

REPORT

REGIONAL STAPLE FOODS

TRADE WORKSHOP

8th November, 2010

Imperial Resort Beach Hotel, Entebbe, UGANDA



USAID
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COMPETE
The Competitiveness and Trade Expansion Program



All  Agricultural Commodities Programme



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EXECUTIVE SUMMARY

(a): Objectives of the meeting:

The Regional Staple Foods Trade workshop meeting held on November 8, 2010 in Entebbe, Uganda was the culmination of various activities initiated by USAID/COMPETE in collaboration with COMESA, ACTESA, EAGC, AGRA and the FAO-EU All Agricultural Commodities Program in pursuit of the 2nd ACTESA Stakeholders' Meeting recommendation to develop a regional strategy to support Structured Trade System for Staple Foods.

The main objectives of the meeting were to:

- Provide background on regional strategies and the process that resulted in the proposed Regional Staple Foods Strategy
- Dive deep into each of the three regional strategic priorities and their various sub elements to get a clearer picture of the regional context,
- Review, refine and validate draft strategy implementation plans and begin the process of identifying lead implementers and the network of collaborating partners required to drive forward implementation of the strategy

(b): Outcome of the meeting:

The following is a summary of the outcome of the workshop after plenary sessions and subject-specific breakout sessions. More details are available in the detailed strategy implementation plans and presentations which are attached to the report.

(c): Regional Staple Foods Strategy:

After learning more about the rationale behind the development of a regional strategy as well as the extensive and collaborative process that yielded the set of three regional strategic priorities (see graphic below), the stakeholders agreed on the need to address specific issues at a regional rather than a national level. There was broad agreement that the three regional priorities identified in the strategy addressed the majority of issues that could best be handled at a regional level.

Structured Trading

- **Warehouse Receipts System**

Objective: Develop an easily implementable, integrated and overseen regional WRS that increases bulking capacity and producer access to finance

- **Regional Commodities Exchange**

Objective: Establish a transparent trading platform that facilitates commodities flow across the region

- **Regional Marketing Infrastructure**

Objective: Integrate smallholders into the regional marketing chain

- **Collateral Management**

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

- **Contracts Enforcement and Dispute Resolution**

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

Market Information

- **Integrated Regional MIS Platform**

Objective: Develop RATIN as the hub of regional MIS network

- **Leverage existing national systems**

Objective: Integrate national MIS systems with RATIN

- **Ensure data integrity and quality**

Objective: Expand and harmonize data (more than price) sets, collection methodology and deliver training of enumerators

- **Effective data dissemination**

Objective: package regional data in a manner that is useful to the value chain and facilitates trade linkages, small order market access and food security

- **Drive use of market information**

Objective: Promote benefits of market information across value chain

Policy and Standards

- **Intra-Regional SF Tariffs**

Objective: Zero rating for all intra-regionally traded staple food products and implementation of the Simplified Trade Regime (STR)

- **Marketing and Price Controls / Export and Import Restrictions**

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

- **Staple Foods Quality Standards**

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

- **Sanitary and Phytosanitary Standards**

Objective: Products that share the same pest/plant/disease risk trade freely. Joint SPS operations

- **Non-Tariff Charges**

Objective: Remove all non-tariff charges

- **Regional Food Security and Nutrition Policy**

Objective: Adoption of EAC food security policy at national level

(d): Structured Trading Systems:

The discussion on “Structured Trade” in the breakout group was well attended and focused on important issues within the context of the topic. Emphasis was placed on warehouse receipts systems (WRS), commodity exchanges, contracts and dispute resolution, with each topic being debated in detail. Two of the major topics under the WRS element were the need to create awareness and to conduct training courses in all aspects of warehouse receipts, whilst consensus was also reached on the need for regional harmonization on the WRS and to increase regional trade flows through the system.

Insofar as commodity exchanges are concerned, it was agreed that there was a need to have a regional commodity exchange in the EAC countries, whilst encouraging national exchanges to continue their operations. Again, it was agreed that there is an ongoing need for awareness campaigns and training programs on commodity exchanges amongst stakeholders.

Contracts and dispute resolution mechanisms were ratified on the basis that an urgent need exists to promote the use of contracts and dispute resolution mechanisms as a means of enhancing trade within the region. Many buyers and sellers “avoid” contracts where

possible, which leaves them wide open to breach of performance by the other party and it is this issue that the breakout group felt requires urgent attention.

