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# TRADE-BASED SOLUTIONS TO FOOD INSECURITY

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QUESTIONS AND ANSWERS AUDIO TRANSCRIPT

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## PRESENTERS

Yohannes Assefa, East Africa Trade and Investment Hub

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Gerald Makau Masila, Eastern Africa Grain Council

## MODERATOR

Kristin O'Planick, USAID

*Jim Winkler: Yeah, there are a lot of good questions here. This is Jim Winkler. I am the technical representative for the two hubs based here in Washington.*

*One of the questions is how does USAID work with DFID and World Bank and coordinate with them? The East Africa Trade Investment Hub has a memorandum of understanding with Trademark, which is a multi-donor – I think nine donor fund it including DFID and the World Bank and USAID and others. And they work on the trade facilitation corridors across the region. So they have really enabled the movement of grains and other product across borders across East Africa Community. That has been critical.*

*The World Bank also has a program in Southern Africa that the Southern Africa Trade Hub coordinates with. There is also a DFID food trade East and Southern Africa program that is working on both seed, trade, and harmonization across East and Southern Africa as well as policy and [Crosstalk].*

*Yohannes Assefa: Sorry we lost you for a moment. We are back.*

*Jim Winkler: Okay. I'm just answering a quick question here on –*

*Yohannes Assefa: Hi.*

*Jim Winkler: Hi, Yohannes. One of the online questions about how USAID coordinates with the World Bank and DFID. And I'm just closing that out.*

*Someone else asked a question about seeds and how important –*

*Scott Cameron: Actually, before we go to USAID, I would also like to comment on that. As Jim was talking about – this is Scott Cameron by the way, from Kenya East Africa Mission. As Jim was correctly mentioning, we do a lot of work with Trademark East Africa, which does have nine donors. We are heavily active on the board. We meet quarterly on the board. But we engage regularly throughout the year. That program in and of itself is about a \$600 million program focusing primarily on trade facilitation and the work we do at the ports and along the main trade and transit corridors that go through Kenya and Tanzania. We have spent hundreds of millions of dollars on infrastructure improvements and systems improvements at ports, on feeder roads, as well as one stop crossings which have customs officials from both countries along the border in order to reduce the cost of doing business.*

*And I think one great thing about that as we've seen is about 30 percent of all costs associated with trade – and this is inclusive of food – is coming from these transit and logistics costs. And so by – and this somewhat addresses some of the other questions – by addressing some of the infrastructure constraints, and even at the port alone, if you address some of those constraints that we've been dealing with as a donor community, you can cut the costs by 50 percent of trade and transit costs. So there are significant savings that we can do. And I think this is a perfect example of how across many donor agencies, across many countries we have been collaborating very well. Thank you.*

*Yohannes Assefa: Yeah. Just as a quick answer to the question. We consulted and worked with for example Food Trade Eastern and Southern Africa, which is funded by DFID. We consulted and discussed the various issues involved in this cross-border grain trade with WFP. Our partners, EAGC for example, are part of what's called the Working Group, the market analysis working group that works with the FAO, WFP, USAID \_\_\_\_\_ and a few more other agencies.*

*And so this is really a collaborative process. We have consulted widely. We have researched the issues. We have met with governments and with other partners. Various partners involved in this process. And we eventually arrived at a proposal and a strategy and worked with our mission, with Scott and his team, to be able to follow the strategy.*

*There is a great amount of work and collaboration and consultation that has taken place before we actually did the first B2B.*

*So with that, I would like to wrap up today's presentation and will look forward to the Q&A portion.*

*First I would like to call upon Kristin. Sorry. I rushed to Q&A. There are some really great questions. I'm really eager to answer them. Kristin, over to you.*

*Kristin O'Planick: Sure. Thank you. So Jenna Leafey has asked us, "What are the hubs and USAID doing to ensure that this transaction-based approach is sustainable? How are you working to ensure that these aren't just one-off successes?"*

*Yohannes Assefa: So I will quickly provide a quick answer and then I'll invite my colleague, Gerald, to also talk about this. As I said earlier, when we did the Addis B2B, not even days after we concluded, they were traders already going to Addis and transacting. And we just opened the gates for them. We educated traders on the various technical barriers; standards, payment*

