Food market cross-border trade in Africa

Kerina Tull
Nuffield Centre for International Health and Development, University of Leeds
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Question

What is the evidence on the benefits of business being allowed to operate across borders within Africa for farmers; consumers; national economies, and donors?

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1. Overview

The evidence for promoting effective trade and access of food across borders within Africa is optimistic. Key findings on the benefits for farmers, consumers, national economies and donors are as follows:

- Informal cross-border trade (ICBT) or “smuggling” is common in Africa. It is essential for welfare and poverty reduction: creating jobs, supporting livelihoods, and contributing to food security. However, as activity is not typically recorded in government statistics, there is an absence of good quality data on ICBT in certain areas.

- In most cases (70-80 percent) it is women trading (Soprano, 2014; Ibrahim, 2017: 141; Blumberg et al. - AECOM International Development & Banyan Global, 2016: 17; Koroma et al. – FAO Regional Office for Africa, 2017: vi).
The variety in values of goods carried by traders indicates the complexity and diversity of this sector of trade. However, analysis confirms that smaller traders i.e. with low-value trade, are popular.

When crossing borders, small traders pay on average 62 percent more than large traders when using ICBT. However, it would be three times that amount if they were to go through a formal border trade post (The World Bank Group, 2014).

By using formal borders, traders can be provided with better service, such as access to finance, technical and market information using state-of-the-art technology. Border officials can also perform their duties more effectively, and expect an improvement in revenue collection.

One step towards promoting trade formalisation for Africa is use of the Charter for Cross-Border Traders, which stipulates basic rights and obligations of traders and border officials. This year it was adopted in the Uganda-Rwanda border - as Uganda is the main source of ICBT on staple food commodities distributed in East Africa.

Last year, FishTrade piloted a One Stop Border Post (OSBP) specifically for fish on the Kenya-Uganda border, to improve intra-regional fish trade in order to achieve the African Union Malabo Declaration to triple intra-regional agricultural trade by 2025. In 2017, OSBPs were adopted in one of the most active borders for cross-border trade in South Africa (the Malawi-Zambia border) to enhance trade facilitation through efficient movement of goods and people within the COMESA and SADC regions.

Other systems, such as the ECOWAS Trade Liberalisation Scheme (ETLS), entail free trade within the West African region, and are primarily aimed at encouraging free cross-border trade between the ECOWAS member countries.

In West Africa, rice farming associations plan to collaborate with the Competitive African Rice Initiative (CARI) to increase intra-Africa trade; there are also more opportunities for farmers to increase their income via business ventures.

NGOs such as Farm Africa are currently developing new, self-sustaining business models for farmers in order to increase income, technology uptake and access to markets. Research has shown that training farmers in East Africa with information and communication technology (ICT) could reach three to five times more farmers.

The adoption of technology is also beneficial for increasing cross-border trade transactions: an online reporting mechanism of non-tariff barriers to trade (NTBs) set up by the Tripartite Free Trade Area (TFTA) will benefit all stakeholders.

The African Export-Import Bank (Afreximbank) predicts that the size of intra-African trade could double from the current level of approximately USD170 billion per year to almost USD400 billion, by addressing the issue of availability of market information on the continent. The African Union proposal to create a Continental Free Trade Area (CFTA), to make intra-Africa trade a reality, would help benefit farmers and consumers further.

Uganda, Rwanda, Liberia and Ghana already cater for the needs of small-scale traders within countries and at their borders, by providing them with necessary market information. Under its Trade Policy and Regulatory Reform component, the USAID East Africa Hub provides an environment for the increased production, processing and marketing of value added staple foods for consumers, as well as increased access to nutrition-enriched products.

Rapidly growing middle classes of many African countries offer important potential markets for farmers and agricultural producers. Linking farmers with consumers in thriving urban areas to address regional trade will benefit all concerned: enterprises such as Sidai have been able to open up new, more efficient, product value chains (input and output) for its
customers, and provide immediate access to quality items as it reduces selling food products through informal traders.

