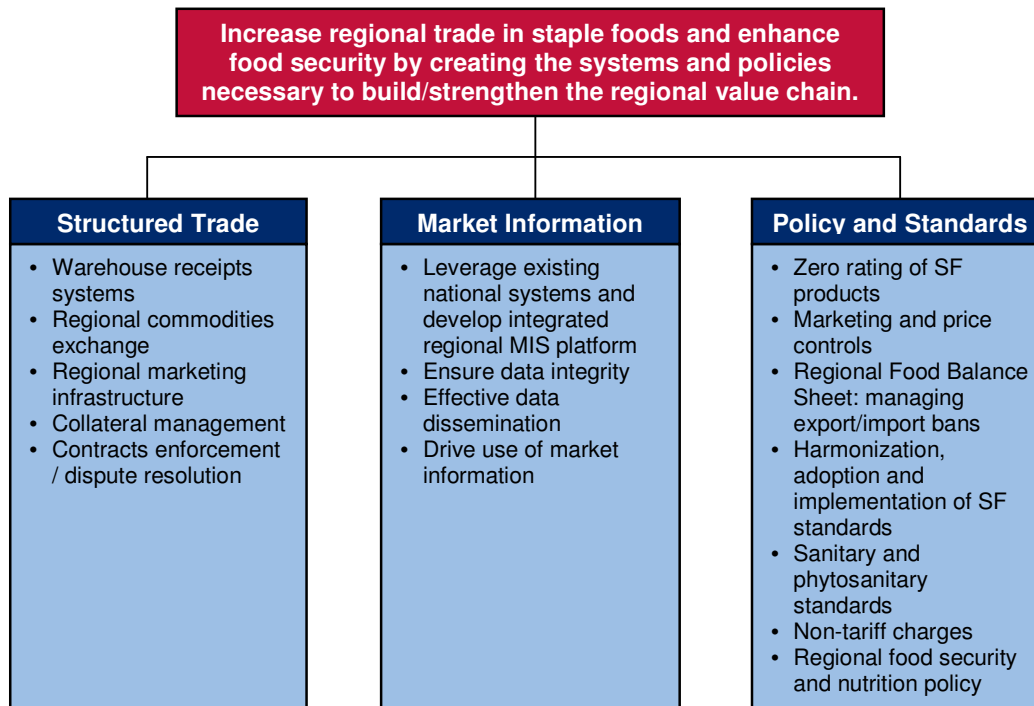
*Policy and standards.* Issues such as government interference in staple foods markets (primarily maize) in terms of export bans and price controls, non-harmonized tariffs, non-harmonized documentation, inefficient inspection procedures, and non-harmonized standards all limit regional trade in staple commodities and distort national value chains. The impact of these issues — when combined with the survey results, which highlighted the importance of harmonized grain standards and sanitary/phytosanitary compliance as well as the poor performance of documentation and red tape — confirmed the need to address key policy and standards constraints.

*Structured trade.* One of the key constraints that emerged from the national value-chain analyses was the unorganized nature of the staple foods market. Producers complain of limited market access, while traders and processors complain about challenges in securing sufficient volumes of high-quality product and broken contracts. The small-scale, fractured, informal, and transactional nature of the sector drives up costs along the entire chain and hurts competitiveness.

The survey results validated this hypothesis. The fact that the value chain rated issues such as storage, stable producer associations and contracts enforcement so highly in terms of importance, and other issues such as warehouse receipts systems and certification, commodities exchanges, formalized contracts, contract enforcement, contract financing, collateral, tradable volumes, and access to loans for working capital so poorly in terms of performance underscores how much the sector needs more formal marketing infrastructure, whether physical assets or efficient systems. Structured trade, like market information, can strengthen ties across the entire value chain and facilitate the formal links between producers and downstream businesses.

*Identifying the key components of each priority.* Once the three strategic priorities were identified, a group of regional partners sought to identify the key components within each, which if addressed in a systematic and well-coordinated manner at the regional and national levels, would resolve key constraints limiting the sector's competitiveness. Exhibit 21 summarizes key components of each regional priority.

## Exhibit 21. Summary of Regional Strategic Priorities



We will take a closer look at each of the three priorities in the Regional Staple Foods Strategy below and present the regional roadmap for how to achieve all of the strategic objectives in the detailed implementation plans that follow.

### C. Addressing the Issue of Finance and Transport

Survey respondents rated transport (as a stand-alone issue) and a number of financial issues extremely high in terms of importance and very low in terms of national performance. However, it was determined that it would be inappropriate to address some of these issues exclusively in the context of a regional staple foods strategy because these issues impact on all other productive sectors in a similar manner. USAID COMPETE also determined, and the regional value-chain working group agreed, that in addressing the strategic priorities that emerged from the analysis that the strategy would help unlock much needed financing to the sector, particularly at the smallholder level. By formalizing, institutionalizing, and standardizing the systems enabling and governing the trade of staple foods in the region, the strategy will go a long way toward addressing and resolving the root cause of banks' reluctance to lend to the sector — a lack of transparency in the system as well as a lack of understanding among banks of how the sector operates and the risks associated with lending to the sector. The structured trading and market information priorities, in particular, are focused on creating more efficient systems and providing greater transparency to the entire sector.