In all these matters, the question of lead implementer and support implementers was discussed and proposals incorporated into the document. This work has since been enhanced, as agreed by the stakeholders, through meetings held with potential implementing partners.

(e): Regional MIS:

The Market Information System (MIS) breakout session attracted great interest, with attendance drawn from a cross section of national and regional MIS service providers. The participants deliberated and overwhelmingly endorsed the regional MIS strategy as earlier presented commenting that it truly captures the realm and desire to harmonize the regional agricultural MIS.

The participants further examined and discussed the key strategic areas and implementation plans and set forth the critical priorities needed to:

- Integrate regional MIS platforms
- Ensure data integrity and quality
- Ensure effective data dissemination mechanisms
- Drive use of market information systems

Going forward, the lead implementers were identified as ACTESA, EAGC, USAID/COMPETE and RESAKSS. National focal implementers will be identified and a needs assessment will be conducted.

(f): Regional Trade Policy:

There was consensus at the meeting on the most critical elements of trade policy that need to be pursued in support of regional Structured Trading Systems. The lessons learned from South Africa grain sector policy reform showed that it is possible for the region to evolve a robust regional trade policy regime that is supportive of STS.

STS enabling trade policy elements	Target
Tariff regimes	
Internal tariff for regionally sourced products	<ul style="list-style-type: none"> • Zero rating import duty for intra-regionally sourced staple foods through Accession for COMESA Free Trade Agreement • Implementation Free Trade Agreement arrangement in both EAC and COMESA by ensuring accessibility to certificates of origin
Common External Tariff (CET)	Regional study to facilitate development of joint position across COMESA, EAC and SADC on appropriate CET rate for staple foods
Non tariff charges	Removal on Non Tariff charges that have tariff equivalent effect in compliance with the WTO GATT
Standards	Harmonization of standards and development of regional mechanism for facilitation of cross border trade
Sanitary and Phytosanitary (SPS) measures	Harmonization of SPS measures (where applicable) and development of regional mechanism for facilitation of cross border trade
Price and marketing controls	Removal of pricing and marketing controls
Export/Import restrictions or bans	Replacing of ad hoc export/import restrictions or bans with predictable arrangement based on regional food availability
Regional Food Balance Sheet as a tool for managing the region's food security concerns	Pooling of Regional Food Balance Sheet and application of the RFBS as a policy tool for management of food security concerns in the region

A regional implementation plan was drawn up at the meeting. This will guide activities by all collaborating partners in supporting the region to initiate and implement policy reforms for the staple foods trade.

1.0 BACKGROUND OF THE MEETING:

Among the key challenges that the COMESA, EAC and SADC regions are facing is low intra-regional trade in virtually all commodities. This is despite the region's comparative advantage in the production of these products.

Staple foods happen to be among the commodities where intra-regional share in total regional market size is barely over 5%. Therefore, trade in these products is not part of the equation in the regional search for solutions to food security threats.

The region is convinced that a way out has to be found in order to enhance the intra-regional trade in staple foods as a strategy towards addressing hunger and poverty in the region. The target is the huge market potential currently being serviced by extra-regional imports.

This conviction is already documented in recent EAC and COMESA Policy Organs meetings. In the EAC, the draft food security action plan (2010-2030) has identified the following as priority areas pertinent to staple foods trade in the region: -

a) *Provision of an enabling policy, legal and institutional framework:*

- Enhance stakeholders' collaboration by providing suitable policy, legal and institutional framework for regional food security implementation.
- Provide an enabling legal and institutional framework that facilitates and efficient regulatory framework for regional cross border trade.

b) *Increase food availability in sufficient quantity and quality:*

- Improve marketing efficiency and enhance regional trade in food commodities.

These issues will feature prominently and receive further high level policy support in the proposed EAC Special Summit of Heads of State of the EAC on Food Security and Climate Change.

In COMESA, the 27th meeting of the Council of Ministers, held on 7th to 8th December 2009, under the theme "*Consolidating Regional Integration through Value Addition, Trade and Food Security*" decided that:

- The item on food security be included as a recurring item on the agenda of Council of Ministers agenda;
- COMESA and its partners continue to identify and document current constraints inhibiting staple food trade to inform future deliberations;

- In collaboration with Member States and regional partners, ACTESA should design a program that aims to improve the regional food trade information base, i.e. improve national and regional supply and demand estimates; and
- Given that national governments will require a certain food security “comfort level” before allowing free trade in staple commodities, trade based food security instruments should be developed, in partnership with the private sector and cooperating partners.

