



# Unlocking Regional Food Trade

A public-private approach

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# Preface

Regional food trade integration refers to the degree to which countries within the same region – often neighboring – trade food-related products with one another and the degree to which policies, regulations and other supporting enablers are in place to promote this trade. As a region, Africa trades much more with the rest of the world than within its own region, and many potential benefits of closer regional food trade integration are as yet unrealized.

In this white paper, AGRA and IDH Farmfit contribute to the thinking on this topic by framing the opportunity in recommendations for improved regional food trade integration in sub-Saharan Africa from a combined policy and private sector angle, and including a reflection on the African Continental Free Trade Area (AfCFTA). While a private sector angle to regional food trade integration has been the subject of previous research, most of the existing research tends to focus on the policy angle, and when the private sector angle is a research focus, it is often not combined with a policy angle. AGRA and IDH Farmfit are well positioned to provide such an integrated perspective to this topic: AGRA is a leader in providing policy support to sub-Saharan African governments and has a dedicated team focused on regional food trade integration, while IDH Farmfit has extensive experience working closely with the private sector in developing effective, sustainable, and scalable business models for delivering services to farmers as well as profitable and vibrant value chains.

This white paper provides an introduction to the topic of regional food trade in Africa, including the context and potential benefits. It provides an overview of the policy angle, including the main policy challenges, and insights from a survey conducted for this white paper in which a number of private sector players were asked to reflect on the topic of regional food trade, including the identified policy insights. It reflects on the topic in the context of the COVID-19 pandemic, as well as a number of other challenges including the desert locust outbreak and climate change, challenges which exacerbate difficulties related to regional food trade integration, but also represent an opportunity to take action and build back better. In this white paper, we do not seek to provide an exhaustive overview of research on the topic of regional food trade, rather we hope to provide a contribution to the question of how the private sector can benefit from and contribute to closer regional food trade integration. In addition, this white paper represents the start of closer collaboration between IDH Farmfit and AGRA on this topic, and will be followed by a number of further knowledge products on the topic in the future.

In parallel to this white paper, IDH Farmfit has created an insights brief providing an overview of our thinking on the second challenge, outlining a number of strategies for developing the private sector in rural and agricultural markets that we believe have the potential for improving the resilience of national-level value chain ecosystems. Both of these challenges – food trade integration and vibrant production markets – are closely interrelated. Strong and vibrant markets create both supply and demand for regional food trade, which in turn provides opportunities for trading the goods produced in shorter value chains while capturing a greater part of the value within the region. At the same time, AGRA has put together a policy paper outlining some of its interventions aimed at addressing policy predictability and capacity gaps impeding the smooth flow of food in the region (AGRA, 2021).



# Executive Summary

## The food and agriculture sectors in African economies can benefit greatly from improved regional food trade integration

Trade integration refers to the degree to which countries and/or regions trade with one another. Currently, many African countries' food trade – the trade in food-related products – is more closely integrated with the rest of the world than it is with other African countries. The growing demand for food is usually met through international imports compared to intra-African food trade. In 2019, Sub-Saharan African countries imported \$1.1 billion worth of cereals from Sub-Saharan Africa countries compared to \$12.8 billion from rest of the world (Resource Trade, n.d.). For some cereals and other crops, such as wheat which is roughly 45% of imports, agro-ecological conditions mean that most countries in Africa will continue to be reliant on imports. For others, such as rice and maize, Africa can become more self-sufficient. However, African countries have been unable to increase domestic production fast enough to overcome their high degree of import dependency, due to a growing demand for food products – driven by population growth, urbanization, increasing prosperity, and other reasons. The relatively high import dependency leads to foreign exchange outflows, contributing to depressed domestic currencies, heightened food inflation, and ultimately greater food insecurity.

Increasing the volume and value of regional trade can yield many potential improvements, including to improve access to better, more affordable, and more nutritious food; create more and higher paying jobs; offer improved opportunities for small and medium enterprises; and lead to a more vibrant localized economy. While increased regional trade does not necessarily reduce import dependency, it can reduce import dependency for the region as a whole, thereby limiting continental foreign exchange outflows. Furthermore, the shorter value chains as part of regional trading networks (as opposed to longer supply chains in global trading networks) can also ensure that greater value goes to the farmer and more value-adding activities (such as processing) take place within the region, and can thereby reduce vulnerability to the volatility of global markets. Reducing import dependency requires strengthening production-side markets, which is the subject of another IDH Farmfit Insights Brief, ***Leveraging the Private Sector for Market Transformation in Smallholder Agriculture***.

## Currently, however, the continent suffers from a number of factors that hamper regional trade

Despite the emergence of several Regional Economic Communities (RECs), regional food trade is hampered by a number of factors including poor infrastructure, lack of policy standardization across countries, numerous non-tariff barriers and high transaction costs. As a result, although many African economies increased their participation in food trade in recent years, much of this increase has been with partners outside the region.

These barriers, challenges and vulnerabilities have been exacerbated by a number of extraneous factors including climate change, the 2019-20 desert locust outbreak, and the COVID-19 pandemic.



## On a policy level, despite a number of promising developments, additional efforts are needed

Expectations that the African Continental Free Trade Area (AfCFTA) agreement will contribute to resolving many of the barriers hampering increased regional food trade are widely shared. However, implementation of this agreement has been delayed, in large part due to the impact of COVID-19.

At the same time, governments in some cases improperly implement trade agreements or continue to implement policies which are inefficient or in some cases even directly hamper food trade goals. Such government interventions include (ad hoc) import/export bans, trade restrictions on specific crops, price controls, or import subsidies. In addition, the lack of policy predictability and transparency creates mistrust between the public and private sectors, and does not create an environment conducive to private sector investments.

AGRA's work is focused on supporting governments, RECs and others in strengthening the policy environment to overcome these challenges. This includes but is not limited to (a) evidence generation and data effectiveness activities such as developing, publishing and disseminating the Food Security Monitor; strengthening data collection and analysis of food production, storage, trade, consumption and prices (Market Information Systems Initiative, strengthening Agri-Foods Data Systems to inform Food Security Policies & Trade in Sub-Saharan Africa (RFBS Initiative in ESA) (b) trade policy, standards, regulations development and reforms: such as strengthening Malawi's Regional Trade through promotion of transparent and predictable regulatory frameworks; (c) Coalition and Alliance building activities.



Insights from the private sector confirm an eagerness to participate in greater regional food trade, while also recognizing policy and extraneous challenges to doing so

While virtually all companies surveyed for this white paper expressed a desire to increase their participation in regional food trade, nearly all of these companies also confirmed that the main barriers to doing so are related to poor infrastructure as well as inefficient, unpredictable, and in some cases inconsistent policy support and implementation. All companies surveyed expected the AfCFTA to bring improvements to the region, as well as to their own business.

## At the same time, most companies see strengthening production markets and supply chains as a more immediate priority to resolve

Increasing regional food trade relies on well-structured and well-governed markets to drive both supply and demand. Stronger domestic markets increase the volume and quality of agricultural produce and processed goods, and increase the efficiency of producing, processing, and distributing these. At the same time, these developments contribute to increasing prosperity and employment opportunities, driving demand for food products. Improved regional food trade can open up new markets for this increased national and regional supply as well as to meet increased national and regional demand.

Most companies see the challenge of building strong production side markets as greater and more immediate than improving regional food trade; while resolving both would yield immense benefits, for the private sector, stronger production side markets is often seen as a greater and more immediate priority. This includes building inclusive business models to deliver agricultural goods and services to smallholder farmers which they can use in order to increase yields and incomes, strengthen their resilience to shocks, become more empowered in their interactions with other supply chain actors, and more. IDH Farmfit's work is focused on engaging with the private sector as well as policymakers, academia, capital providers and others to help build more inclusive, sustainable and commercially viable business models and markets.



AGRA and IDH Farmfit identify a number of broad actions required to improve regional food trade and build stronger, more resilient, sustainable, and inclusive markets. Specific recommendations for different types of actors are included in the concluding section of this paper. Generally, governments need to provide strong 'software' (e.g., policies, trade integration) and 'hardware' (e.g., roads, energy, irrigation, mobile and internet infrastructure), while the private sector needs to invest in building value chain infrastructure and capacity for critical commodities with intra-African trade potential (e.g., cold chain, packaging, processing).

### **Strengthening of the regional and national policy and regulatory environment:**

- 1) Design and implement measures to improve the enabling policy and regulatory environment for intra-regional food trade
- 2) Support inclusive and active participation of smallholder farmers in structured regional food value chains by identifying and removing policy and regulatory obstacles to their participation

### **Enhancing the resilience of food value chain actors in the face of shocks and volatility:**

- 3) Develop and implement measures to enhance regional food value chain actors to better respond and build resilience to multiple shocks
- 4) Public and/or private sector interventions are taken to increase the affordable accessibility to capital, in particular trade finance

### **Strengthening of national and regional production, and supporting domestic market integration in regional trade networks:**