Transport was the fourth-most important individual issue in the regional survey, just behind rural road infrastructure; however, because transport is such a broad topic and because it impacts all productive sectors in a similar manner, it would be difficult to address the issue effectively within the context of staple foods. Despite improvements

in infrastructure and transport efficiency, many of the factors contributing to high transport costs remain an issue: high fuel costs, high vehicle maintenance costs, obsolete equipment (high fuel consumption), poor road and rail infrastructure, and inefficient border/customs/port operations and procedures. However, a regional staple foods strategy is not necessarily the right forum to address them.

That does not mean that the strategy will ignore issues that specifically impact on the movement of staple foods. Within the regional strategy, certain policy and regulatory priorities directly address key issues impacting the movement of staple foods within Eastern Africa. Implementation plans will be presented in detail later for specific regional policy interventions designed to alleviate staple foods transit bottlenecks, harmonize, coordinate, and accelerate national-level implementation, and push training out to the regional value chain. Additionally, the focus under structured trade on strengthening regional marketing infrastructure and aggregation will directly address some of the fundamental issues that currently contribute to the high cost of commodities and constrain their movement from areas of surplus/supply to areas of deficit/demand.

Finance issues such as access to working capital and collateral are central to two key components under the structured trading strategic priority: marketing infrastructure and warehouse receipts systems. The development of an effectively monitored and regionally coordinated warehouse receipts system that is designed in conjunction with banks, specifically addresses bank requirements, and is supported by an expanded stock of storage facilities and (farmer-based organization (FBO)-based aggregation centers in the region will help unlock sufficient funding upstream in the value chain, where many of the financial constraints that exist within the value chain currently lie.

If smallholders and medium-scale producers have better access to storage/aggregation facilities and financing it could lead to expanded and more efficient production, as farmers would have increased resources to purchase inputs. Reduced post-harvest losses would also drive up volumes of tradable surplus and have the dual effect of increasing farmer-level income and promoting food security. Additionally, by creating the systems that facilitate the development of financial products that are accessible to farmers and therefore brings them into the formal banking system, the strategy indirectly addresses the important issue of financial literacy of smallholders.

### III. REGIONAL STAPLE FOODS STRATEGY

To develop regional strategies and detailed implementation plans for each of the three priorities that tackle the key issues and constraints impacting the value chain, tough decisions had to be made regarding the components to focus on within each priority. The individual priority strategies below are broken down by individual component, with a stated strategic objective for each and a discussion of the current reality and the strategy’s focus. Exhibit 22 below provides a component summary for each priority.

**Exhibit 22. Regional Strategy Detail with Objectives**

Structured Trade	Market Information	Policy and Standards
<p><b><i>Warehouse receipts system</i></b> Objective: Develop an easily implementable, integrated, and overseen regional WRS that increases bulking capacity and producer access to finance.</p> <p><b><i>Regional commodities exchange</i></b> Objective: Establish a transparent trading platform that facilitates commodities flow across the region.</p> <p><b><i>Regional marketing infrastructure</i></b> Objective: Integrate smallholders into the regional marketing chain.</p> <p><b><i>Collateral management</i></b> Objective: Expand range of services, improve quality, and reduce cost of collateral management services and service providers.</p> <p><b><i>Contracts enforcement and dispute resolution</i></b> Objective: Increase use of arbitration as an effective and timely means of addressing contract disputes.</p>	<p><b><i>Leverage existing national systems and develop integrated regional MIS platform</i></b> Objective: Develop RATIN as the hub of regional MIS network.</p> <p><b><i>Ensure data integrity and quality</i></b> Objective: Expand and harmonize data (more than price) sets and collection methodology, and deliver training of enumerators.</p> <p><b><i>Effectively disseminate data</i></b> Objective: Package regional data in a manner that is useful to the value chain and facilitates trade linkages, smallholder market access, and food security.</p> <p><b><i>Drive use of market information</i></b> Objective: Promote benefits of market information across value chain.</p>	<p><b><i>Intra-regional SF tariffs</i></b> Objective: Zero rating for all intra-regionally traded staple food products; implementation of the Simplified Trade Regime.</p> <p><b><i>Marketing and price controls/ export and import restrictions</i></b> Objective: Create a stable food policy environment that allows market forces to function.</p> <p><b><i>Regional food balance sheet</i></b> Objective: Create consensus on RFBS concept and operational modalities for data pooling and sharing.</p> <p><b><i>Staple foods quality standards</i></b> Objective: Harmonize regional staple foods standards and achieve full adoption and use in facilitation of cross-border trade.</p> <p><b><i>Sanitary and phytosanitary standards</i></b> Objective: Products that share the same pest/plant disease risk trade freely. Joint SPS operations.</p> <p><b><i>Non-tariff charges</i></b> Objective: Remove all non-tariff charges.</p> <p><b><i>Regional food security and nutrition policy</i></b> Objective: Adoption of EAC food security policy at national level.</p>