The 2nd ACTESA Stakeholder meeting that took place on 26th and 27th November 2009 set the parameters for developing a regional strategy staple foods trade to address the above concerns.

The meeting held in Entebbe on November 8, 2010 was the culmination of a number of activities undertaken by USAID/COMPETE in collaboration with COMESA, ACTESA, EAGC, AGRA and the FAO-EU All ACP Commodities Program in search of the regional staple foods trade strategy. Some of the activities included:

- Conducting value chain studies for select staple food products (maize, beans, pulses, rice, millet, sorghum, cassava and wheat in the following countries: Burundi, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe;
- Initiating food balance sheet studies in Burundi, Ethiopia, Kenya, Malawi, Rwanda, Tanzania and Zambia;
- Holding national consultative meetings where the value chain studies’ findings were presented/validated and where value chain participants and other stakeholders were surveyed to determine which issues/constraints were most important to the value chain. These meetings and the results of the surveys helped inform the broader regional strategy; and
- Identifying a set of key regional strategic priorities and the critical sub-elements of each and developing draft implementation plans.

As a result of all of this background work, the main objectives of this meeting were to:

- Provide some background on regional strategies and the process that resulted in the proposed Regional Staple Foods Strategy
- Dive deep into each of the three regional strategic priorities and their various sub elements to get a clearer picture of the regional context,
- Review, refine and validate draft strategy implementation plans to begin the process of identifying lead implementers and the network of collaborating partners required to drive forward implementation of the strategy

The rest of this report is organized as follows: -

- Section 2.0 contains summary of opening remarks by ACTESA, EAC, EAGC, AGRA, FAO and COMPETE.

- Section 3.0 gives an outline of the substantive presentations that were further considered in the break out sessions
- Section 4.0 provides a summary on the way forward.
- Annexes – 1, 2 and 3 on strategy matrices, presentations and list of participants, respectively

2.0 OPENING REMARKS

2.1 Opening remarks by ACTESA:

Dr. Cris Muyunda, the CEO of ACTESA, commended the USAID/COMPETE program for taking forward the mandate to search for a ‘Regional Staple Foods Strategy for Structured Trade Systems’ as conferred to USAID/COMPETE by the 2nd ACTESA Stakeholder meeting held in November 2009.

He noted the progress made through national consultative meetings that were held in nine countries in the COMESA, EAC and SADC regions on all aspects of the regional strategy framework. These were facilitated through Value Chain analysis studies, and Food Balance Sheet studies. He underscored the need for the regional staple foods meeting to validate the proposals arising from national consultative processes and to propose robust positions to be pursued at the regional level targeting the enhancement of regional trade and stimulation of agricultural production to respond to agricultural market opportunities.

He informed the meeting that ACTESA was ready to take forward the recommendations of the regional meeting in view of the deepened collaboration and partnership with the private sector and the shift towards empowering and working with women and youth in the region, focusing on high impact value chains and moving from “policy discussions to policy and program implementation.”

At the Policy level, Dr. Muyunda informed the meeting that the issues arising from the meeting will be introduced in the COMESA Council of Ministers through a window created by the Council’s endorsement for the inclusion of Agricultural Commodity Trade Issues as a permanent agenda item of the Trade and Customs Committee of COMESA. The flexibility provided by the COMESA Council of Ministers’ endorsement of the establishment of 5 country market clusters, provides an avenue to pursue implementation of regional staples foods strategy with ease among smaller and cohesive clusters tied together by commonality arising from staple foods value chain features and opportunities.

2.2 Opening Remarks by EAC:

On behalf of the EAC Secretary General, Ms. Josephine J. Mkunda, Regional Agricultural Inputs Trade Specialist, thanked the USAID/COMPETE program, the FAO, AGRA, ACTESA and EAGC for organizing and facilitating the Regional Staple Foods meeting.

Underscoring the significance of the meeting, she noted that the region is frequently affected by food shortages and pockets of hunger despite the fact that the region as a whole has sufficient capacity to produce enough food for regional consumption and the potential to develop surpluses for export to the world market. There are many factors contributing to the current situation but the most critical are:

- Inadequate food exchange/trade between areas of surplus and areas of deficit;
- High variability in production levels caused by erratic weather, which is becoming worse due to climate change.