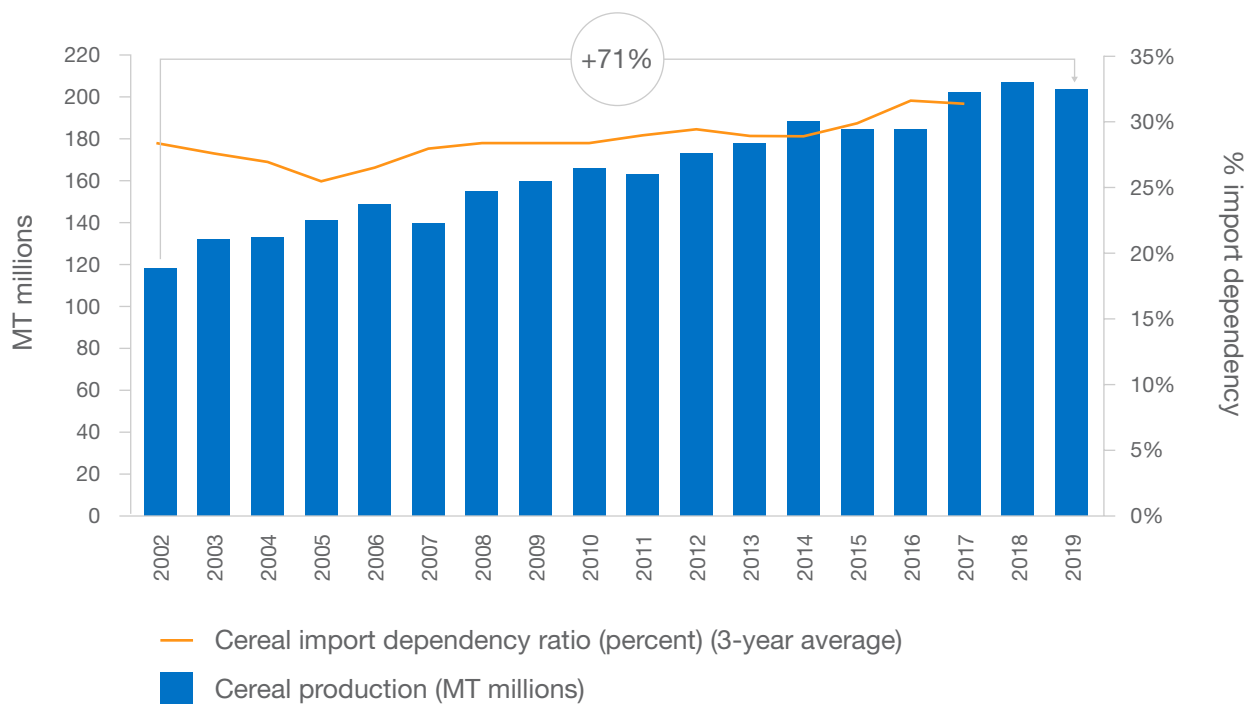
- 5) Agribusinesses and the private sector are supported in strengthening their supply bases in order to meet the quantity and quality demanded for exports
- 6) Capacity building is provided to private sector participants to help them seize opportunities from increased trade integration, such as through AfCFTA
- 7) Public sector and development actors continue to support the strengthening of local value added activities such as processing of agricultural products to serve local and regional demand



# 1. Introduction

Sub-Saharan Africa is facing several challenges and trends that create pressure on food availability and food security, farmer livelihoods, climate resilience, rural employment, and economic development. Due to projected higher incomes, population growth and urbanization, net food imports of African nations are estimated to rise to \$110 billion by 2025, compared to \$35 million in 2015 (African Development Bank, 2016 ; Bouët, et al., 2020). Domestic and regional food production is growing less strongly than domestic and regional food demand, further increasing the volume of intercontinental imports (AGRA, 2020). Such a dependency on imports increases foreign exchange outflows, contributing to depressed domestic currencies, heightened food inflation, and ultimately greater food insecurity (African Development Bank, 2016).

Figure 1: Cereal production and import dependency (2002-2019)<sup>1</sup>



Source: FAOSTAT

<sup>1</sup> Import dependency ratio (IDR) is defined as:  $IDR = \text{imports} \times 100 / (\text{production} + \text{imports} - \text{exports})$



The magnitude of food imports means that there is a high potential for domestic or regional production and trade as an alternative to food imports from outside the region. Regional food trade is the trade of food-related products among countries within a region. The challenge of improving the regional food trade and resilience in sub-Saharan Africa is twofold:

- i. Insufficient regional (food) trade integration; and
- ii. Insufficient production side market development

This white paper looks at the first challenge, the topic of regional food trade integration. Regional food trade integration refers to the integration of localized and regional supply chains across borders of neighboring countries from areas of strategic production surplus to deficit consumption areas. Integration captures how well regional food trade is organized and how it is supported by policy, infrastructure and other aspects. Regional food trade integration is a subset of broader regional trade integration, and trade is a subset of regional integration, which can involve a much broader range of dimensions such as environment, security, migration, or others. In some cases, regional integration can also mean adopting a common currency, such as the planned eco in West Africa.

More closely integrating sub-Saharan African countries' regional food trade can yield significant benefits for African economies, including improved nutrition, employment, resilience, and value capture. Currently, while the opportunity offered by closer regional trade integration is well-recognized in sub-Saharan Africa and a number of regional trading blocs already exist, the scale of regional food trade remains limited when compared to trade with the rest of the world (Figure 2). Much has been written on this topic already.

**Figure 2: 2018 Sub-Saharan Africa imports in agricultural commodities from Africa and rest of the world**



(a) Intra-African trade in agricultural commodities: \$8.4 billion

(b) Sub-Saharan African imports in agricultural commodities from rest of the world: \$40.5 billion

Source: <https://resourcetrade.earth/>. Accessed 15 January 2021

Following this introduction, Section 2 of this white paper provides an overview of the principles and benefits of regional food trade and discusses the state of regional trade integration in Sub-Saharan Africa, identifying barriers keeping the current degree of integration relatively low. Section 3 evaluates the effects of the COVID-19 pandemic, in creating immediate impacts on regional food security, trade, and economic development, but also the underlying systemic fragility exposed by the crisis and the impact of the pandemic on on-going processes of regional trade integration through the African Continental Free Trade Area (AfCFTA) Agreement. In Section 4, we discuss the policy efforts around closer regional trade integration, and in Section 5, we provide an overview of the private sector's role in enhancing regional food trade integration. We conclude in Section 6 with an overview of the activities that AGRA and IDH Farmfit conduct to support further regional food trade integration and introduce the additional future knowledge products building on this initial paper.

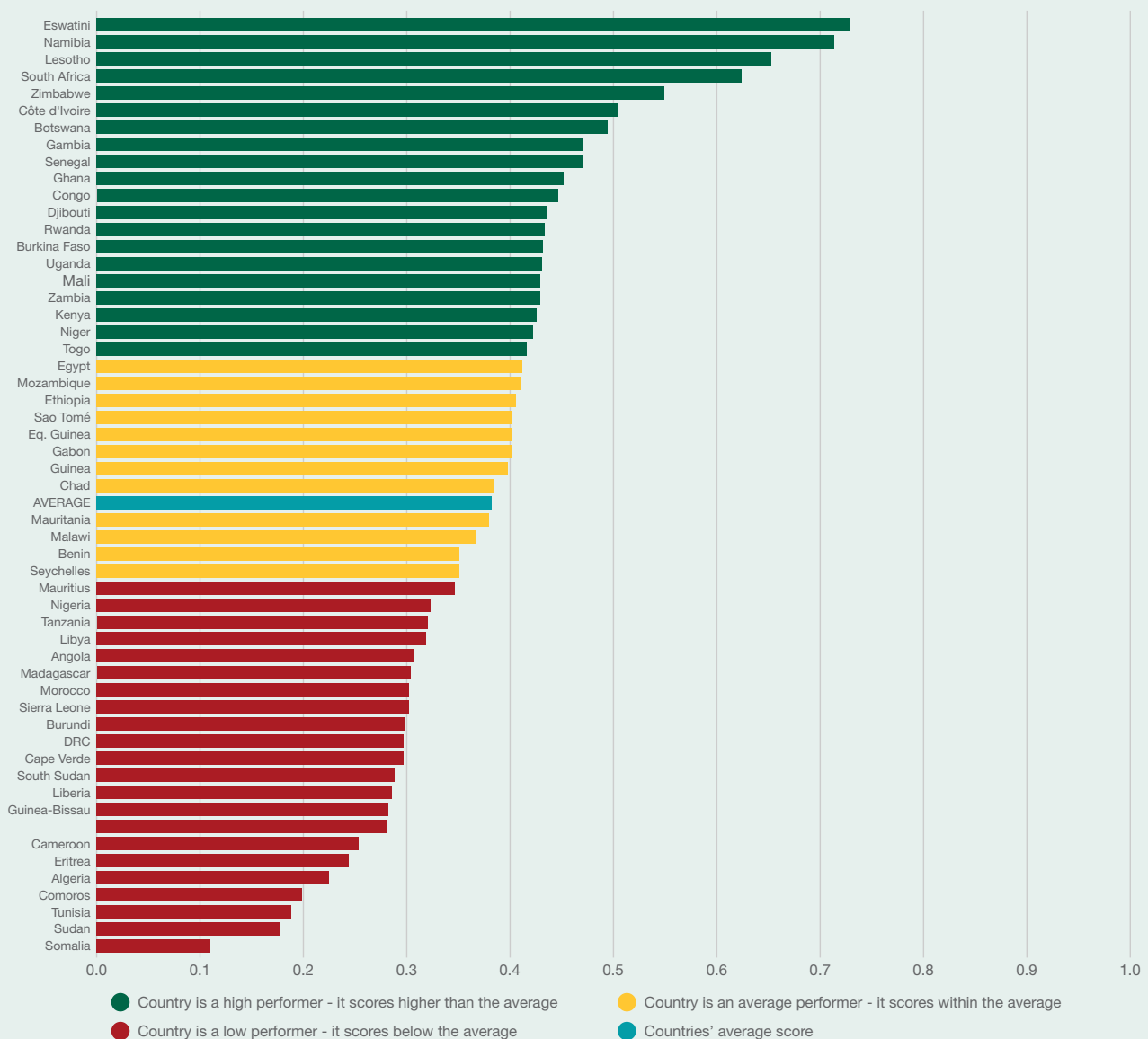
## Why regional food trade: the perspective from strategic partners and practitioners

**KIT Tropical Institute:** “Local and regional food commodity chains are a very important aspect of agricultural and rural development policies. More than is the case with niche export markets, they have the potential to improve production and productivity of large numbers of farmers, the share of value added obtained by farmers, and the development of a commercial environment in which farmers can continue to provide produce to the consumer while sustaining their families.” (KIT, et al., 2012)

**AFDB Feed Africa Strategy:** “Regional integration is critical for expanding the size of our markets. We must integrate Africa – grow together and develop together. Our collective destiny is tied to breaking down the barriers separating us.” (African Development Bank, 2019)

**FCDO:** “Increasing regional food trade can enhance the prospects of investments in agri-food processing and distribution, as businesses establish more stable regional supplies of produce and serve larger markets. Regional trade can create jobs and increase farmers’ access to markets, linking them with consumers in rapidly growing urban areas and companies beyond national boundaries.” (FCDO, 2018)