## A. Structured Trade

The informal and disconnected nature of the regional staple foods value chain negatively affects the sector's competitiveness. Structured trade, which in the context of this regional strategy is defined as the systems that link and integrate all value-chain players and serve to streamline and create greater efficiency within the commodity marketing chain, is lacking in most countries in the East African Community and COMESA regions. Because these systems are either weak or non-existent at the moment, now is an opportune time to develop them with an eye toward regional integration and in an inter-related way, which will pay long-term dividends to both individual players and the regional value chain as a whole. The list below contains some of the key elements of structured trade:

- Warehouse receipts systems
- Storage
- Commodities exchanges
- Market information systems
- Contract enforcement/dispute resolution
- Collateral management
- Warehouse operations/certification
- Insurance
- Quality control (grades and standards)
- Contract farming
- Futures and options contracts (hedging)

Although some pieces of the foundation for structured trade have been laid in a number of countries in the region — some countries have established commodities exchanges and most have implemented some form of warehouse receipts system — most of the systems established do not function as intended and certainly do not operate in the same manner or with the same efficiency as they do in other parts of the world. This breeds mistrust among value-chain players, those who could benefit the most from their use, and forces them to revert to traditional inefficient systems. The result: no benefits accrue to the value chain and any effort to reintroduce similar initiatives would be met with great skepticism. Additionally, and more fundamental, there is a lack of understanding about the basic purpose of most of these market interventions, as well as confusion around what functions they can or cannot perform. There are few, if any, awareness campaigns in these countries that address these issues and when there are, the messages are inconsistent at best or inaccurate at worst.

To successfully introduce and/or develop the key components of an efficient structured trading system at both the national and regional level, there are a number of supporting requirements that are essential:

- Strong and stable producer organizations
- A strong and proactive private sector that communicates and collaborates both across the value chain and within the cluster, which includes banks, regulators, insurance companies, collateral managers, input suppliers, and border agencies.
- An efficient enabling environment that limits political involvement in staple foods, particularly maize

- Increased transparency in agricultural markets
- Increased availability and use of secure, well maintained, managed and affordable storage facilities that are accessible to smallholders
- Introduction and use of warehouse receipts systems that have integrity and provide security to both depositors and buyers
- Participation of banks in the warehouse receipt program
- Universal awareness and acceptance of regional standards and policies that impact the sector
- Improved transport and road infrastructure

The key components of the structured trade priority are described in more detail below, and while they address most of the key elements of structured trading systems and some of the deficiencies that plague existing systems, they do not and cannot address everything. Some issues critical to the success of this priority will be addressed in both the market information systems and policy and standards priorities. In addressing the key issues related to structured trade, the strategy will also address the related commodity finance issues, required for the system to function.

### **A1. Warehouse Receipts Systems**

*Objective:* Develop an integrated and easily implementable (user-friendly) and overseen regional warehouse receipts system that increases bulking capacity and producer access to finance.

Developing fully functional warehouse receipts systems across the region would help to address many of the constraints to commodity marketing and financing that plague the regional staple foods value chain and make it less competitive. Critically, it would facilitate the integration of smallholder farmers into the formal marketing system and, by providing much needed storage to producers, would increase the marketable surplus, increase food security and stimulate increased production. Below is a list of some of the key issues/constraints addressed by WRS:

- The use of commodities (inventory) as collateral to secure working capital financing can be made much easier and help to lower financing costs, particularly for smallholder producers, which remains the most vulnerable group in staple foods value in the agricultural industry.
- Many of the problems experienced by smallholder producers are tied to the very long marketing chain, and the use of WRS shortens this chain and has the potential to increase producer profits.
- There is a great deal of information regarding crop losses due to poor storage facilities, which are usually on farm. There can be no doubt that commodities are better stored by professional warehouse operators, therefore reducing storage losses and ultimately increasing revenue to farmers.
- The use of standardized grades and quality parameters allows trading to occur “sight unseen,” which helps to reduce transaction costs while at the same time safeguarding against cheating on weights and quality.

## *Implementation Plan Overview*

The regional strategy approaches the issue of WRS from two sides:

*Drive understanding of and generate support for WRS.* The first addresses the fundamental lack of understanding of WRS and ensures that all value-chain players (farmers, producer organizations, traders, warehouse operators, and processors) and cluster members (banks, insurance companies, regulators, ministries of agriculture, etc.) understand what a WRS is supposed to do (and importantly what it is not), how it works, and what the benefits are. This would be undertaken within the context of a broader structured trading system training program that would be developed at the regional level and rolled out at the national level with the support of key partners.

*Begin the work of harmonizing and integrating regional systems.* The second addresses existing system deficiencies and the issue of various national initiatives and begins the process of developing as harmonized and integrated a regional system as national legislation will allow. This will be achieved through the establishment of a set of regionally accepted operating procedures and standards (e.g., insurance cover, collateral management requirements, facility and equipment requirements, and staff capabilities) for all warehouses and warehouse operators that would become the basis for national and regional warehouse certification and licensing procedures. Additional support to national licensing bodies will help facilitate the regional rollout. Establishing common certification and licensing guidelines will also facilitate intra-regional links among warehouse operators and buyers.