*terms, logistical challenges, even cultural issues about trading. For example, payment. Ethiopian traders will only use LLCs and will only use the document process. They will not use any other method. This is foreign to some of the EAC traders.*

*But once we were able to break the barriers and make the connections, these traders didn't need us. They continued to trade and connect with Ethiopian traders. Same thing with Zambian traders. Some of the Zambian traders for example have set shops in Rwanda, in Kenya, to be able to further facilitate.*

*But the most important part of the sustainability model for us is really we don't do this work; this is really an activity of the EAGC to benefit their members and the regions. We provide technical support using the small amount of money we have and the internal know-how we have, working closely with the EAGC to provide these solutions. And through this process for example, we are working closely with the agency to help them open an office in Ethiopia. They never had an office. They've had members, but not an office. Right now we are going through that process.*

*We also collaborated with them in their opening office process in Zambia. Over to you, Gerald.*

*Gerald Masila: Yes, thank you, Yohannes. Yes, one of the things I would like to say is that these B2Bs and the trade facilitation processes are now embedded as part and parcel of EAGC's services to their members. So they will not end now. In fact, they are being and we are even – we are already using technologies, using our platform to take this B2B to another level.*

*So in summary, this will be continued because it's embedded as part and parcel of EAGC day-to-day services to their members.*

*Jim Winkler: Kristin?*

*Kristin O'Planick: Great, thank you. We've got a couple questions here that are related. Jill Luxembourg asks, "How is food safety being addressed under the program? Are aflatoxin levels being measured?"*

*And partnering with that, Margaret McDaniel asked, "Along with aflatoxin monitoring, are pesticide residues being monitored? This is particularly important as farmers become more desperate about fall armyworms.*

*Yohannes Assefa: I'm going to invite Gerald to respond to that question.*

*Gerald Masila: Yes, thank you. So the question of standards and grades has been central in these B2Bs. And sides to the trade that. So how you them is that for all the transactions in the B2Bs you have to get your test analyses, your lab tests, your analyses, your grading certificates that the consignment being transshipped or shipped across has met all the quality parameters which include aflatoxin levels. So the response I would like to give you is that that is a feature and something that and is happening in each and every of these cross-border B2Bs that we are doing. That covers and ensures that absolutely and the quality parameters and quality standards are met. Thank you.*

*Yohannes Assefa: And I want to add a very important caveat. This is really important to understand. This is formal trade. Right? Previously trade existed between these two regions, Southern Africa, Eastern Africa, the horn of Africa and Eastern Africa. But it was largely underground. It was smuggling, illegal trade. So the illegal or informal trade did not comply with standards. Aflatoxin and pesticide residues, it did not involve any of that.*

*We facilitated formal, transparent, large-scale transactions. Right? So no quality standards or requirements were compromised. The work with it was to simplify the bureaucratic documentary requirements and process, making sure border agencies talked to each other, and to reduce or eradicate redundancies. Right?*

*So the crisis gave us an opportunity at the highest level. Just to give you an example, the president of Kenya at one point was considering ordering the army to go to the border and pick up maize from Ethiopia because Ethiopian trucks could not cross the border. But that level of attention gave us an opportunity to identify these barriers and work hand-in-glove with government to address this emergency not by compromising quality standards, but making sure that the standards are met with less and less-costly bureaucratic processes. Kristin?*

*Kristin O'Planick: Great, thank you. So we've got a couple of questions related to a bit more of the nuance of the B2B events. Linsey Bighamen asked, "How did you identify the grain traders who participated in the B2B events and what did they need your support for?"*

*And then Celia Gare asked, "What has been the role of host governments during your B2B sessions, if any?"*

*Gerald Masila: Thank you. I will take those two questions. The first one on how we identify the grain traders. They are traders that we were able to get for both sides, the supply side and the demand side. Members of EOGC. And those that were – and other grain traders that we were able to bring on*