Figure 3: 2019 Countries’ Scores and Rankings on Trade Integration



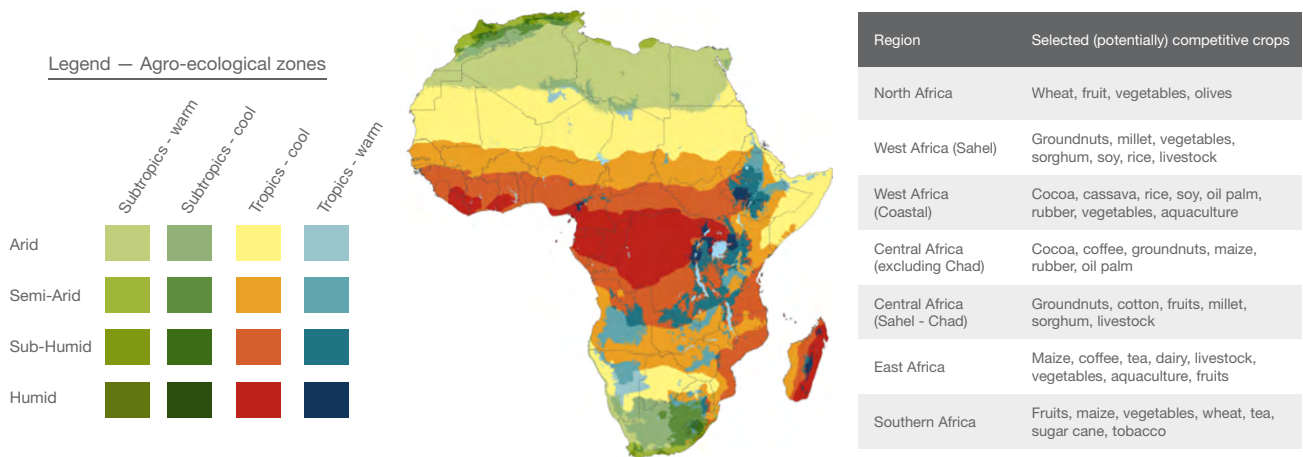
Source: AUC, AfDB & ECA , 2019

A number of sub-Saharan African governments have likewise expressed a strategic focus on enhancing regional food trade integration. Figure 3 presents the 2019 countries' scores and ranking on trade integration (0 representing the lowest and 1 the highest score). Although this data reflects trade integration generally rather than food trade integration specifically, it serves as a helpful proxy, as the challenges identified in the report – “Africa has the highest average non-tariff barriers in the world” (AUC, AfDB & ECA, 2019) – are also highly applicable to regional food trade integration. While there are big difference between individual countries, at the continental level, the average trade integration score of 0.383 shows that despite progress by individual countries and regional economic communities (RECs), there is still more effort required to support free movement of traded goods, including agricultural commodities.

The opportunities for increased regional food trade are underpinned by agro-ecological suitability, consumption and production trends and competitive potential. On the former, agro-ecological suitability prevents individual countries and many regions from realistically being able to produce some crops at competitive levels. For instance, wheat which is the most heavily consumed cereal in Africa, cannot be produced competitively outside of North Africa and Europe (AGRA, 2020). However, agro-ecological conditions hold potential for a series of other crops, though such suitability is threatened by climate change.

Africa already has a revealed comparative advantage among numerous crops, including sesame seeds, legumes, pulses, cashews, cocoa, cotton, tea, grapes and coffee (Bouët & Odjo, 2019). While many of these are typically cash crops for export into international markets, a growing middle class and the accompanied change in consumption preferences presents an opportunity for increased regional food trade in these value chains. Among crops where Africa has a more ‘defensive’ interest, such as cereals, cassava, sugar and vegetable oils, Africa has typically demonstrated a lack of competitiveness (Bouët, et al., 2020). There are several exceptions however, and agro-ecological suitability means that with the right level of investments in production and processing capacity and regional food trade integration, there exists the potential for Africa as a continent to become more self-reliant in these crops.

Figure 4: Agro-ecological suitability and competitive potential



Source: Adapted from Sebastian, 2009 ; African Development Bank, 2016 ; FAO, 2003 ; Barendregt, 2015



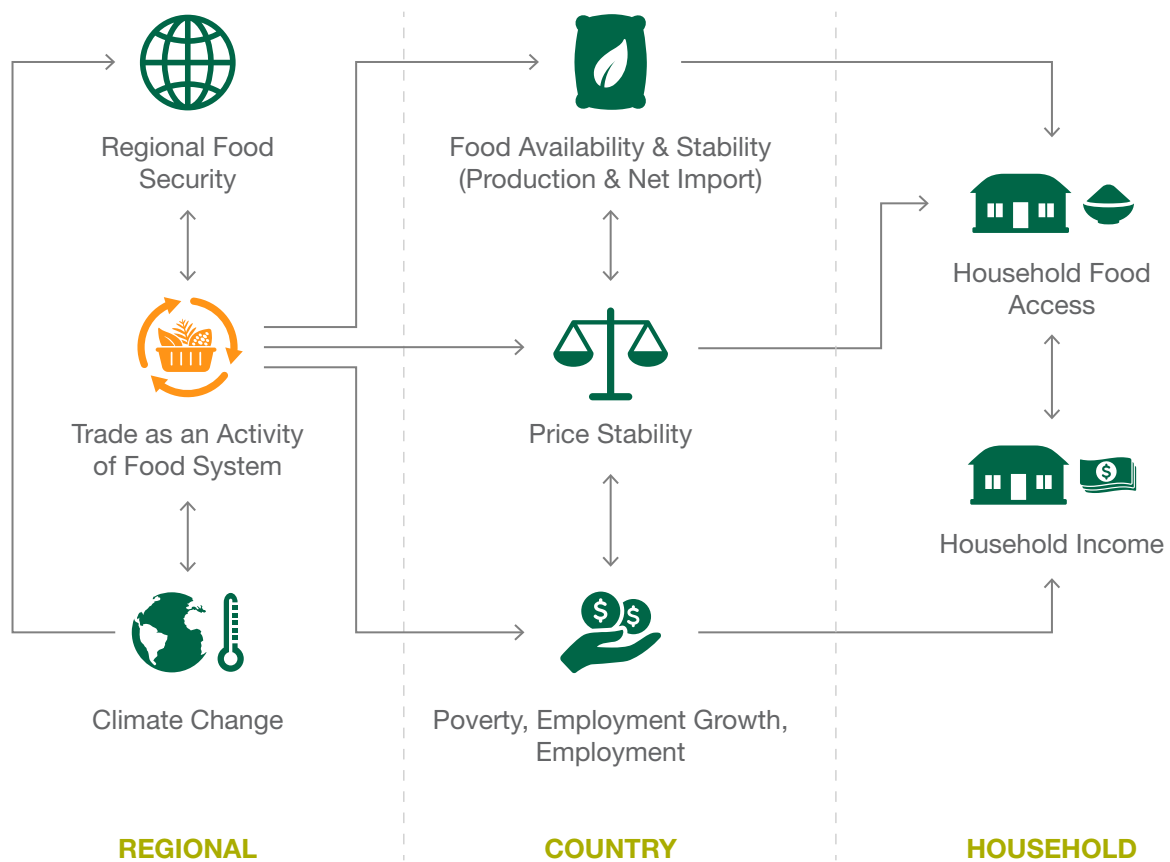
## 2. The potential of improved regional food trade

The benefits of improved regional food trade are numerous. Regional food trade can improve access to better and more nutritious foods, create more and higher-paying jobs, offer improved opportunities for small and medium enterprises, and generally speaking lead to a more vibrant, localized economy (Feroohar, 2020). Shorter supply chains can also ensure that greater value goes to the farmer and reduces farmers' dependence on and vulnerability to volatility and disruptions of international markets (IPES, 2020). Supply chains can be shortened both by encouraging and increasing processing and consumption within countries where agricultural commodities are produced, as well as increasing trade with neighboring and regional countries relative to global trade. In both cases, more value-adding steps – such aggregation, processing, marketing and retail – take place within the region, with a host of potential benefits.

The 2020 *State of Food Security and Nutrition in the World* report cites evidence indicating that regional food trade liberalization can play a key role in making diets more affordable. Specifically, by lowering the costs of a nutrient adequate diet, populations have access to more nutritious and affordable food. Many of the trade policies used to protect domestic agricultural producers and processors from imports tend to focus on calorie-rich staple foods such as rice and maize, often to the detriment of nutritious products like fruits and vegetables (FAO, et al., 2020). For example, in the Eastern Africa Community (EAC), a Common External Tariff on sensitive products, including rice, is imposed up to 75%, to protect domestic rice farmers and processors from cheaper imports. However, “evidence indicates that the support leaves consumers paying more for rice in the retail market.” (FAO, et al., 2020)

Improved regional food trade integration can also help African countries build their resilience in the face of the impacts of shocks such as climate change. Reducing or eliminating trade restrictions can make economies less vulnerable to changing climate and market volatility, by stabilizing both the availability and prices of food products (Figure 4) (Brown, et al., 2017). More closely integrated cross-border trade can also facilitate the movement of climate smart agricultural inputs and technologies across borders and enhance cooperation in developing and scaling solutions to help make agricultural and food systems more climate resilient and adaptive (Nhemachena, et al., 2020).

Figure 5: Regional, country and household climate impacts



Source: Nhemachena, et al., 2020

The economic and livelihood benefits of closer regional trade integration are also relatively well recognized. For instance, the 2020 World Development Report estimates that a one percent increase in integration into global or regional value chains disproportionately boosts per capita income growth (de Melo & Twum, 2020). This is driven at least in part by the fact that the export of primary goods is typical to global markets, while a larger proportion of more valuable finished goods tend to be exported regionally (Bouët & Odjo, 2019). It should be noted that while most statistics illustrate that sub-Saharan Africa exports a disproportionately high value and volume of agricultural products to the rest of the world compared to regional trade, important differences exist in different types of commodities. Most of the trade to the rest of the world involves traditional cash crops such as cashew, cocoa, coffee, and tea. For staple crops such as maize, beans, and rice, these are largely traded regionally and, additionally, much of this trade is unrecorded and informal, therefore not showing up in the official statistics (Bouët, et al., 2020).