## **A2. Regional Commodities Exchange**

*Objective:* Establish a transparent trading platform that facilitates the flow of commodities across the region and supports/strengthens national exchanges.

Although there are a number of commodity exchanges in the region, few of them are fully functional. Few would even qualify as an exchange, using the following common definition: an open and organized marketplace where ownership titles to standardized quantities or volumes of specific commodities (at a specified price and to be delivered on a specified date) are traded by its members for their clients. A properly functioning commodity exchange is able to address all these requirements by ensuring the maintenance of standards. In its simplest form, a commodity exchange provides a venue for buyers and sellers to conduct business, normally through a group of registered brokers. A properly run exchange will help reduce the cost of doing business for all parties along the value chain from producers and traders to processors and consumers. The success of a commodity exchange depends upon the following conditions:

- Market forces must be allowed to determine prices.
- Buyers and sellers must be sufficiently represented.
- There must be strong farmer support that preferably includes commercial farmers.
- Substantial volumes should be traded.
- A minimum of three brokers that conduct business across the exchange floor on behalf of clients (both buyers and sellers) for a commission.
- Transparency and integrity must be paramount: open trading sessions, publishing of all deals, closing prices published daily.

- Close monitoring of member companies to ensure they are in compliance with exchange rules: no dealing off the exchange, no market manipulation or “front running” — buying in advance of a market moving order for personal benefit.

Agricultural commodity exchanges have greatly improved trade in many countries. They bring more formality to trading methods and increased market transparency while simultaneously improving the quality of commodities traded.

#### *Implementation Plan Overview*

The regional staple foods strategy in this area is focused on establishing a viable regional commodities exchange that accounts for unique regional dynamics and constraints and fits within the existing landscape of national exchanges. The strategy will also address the issue of existing national exchange capacity or, more accurately, lack thereof, which was very important to the regional stakeholders that vetted the regional strategy. Significant effort will be allocated to providing support and training to existing national exchanges to strengthen their systems, improve their operations, and link them to the regional exchange.

The strategy will also work to drive awareness of the fundamentals/benefits of commodities exchanges across the entire value chain. These initiatives will be built into the broader structured trade training and awareness campaign and rolled out by national-level implementing partners.

### **A3. Regional Marketing Infrastructure**

*Objective:* Integrate smallholders into the regional marketing chain.

Regional trade in agricultural commodities has been flat for many years and in some cases has actually shrunk. Part of the reason for this is that smallholder farmers are not a part of the formal marketing chain, preferring to trade informally when they see opportunities to enter the market, or, as is often the case, when they are forced to do so out of necessity. Other factors at work include: small volumes of production, weak farmer-based organizations, limited access to post-harvest handling technologies and/or facilities, information asymmetry across the value chain, varied, inconsistent, or arbitrary quality requirements, government-imposed import/export bans, and prohibitive transport costs.

As smallholders account for most of the production in Eastern Africa, this has a significant impact not only on cross-border trade but also, and perhaps more importantly, on the region’s food security, as the bulk of production may be either lost to poor handling or may never reach the formal market.

#### *Implementation Plan Overview*

The regional strategy approaches this issue in several different ways. The first focuses on strengthening farmer-based organizations by promoting viable organizational models that can sustainably provide needed services such as storage, access to finance, and market links to smallholders. The second area focuses on institutionalizing harmonized regional grain standards and ultimately expanding the

pioneering work done in the staple foods sector to other sectors including horticulture. Beyond the policy-level work required to develop and gazette the standards, implementation must focus on driving adoption and use of the new standards across the entire value chain to ensure greater transparency and uniformity in buyer-seller transactions. This grassroots work will depend heavily on the support of bilateral NGOs and programs. The third focuses on ensuring that tradable surpluses across the region have access to adequate storage. Inventorying existing regional storage infrastructure is already underway and should reveal critical gaps that serve as potential investment opportunities for private sector players. The fourth focuses on driving smallholder production into regional marketing chains by building or strengthening formal value-chain links between farmers/FBOs and regional marketing infrastructure such as larger warehousing facilities and commodities exchanges.

#### **A4. Collateral Management**

*Objective:* Expand range of services, improve quality, and reduce cost of collateral management services and service providers.

Collateral management plays a central role in the storage of agricultural commodities and the operations of WRS. It is however, a misunderstood and often misapplied concept that can negatively impact the viability of WRS.

Currently in Eastern Africa, most banks require warehouse operators to use an internationally registered, full-service, collateral management company rather than accepting that a registered storage facility, which has been licensed to accept and store grain, is capable of undertaking the collateral management and safe storage of the goods. This requirement results in a significant increase to operators' storage costs, which adversely impacts small-scale operators and minimizes the benefits of storage to depositors. The current model is based on European or U.S. models that do not account for local or regional needs and realities. It is also a "one-size-fits-all," which means there is little flexibility to account for needs of different types of customers. Add to that the fact that only a few service providers are acceptable to the banks, and one has a system that is limited, either inaccessible or unaffordable for most, and that suppresses significant latent demand.

