



EAST AFRICA
TRADE
+ INVESTMENT
HUB



USAID HUB B2B COMPENDIUM

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OVERVIEW OF REGIONAL AGRICULTURAL TRADE FACILITATION BUSINESS-TO-BUSINESS FORUMS

The USAID East Africa Trade and Investment Hub (the Hub) contributes to increased intra-regional trade of staple foods in the East African Community (EAC) by improving the access to, availability of and utilization of African-grown commodities through regionally integrated markets.

To accomplish this, the Hub facilitates regional cross-border trade transactions of staple foods and livestock at business-to-business (B2B) forums. These activities are designed to expand the efficient supply of staple foods by helping to establish long-term trade linkages and relationships among stakeholders in a structured and layered manner, enabling traders, logistics companies, financial services providers and policymakers to collaborate on actions to address systemic challenges and market constraints.



To date, the Hub has facilitated trade contracts for 1.943 million metric tons (MT) of staple grains worth an estimated \$669.5 million and trade commitments for 27,957 livestock valued at \$7.2 million.

Increased regional trade has the potential to expand the size of intra-African trade of agricultural commodities, boost agricultural growth in surplus zones, and mitigate shortages in deficit regions, thereby improving the food security outlook in Eastern African countries. In addition, regional trade in staple foods can help moderate price volatility in regional staple foods markets.

The Hub complements the B2Bs with efforts to remove hurdles to regional trade, such as:

- Advocated for a Common External Tariff stay of application with the Governments of Kenya and Ethiopia to allow the importation of duty-free maize from Ethiopia.
- Supported the Eastern Africa Grain Council's (EAGC) efforts to expand services to Ethiopia and Zambia to better link their grain markets with East Africa's.
- Supported the governments of Zambia and Tanzania, in partnership with EAGC and the USAID Southern Africa Trade and Investment Hub, to introduce a transshipment corridor for Zambian maize exports to East Africa.
- Supported Ethiopian grain exporters to meet national export and regional market standards and requirements.
- Helped revise EAC grain standards in partnership with the EAC and EAGC.
- Worked with partners in Zambia to remove a maize export ban and 10 percent export tax.
- Reduced logistics costs for grain traders by working with the Government of Zambia to get reduced rates through the Tanzania-Zambia Railway Authority.

By addressing intra-regional food trade challenges and contributing to strengthened trade policy systems in the region, the Hub increases the efficiency of trade and grain transportation, which enhances regional food security.

CHALLENGES

Despite the EAC's potential to support a thriving inter- and intra-regional trade in agricultural commodities, both transactional and systemic challenges inhibit the growth of cross-border trade. These challenges include:

- **Small and fragmented markets** limit the movement of staple foods from surplus to deficit regions and are susceptible to shocks such as droughts, instability and macro-economic challenges.
- **Access to finance**, especially facilities that support cross-border trade agreements and contracts.
- **Absence of smart logistics solutions** creates a major obstacle to efficient and cost-effective trade. Supply doesn't match demand (e.g. trucks return empty), which raises costs and leads to food price inflation.
- **Excessive documentation and fees** at borders force traders to use informal mechanisms to move staple foods from surplus to deficit regions.
- **Lack of market information** on where to source sizeable quantities of grain from surplus-producing countries.
- **Regional integration** remains a work in progress within the EAC. Some countries disregard their commitments under the Common Market Protocol and impose export bans on staple food trade.
- **Lack of market information** on where to source sizable quantities of grain from surplus-producing countries.
- **Absence of an efficient dispute resolution mechanism** to resolve disagreements between buyers and sellers from different countries.
- **Disputes in terms of standards and quality**, i.e. what is agreeable between the buyers and the sellers from different countries.
- **Disputes arising from tribal and clan conflicts** which limit trade, especially livestock trade.
- **The politicization of food staples in the region**, which often leads to heavy-handed, arbitrary and ambiguous policy decisions, such as price controls, import and export bans, occasional border closures, restrictive trade practices, and a range of informal taxes.
- **Inability to capture and share information across high-impact economic dimensions** (e.g. production, growth and risk). Moreover, fragmentation and lack of interoperability in information technology systems slows down the effort to transform agriculture value chains and introduce low-cost mechanized farming and freight transportation in cross-border trade facilitation.
- **Faltering efforts to develop policies that address trade policies**, often through policy dialogues.
- **Buyers and sellers withholding information on the trade deals**, especially in grain and staple food trade, affects the measurement of actual trade resulting from B2Bs.
- **Trade failures** caused by changes in market dynamics, policy, logistics and financing arrangements after agreements were made, such as a change in market prices or policies.
- **Perceptions from preconceived notions and culture differences** can be detrimental to traders' relationships and interactions.