Although concrete and reliable figures on informal food trade often do not exist, research suggests that informal food trade volumes are often substantial. The Republic of Rwanda estimated that in 2011, informal exports (limited not only to food trade) to its four neighboring countries (Burundi, DRC, Tanzania and Uganda) was 51% higher than formal exports; in 2014 it was estimated that 59% of Rwanda’s exports to its four neighbors was informal (Bouët 2018). A similar study done for informal exports from Uganda to its five neighboring countries found that informal exports made up nearly as much (86%) as formal exports. Informal cross border food trade is estimated to amount to 30% of total trade in West Africa (Bouët & Odjo, 2019). In Uganda, informal exports make up approximate 14-16% of total exports, with agriculture and fish products making up 33-40% of this trade (Bouët & Odjo, 2019).

In sub-Saharan Africa, the opportunity offered by close regional food trade integration has long been recognized and viewed as “a catalyst for long-term prosperity,” (Wilkinson, 2020) and a number of active regional economic communities (RECs) exist in the continent (AMU, EAC, ECCAS, COMESA, SADC, ECOWAS and CRIA) (CRIA, n.d.). The market potential for African producers is large in the medium to long run, as domestic and regional food demand is expected to grow due to rapidly growing populations, incomes, and levels of urbanization; closer regional food trade integration can allow countries to capitalize on this opportunity (FAO & The African Union, 2020).

However, the continent suffers from a number of factors that hamper regional food trade, including poor infrastructure, lack of policy standardization across countries, and high transaction costs. While in the past tariffs provided an additional barrier to trade, the Africa Agriculture Trade Monitor report (2019) no longer sees them as playing a role as a major trade barrier in African agriculture, as only 5% of all sub-Saharan African countries have tariffs of around 10% or higher. Rather, the report notes that Non-Tariff Barriers, such as sanitary and phytosanitary standards and inefficient border process, are among the most significant remaining barriers to greater regional trade in addition to challenges in infrastructure (Bouët & Odjo, 2019).



Elaborating on the earlier statement that regional trade is limited, estimates indicate that between 1990 and 2015, African economies generally increased their participation in supply-chain trade, but this increase has been almost entirely with partners outside the region rather than intraregional trade (de Melo & Twum, 2020). Furthermore, this increased integration in international agri-food trade is characterized by exports that are typically comprised of cash crops with limited markets within the continent, and imports that are for the most part being basic food products sourced from other continents (FAO & The African Union, 2020).

While most sub-Saharan African economies have a relatively high trade to GDP ratio, only very few African countries have close regional food trade integration. This ultimately heightens sub-Saharan Africa's vulnerability to external shocks in global supply and demand, while even those countries with stronger regional food trade integration are still susceptible to trade barriers and disruptions in international logistics, all of which have been exacerbated by the COVID-19 pandemic (FAO & The African Union, 2020).



### 3. Shocks impacting regional food trade, nutrition, and food security

As previously mentioned, sub-Saharan African economies suffer from a range of challenges, many of which are systemic in nature. At the same time, a number of extraneous factors have greatly exacerbated the challenges – further worsening some of the challenges associated with insufficient regional food trade integration, as well as slowing down and even reversing strategies and policies meant to increase regional food trade integration. Specifically, the longer term challenges related to climate change and the interrelated challenges of the desert locust outbreak of 2019-20, persistent armed conflict, and insecurity, and the COVID-19 pandemic have negatively impacted food production, food security, and employment, and strained public infrastructure and financing. All of these factors, directly or indirectly, relate to regional food trade integration.

Climate change represents a longer term challenge to sub-Saharan African agricultural sectors. Climate change will have a disproportionate impact on sub-Saharan Africa – the Food and Land Use Coalition report that crop losses of up to 30% are possible with a 2 degrees Celsius warming by 2050 (Food and Land Use Coalition, 2019). There is an increase in water scarcity which is further complicated by climate change as global demand grows (African Development Bank, 2016). Sub-Saharan African agriculture’s sensitivity to climate change is also compounded by the substantial contribution of agriculture to climate change, particularly through deforestation.

Starting in December 2019, several sub-Saharan African countries faced one of the greatest desert locust plagues in recent history, causing significant crop losses and requiring significant manpower and resources for mitigation and recovery. The desert locust outbreak was worse than had been seen in decades in Ethiopia and Somalia (25 years), Uganda (60 years) and Kenya (70 years) (FAO, 2020). The desert locust invasion amplified farming systems risks in the affected areas. The invasion caused detrimental impacts on food and nutrition security in the affected areas, particularly those already facing high levels of food and nutrition insecurity (IPC Phase 2+) conditions.

Closer regional food trade integration can help make African economies more resilient to shocks – both acute and longer term – such as those associated with climate change and desert locust plagues.

The COVID-19 pandemic has exacerbated some of these challenges and revealed inherent fragility and weaknesses. Specifically, three impacts of COVID-19 have had a negative impact on regional food trade:

- **Cross-border trade disruptions:** Restrictions on the movement of people across borders, which indirectly affected the flow of goods as in SSA regional food trade, goods tend to move across borders with people. This created a situation where not only was the ability to move products across borders affected, but farmers were unable to access key agricultural inputs (ONE & AGRA, 2020). The costs and time associated with regional trade such as for border and documentary compliance in sub-Saharan Africa typically exceed those of other regions (Bouët & Odjo, 2019). Border challenges and restrictions that emerged as a result of policy responses to the COVID-19 pandemic ranged from additional health and safety checks at borders, such as testing on drivers of key goods, to fully border closures (Njiwa & Murwisi, 2020). The increased scarcity resulting from these disruptions has in some cases led to price hikes on inputs and imports while impacting access to markets on produce and exports.
- **Local market disruptions:** In addition, in a number of countries local markets were temporarily closed for similar reasons or had reduced trading hours. Lockdowns and stay-at-home orders restricted the access to hired labor causing adverse impacts on farm productivity (ONE & AGRA, 2020). Data from surveys with 2,000 Kenyan crop and livestock farmers showed that 72% of farmers face higher input prices while 62% of farmers see a decrease in the price received for livestock and/or agricultural produce, with an overall decrease in revenues of around 30% by September (60Decibels, 2020).
- **Broader economic slowdown:** challenges to the global economy, such as reduced commodity trade financing, creates challenges for upstream farmers as well as the traders, processors, exporters, and others interacting with those farmers and agricultural communities. Similarly, the broader economic slowdown has lowered the purchasing power of consumers both regionally and internationally, reducing demand for food exports from sub-Saharan African countries (ONE & AGRA, 2020). The impact has been most strongly felt in horticulture, fruits and vegetables, for which a significant drop in demand by the hospitality industry was felt.







These negative impacts due to COVID-19 were often disproportionate felt by vulnerable population sub-segments. Insights from CGAP (Koning, et al., 2020) highlighted that women often had additional care responsibilities as a result of school closures, thereby decreasing their ability to engage in income-generating activities. In addition, disruptions to local markets and processors reduced women's ability to participate in markets, and women were less likely than men to use digital information and sales channels that sprang up to mitigate some of the negative impact of the pandemic.

An additional impact of COVID-19 on regional trade in sub-Saharan Africa is the delayed implementation of the African Continental Free Trade Area (AfCFTA) Agreement and other initiatives aimed at resolving many of the aforementioned barriers to increased regional trade integration. The AfCFTA is an ambitious initiative that was launched in Kigali, Rwanda, in March 2018 to create the largest free trade area in the world by population, covering 55 countries, with USD2.5tr in GDP terms (Bouët & Odjo, 2019). The IMF estimates that the AfCFTA would have a significant impact on intraregional trade, projecting an 80% expansion while having relatively limited adverse effects on trade outside the continent (IMF, 2020).

Looking beyond the COVID-19 pandemic, the AfCFTA can help the continent build back better through regional trade, helping Africa towards reaching its agricultural potential. Key to the success of the AfCFTA in driving increased regional food trade is not only the fostering of an enabling agribusiness environment but also the role of the private sector in scaling up investments and production to supply the AfCFTA market (Muchanga, 2020).

While the challenges listed above have created a set of new challenges, they have primarily highlighted and magnified existing challenges, such as infrastructure challenges and trade inefficiencies. For further information on the impact of COVID-19, please consult AGRA's *A Rapid Analysis of the Impact of COVID-19 Synthesis Report* (AGRA, 2020).



## Gender and Regional Food Trade Integration

The role played by women in African agriculture means that adopting a gender lens is essential to realizing the potential of improved regional food trade and integration. Women occupy a distinct space both when it comes to food production and food trade. At a production level, women continue to face challenges that limit their competitiveness and make their farms less productive than those owned by men; these are discussed at length in a recent IDH Farmfit publication (IDH Farmfit, 2020). The need to improve women's participation in and benefits from food production is the subject of much research, including in the aforementioned IDH Farmfit publication.

When it comes to food trade, “women also comprise the vast majority of informal cross-border traders in Africa, [and] these women are disproportionately affected by Non-Tariff Barriers, including corruption, harassment, misinformation about customs procedures and regulations, and confiscation of goods” (Bayat, 2020). Better regional food trade integration such as through the AfCFTA should promote women's economic empowerment by improving their access to regional food markets – such further integration in regional agricultural value chains with the potential for undertaking higher value-added activities can benefit female smallholder farmers. However, this is not guaranteed; female smallholder farmers may find themselves disadvantaged by increased food trade imports from other member states (Bayat, 2020). By helping close the pervasive gender gap in access to finance, productive resources, and assets, women will be able to better capitalize on the potential of the AfCFTA (Bayat, 2020). From a cross-border trade perspective, the AfCFTA includes an online NTB monitoring mechanism that is open to micro, small and medium enterprises, informal traders, and youth and women business operators (Knebel, 2020). A well-functioning mechanism can help women traders report on the NTBs faced at the border.



## 4. The role of policy in promoting regional food trade

Policy and political economy factors affect regional food trade outcomes such as private sector investment, smallholder farmers' participation in structured food trade, food trade financing across sub-Saharan Africa. From a regional food trade integration perspective, governments across the continent usually implement protectionist food trade policy interventions focused on safeguarding national food self-sufficiency goals at the expense of consumer, producer and societal welfare (Bouët & Odjo, 2019). Governments intervene in food markets through different measures that range from ad hoc export/ import bans, trade restrictions on specific crops, price controls, and input subsidies.