*board. So this is where the partnership process becomes now important. Because if tries to do this without have difficulties identifying. But watching the numbers, we have the membership, we have the membership, we have the members, we are able to get. In addition to that, particularly in Ethiopia and I think also in Zambia, but in Ethiopia we placed an announcement where we also opened up an invitation. And that also helped. Because in Ethiopia, like Yohannes said earlier on, we have membership offices. So we use that process to get to where the public know. And in the process we actually ended up recruiting quite a number of members from Ethiopia. So that's how we did this, how we identified the grain trader.*

*With regards to the role of governments. I mentioned earlier that involving B2Bs, we had government. In fact, the B2Bs were officially – the official opening was done by the government officials in Ethiopia, in Zambia, even Rwanda. And therefore they provided their support and backed up the processes.*

*But in addition to that, we had like associates in East Africa issue of the report. We could not have gotten this without the governments helping us, both the host government and also the receiving government. And also, like I mentioned earlier on, the whole process of the documentation, the certification, the licenses, the permits, the clearances across the borders. Because this we have every single piece of compliance must be met. This was made possible with the support of the government. Thank you.*

*Yohannes Assefa:*

*Just to add from our perspective and their perspective, what we've done also in addition to what EOGC has done, we hired a consultant, an Ethiopia-based consultant to support Ethiopian traders, again, to go through the compliance part. Because they never traded with the EAC member country traders. And meeting these requirements were very complicated. Not just the EAC requirements, but also the Ethiopian export ban caused a huge challenge. The bureaucratic requirements were very difficult. So our consultant worked hand-in-glove with the traders, worked with the Addis Ababa chamber of commerce, which was our local partner and a partner at the as well on this process to make sure that all of the requirements were met and members and traders understood what needs to be done. But even more important for us as a project, we need to make sure we had documentation and we tracked the trades so we were able to collect contracts, payments, even pictures of trucks crossing the border. We knew at some point no one was going to believe us that 100,000 metric tons was crossing over to Kenya from Ethiopia. And it would just be laughable if you say that to anyone in a year where Ethiopia had 8 million people needing emergency food assistance. But again, If you don't understand the background, the context, yeah, people would be surprised.*

7

*So we had to work very hard to make sure we documented the process with the help of our consultant.*

*Kristin O'Planick: Great, thank you. And I have a question here for Scott specifically. "How has food aid policy changed due to some of this learning and is this a solution for future crises?"*

*Scott Cameron: So in terms of food aid policy, I think that is something that is evolving over time. Initially when we were talking to our food aid colleagues related to some of the B2B work we've had and the movement of staple food around the region, it was actually approached with some suspicion given that taking food from one country to another. But like we're trying to educate people not only through conversations like the one we're having now, but also our colleagues in the humanitarian assistance side with the understanding that the region can feed itself. It's these barriers that are preventing food from moving across borders, again, from areas of surplus to deficit.*

*So by breaking these down – and over time if we look at the whole region as a system and one common market versus independent specific countries in silos, then I think that's the problem we get to. Oftentimes as the U.S. government, USAID in general, we are very siloed. And we look at things country-by-country. And it's not often we take a step back and take that regional approach.*

*So saying that, things like this and educating people about the broader benefits and the possibilities around this type of approach in terms of private sector-led, in terms of the potential for sustainability over the long-term, I think this is kind of the first step. And I think over time we'll get even more success with this model and I think more and more people will recognize that, both inside and outside the U.S. government.*

*Kristin O'Planick: Great, thank you. I've got a couple questions related to data and tracking. So Mark Lunde asked, "In addition to tracking trade volume, have you also been able to track changes in grain sales prices for consumers and if so, how have those varied?"*

*And Dorothy Tuma from Uganda asks, "How are you able to obtain true or accurate figures on the value of transactions between B2Bs? Could there be some underreporting and thus the value of the trade generated might actually be higher?"*

*Yohannes Assefa: All right, I'll tackle both. In terms of pricing, I think it's been very public in the EAC, especially here in Kenya. In fact, the government introduced a subsidy program to limit the growth of food price of 2 kilo maize flour,*