GRAIN B2BS

To date, the USAID Hub has facilitated 1.93 million MT in grain commitments worth an estimated \$669.5 million. Once contract delivery is complete, these contracts will contribute to the food security of 23 million East Africans.¹

BACKGROUND

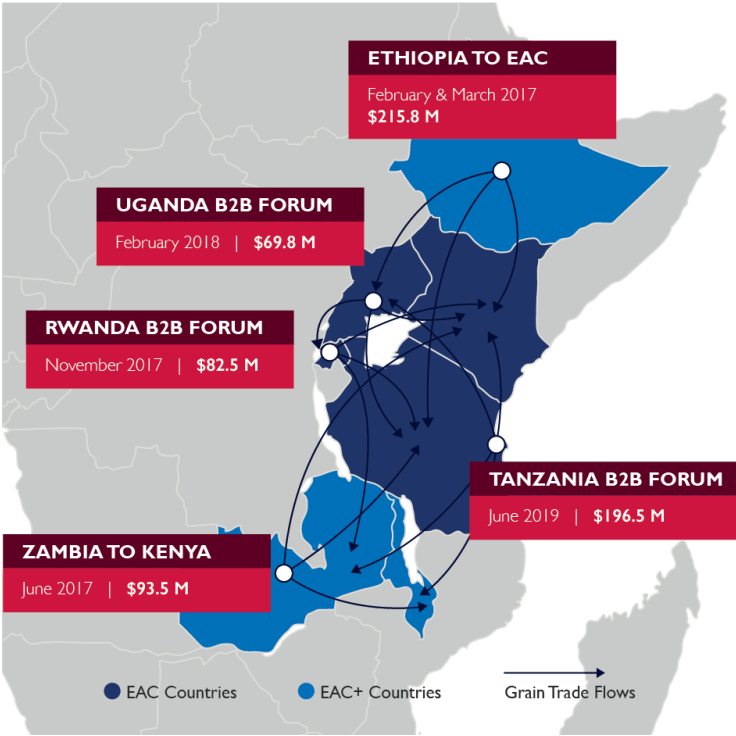
The frequency of droughts in Eastern and Southern Africa is increasing and affecting the food security of the entire region. Millions of people require emergency food assistance and many more are food insecure. Despite the dire challenges facing the region due to climate change and political instability, the region has the potential to feed itself and achieve food security within a generation. The region is blessed with vast arable land, variances in agro-ecological zones and staggered planting/harvesting cycles, which means that countries could be at surplus or deficit positions at different times of the year for any given staple grain.

If food is allowed to flow from surplus to deficit regions without unnecessary barriers, the region can wean itself from chronic emergency food assistance dependency and feed itself.

This trade initiative advances the U.S. Government’s Feed the Future goals, specifically increasing the access, availability and utilization of staple foods across the region.

APPROACH

The USAID Hub promotes the movement of staples food grains in Eastern Africa by facilitating private-sector-led B2B forums in partnership with the Eastern Africa Grain Council (EAGC), connecting grain traders from countries with surplus grains to grain traders from countries that are experiencing deficits. The B2B forums do not distort the market the way emergency assistance can by depressing crop prices and other effects; in fact, these forums strengthen private sector involvement in areas such as seed and fertilizer, labor, transport, cold storage and food processing. They also demonstrate to governments that food shortages can be solved if they enact trade-friendly policies, enabling Africa to reduce its reliance on food aid.



¹ 1.933 million MT = 1,933,000,000 kilograms (kg). Average yearly consumption of grain in Kenya is 84 kg.



Participants at a B2B in Zambia (top) and in Rwanda (below).

Further, the B2Bs bring together actors who don't traditionally do business with one another, which creates an opportunity to address information asymmetry and policy impediments to trade. For example, Ethiopian grain sellers are well versed in exporting grain to China and Italy for industrial use, but had never explored selling surplus to Kenya, despite that country's proximity and large market. This was due in part to Ethiopia not being a member of the EAC and poor infrastructure between the countries. A "mini" B2B meeting between seven Ethiopian grain exporters and 10 Kenyan buyers in Nairobi, Kenya, in February 2017, however, served as a test case for finding solutions to payment mechanisms, logistics, trade finance and grading/quality. The B2Bs allow stakeholders to build long-term relationships and discuss ways to remove barriers to trade together.

OUTCOMES

The Hub works closely with the EAGC to collect and analyze regional B2B grain transaction delivery data (i.e. volume, pricing and supporting documentation) from Hub B2Bs. The Hub also partnered with a technology firm to develop a database that captures regional grain trade

facilitation B2B data. The database is the primary depository for B2B data which supports documentation for all trade linkages and closed transactions.