In view of the above situation, the 11th Summit Meeting of Heads of State of the EAC Partner States, which was held in Arusha, Tanzania on 20th November, 2009 deliberately agreed to call for a Special Summit on EAC Food Security and Climate Change to address issues of food insecurity and the adverse effect of climate change in the region.

Furthermore, the EAC Secretariat, in collaboration with key stakeholders from across the region, has developed an EAC Food Security Action Plan (2010-2015) to address the issue of food insecurity in the region. The plan is guided by the EAC Agriculture and Rural Development Strategy 2006-2030. The Plan was adopted by the Meeting of the EAC Council of Ministers which was held in Arusha, Tanzania on 12th May, 2010 for implementation.

The action plan has identified two important areas to facilitate intra-regional trade of staple foods which is the provision of an enabling policy, legal and institutional framework through enhanced stakeholder collaboration and increased food availability in sufficient quantity and quality by improving marketing efficiency and enhanced regional trade in food commodities.

These issues will feature prominently and receive further high level policy momentum in the proposed EAC Special Summit of Heads of States on Food Security and Climate Change Scheduled for 2nd December, 2010.

2.3 Opening Remarks by EAGC:

In his opening remarks, Mr. Nick Hutchinson, Chairman of the EAGC, thanked USAID/COMPETE and the other workshop organizers for their continued support to the private sector to engage on regional staple foods trade issues.

He observed that despite the evidence of increasing stability and economic growth in the Eastern Africa region, rural populations in many countries remain economically vulnerable and food insecure. Markets remain fragile, lack of access to and knowledge about alternative markets, restrictive trade regulations between countries are some of the challenges facing the regional staple food trade.

He further noted that smallholder farmers are more affected because they are not organized and thus are not able to recognize and capture the marketing opportunities and

take advantages of economies of scale through collective bulking/storage and marketing. Limited access to information and resources to sell their produce at the optimum time and/or price put their livelihoods at risk.

He informed the meeting that EAGC, in view of its role in promotion of free trade in grain under the harmonized trade regime, was well positioned to provide smallholder farmers with improved market access. This role is anchored into four pillars which are all in line with the CAADP key result areas namely;

- Expansion and harmonization of agricultural marketing information systems
- Harmonization of agricultural trade policies
- Building capacity of trade and farmer organizations
- Promoting structured trading systems (rules of trade, standard contracts, collateral management, sound trade policies, and enabling environment) where warehouse receipt systems and commodity exchanges can emerge.

The EAGC, in collaboration with its partners, has been working towards addressing these four key components:

- The Regional Agricultural Trading Intelligence Network (RATIN) continues to be a source of market information for a diverse group of stakeholders including smallholder farmers
- Dissemination of knowledge on harmonized trade policies to grass roots levels continues
- Capacity building of stakeholders along the grain value chain and training on STS matters is ongoing.

He reiterated the importance of this workshop to EAGC, especially in view of current review of EAGC strategy, which it could now align to key regional priorities. The EAGC is cognizant of the fact the region has enough food to feed its people and that what remains to be done is to ensure correct articulation of the needs in the staple foods sector and formulation of solutions to improve yields, quality supply and standards - all of which are important prerequisites for staple foods trade and thus food security.

2.4 Opening remarks by AGRA:

In his opening remarks, Mr. Wabuneh Nega, Policy Officer, on behalf of the Alliance for a Green Revolution for Africa (AGRA) thanked USAID/COMPETE and other partners for organizing and co-sponsoring the workshop. He informed the meeting that AGRA was pleased to be part of this important effort and would continue to work with all the partners here in promoting regional trade in staple foods in Africa.

For those who may not have known about AGRA, he introduced it as ‘an African organization which is working to improve the productivity of African Agriculture to increase the smallholder farmers’ income and reduce poverty in about 13 countries’. AGRA works along the entire value chain of staple foods from the input supply system and support services, such as access to finance, until the final processing and marketing of output and gives a special emphasis to expanding regional trade in staple foods. AGRA works in partnership with governments, private sector, civil society and development partners.

AGRA recognizes that in the absence of efficient, accessible and competitive markets, efforts to increase productivity of staple foods in Africa can be counterproductive. Since the demand for staple foods is inelastic, a sudden surge in the supply of staple foods in the face of limited demand can result in price collapse and hurt smallholder farmers, hindering progress towards long term goals of food security and poverty reduction. Regional trade plays a critical role in stabilizing domestic prices and expanding market opportunities for smallholder farmers. AGRA places special emphasis on expanding regional trade in staple foods. Currently there is minimal regional trade in Africa while the continent continues to import nearly \$33 billion worth of food from the rest of the world.