However, these interventions are usually inefficient, often generate negative returns and in many cases disincentivize private sector investment in food trade markets (Goyal & Nash, 2017). Lack of policy predictability in food trade creates rent seeking and corruption opportunities for politically connected individuals and companies. The lack of transparency in food trade policy also creates mistrust between the public and private sectors resulting in negative impacts on efforts to drive regional food trade. For example, ad hoc food trade restrictions (especially for staples) make it difficult for private sector investors to make long term investment decisions. Also, opaque food trade policy environment may force key food producers to exit the affected sub-sectors completely or invest in alternative sectors (Nhemachena, et al., 2020).

Table 1 summarizes key policy and regulatory issues affecting the proper functioning of food markets in selected African countries. The results show that the major deterrent to intra-African trade include:

- a) Non-tariff measures (NTMs) - key NTMs that slow trade are related to Sanitary and Phytosanitary (SPS) procedures, import/export restrictions, state interventions in markets; and, informality. The dearth of up-to-date market and food security data exacerbates ad hoc government interventions in NTMs.
- b) Information and data gaps as a result of weak capacities and systems for collection, analysis and utilization. Data gaps for example in food production, prices and trade volume negatively impact efforts to support evidence-based food trade policy planning and implementation. In addition, most governments lack up-to-date and reliable data on food trade requirements affecting decisions trade restrictions.

- c) Lack of structured markets has also contributed to limited participation of smallholder farmers and small businesses in regional value chains. A significant proportion of smallholder farmers are involved in informal cross-border trade activities. Factors such as high costs of formalization (such as licensing, certification fees, quality requirements etc.) further hamper opportunities for smallholder farmers and small businesses to engage in structured regional food trade.
- d) Slow (if any) implementation of regional commitments at national level.
- e) Absence of a stable and predictable policy environment breaks down trust and constrains private-sector investment in food staples, which in turn limits production and trade.
- f) Absence of harmonized staple foods standards and/or lack of capacity to ensure compliance, and lack of awareness of existing standards can be major barriers to trade (AGRA, 2019).

In the following section, we explore insights from the private sector relating to most of these policy challenges.

**Table 1: Summary of key policy and regulatory issues affecting regional food trade in selected African countries**

Food trade policy issue	Burkina Faso	Côte d'Ivoire	Ethiopia	Ghana	Kenya	Malawi	Mali	Mozambique	Nigeria	Rwanda	Tanzania	Uganda	Zambia
1. State intervention in markets such as price controls	●	●	●		●	●			●	●	●		●
2. Ad hoc export and import bans	●	●	●		●	●			●		●		●
3. Limited market information		●		●	●	●		●	●		●	●	●
4. Opaque strategic grain reserve operations					●								●
5. Arbitrary taxation on imports or exports		●			●		●		●		●		●
6. High prevalence of informal trade	●	●		●	●	●	●	●	●	●	●	●	●
7. Limited enforcement of SPS, quality standards (e.g. aflatoxin)	●			●	●	●		●	●	●	●	●	
8. Lack of transparency in issuance of export permits											●		●
9. Limited structured markets - no functional commodity exchange	●		●	●	●	●	●	●	●	●	●	●	●
10. High levels of corruption and or insecurity	●	●		●	●		●		●		●		
11. Uneven implementation of regional integration regime			●				●		●		●		
12. High cost of formalisation of business or trade		●						●	●		●		
13. Coordination gaps at multiple levels				●				●	●		●		●
14. Infrastructure (physical gaps)	●	●		●		●		●	●	●		●	
15. Limited access to financing	●	●		●	●		●	●	●	●	●	●	●

Source: AGRA, 2019

With the above background, a predictable and transparent food policy environment is critical for promoting regional food trade across the continent. Such a food policy environment creates incentives for increased private sector investments as well as increased smallholder participation in structured regional food value chains. Ensuring transparency in the food policy environment such as through the removal of ad hoc trade restrictions provides a conducive environment for increased food trade from strategic surplus production areas to deficit consumption areas. In addition, a predictable and transparent food policy environment contributes to decreased levels of food price volatility and supply instability, improved food and nutrition security and resilience to shocks such as climate change and variability.

AGRA is implementing a number of activities aimed at addressing some of the above issues such as:

- a) Development and strengthening of data and evidence in food markets to help with decision making (for example, Food Security Monitor, Regional Food Balance Sheets in East Africa, Southern Africa and West Africa).
- b) Supporting development and implementation of sound policies, regulations and standards, for example, Strategic Grain Reserves in ECOWAS, Nigeria, Mozambique, Kenya.
- c) Strengthening data collection and analysis of food production, storage, trade, consumption and prices (MIS Initiative in 9 countries).
- d) Strengthening national trade policies and predictable regulatory frameworks in countries such as Malawi, Zambia, Tanzania and Mozambique.
- e) Mutual recognition frameworks in the implementation of standards within the East and Southern Africa region covering at least six countries i.e. Malawi, Zambia, Zimbabwe, Uganda, Kenya and Rwanda.
- f) Lead the operationalization of the Regional Food Trade Coalition as a platform for coordination of interventions and coherent policy influencing.
- g) Improving Compliance with Maize Quality Standards along Trade Corridors in East Africa.





## 5. Insights from the private sector

IDH Farmfit works closely with the private sector, supporting a wide range of businesses that interact with smallholder farmers. IDH Farmfit has a long-term vision of inclusive agricultural markets in which the role of the private sector evolves as markets mature.

Much of the research and policy briefs on the topic of regional food trade have focused on the policy angle; relatively less has been written on the role of the private sector. However, especially as markets evolve towards becoming more inclusive and market-based, the role of the government tends to evolve towards enabling and facilitating market-based interactions, while remaining directly involved (through e.g., subsidies, public extension, financing, marketing) in a more targeted manner, for instance focused on strategically important crops or supporting specific vulnerable population sub-segments. In parallel, the role of the private sector increases, especially in the provision of goods and services both to farmers and to other businesses. As such, IDH Farmfit and AGRA believe that the perspective of the private sector is important to include when looking at the topic of regional food trade.

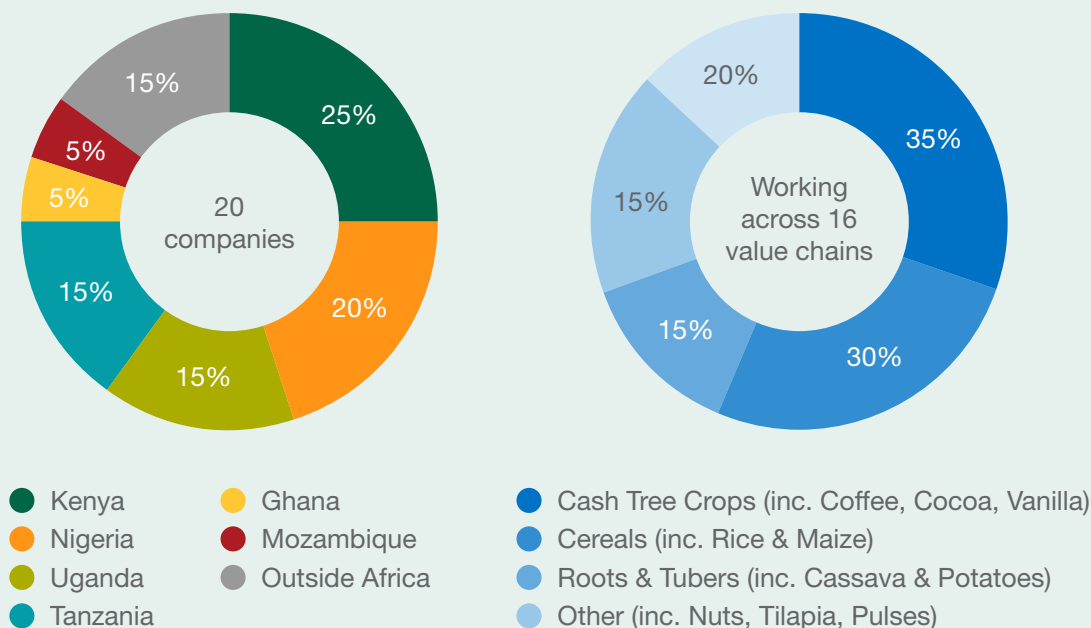
For this white paper, IDH Farmfit reached out to a number of private sector partners that we have engaged with in the past two years, the vast majority of whom are active and based in Sub-Saharan Africa<sup>2</sup>, and all of whom are involved in the sourcing, trading, and/or processing of agricultural products from farmers. Additionally, all surveyed companies provide a range of goods and services to the farmers they source from.

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2. IDH Farmfit works with companies across Africa, Asia and Latin America. For comparison purposes, in the survey conducted for this white paper, IDH Farmfit also reached out to a handful of non-African companies, particularly to understand the impact of COVID-19. Questions around trade ambitions, AfCFTA and regional trade dynamics were only asked to those based in sub-Saharan Africa

## Basic information about the respondents

Figure 6: Geographic and Value Chain Distribution of Survey Respondents



Source: IDH Client Survey

Each of the companies submitted a response to a survey, and follow-up discussions were had with a subset of the organizations to gain further insights into specific topics. Insights from these surveys and follow-up discussions are included below.

## General insights on regional food trade integration

In the introduction of this white paper, we referred to the twin challenges of:

- i. Insufficient regional (food) trade integration; and
- ii. Insufficient production side market development

Surveys and interviews with our private sector partners confirmed the relevance of these challenges.

Across the companies interviewed, the vast potential of regional trade – i.e., overcoming the first challenge listed above – is more or less universally recognized. Of the companies surveyed, 87% are already involved in regional food trade, through the import and/or export of food products regionally. 77% of these companies wish to expand their intra-regional trade. Of the companies not currently involved in regional food trade, 100% wish to begin doing so in the foreseeable future. Virtually all respondents, however, identified a relatively consistent set of challenges hampering their ability to increase the degree to which they benefit from regional trade; these are discussed in more detail in following sections.