TABLE I. CONTRACTED AND CONFIRMED STAPLE FOOD TRADE FACILITATED BY THE HUB

LOCATION	CONTRACTED VOLUME (MT)	CONTRACTED VALUE (USD)	DELIVERED VOLUME (MT)	DELIVERED VALUE (USD)
Rwanda	180,116	75,156,446	17,072	6,668,021
Uganda	201,688	69,804,122	912	151,102
Ethiopia	774,695	238,129,302	119,560	45,107,660
Zambia	322,156	90,396,900	42,798	10,293,270
Tanzania	454,532	196,478,900	-	-
Total	1,933,187	669,965,670	180,342	62,220,053

SUSTAINABILITY

The Hub facilitates sustainable, private-sector relationships to transform how the region feeds itself. The Hub implements its interventions through partners and provides technical expertise to support these partners in the implementation process. The Hub has continued to build the capacity of the partners it works with to equip them with the skills and knowledge needed to carry out similar activities as a service to the members. Partners include East Africa Exchange (EAX), USAID Private Sector Driven Agricultural Growth (PSDAG), the Zambia Commodity Exchange (ZAMACE), the Uganda Grain Council, Uganda Commodity Exchange Project, the Addis Ababa and Ethiopia Chamber of Commerce, Financial Access Commerce & Trade Services (FACTS) Africa, Innovare, Agricultural Market Development Trust (AGMARK) and Agribusiness Focused Partnership Organization (AGRIFOP). Most

of these organizations are private sector organizations that will continue to provide services to the targeted populations, ensuring the sustainability of the Hub's approach.

LIVESTOCK B2BS

To date, the Hub has held four livestock B2B forums and facilitated trade commitments for 27,957 livestock valued at \$7.2 million.

BACKGROUND



Zeinab Abraham looks after her goats as she waits buyers at the Isiolo B2B.

Over 50 percent of Africa's livestock is located in Eastern Africa. The region is home to approximately 107.2 million herd of cattle, 178.8 million herd of small ruminants, 11.3 million herd of camels and 4.4 million herd of pigs. The livestock sector is one of the key agricultural sub-sectors accounting for approximately 40 percent of the agricultural gross domestic product (GDP) in Ethiopia and Kenya and nearly 20 percent in Uganda. Rural households depend on this sector with about 60 to 80 percent keeping livestock to supplement their food needs as well as their household income.

In Kenya, over 70 percent of the national livestock herd, including camels and donkeys, is

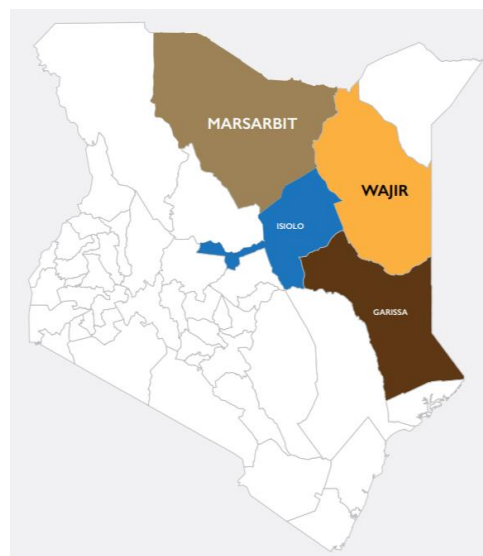
kept in the arid and semi-arid lands (ASALs). The livestock sector employs about 90 percent of the 7 million people in the ASALs and contributes to 95 percent of family income. Overall, the sector contribute to 42 percent of Kenya's agricultural GDP.

With such a great impact on the economy, the livestock sector has a high potential to contribute to economic growth if ASAL traders continue to improve their practices and reach more traders within Kenya and neighboring countries.

Livestock trade in the region is plagued by various challenges including inadequate producer/trader and terminal market linkages, ambiguous policies and administrative actions, occasional border closures, restrictive trade practices and a range of informal taxes that amount to a major percentage of marketing transaction costs. It is also dominated by a long chain of middlemen, each of whom takes a share of the producers' potential earnings.

APPROACH

The USAID Hub is promoting more efficient trade between livestock buyers and sellers by providing a platform to exchange market information and make business connections. The Hub partnered with the International Livestock Research Institute (ILRI) and collaborated with Partnership for Resilience and Economic Growth (PREG) partners to hold livestock B2B forums in four Kenyan counties that apply structured trade principles by using common contracts, quality standards, dispute resolution mechanisms and payment terms. During the trading session, end market buyers and sellers from Kenya, Ethiopia, Somalia and Uganda exchange information on the type, quality and price of livestock to make trade deals. This allows livestock



farmers to earn better prices from larger and more diverse markets, improving their livelihoods and resiliency.