Mr. Nega noted that while we can agree on a regional trade framework and put in place mechanisms to track and monitor the implementation of agreements, we have to realize that most of the tariff and non-tariff trade barriers on staple foods emanate from domestic policy concerns such as food security. Therefore, the implementation of these agreements should focus at the national level and must come up with win-win solutions that take into account the governments’ food security and other policy concerns.

The AGRA Policy and Partnership Program has been organizing stakeholders in the staple foods value chain into seed, soil health, market and trade, land and environment “Policy Action Nodes” to address major policy constraints, including in the marketing of staple foods. The Policy Action Nodes in Ethiopia, Ghana, Mali, Mozambique and Tanzania have identified, prioritized and prepared action plans to address major policy problems. Some of the priority issues identified include trade bans and arbitrary interventions such as price controls in the staple food markets. This effort will complement regional efforts following through on the implementation of the recommendations from this workshop.

2.5 Opening remarks by FAO:

Mr. Jamie Morison, economist with FAO, thanked ACTESA, USAID/COMPETE, AGRA and EAGC for their efforts towards the organization of this meeting.

He informed the meeting that the Trade and Markets Division of FAO has been involved in market and trade policy issues surrounding staple foods in the Eastern and Southern African region. This involvement goes back to a workshop held in Rome in early 2007, where FAO brought together a group of experts from African universities, regional organizations, grain trading companies and donors to discuss how countries could better articulate their grains trade policy.

Subsequent to the workshop, FAO commissioned a series of country case studies to look at the functionality of grain markets in relation to the evolution of market and trade policies in Kenya, Malawi, Tanzania, Zambia, Mozambique and South Africa. The papers from the workshop and the associated case studies have recently been published in an edited book “Food Security in Africa: Market and Trade Policy for Staples Foods in Eastern and Southern Africa”, key conclusions of which include the need to reduce unpredictability in government intervention, reconciling trade policy with domestic market processes and enhancing structured trade, all of which are also topics of discussion in today’s workshop.

In 2009, the draft case studies were also used as a basis for initiating work with the Eastern Africa Grain Council under the EU funded All ACP Agricultural Commodities Programme. This included a workshop held in Dar es Salaam last May. The rationale for that meeting was to generate a plan for future work with EAGC under the EU programme. Unfortunately, FAO was not successful in obtaining the necessary funding to implement all aspects of the plan, but this workshop is one activity which FAO has been able to contribute to and a number of issues identified in the action plan are on the agenda for this Entebbe meeting. In his concluding remarks he noted that the FAO was looking forward to the discussion and hopefully to assisting in follow-up activities of the workshop

2.6 Opening Remarks by USAID/COMPETE:

Mr. Stephen Humphreys, on behalf of USAID/COMPETE, thanked ACTESA, EAC and EAGC for support in facilitating national consultative meetings and the regional meetings. This support was instrumental to the successful organization of this regional meeting. He also recognized contribution from the FAO-EU All ACP Agricultural Commodities Programme and AGRA who teamed up with USAID/COMPETE to fund the regional meeting.

Mr. Humphreys thanked the public and private sectors institutions from COMESA, EAC and SADC countries for positive response to invitations to participate in this meeting. This level of participation makes it possible for the meeting to deliberate on various issues of the regional strategy that encompass Structured Trading Systems (STS), Trade Policy (TP), Market Information Systems (MIS), Sanitary and Phytosanitary (SPS) harmonization and harmonization of EAC Quality Standards for Staple Foods.

He informed the meeting that USAID/COMPETE was committed to continued collaboration with ACTESA, EAC, EAGC, AGRA, FAO and other development partners' programs in strengthening key areas in the value chains of all the important staple foods crops, and improvement of cross-border trade in these commodities. This goal is being spurred on by the aim of efficiently moving products from surplus to deficit areas in the region.