*which is really a major staple for the average folks here in Kenya. It's an essential food security issue. So eventually through the government – the government directly, by the way, bought 50,000 metric tons with our help for the food subsidy program, which was then sold to millers at subsidized price. And eventually the price of 2 kilo maize flour dropped from almost \$2 to about \$1.30. A huge amount of drop. Now, we did not participate in the subsidy program. It has a distortive effect in the marketplace. It was well-intentioned, but may not have ended up helping the market. But it did end up – consumers – it reduced the average cost of maize flour in Kenya.*

*And in general in the region I can give you the – there have been studies for example, Rwanda has the smallest. It's about \$400 per metric ton. That is partly unique to Rwanda because Rwanda grain reserves were well-managed and were properly managed. And the maize purchases they were able to take, for example, from Zambia a lot of the maize that Rwanda bought came from the Zambian B2B process. It allowed Rwanda to stabilize local maize wholesale prices.*

*So in general it had a significant and visible impact on retail market prices. Again, price is really an outcome of supply and demand. You increase supply, price is going to fall.*

*Now by all means, it's not just our work. Private traders, millers, and even some governments have directly imported from outside of the region. Kenya for example has I think imported close to 300,000 metric tons from Mexico and elsewhere in addition to what Kenya has bought from Ethiopia and Zambia.*

*Gerald Masila: And on the question of tracking the data and was it accurate. I'll just emphasize that what we have done and we are doing with the B2Bs is formal trade. And with formal trade you have every piece of documentation we use and therefore you are able to get the data very precisely of the quantities that are being bought and are being shipped across the border. So for formal trade there is no issue in getting the data. Thank you.*

*Yohannes Assefa: Now just to add to that, the challenge for us is that conditions change. Even after the B2B, there are sometimes changes between what happened at the B2B and delivery point. Prices may change. Cost of logistics may change. New policies may come up and slow down the delivery process. So sometimes there are price changes. But we do try, we do our best to follow up and capture the final delivery price and quantity. We are not always successful, but we do our best.*

*Kristin O'Planick: Great. Thank you. Related to something that you actually talked about in terms of the private trade that's going on beyond you guys, Loretta Burns mentioned, "I was in Zambia a few years ago when they were overflowing with Maize that the government had procured from farmers and traders, but at great cost to the government. I believe they sold at a loss. Are there traders and companies in place that can acquire sufficient amounts of international trade without government subsidies?"*

*So back to that sustainability question.*

*Gerald Masila: Yeah, I'll take that question and specifically say that this being the case in Zambia. When we did the B2B of course we had the buyers from the whole region. We had buyers from Rwanda, Burundi, Tanzania, Malawi, Kenya, Uganda, the whole region. The B2B contract and do the delivery while all private traders who were able to buy the grain themselves and do the whole trading. And they were able to this. However, in that process also we are also aware that around that time the government was quite aware that the next step was coming and strategically and they also did quite a number of a good percentage of their into the trade.*

*But I would like to respond to Loretta and say that yes, indeed, private traders, private companies who are able to acquire and do trade and move across the region. Thank you.*

*Yohannes Assefa: Just to add. It's an important element of strategic grain reserve management. You have to replenish or change what's in reserve. Otherwise quality deteriorates if you keep it over a long period of time. So it's a good practice for governments who manage strategic grain reserves from time to time even if there is no market crisis but the reserves to sell and buy new harvest or new crops. So it's part of a good practice and good management practice. And not always designed to subsidize traders or in that sense. So there is another use without buying and selling.*

*Kristin O'Planick: Great. You'll notice we just put up the polls that we have as we come to a close here. We've still got a couple of questions, so don't log off quite yet. But please go ahead and answer those polls for us.*

*All right, we've got a couple of questions about informal trade, which you touched a little bit upon already. But let's go ahead and address these as well. Marietta Stevens asked, "Informal trade is a major challenge. What are some of the strategies put in place to have more of the informal trade information captured?"*

*And Emily Miller also contributed, “Who are the cross-border traders that you are addressing? Does it include women in more informal cross-border trade, and if included, how is capacity being addressed.*