##### *Implementation Plan Overview*

The regional strategy will address these deficiencies by adapting collateral management models to local conditions in an effort to increase accessibility, expand acceptance, and drive usage — something that will benefit both warehouse operators and service providers alike and reduce costs to the value chain. The focus will be to work closely with both sides to develop models that allow for greater flexibility and choice.

By unbundling the "one-size-fits-all" model and developing an a-la-carte approach, consumers (warehouse operators) would be able to buy only the services they cannot provide in-house. Another focus area is the development of a regional certification process for collateral management companies based on international standards, which would ensure consistent, high-quality service and provide assurance to other interested parties such as depositors, banks, and insurance companies.

## **A5. Contracts Enforcement and Dispute Resolution**

*Objective:* Increase use of arbitration as an effective and timely means of addressing contract disputes.

Contracts are an essential element of structured trade — they provide both buyers and sellers with the confidence that a deal has been agreed to. Unfortunately, the reality at the regional level is that contracts do not necessarily mean that a deal will be concluded, as one party or the other will often walk away if the market has moved against the terms of the contract and a better price can be gotten elsewhere. The only recourse is through commercial courts, which are notoriously slow and costly, meaning that most parties effectively have no recourse. This perpetuates mistrust among value-chain participants and undermines individual efforts to deepen value-chain links and promote structured trade.

Whenever there is any contractual arrangement, but particularly one that concerns perishable staple commodities, it is essential to have an appropriate dispute resolution mechanism, one that is able to address any problems that may arise with the contract and the obligations of the parties in an appropriate time frame.

### *Implementation Plan Overview*

The regional strategy will focus on promoting mediation and arbitration as a dispute resolution mechanism that meets the needs of the staple foods value chain. It will be incorporated into the standard operational models developed for WRS and regional commodities exchanges.

## **B. Market Information Systems**

Market information is essential for the proper functioning of agricultural markets. It not only provides the information required to facilitate links along the value chain but also allows value-chain participants to evaluate different opportunities and market movements and make more informed decisions about when to buy and sell, which allows for greater value capture across the chain.

Unfortunately, in EAC and COMESA countries, market information has historically been synonymous with price information (daily average) to the exclusion of all other data key to trade, such as volume, quality/grade, location, specific market data, high/low price, and production data. Analysis of market data, which is currently either non-existent or woefully inadequate, would also provide additional insight into market trends such as whether markets are bullish or bearish — information critical for effective decision-making. Additionally, most data collected in the region is collected at the national level and lacks consistency and is often inaccurate.

Unreliable and inconsistent data collection methodologies, insufficient analysis, inadequate distribution, and limited data sets create information asymmetry within value chains and afford only a narrow view of national markets. This effectively blinds national value-chain participants to both national and regional market opportunities and creates arbitrage opportunities that accrue disproportionately to certain parts of the value chain and encourage informal transactional trading systems.

It also constrains regional trade and negatively impacts both national and regional food security.

Well-functioning commodities exchanges that are trading transparently and in sufficient volumes and other structured trading systems such as WRS and FBO aggregation centers (provided formal links are established with larger operations further downstream) can provide the data the value chain requires to move volumes around the region.

The individual components of the regional market information strategy detailed below will address the deficiencies in the current system identified by the regional stakeholders and begin the challenging work of building the capacity of existing information providers, expanding and harmonizing data collection methodologies, and linking national players to a well-designed and easy-to-use regional platform that provides accurate, timely, and relevant regional data and analysis to a broader set of stakeholders.

### **B1. Leverage Existing National Systems and Develop Integrated Regional Marketing Information System (MIS) Platform**

*Objective:* Develop the Regional Agricultural Trade Intelligence Network (RATIN) as the hub of a regional MIS network.

In the EAC, the marketing information system service provider landscape is disjointed, and there are a number of unsustainable systems competing for limited clients and limited resources. In Kenya alone, there are 10 independent service providers; Uganda has five. Tanzania and Rwanda are unique in that the only national service provider is the Ministry of Agriculture. Although the problems within the system are well known — content is too narrowly scoped, data collected are inconsistent, piecemeal and unreliable, costs are too high and delivery is limited — the presence of so many providers means national level expertise and experience can be strengthened and leveraged to provide a broader range of national services that deliver real value to the trade.

National data can also be made more meaningful by presenting in the broader regional context and making it available to a wider regional audience. Currently there are two main regional service providers: RATIN operated by the EAGC and the Food and Agricultural Marketing Information System operated by COMESA; however, a group of regional stakeholders agreed that RATIN, with its regional reach, private sector focus, and strong reputation, was the logical place to build a regional MIS platform.

#### *Implementation Plan Overview*

The regional strategy in this area is focused on mapping the current national and regional MIS provider landscape, understanding existing capabilities/gaps, and identifying national partners. The next step will be to engage national MIS providers in an effort to get buy-in for the regional MIS model and secure approval of RATIN as the regional provider from the EAC and ACTESA. The final piece of this component will be to approach potential technological support partners to help develop a system that is capable of supporting an integrated regional network.