The B2Bs also connected traders with government officials and service providers, building trust and raising awareness of resources to promote trade.

OUTCOMES

The Hub facilitated trade commitments for 27,957 livestock valued at \$7.2 million.

TABLE 2. LIVESTOCK TRADE B2B EVENTS

LOCATION	VOLUME (# OF ANIMALS)	POTENTIAL VALUE (USD)	NUMBER OF PARTICIPANTS
Marsabit	5,373	406,773	68
Wajir	3,948	783,368	72
Isiolo	3,821	891,058	98
Garissa	14,815	5,100,824	98
TOTAL	27,957	7,182,023	140

SUSTAINABILITY

The Hub partnered with ILRI, PREG partners and service providers to leverage their capacity to continue supporting livestock traders after the project ends. Some of the PREG partners included USAID’s Livestock Market Systems, USAID Kenya Investment Mechanism (KIM), Kenya Rapid, Kenya Youth Employment and Skills (KYES) Program, International Institute of Rural Reconstruction (IIRR) and Regal-AG. Other participants included county trader member organizations, such as the County Market Livestock Councils in Isiolo, Marsabit, Wajir and Garissa, private enterprises that provide services to the farmers and traders, such as Sidai and the Sigante Feedlot, and financial and insurance institutions, such as Equity Bank, First Community Bank, Takaful, Takaful Insurance and Cooperative Bank.



Women traders from Garissa discuss with William and Lororua from Meru during the one on one sessions at the Garissa B2B Forum.



William Mugambi a Meru Trader at a holding pen in Isiolo Market after receiving a truck load of cattle from a Marsabit Trader as a result of the Marsabit B2B.

LESSONS LEARNED

- The Hub faced challenges in converting trade linkages and trade commitments into closed grain deals. This is partly due to trade disputes, macro-economic changes, logistics and financing challenges.
- The Hub also faced delays in collecting and aggregating proof of trade documents. There is a lag in completing trades as traders agree on deals, work out logistics and identify financing arrangements. This is complicated by confidentiality concerns among grain traders; many are reluctant to share grain trade deal documentation for the Hub's verification. This limits the amount of verifiable closed deals the Hub can report even though anecdotal evidence indicates that a higher percentage of B2B transactions have closed. Since traders are unwilling to share directly with the Hub, the Hub leveraged existing relationships between the traders and the EAGC to confirm deals.
- The Hub focused on making regional connections by including traders across countries, including Ethiopia and Zambia, two non-traditional sources of grain to East Africa, to increase sourcing opportunities for East African consumers. Expanding grain supply sources helped stabilize food markets in the region and develop mutually beneficial trade relationships, particularly between Ethiopia and Kenya and East African buyers and Zambia suppliers.
- When value is demonstrated to private sector organizations, they are willing to take interventions to the next level. For example, the EAGC recently held a forum in the DRC where participants paid their own expenses to attend and the EAGC played an intermediary role in facilitating each transaction. Private sector actors were willing to identify other source markets and pay their own way having seen the benefits of B2B forums.
- Logistics is a major challenge when moving staple foods across the region. Traders struggle to identify logistics companies with haulage space for a specific route. Logistics costs also constitute about a third of the cost of a given grain shipment. The cost is high due to the lack of smart logistics linking supply and demand. This often leads to backhaul truck space returning empty. To address this challenge, the Hub, in partnership with IBM Labs Africa and Alliance for a Green Revolution in Africa (AGRA), initiated an activity to support a modern technology-driven logistics platform which will link grain traders and transporters in Eastern Africa. This activity is currently being implemented by AGRA and a grant has been awarded to IBM and Kumwe Logistics.
- The livestock B2Bs demonstrated how structured livestock trade with deliberate layering, sequencing and integrating of programs and interventions can contribute to achieving improved livelihood results. By partnering with other actors in this space, the Hub's B2Bs showed how a collective capacity anchored by the Hub's technical leadership can contribute to greater outcomes.
- The majority of the participants in the livestock B2Bs were men. This was especially true among high-value livestock trade (i.e. cattle and camels). Women articulated an interest in being more involved in discussions and market access interventions so that they can grow their businesses and improve their livelihoods. Future programs need to specifically integrate gender as an important component to create an inclusive approach toward building the capacity of women in business and addressing gender-related challenges in livestock and food trade in the ASAL region.