*Gerald Masila:*

*Thank you. I will take those questions and refer back to the intro that I have given about EOGC. And one of the things I say was that part of our services is that we do provide market information to our partners trade intelligence. And we monitor border points and we monitor markets. In fact, at the moment we are in 42 markets in the region and 15 border police. And we do monitor both formal and informal cross-border trade. And we do get data on the informal cross-border trade taking place in the region that we are working in. And if you do use it, [www.eogc.net](http://www.eogc.net), you would be able to get quite a lot of that.*

*In addition to that, especially with regard to capacity building of the informal traders, we also have a number of trading programs in our institute, the Eastern Africa Grain Institute. And with this we are able to handle quite a number of topics, like handling, we traders to and standards. We also – you know, and the whole handling process. And also we are able to connect them to the markets across the borders the informal trade. And we try as much as possible to also make them, you know, also get a little bit more sophisticated to formalize their trade. And lastly, we’ve been having initiatives in the region with the regional economic communities coming up with simplified processes and simplified processes that can the informal trade to formal process of documentation and without compromising on quality and on the safety of the food.*

*So basically I would like to just say that very quickly and then to say that also women, when they come to cross-border trade, definitely they do play a major role. And we do have support to give them, especially those that also go to a level of being able to operate warehouses as like a management warehouse process.*

*So in general I would like to respond that way. But remember, our topic today was looking at trade, particularly the B2B, which are more formal arrangements and formal setups. Thank you.*

*Yohannes Assefa:*

*Just to add to Gerald’s answer, the hub also works, again, works with informal cross-border traders. Last year in partnership with Agrimark, a regional organization, we helped with the establishment of the East Africa Community Small Cross-Border Traders Association. We worked with 42 different cross-border trader’s association. In fact, about 20,000 metric tons of the B2Bs reported in our 1.2 million metric tons came from these B2Bs that we supported through our partnership with Agrimark. That process involved trading, the cross-border trade association trade, on*

*access to finance, on standards and the like on the logistics issues. But also on regional grain trade. This is very, very important to us.*

*This year we will be specifically focusing on the eastern part of the EAC region. We will be working specifically with women cross-border traders and trader associations to build their capacity, again, on formal trade. Grain standards, documentary requirements, structured trade, and logistics management and the like with another regional partner in the region.*

*We have also worked specifically with women cross-border traders, training them on how to access the regional finance for trades, like trade finance or SME financing. And we've also worked with women and then small cross-border traders on making new technologies available to them.*

*So there's a lot of work that we do with the cross-border trading, because it's important. In the EAC region about 60 percent of the overall grain trade is informal. So you can't really ignore it. We work very hard to make sure that 60 percent is reduced to a smaller amount and will have greater amount of formal transparency in the region. Thank you.*

*I think with this we are running out of time. Now, I'll give you back the mic, Kristin.*

*Kristin O'Planick: Okay, great. Scott, did you have any closing remarks on your end?*

*Scott Cameron: No, not prepared. But I do think this is a very impressive model going forward. While there are several issues that still need to be addressed throughout the region in terms of movement of staple foods and food security at large, I think this is a great example of how we can work closely with the private sector and help unlock the potential and the food production that is already there in the region. But thank you everyone.*

*Kristin O'Planick: Great. Thank you so much to our speakers and thank you to our audience for joining us today and bearing with some of our technical difficulties. It's always a challenge when you're pulling people across far-flung geographies. I think we'll see if we can give Tashilo a chance to maybe put some of his responses into a blog post that can accompany the event resources since we lost his audio.*

*And keep your eyes open for when we send out our post-event resources email. It will have links to everything you need to share this with your colleagues or go back to revisit anything you would like to review.*

*And next month, mark your calendars, Agrilinks and Microlinks will be joined by the Office of U.S. Foreign Disaster Assistance, featuring research from Purdue on feed storage, marketing, and finance. And that will be February 22<sup>nd</sup>. So we hope to see you back then.*

*And that will also include an in-person component for those of you that are based locally in Washington DC. So you can join us live or remotely. We hope to see you then. Have a good rest of your day.*

*[End of Audio]*