## **B2. Ensure Data Integrity and Quality**

*Objective:* Expand and harmonize data sets, collection methodology and deliver training of enumerators.

There are three key elements that are critical to the success of any MIS — relevance, trust, and accessibility. If users find the information useful, reliable, and readily available, they will use it and may even be willing to pay for it. If they don't, they will find other sources of information and, importantly, will be reluctant to trust other providers in the future. Unfortunately, the latter is the experience of most regional stakeholders. The existence of so many different providers means different data collection methodologies, quality assurance mechanisms, dissemination technologies, and varying degrees of enumerator training, which have led to cases of conflicting published data for the same commodity on the same day from the same markets. Developing harmonized data sets/collection methodologies and delivering consistency across the region will help drive market information use and will facilitate the development of regional links.

### *Implementation Plan Overview*

The first step in addressing this issue will be to harmonize the data collected across the region and develop a harmonized data collection methodology to be used by national service providers. This will require:

- Developing a solid understanding of the information requirements for the various value-chain players.
- Developing a regional data collection methodology/standardized collection tools and producing a data collection guideline manual.
- Conducting regional training for all MIS providers, enumerators bureaus of statistics, and ministries of agriculture in the new methodology and ensuring that appropriate tools (knowledge and technological) are available to enumerators.

To ensure that all of the new data will be made available at both the national and regional level, the regional strategy identified the need to create an integrated system that collects, uploads, compiles and analyzes data while minimizing the potential for human error and manipulation. This work will require expanding RATIN's back end to ensure greater functionality and flexibility while simultaneously upgrading national systems that are easily integrated with RATIN. The systems should be designed in such a way that they flag and report data that fall outside of set parameters. RATIN and the national service providers will also need to develop a regional set of audit procedures to ensure quality and compliance.

## **B3. Ensure Effective Data Dissemination**

*Objective:* Package regional data in a manner that is useful to the value chain and facilitates trade links, smallholder market access, and food security.

Packaging and disseminating useful data in an easily accessible and cost effective manner is critical to the expansion of MIS systems. Currently limited information (price), limited availability of real-time data, and cost are combining to keep usage low. A good example of this is RATIN's SMS service, which currently has a regional daily subscriber base of 1,600 users who pay 10Ksh (this is in Kenya, where the cost of a standard SMS to another network is 2Ksh) to receive the previous day's average price information for a single commodity from several markets in one country. Finding innovative ways to reach key user groups is critical to expanding MIS.

#### *Implementation Plan Overview*

The strategic focus in this area centers around identifying and developing simple, flexible, user-friendly and segment-appropriate models for packaging and disseminating data regionally and ensuring that those services and technologies are used by national MIS providers.

### **B4. Drive Use of Market Information**

*Objective:* Promote benefits of market information across value chain.

Increasing the use of market information is an effective tool in unlocking regional trade and promoting food security. The three components detailed above attempt to address deficiencies at the national and regional levels that have constrained use of market information by value-chain participants and supported the inefficiencies of informal markets. To bring more structure to the market and expand regional trade opportunities, it is necessary to promote both RATIN and national MIS providers while espousing the benefits of market information. This task is made much easier when the system provides data that the trade values.

#### *Implementation Plan Overview*

The strategy is designed to increase use of market information and establish RATIN as the regional leader. To do this, it will seek to align a critical mass of national MIS service providers to RATIN (e.g., Agricultural Commodities Exchange and ZAMAC). The regional MIS taskforce will also promote the RATIN regional platform at the national level, and efforts will be made to develop links between RATIN and key national and international institutions such as bureaus of statistics, bureaus of standards, investment authorities, universities, Food and Agriculture Organization, World Food Programme, and International Trade Center.

### **C. Policy and Standards**

Divergent and inconsistent national and regional trade policy and standards issues constrain intra-regional trade. Given the importance of policy issues to the competitiveness of regional value chains, the regional strategy seeks to establish and implement a consistent regional staple foods trade policy environment that streamlines procedures, ensures predictability, and limits government interference in market functions. Establishing an enabling trade policy environment and institutionalizing regional standards is also critical to the successful development of regional structured trading systems.

## **C1. Intra-Regional Tariffs**

*Objective:* Achieve zero rating for all intra-regionally traded staple food products and implementation of the Simplified Trade Regime.

Duty free market access for staple foods is critical to the competitiveness of regionally produced staple foods. The EAC, COMESA, and the Southern African Development Community have embraced the Free-Trade Area (FTA) framework for regional integration as a means of facilitating enhanced intra-regional trade in staple foods. Although an FTA is in place in COMESA, a few countries like Ethiopia have still not acceded to the agreement. This means that regional traders are not able to secure free-trade status for staple commodities. For example, Ethiopian maize attracts a 45 percent duty if imported into any EAC country, although EAC imports of maize from Kenya, Rwanda, Burundi and Uganda into Ethiopia attract duty of 4.5 percent and 5 percent from Tanzania (non-COMESA country). Similarly, products from Uganda, another country that hasn't acceded to the COMESA FTA and a regional supplier of staples into the region, would also attract duties in COMESA countries.