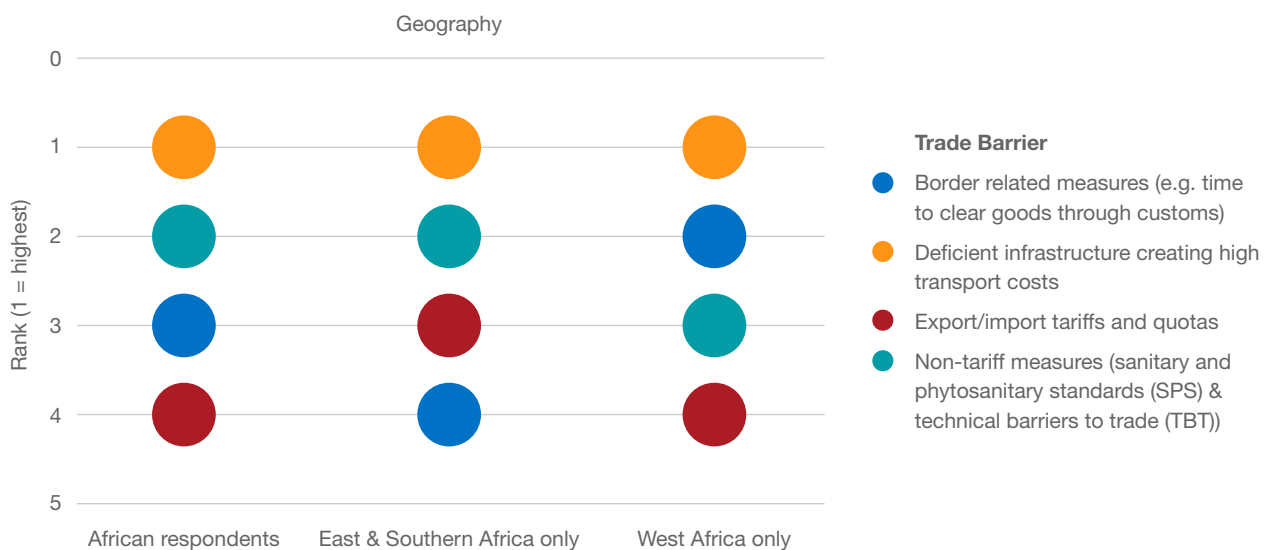
The second challenge is perhaps even more universally recognized. In fact, overcoming this challenge is the basis of most interactions that IDH Farmfit has with the private sector, which are aimed at improving the efficiency, effectiveness, scalability, investability and sustainability of service delivery models. Several respondents noted that even meeting domestic demand provides a big enough challenge. While recognizing the benefits of exporting, one interviewee noted that their utmost priority is ensuring they can source enough raw materials

from their farmers to meet the orders of their domestic clients on a regular basis. Sourcing sufficient raw materials requires a well-developed, efficient and mature production market to exist, starting with sufficient volumes and quality of production on the farm level; a supporting inputs and services market providing high quality and affordable goods and services to farmers; efficient procurement opportunities (including collection, storage), and distribution facilities; and a supportive enabling environment (including government policies and regulatory environment).

The remainder of this section provides an overview of insights from the private sector on the first challenge, namely that of regional food trade integration, many of which can be linked back to the key policy and regulatory issues identified in the last section.

## Private sector perspectives on regional food trade challenges

Figure 7: Respondents' rankings of trade barriers



Source: IDH Client Survey

While there was substantial heterogeneity in what were perceived to be the biggest barriers to regional trade, there is a high degree of consensus that poor infrastructure is the primary challenge, findings that apply to both West Africa and East & Southern Africa. Poor road and rail infrastructure often means the costs and difficulties make transporting goods across longer distances less attractive.

As noted elsewhere in this document, RECs have contributed to the reduction and in some cases elimination of many quotas and tariffs. In the survey, tariffs and quotas were typically seen as less severe challenge compared to NTBs consistent with the findings in previous literature. Even where commitments are in place to lower NTBs, respondents corroborated the key issue that slow implementation at national level remained a barrier to effective regional food trade integration. Several companies noted that the ineffective implementation of rules and regulations at borders, and in some cases even contravention by border officials of trade-related rules and regulations, lead to increased costs and complexities of exporting goods, or exports even being rejected.

Furthermore, inefficient double taxation systems are inhibitive. Without the streamlining and effective working of double taxation rebate processes, companies note that they often end up paying tax in both the domestic and destination countries, a point emphasized by one Kenyan-based company trading processed food goods in neighboring countries.



## Selected quotes from survey on export and import challenges:

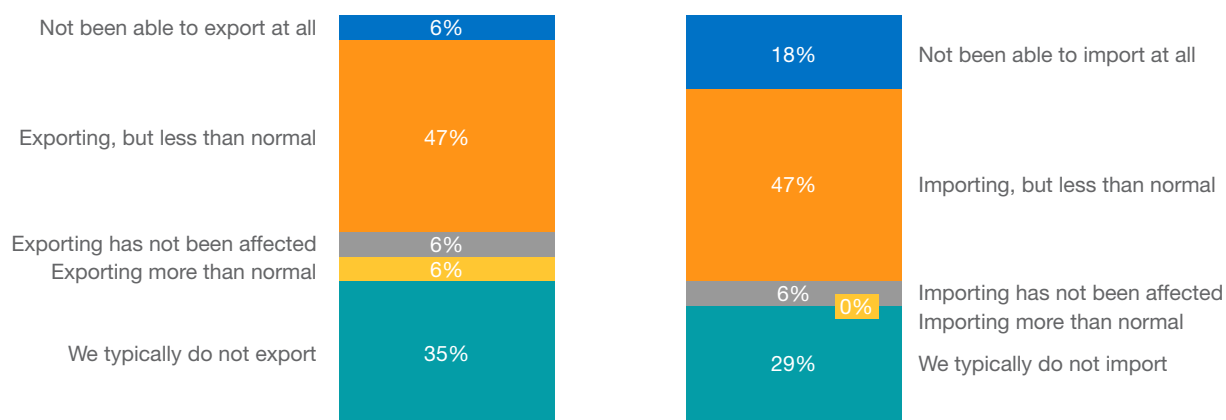
*“Serious delays in exporting”*

*“We failed to deliver samples timely and missed the business”*

*“Trade disruptions were rife”*

The COVID-19 pandemic has exacerbated these challenges for many companies, with 93% of respondents (13 out of 14) involved in regional food trade indicating that they were negatively impacted as a result of the pandemic.

Figure 8: Impact of the COVID-19 pandemic on exports (lhs) and imports (rhs) from February to October 2020 (n=15)



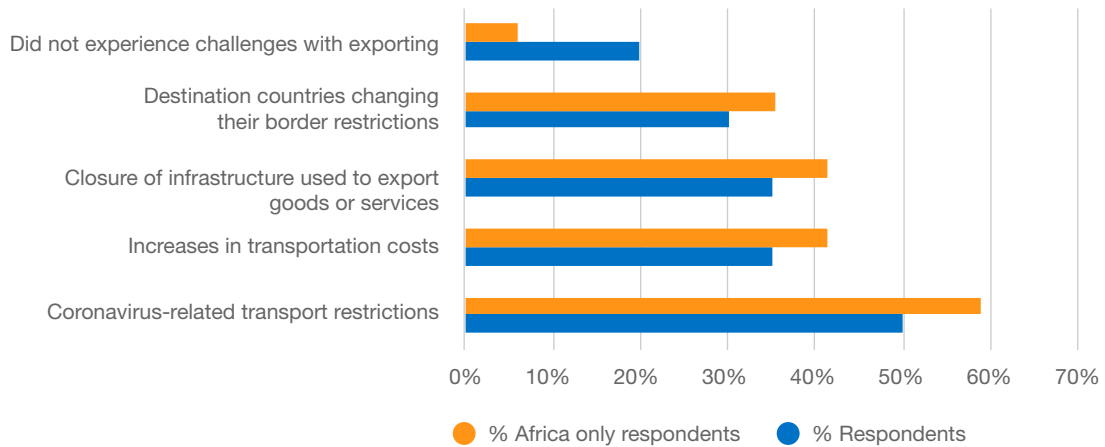
Source: IDH Client Survey



The impact on trade was not only due to border related issues but also domestic transport restrictions and the subsequent rises in transportation costs coupled with rising prices of key inputs for imports. To facilitate a comparison with another key region for IDH, we also asked a handful of questions to a limited selection of private sector partners from South East Asia. Notably, the trade challenges faced by our South Asian were consistently lower than those based in Africa across all types of challenges surveyed.

Figure 9: Export & import challenges faced by companies during the COVID-19 pandemic

COVID-19 Export Challenges Faced



Source: IDH Client Survey

COVID-19 Import Challenges Faced

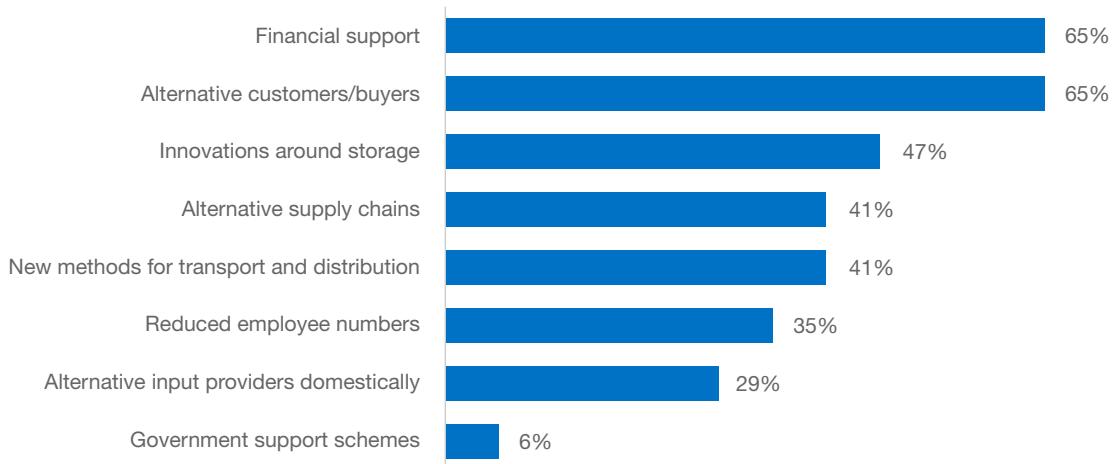


Source: IDH Client Survey

Despite some efforts to mitigate disruptions to the operation of regional food trade, the vast majority of companies experienced multiple import and export challenges. As highlighted in the previous section, information and data gaps, particularly up-to-date market data can lead to ad hoc underinformed policy decisions that impede regional food trade integration and exacerbate the broader regional food trade challenges faced during the COVID-19 pandemic. These information gaps are multidirectional. Not only is it the lack of market information available for informed policy making, but information on policy decisions often fails to reach market participants, irrespective of crises. One company interviewed emphasized that in future crises there is an imperative that mechanisms where governments communicate trade and border related information to companies, local government and border officials are strengthened.

