



EAST AFRICA  
**TRADE**  
+ INVESTMENT  
**HUB**



# USAID HUB B2B COMPENDIUM

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*The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.*

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## OVERVIEW OF AGRICULTURAL 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 large cross-border and regional trade transactions of staple foods and livestock at business-to-business (B2B) forums. These activities establish long-term relationships among stakeholders, enabling actors to collaborate on actions to address systemic challenges and market constraints.



**To date, the Hub has facilitated trade contracts for 1.47 million metric tons (MT) of staple grains worth an estimated \$473.5 million and trade commitments for 27,957 livestock valued at \$7.2 million.**

Increased regional trade has the potential to expand the size of Africa's market for agricultural commodities, boost agricultural growth in surplus zones, and mitigate shortages in deficit ones. In addition, regional trade in food staples can help moderate price volatility in African food staple 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 maize duty-free.
- Supported (and continues to support) Ethiopian grain exporters to meet national export and regional market standards and requirements.
- 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.
- Enabled Zambian traders to export to the East African Community (EAC) market by supporting the Government of Zambia to resolve transshipment challenges with Government of Tanzania.

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:

- **Access to finance**, especially facilities that support cross-border trade agreements and contracts.
- **Lack of market information** on where to source sizeable quantities of grain from surplus-producing 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.
- **The lack of affordable transportation solutions** creates a major obstacle to efficient trade. Transporters mainly focus on the traditional trade routes (e.g. Mombasa-Nairobi-Kampala) and are not aware of new routes driven by grain trade such as the Moyale-Nairobi corridor, which offers a gateway for grains coming from Ethiopia.
- **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 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 1.47 million MT in grain contracts worth an estimated \$473.5 million. Once contract delivery is complete, these contracts will contribute to the food security of 17.5 million East Africans.<sup>1</sup>

### 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.



<sup>1</sup> 1.47 million MT = 1,470,000,000 kilograms (kg). Average yearly consumption of grain in Kenya is 84 kg.



Participants at a B2B in Zambia (top) and 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 chronic maize shortages. 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 confirm 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
<b>Total</b>	<b>1,478,655</b>	<b>473,486,770</b>	<b>180,342</b>	<b>62,220,053</b>

### 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 we work with to equip them with skills and the knowledge needed to carryout similar activities as a service to the members. Some of the partners that we have worked with include East Africa Exchange (EAX), USAID Private Sector Driven Agricultural Growth (PSDAG), the Zambian 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

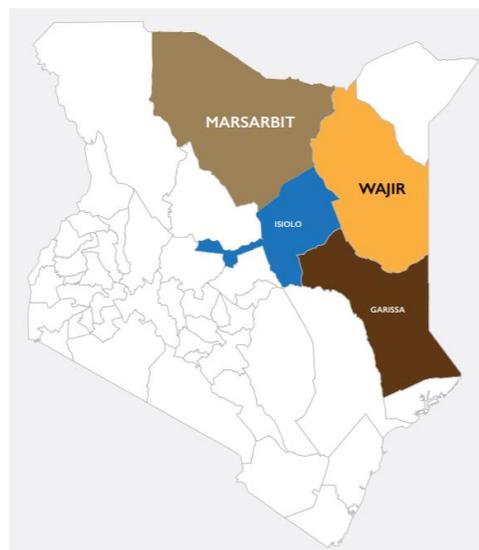
kept in the arid and semi-arid lands (ASALs). The livestock sector employs about 90 percent of the 7 million people in the ASALs and contributes to 95 percent of family income. Overall, the sector contribute to 42 percent of Kenya's agricultural GDP.

**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
<b>TOTAL</b>	<b>27,957</b>	<b>7,182,023</b>	<b>140</b>

## 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 establishing the volume and value of trade linkages that have translated into closed grain deals. This is partly due to a lag in data collection as traders take time to agree on deals, work out logistics and identify financing arrangements before grains are shipped across borders. It is also 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 is leveraging 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, to increase the market sources for commodities. This helped stabilize food markets in the region and develop mutually beneficial trade relationships, particularly between Ethiopia and Kenya and the East Africa Exchange and Zambia, which are now engaging to source for various grains.
- 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, charging commission of the value of each transaction. Private sector actors were willing to identify other source markets and pay their own way having seen the benefits of B2B forums, thus taking the initiative to create linkages for increased trade.
- From conversations with grain traders and millers, the Hub learned that logistics are a major challenge when moving staple foods across the region. Traders struggle to identify logistics companies with haulage space for a specific route. To address this specific challenge, the Hub has initiated an activity to link grain traders and transporters through a platform.
- The livestock B2Bs demonstrated how layering, sequencing and integrating programs and interventions can contribute toward achieving results. By partnering with other actors in this space, the Hub's B2Bs shows how their collective capacity could 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.