3.0 PRESENTATION SUMMARIES

3.1: Towards a Regional Staple Foods Strategy:

Chris Donohue, the USAID COMPETE Competitiveness Strategy Advisor, opened the COMPETE/EAGC presentations of the draft regional strategy and implementation plan by discussing the expectations for the meeting, which were to review, modify, strengthen and validate the draft implementation plans. He also provided guidance on what the afternoon breakout sessions would need to address. He then provided a brief introduction to “what is a regional strategy” followed by a discussion of the various studies and analyses that USAID/COMPETE has conducted in the region that helped inform the three regional strategic priorities. Mr. Donohue emphasized the results of the regional value chain surveys that were conducted during the national validation meetings and asked value chain participants to evaluate the importance and national performance of a number of critical issues impacting the value chain. Mr. Donohue wrapped up his presentation with an introduction to the three strategic priorities: Structured Trading Systems, Market Information Systems and Policy and Standards with a more detailed look at the key components and objectives (see image below) within each priority. This presentation set the stage for the three presentations that followed.

A copy of the Regional Strategy presentation is contained in Annex 2A

Structured Trading

- **Warehouse Receipts System**

Objective: Develop an easily implementable, integrated and overseen regional WRS that increases bulking capacity and producer access to finance

- **Regional Commodities Exchange**

Objective: Establish a transparent trading platform that facilitates commodities flow across the region

- **Regional Marketing Infrastructure**

Objective: Integrate smallholders into the regional marketing chain

- **Collateral Management**

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

- **Contracts Enforcement and Dispute Resolution**

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

Market Information

- **Integrated Regional MIS Platform**

Objective: Develop RATTN as the hub of regional MIS network

- **Leverage existing national systems**

Objective: Integrate national MIS systems with RATTN

- **Ensure data integrity and quality**

Objective: Expand and harmonize data (more than price) sets, collection methodology and deliver training of enumerators

- **Effective data dissemination**

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

- **Drive use of market information**

Objective: Promote benefits of market information across value chain

Policy and Standards

- **Intra-Regional SF Tariffs**

Objective: Zero tariff for all intra-regionally traded staple food products and implementation of the Simplified Trade Regime (STR)

- **Marketing and Price Controls / Export and Import Restrictions**

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

- **Staple Foods Quality Standards**

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

- **Sanitary and Phytosanitary Standards**

Objective: Products that share the same pest/plant/disease risk trade freely. Joint SPS operations

- **Non-Tariff Charges**

Objective: Remove all non-tariff charges

- **Regional Food Security and Nutrition Policy**

Objective: Adoption of EAC food security policy at national level

3.2: Structured Trading System:

Ian Goggin, the USAID/COMPETE Structured Trading Specialist, made a presentation (See Annex 2B) on structured trading systems currently in use in the region, with emphasis on commodity exchanges and warehouse receipt programs. He made reference to other aspects of structured trade such as collateral management, contracts (including contract farming); dispute resolution; warehouse operators; insurance; quality control; the use of futures and options contracts as a hedging mechanism and goods received and goods released notes (GRN's).

He gave a number of definitions of what a warehouse receipt and a commodity exchange is and by definition what it is not and where these systems are in everyday use in Africa. He went on to indicate what could and could not be done by or with these components within the structured trade systems, in order to provide some clarification to areas of common misunderstanding. Mr. Goggin went on to suggest what might be required for the successful operations of both an exchange and a warehouse receipt system, stressing the need for absolute integrity in both systems.

The break out group in the afternoon provided the opportunity for participants to build on some of the points raised in the question and answer session in the morning, as well as to obtain stakeholder buy in for the regional strategy, which was based on information derived from national meetings where stakeholders were asked to provide input to the overall program. The structured trade component was very detailed and each of the aspects contained in a document circulated to participants at the session was discussed. Mr. Goggin worked through the document with the participants and, other than a few minor changes which were included, it was validated in the plenary session at the end of the day to be incorporated into the regional staple foods strategy. A copy of the detailed Structured Trade Implementation Plan is contained in Annex 1A.

3.3: Regional Market Information System:

Isaac Tallam, the USAID/COMPETE private sector grain trade advisor, presented the case for a Regional Market Information System (MIS) strategy. He started off by posing the question why have a regional agriculture market information system strategy? He then went on to present the objectives of a regional MIS strategy: “To create a regional agricultural MIS platform that is all inclusive, relevant, timely, accurate, reliable, measurable and sustainable”. To this end his presentation went ahead to address the relevant priorities in implementing the regional MIS strategy by asking questions like, what will it achieve, what is the scope of country and commodity coverage, who will contribute, who are the beneficiaries, and how will it be designed and implemented?

He described the current state of MIS in the region by giving examples of the disconnect between the existing national and regional MIS platforms as being highly disaggregated, either pulling apart or on a collision course, putting too much emphasis on price, using inconsistent data collection methodologies, and employing inefficient data transmission systems. He also highlighted the general lack of training of enumerators and outdated equipment.