## The private sector response to trade challenges during the COVID-19 pandemic

Figure 10: Options pursued by companies during COVID-19 pandemic

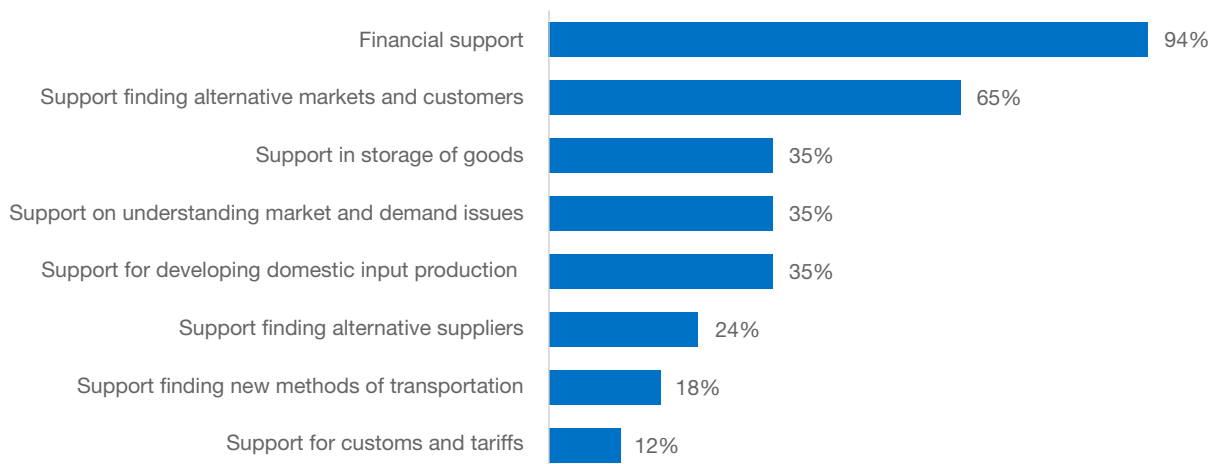


Source: IDH Client Survey

In contrast to much of the Global North, government support schemes during the COVID-19 pandemic were neither widely available or widely used by the private sector. Furthermore, policies that exacerbated weaknesses in regional food trade integration were apparent in several countries in the region (Njiwa & Murwisi, 2020). The presence of such policies combined with the absence of government support schemes forced many companies to pursue various approaches to respond to the challenges they face. Financial support and the discovery of new customers were consistently referenced by companies as high priority items.

While some of the options pursued earlier on in the COVID-19 pandemic such as new transportation methods were temporary of nature, most companies are still in need of support.

Figure 11: Support still desired by companies during COVID-19 pandemic



Source: IDH Client Survey

## Selected quotes on support still desired:

*“Banks became more risk averse; purchasing power has reduced”*

*“Lack of finance remains a big challenge, majority of financiers are shying away”*

*“There is a lot of uncertainty and a loss of trust. No one wants to extend credit”*

The magnitude of impacts from shocks such as the COVID-19 pandemic and the desert locust outbreak in East Africa can be seen through the level of companies still seeking financial support, as almost all survey respondents highlighted a need for finance. Importantly, this finance challenge is not new. In *Pathways to Prosperity*, ISF Advisors and the MasterCard Foundation Rural & Agricultural Finance Learning Lab estimate that there is a USD55bn agricultural finance gap in sub-Saharan Africa (ISF & RAF-LL, 2019).

The high perceived and actual risks associated with smallholder agriculture, driving the shortage of agricultural finance, have been elevated by the COVID-19 pandemic. As a result, African banks, which often enjoy relatively high margins across their non-agriculture loan portfolios are likely to be hesitant to increase or maintain their level of lending to agribusinesses and farmers.

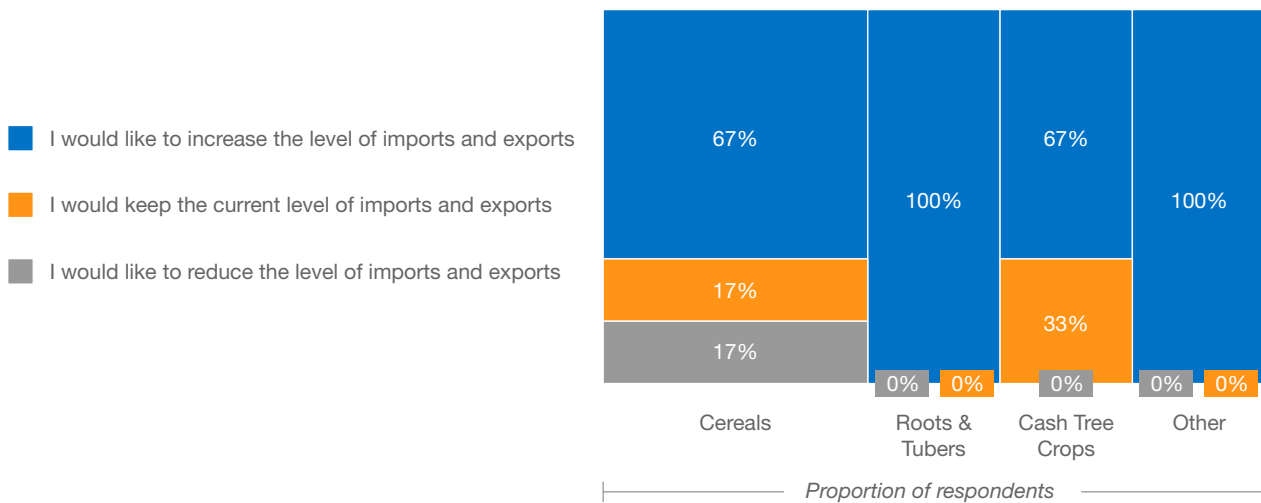
The short-term impact of a lack of finance on trade has been severe – as one client noted, there is almost no affordable trade finance accessible. The medium-term outlook for trade finance is also uncertain. For governments and organizations supporting the private sector to increase regional food trade, initiatives to safeguard and increase the availability and affordability of trade finance are essential.

A lack of diversification of customers for agribusinesses is another concern. Many agribusinesses are often dependent on a small number of customers who provide sizeable orders (IDH, 2020). Such a situation increases the risk exposure of agribusinesses to issues faced by their major customers, heavily impeding their resilience to shocks such as the COVID-19 pandemic. 65% of companies in our survey expressed a desire for support on finding new customers in order to diversify their customer base. Enhancing regional food trade integration can provide businesses with access to new customers and markets, thus diversifying their customer base.

## Ambitions for trade

While the level of regional trade remains well below its potential, the ambitions among surveyed companies for increasing this are high. Across all respondents, 80% of companies said that they would like to increase their level of regional imports and exports in the near future. This was also the case for several respondents currently involved in intercontinental trade. For these companies, it was not necessarily clear that they wanted to diversify away from international markets but rather there was a recognition of increasing opportunities for new export markets on the continent. A majority of these respondents specifically indicated a wish to increase their trade within the region. Nevertheless, there is a clear need for support in finding customers but also the provision of market research to companies around topics such as food safety requirements, border processes and taxation if they are to be able to take advantage of these new opportunities.

Figure 12: Future ambitions of companies for regional trade

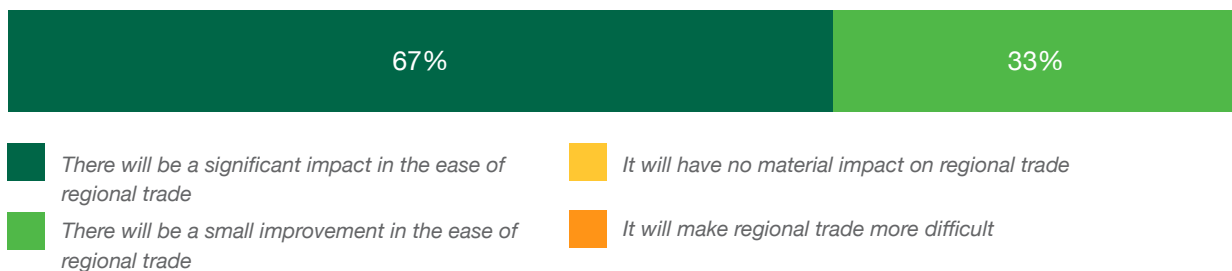


Source: IDH Client Survey

However, it is important to note that increased regional trade is not a panacea. As demonstrated across the world, trade integration brings both winners and losers even if the net gain is positive. For the companies surveyed and interviewed, intensifying competition was seen as a key risk to increased regional trade integration by companies involved in both cash and staple crops. At the moment only 20% of our survey respondents see companies and imports from other African countries as their main source of competition, with 27% percent highlighting imports from other continents and a sizeable 53% reporting domestic competition instead. Further integration will likely change this dynamic.

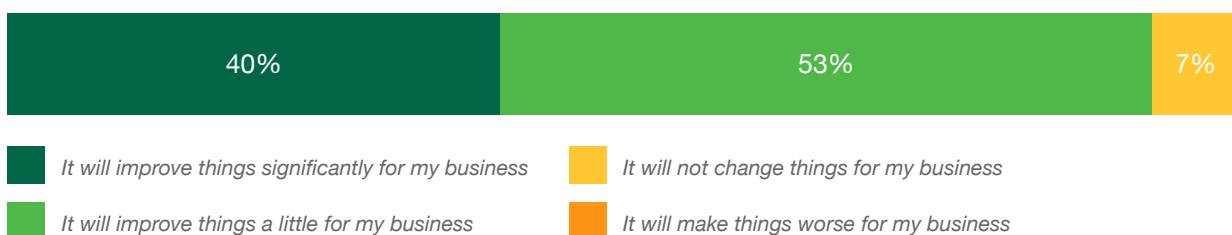
### Cautious optimism on AfCFTA

Figure 13: Perceived impact of AfCFTA on the ease of regional trade



Source: IDH Client Survey 2020

Figure 14: Perceived impact of AfCFTA on own business



Source: IDH Client Survey 2020

From a policy perspective, companies look towards the AfCFTA as having a largely positive impact on the ease of regional trade. Furthermore, despite concerns around the intensification of competition, companies are overwhelmingly positive about the impact of AfCFTA on their own business, with 93% believing it will lead to improvements for their businesses.