Barriers such as these make regional products less competitive and further limit intra-regional producer penetration. Countries like Ethiopia and Uganda often cite macro-economic policy issues as justification for their non-accession to the FTA; however, the existence of regional surpluses, the need to address regional food security concerns and the continued dependence on food aid in these countries make a compelling case for securing duty-free market access for staple foods products.

### *Implementation Plan Overview*

The first part of the strategy focuses on securing approval at the EAC, COMESA, and Southern African Development Community level for a policy that zero rates all intra-regionally sourced staple foods and pushing awareness out to national value chains. This requires building the case to be presented to the necessary policy organs, supporting national adoption and rollout, working with national level partners and programs to ensure activities are anchored around policy reforms, and implementing value-chain training campaigns targeting key parties (traders, border agencies, etc.).

The second part of the strategy focuses on driving use of COMESA's Simplified Trade Regime and the EAC's simplified certificate of origin at all gazette borders. For the simplified certification of origin, the strategy will undertake a review of the document to evaluate its effectiveness and support accelerated utilization of the document among cross-border staple foods traders. The strategy also recognizes the importance of training all relevant parties (FBOs, traders, customs officials, and revenue agents) on how to use the documents to ensure rapid adoption. The final focus of the strategy addresses the need for a harmonized common external tariff within the tripartite.

## **C2. Marketing and Price Controls/Export and Import Restrictions**

*Objective:* Create a stable food policy environment that allows market forces to function.

Marketing and price controls distort markets and pose a threat to the functioning of the Structured Trade System. Bans on exports and imports are used to protect a country during periods of food shortages and surpluses respectively. They are typically motivated by food security or market protection concerns. Within the region, the following four countries have policies that allow export and import bans/restrictions: Ethiopia, Kenya, Tanzania, and Zambia. Although these policies are allowed under the GATT/World Trade Organization Article 11, they often serve to distort the proper functioning of the staple foods market and discourage investments in the value chain, particularly production.

#### *Implementation Plan Overview*

The regional strategy will tackle each of these issues head on. For marketing and price controls, a regional analysis of the impact (costs) of these policies will inform a set of recommendations for changing the policies to be incorporated into the EAC's Regional Food Security and Nutrition Policy and introduce legislation to eliminate price controls. To address export/import restrictions, the strategy focuses on securing agreement to use the Regional Food Balance Sheet (RFBS) as the tool to inform policies governing export/import restrictions and secure agreement and to establish well-prescribed rules related to regional food availability that must be met to trigger a ban. The ultimate goal is a regional policy that introduces predictability in the export/import regulations.

### **C3. Regional Food Balance Sheet**

*Objective:* Create consensus on RFBS concept and operational modalities for data pooling and sharing.

The consensus view is that the region, if taken as a whole, can consistently feed itself; however, a total lack of information regarding the availability of food both at the regional and national level leads national governments to make less than well-informed decisions regarding policies that govern trade of key staple commodities, which end up being counterproductive as they often serve as a disincentive to production, which leads to further insecurity and perpetuates the policy cycle. Establishing a viable and effective RFBS is critical if the region is to break the cycle of short-sighted and ineffective trade policies enacted under the banner of food security. Additionally, better knowledge both of regional food availability and specific needs is an essential component of regional staple foods value-chain integration, as it provides information that will highlight trade opportunities and facilitate greater regional market links.

#### *Implementation Plan Overview*

The regional strategy will address the RFBS issue by securing approval for the RFBS concept at the Regional Economic Community (REC) and national levels and getting regional buy-in to a standardized methodology for compiling national food balance sheets and aggregating the broader RFBS. National Food Balance Sheet committees — composed of key public sector players, private sector players, and donors — will be established, and operational modalities agreed to to ensure consistent and timely data collection that fits within broader RFBS agreements. Setting up regional

reporting schedules and aggregation and ensuring widespread distribution to all regional stakeholders will be critical to the success of the RFBS. The strategy will also focus on establishing a model for the Regional Trigger Stock to be approved at the EAC level as a tool to manage export/import restrictions. This will go a long way toward making policy decisions more predictable.

#### **C4. Staple Foods Quality Standards**

*Objective:* Harmonize regional staple foods standards and achieve full adoption and use in facilitation of cross-border trade.

Across the region, quality is one of the biggest constraints to staple foods value-chain integration, regional trade, and competitiveness. The lack of basic standards or, more importantly, the lack of awareness of existing standards for most products among staple foods value-chain participants makes transactions less transparent and affords buyers/traders the opportunity to set their own standards and secure an advantage in the producer-buyer relationship, which as has been mentioned before breeds mistrust between value-chain participants. Therefore, establishing harmonized regional standards will serve to both stimulate and facilitate intra-regional trade in staple foods and level the playing field within the value chain, which will benefit all players and help drive down costs. harmonizing regional standards will also enable the development of key structured trade systems such as WRS and commodities.

The benefits that accrue to producers from a more transparent quality standards system should be an incentive for smallholders to invest in production and will support the push for greater regional food security.