Having summarized the current state of MIS in the region, Mr. Tallam emphasized the importance of a regional MIS strategy using examples of existing service providers in four countries within the region, highlighting the disconnect that exists among them. Based on this background, Mr. Tallam outlined the key regional MIS strategic priorities as:

- Integrating the region’s MIS service providers
- Ensuring data integrity and quality
- Harmonizing data collection methodologies, expand the scope of commodities and countries
- Driving the use of MIS information

- Developing monitoring and evaluation tools.

During the breakout session in the afternoon, Mr Tallam took the group members through the objectives and the proposed implementation action plan. Group members were drawn mostly from a host of national MIS institutions with a number of regional institutions represented. After a lively debate it was finally agreed that the proposed regional MIS strategy is good and captures regional issues as opposed to national level concerns. The group thus validated the strategy; the critical issues were narrowed to the following four:

- Integrating regional MIS platforms;
- Ensuring data integrity and quality;
- Ensuring effective data dissemination; and
- Driving the use of market information.

A copy of the detailed implementation plan for the regional MIS strategy is attached in Annex 1B and a copy of Mr. Tallam’s presentation can be found in Annex 2C

3.4: Trade Policy:

Bernard Kagira, the USAID/COMPETE Trade Policy Advisor, took the meeting through the regional policy framework for supporting Structured Trade and country benchmarking based on the value chain studies. The parameters covered by the policy framework included:

- Tariff regimes (Internal tariff for regionally sourced products and Common External Tariff).
- Non tariff charges
- Standards
- Sanitary and phytosanitary measures
- Price and marketing controls
- Export/Import restrictions and bans
- Regional Food Balance Sheet as a tool for managing the region’s food security concerns

At the ensuing deliberation during the plenary and at the breakout session, there was consensus that the following targets for each of these parameters be pursued in the interest of

Issue	Target
Tariff regimes	

Issue	Target
Internal tariff for regionally sourced products	Zero rating import duty for intra-regionally sourced staple foods through Accession for COMESA Free Trade Agreement (FTA) and Implementation of the FTA arrangement
Common External Tariff (CET)	Regional study to facilitate development of joint position across COMESA, EAC and SADC on appropriate CET rate for staple foods
Non tariff charges	Removal on Non Tariff charges that have tariff equivalent effect in compliance with the WTO GATT
Standards	Harmonization of standards and development of regional mechanism for facilitation of cross border trade
Sanitary and Phytosanitary (SPS) measures	Harmonization of SPS measures (where applicable) and development of regional mechanism for facilitation of cross border trade
Price and marketing controls	Removal of pricing and marketing controls
Export/Import restrictions or bans	Replacing of adhoc export/import restrictions or bans with predictable arrangement based on regional food availability
Regional Food Balance Sheet as a tool for managing the region's food security concerns	Pooling of Regional Food Balance Sheet and application of the RFBS as a policy tool for management of food security concerns in the region

The detailed Trade Policy implementation plan , which incorporates the input from the breakout session is attached to this report as annex 1C and a copy of Mr. Kagira's presentation can be found in Annex 2D

3.5: Regional Food Balance Sheet:

A presentation on the Regional Food Balance Sheet was delivered by the USAID/COMPETE team comprised of Mr. Isaac Tallam (Private Sector Advisor) and Bernard Kagira (Trade Policy Advisor).

The presentation gave the rationale for the regional food balance sheet (FBS), the template for pooling data for the regional food balance sheet and baseline regional food balance sheet data based on synthesis of country FBS studies. The presentation also focused on sustainable institutional framework for pooling regional FBS data and urged

countries to establish the National Forums and called upon the EAC and COMESA to facilitate establishment of the regional forum.

On application of the RFBS as a policy tool, they recommended establishing a regional trigger stock mechanism (a minimum food availability threshold) from the RFBS which will be applied as follows:

- National policies on whether to apply export ban/restriction should be driven by regional food availability
- Where the region has adequate food as evidenced by RFBS, then no country should apply export/import restrictions
- Adequate food levels in the region may be defined as the level where regional food availability is 25% above regional consumption level, i.e $RS = RC + RC*25\%$, where: -
 - RS: Regional Stock defined as Carry Over Stock (COS) plus Projected Production (PP) – ($RS = COS + PP$)
 - RC – Regional Consumption
- Regional Trigger Stock Mechanism can be defined as the level where RS is equal to $RC + RC*25\%$ ($RTS = RC + RC*25\%$);
- Once RS gets to the RTS level, then a country that feels threatened may issue a three month notice of intent to impose export ban. This introduces predictability which traders and farmers require in making investment decisions in the value chain.