## Selected quotes about the impact of AfCFTA:

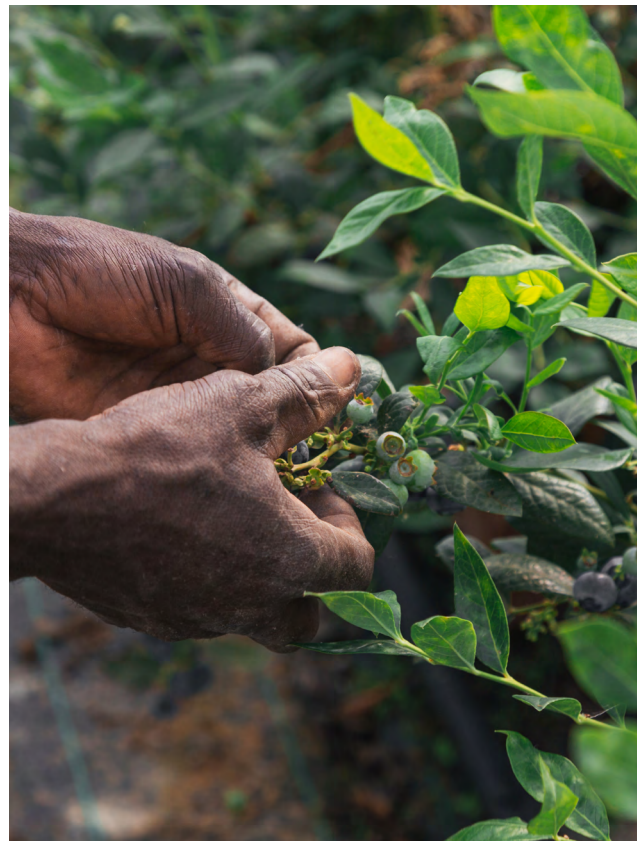
*“I believe AfCFTA will enable the seamless movement of goods across borders. The impact of this will however not be immediate”*

*“In theory AfCFTA is a great initiative, the implementation remains to be seen, and how each individual country chooses to integrate into the agreement or not will also have an impact. As with all AU instruments currently in existence, the theory / frameworks are excellent, but the reality of states complying or implementing is a different story”*

*“The African Union makes ambitious statements but lacks the ability to effectively organize its 54 members, so the reality is that trade barriers still exist, with high levels of bureaucracy and corruption to slow things down”*

*“It will reduce the cost of doing business and access to new markets but also increase intense competition. We also would like capacity building on AfCFTA opportunities and how to participate effectively”*

While many companies recognize the benefits of the AfCFTA, there is considerable skepticism on the speed, breadth and effectiveness of its implementation. For governments and organizations supporting governments, the proper implementation of the AfCFTA is essential to build trust in the business community and accelerate the embrace of regional trade by companies. Ensuring access to information on how to take advantage of the opportunities of AfCFTA should be a focus area for governments and organizations supporting the private sector. Examples can include targeted information campaigns, information sharing events and directed capacity building.





## 6. Conclusions, Recommendations and Looking Ahead

### Conclusions

It is clear that African countries and economies individually and collectively can benefit from closer regional food trade integration, for instance for food security, employment, value creation, and economic development reasons. In addition, current challenges associated with the high import dependency can be mitigated. However, regional food trade between African countries is well below potential due to a number of factors such as poor infrastructure, lack of policy standardization across countries, various non-tariff barriers and high transaction costs. The projected continued growth in African demand for food products only serve to increase the urgency of achieving closer regional food trade integration, coupled with the parallel priority of strengthening domestic production markets and supply chains.

In order to achieve closer regional food trade integration, additional efforts to improve the policy environment are needed. Currently, a number of Regional Economic Communities exist in the region, and with the African Continental Free Trade Area (AfCFTA) agreement additional improvements are expected. However, implementation of the agreement was delayed until the start of this year, and existing trade agreements are often not properly implemented or hampered by competing policies. AGRA's work is focused on supporting governments, RECs and others in strengthening the policy environment to help overcome some of these challenges.

Insights from the private sector confirm an eagerness to participate in greater regional food trade, and private sector actors almost unanimously expect to benefit from closer integration. At the same time, most of the companies that we spoke to highlighted significant barriers including poor infrastructure, as well as inefficient, unpredictable, and in some cases inconsistent policy support and implementation.

Additionally, most companies saw strengthening domestic production markets and supply chains as a more immediate priority to resolve for their businesses. Strong, well-structured and well-governed markets are vital to drive both the supply and demand that make regional food trade possible, and create opportunities for private sector actors to participate and contribute. IDH Farmfit's work is focused on engaging with the private sector as well as policymakers, academia, capital providers and others to help build more inclusive, sustainable and commercially viable business models and markets.

## Recommendations

Below, we provide a number of high-level areas of intervention that we believe will be valuable for the coming years. Many of these recommendations are common in the existing literature on the topic of regional food trade integration. The information in this white paper is largely at a high level while there are many geographic nuances in regional food trade that warrant more tailored recommendations. In future knowledge products, IDH Farmfit and AGRA will provide more specific recommendations and more technical insights building on the broad list below.

For governments, we identify the following broad areas of intervention for the coming years:

- 1) Design and implement measures to improve the enabling policy and regulatory environment for intra-regional food trade
- 2) Support inclusive and active participation of smallholder farmers in structured regional food value chains by identifying and removing policy and regulatory obstacles to their participation
- 3) Develop and implement measures to enhance regional food value chain actors to better respond and build resilience to multiple shocks.
- 4) Public sector interventions are taken to increase the affordable accessibility to capital, in particular trade finance
- 5) Public sector and development actors continue to support the strengthening of local value added activities such as processing of agricultural products to serve local and regional demand

AGRA will continue to support these efforts, among others in the following ways:

- Development and strengthening of data and evidence in food markets to help with decision making i.e. FSM, Food balance sheets in EA, WA, TZ, ZA, MW, KE,
- Government engagement to share evidence and shape policy formulation and implementation encouraging climate friendly private sector investment in key food value chains
- Supporting development and implementation of sound policies, regulations and standards i.e. Strategic grain reserves in ECOWAS, NG, Moz, KE, control of goods regulations and trade policies in MW and ZA, mutual recognition frameworks, simplified trade procedures in MW, TZ, Moz
- Engagement with ACFTA secretariat and AU in implementation of ACFTA – sharing lessons
- Regional food trade coalition as a platform for coordination of interventions and coherent policy influencing

For private sector actors, we identify the following broad areas of intervention for the coming years:

- 1) Support inclusive and active participation of smallholder farmers in inclusive private sector business models
- 2) Agribusinesses and the private sector are supported in strengthening their supply bases in order to meet the quantity and quality demanded for exports.
- 3) Capacity building is provided to private sector participants to help them seize opportunities from increased trade integration, such as through AfCFTA



- 4) Private sector interventions are taken to increase the affordable accessibility to capital, in particular trade finance

IDH Farmfit will continue to support the private sector realize these objectives through:

- Provision of integrated business support to private sector participants to allow them to scale up their inclusive smallholder business models to boost the quantity and quality of sourced raw materials
- De-risking private sector participants through business support and de-risking financing models to improve their access to finance
- Collecting and disseminating private sector experiences of the barriers to regional food trade in collaboration with AGRA so that policymakers have a more holistic set of private sector insights to facilitate their decision making
- Establishment of partnerships and market linkages for private sector participants to make new (cross-border) connections between demand and supply

## Joint efforts of AGRA and IDH Farmfit going forward

This white paper represents the starting point of more formal and close collaboration between AGRA and IDH Farmfit to bring together our complementary expertise, networks and capabilities and more closely integrated our respective support for both the public and private sectors.

Part of this closer collaboration involves a joint learning agenda on this topic, and we will build on this white paper with a series of additional knowledge products:

- Case studies providing private sector reflections on the intersection between policy, regional food trade, and the private sector, organized by theme or geography
- Facilitation of dialogue among experts from AGRA, IDH Farmfit, and external partners on the topic of regional food trade
- Policy briefs with learnings and insights for policymakers
- Lessons learned through BDS Technical Assistance approach of AGRA in market shaping and trade structuring investments

In addition, we will engage in combined interventions around food trade corridors. Trade corridors are defined as flows of products, services, information along in a geographic area backed by infrastructure and guided by trade agreements and policies. The aim of these trade corridors is to increase the ability for surplus production areas to provide produce to deficit areas. Unlocking barriers along trade corridors means addressing a multitude of barriers simultaneously. Therefore, AGRA and IDH will leverage each of their strengths in a coordinated fashion to unlock production areas and regional trade opportunities along a backbone of transport infrastructure.

## Trade Corridor Program Components

Enable **access to finance** for agribusinesses participating in regional trade

**Support inclusive business and service models** to boost productivity and engage in trade

Production

Aggregation

Processing

**Policy dialogue and influence** to improve agribusiness environment

- Set up finance mechanisms to fill finance needs in value chains (input, working capital), leveraging off the resources of the Farmfit Fund
- Support companies and SHF sourcing models to become bankable

- Establish, support and strengthen sustainable SHF service models to boost farm-level production and structure sourcing operations
- Improve gender/youth inclusion in service models
- Develop nutrition sensitive and climate smart service models

- Provide BDS services to aggregators and processors (e.g., trade structuring, market linkages, value chain development)
- Improve post-harvest and storage practices & technologies
- Optimize operational efficiency of aggregators/processors

- Support government with trade policy briefs to promote favourable trade policies
- Support trade policy dialogue platforms amongst countries
- Facilitate training of government

Corridor governance and organizational strengthening

Corridor learning & knowledge sharing



AGRA activities



IDH Farmfit activities



AGRA & IDH Farmfit activities

We are committed to continuing to support both the strengthening of agriculture markets as well as closer regional food trade integration between African countries, and we believe unlocking these benefits can gain greatly by leveraging efforts with both the public and private sectors.

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