##### *Implementation Plan Overview*

The regional strategy will focus initially on obtaining national agreement on the harmonized regional standards for the 23 selected commodities (see Exhibit 23), securing EAC support and gazetting, and presenting the EAC's harmonized standards to COMESA policy organs for adoption at the COMESA level.

#### **Exhibit 23: Commodities Subject of EAC Regional Harmonization Process**

<b>Cereals / Cereal Products</b>	<b>Beans and Pulses</b>
Maize Grain	Dry Beans and Pulses
Dry Milled Maize Products	Dry Soy Beans
Wheat Grain	Dry Whole Peas
Buckwheat	Dry Split Peas
Wheat Flour	Chick Peas
Rough Rice	Cow Peas
Brown Rice	Pigeon Peas
Sorghum Grain	Lentils
Sorghum Flour	Fava Beans
Finger Millet	Green Grams
Pearl Millet	
Millet Flour	
Mixed Grains	

The next priority will be to work with national bureaus of standards to develop prerequisite programs and identify eligible products under the Simplified Trade Regime, so products that don't pose a quality threat can trade freely without border formalities. Another focus area is securing full adoption and driving awareness of the new standard. This will require providing support to national organizations to update forms and procedures to accommodate the new standards as well as developing training materials to ensure awareness among key stakeholders: farmers, traders, and processors.

## **C5. Sanitary and Phytosanitary Standards**

*Objective:* Regional products that share the same pest/plant disease risk trade freely. Joint SPS operations at borders.

Cross-border trade of staple foods is also impeded by cumbersome SPS regulations and procedures that are often duplicated on both sides of the border and significantly add to the transit times (and costs) of staple foods moving within the region. As most commodities grown within the region share the same set of pests and diseases from country to country, many of these procedures are unnecessary.

### *Implementation Plan Overview*

The regional strategy's efforts in this area will center on bringing national plant protection organizations together to collaborate on pest risk assessments, agree on operational modalities for joint surveillance and information sharing, agree on a set of priority crops to exempt from border inspections, and begin implementation of regional agreements. Once new SPS protocols are agreed to and gazetted, national customs and border authorities will need to be trained on the new policy to ensure its application. Another focus of the strategy is the development and rollout of national awareness campaigns targeting intra-regional traders. Although pests/diseases are the primary SPS concern regionally at the moment, chemical and pesticide residues were considered a medium-term issue and therefore preliminary work could begin to assess regional use of agrochemicals and existing regulations to determine whether there is a need to harmonize regional chemical and pesticide residue standards.

## **C6. Non-Tariff Charges**

*Objective:* Remove all non-tariff charges.

Non-tariff charges that have the same effect as tariffs are outlawed by the World Trade Organization as they amount to the taxation of trade. Unfortunately, non-tariff charges exist in every country in the region and contribute to the high costs within the value chains. They are also a disincentive to formal and structured trade, which negatively impacts regional food security.

### *Implementation Plan Overview*

The regional strategy will address non-tariff charges by first cataloguing all national-level charges that impact the staple foods value chain and legislation that provides for their application to create a regional picture of the reality and begin quantifying the

costs. The next step will be to develop a regional position on the elimination of non-tariff charges affecting staple foods for inclusion in the EAC's Regional Food Security and Nutrition Policy. Critical to the success of this effort is close collaboration with regional trade and transit associations that are on the front lines and can help advocate for reform and pushing awareness of laws out to the value chain.

### **C7. Regional Food Security and Nutrition Policy**

*Objective:* Adoption of EAC food security policy at national level.

Food security is high on the EAC's regional agenda. The heads of state of the five EAC countries have called for development of an EAC Food Security and Nutrition Policy, which is provided for in the EAC's Food Security Action Plan. This policy framework constitutes a platform through which policy reforms needed to unlock regional trade, support the development of structured trading systems, and improve the competitiveness of the regional staple foods value chain will be addressed.

#### *Implementation Plan Overview*

The strategy focuses on completing the necessary background policy analyses across all key policy issues and supporting the EAC in the development of the draft EAC regional Food Security and Nutrition Policy. Following adoption at the regional level, the strategy will help support adoption at the national level and drive awareness of key policy changes among the appropriate value-chain stakeholders.

## IV. STAPLE FOODS STRATEGY IMPLEMENTATION PLAN

*Understanding the approach taken in developing the detailed implementation plans.*

To develop practical and implementable action plans, USAID COMPETE, its regional partners, and regional value-chain stakeholders had to take into consideration the many challenges that could derail the successful implementation of the regional strategy, such as:

- How to secure the necessary support from RECs to ensure first regional acceptance and subsequent national adoption.
- How to effectively manage the transition of initiatives from the regional level to the national level to ensure quick implementation of policies at the government agency level (with the requisite procedural and policy changes).
- How to ensure knowledge of initiatives that harmonize and streamline systems at the regional level are effectively communicated to the entire value chain so the benefits accrue to the entire chain.
  - Identifying the right national partners to support the rollout of regional activities.
- How to coordinate and manage multiple implementing partners working on inter-related activities across different countries to ensure timelines are met.
- How to link organizations that have only worked in isolation at the national level into a well-coordinated and regional network.