In the ensuing deliberations during the plenary and break out sessions, the stakeholders endorsed:

- The idea of a regional food balance and the proposed template;
- The proposed national and regional institutional mechanism for pooling RFBS data; and
- Application of the regional trigger stock formula for management of export/import restrictions, in the interest of introducing predictability of the food security inspired export/import restrictions.

A copy of the presentation can be found in Annex 2E

3.6: Presentation by AGRA:

Mr. Nega, on behalf of AGRA made a presentation on ‘Market and Trade Policies for Staple Foods in Africa’ on which AGRA’s Policy and Partnership Program is anchored. The main issues covered in the presentation can be summarized as follows:

- **Market constraints:**
 - Poorly functioning and inefficient markets (high transaction costs); and

- Volatility of prices attributable to: weather-induced production fluctuations (boom and bust), inter-seasonal price variations, arbitrary government interventions such as export bans, high floor prices and public sale of cheap subsidized imports, among others.
- **Opportunities:**
 - The presentation identified opportunities in the following areas: -
 - *Reducing Transaction Costs*
 - Public Private Partnership for investments in transport, storage, ICT to reduce transaction costs
 - Develop and harmonize grades and standards
 - Promote aggregation of output through farmer organizations
 - Improve access to credit through inventory financing
 - Collection and dissemination of accurate and timely market information
- **Minimizing Market Volatility**
 - Promoting good practices in weather index crop insurance
 - Minimizing arbitrary public sector interventions in the use of strategic grain reserves, export bans, setting floor prices, etc.
 - Promoting contract farming
 - Promoting warehouse receipt systems
 - Open borders for regional trade (to stabilize domestic prices).
- **Expanding Demand for Staples**
 - Agro-processing of staples into new uses (e.g industrial application of cassava, sorghum for brewery industry)
 - Stimulate the demand for animal feed by promoting dairy and poultry industry (e.g. per capita cereal consumption 200 kg \diamond 700 - 800 kg)
 - Facilitate regional trade in staples by removing tariff and non-tariff barriers – Eastern and Southern Africa demand \$30 billion
- **Action by AGRA:**
AGRA trade and its partnership program are designed to pursue the above opportunities in support for agricultural trade development.

The program is applying AGRA's *Market and Trade Policy Action Nodes approach which supports local institutions to analyze and advocate for policy change and implementation.*

The stakeholders include farmers and women organizations, traders, processors, transporters, exporters, policy research institutes, Ministries of Agriculture, Finance, Trade and Industry, financial institutions, customs authorities, WRS licensing boards, commodity exchanges, NGOs, standard authorities, etc.

Targeted grants and technical support are provided for policy analysis, advocacy, evidence-based policy making

A copy of the AGRA presentation can be found in Annex 2F

3.7: South Africa's Grain Sector Policy reform: Impact & Lessons:

The presentation on South Africa's grain sector reform was made by Ms Lulama Traub based on a study funded by the FAO. The presentation provided a chronology of grain sector policy reform, impact of the reform and lessons.

As a lesson for the region, the following action by South African Government were pointed out as having been instrumental to the reform and eventual impact. The Government -

- Allowed for gradual as well as rapid change
- Allowed for consistent policy change
- Allowed for private sector investment

A copy of the AGRA presentation can be found in Annex 2G

4.0 WAY FORWARD:

With the regional strategy implementation plan validated, USAID/COMPETE, the EAGC, ACTESA and EAC will begin the process of designing interventions and presenting the strategy/implementation plan to regional, bilateral and private sector implementing partners in an effort to help align their activities to regional priorities and to enlist their support for specific activities to ensure full coverage across the entire strategy. This will be critical to ensure that the momentum generated in the meeting carries forward to implementation.

5.0 ANNEXES

Annex 1: REGIONAL STRATEGY IMPLEMENTATION PLANS

- A. Structured Trade
- B. Market Information Systems
- C. Trade Policy

Annex 2: PRESENTATIONS

- A. Strategy
- B. Structured Trade
- C. Market Information
- D. Trade Policy
- E. AGRA
- F. RSA

Annex 3: LIST OF PARTICIPANTS