- Long-term cross-border trading relationships, like that between Niger and Nigeria, reduce price fluctuations of food staples and, to some extent, protect prices from major external shocks. Other countries such as Kenya utilise their National Cereals and Produce Board (NCPB) to manage margins between wholesale and retail grain prices.

- Food-based ’safety net’ policies, such as the Food Reserve Agency (FRA) in Zambia, act as macro-economic stabilizers for food grown in the country. However, the private sector in domestic supply and trade can take a larger role if the FRA is unable to purchase the targeted quantities of food.

- Cross-border trade improves national economies as it leads to the creation of more jobs, due to the movement of goods and related commercial activities taking place across borders of neighbouring states.

- In the countries that do recognise the significant value potential of ICBT to economic growth, attention on the development agenda of African countries or their multilateral development partners is still needed. This is because trade policies and integration strategies in Africa could be lacking information on approximately half of trade-related activities, which could dramatically affect national economies (Koroma et al. - FAO Regional Office for Africa, 2017: 1).

- Some countries are approaching agricultural value chain upgrading by moving from agriculture to agri-business, such as Ethiopia, Kenya, South Africa, Tanzania and Zambia.

- National finances currently reserved for national food security interventions also can be used to benefit cross-border trade in terms of business loans for their members to increase future trading opportunities, as in Zimbabwe. Spending has drastically reduced in Nigeria because of increased local production, which is a result of the Central Bank of Nigeria’s Anchor Borrowers Programme (ABP) benefiting 12 million rice producer to farm four million hectares of rice land. In Zambia, scholarships are being provided to national students, supporting them to conduct research to understand the magnitude of cross-border trade flows between Zambia and neighbouring states.

- Donor support for professional agro-dealer associations also helps promote private competition and improve farm-level input supply in particular countries, including Burkina Faso, Ghana, Mali, and Nigeria. However, the impact of aid-for-trade has to be better explained, as a decrease in spend will ultimately benefit countries and regions.

- Private companies continue to invest heavily in Africa’s agriculture value chains in recent years. Advances for cross-border food trading have helped inspire a new vision for Africa, one in which farming realises its potential to help make the continent sustainable and hunger free.

Data for this report was taken from available for supra-national and regional economic communities (RECs). However, current (2017) price bulletins and cross-border trade reports on food staples (traded from country to country, or at selected border points) were available for East and South African regions only. Consultancy reports and/or case studies were available for a number of countries in West, East and South African regions, though peer-reviewed articles relating to recent national level analysis or holistic statistical information were limited. Although information on donor-led studies was available, details on cross-border trade and agricultural policies were lacking.

Strength of the evidence varied across countries and regions, especially when comparing ICBT with formal trading records. However, most data did address the beneficial contribution of women to economic growth in cross-border trading.
2. Cross-border trading types

In the West African region, maize, rice, sorghum, millet, cassava, yam, cowpea and livestock are considered to be the food staples (Engel & Jouanjean, 2013: 1). Key cross-border food staples traded between East African states are maize and maize flour, beans, wheat and wheat flour, rice, sorghum and sorghum flour, and sesame (East Africa Cross-Border Trade Bulletin, 2017). Cross-border food trade in the South African sub-region focusses on rice, beans and maize (Ibrahim, 2015: 140).

Informal cross-border trading

Informal cross-border trade (ICBT) or “smuggling” is common in Africa. Notable corridors include Ekok, Mamfe, Bamenda and Aflao Seme in the West and Central African regions; Wadi Halfa, Kisumu, Kitale, Gulu, Juba, Isebana, Sirare, Bibia, Nimule and Elegu in parts of North and East Africa; and Mwami, Mchinji, Chirunda and Kariba in Southern Africa (Adjasi – Business Live, 2017).

Trade varies from very small quantities moved by bicycle, to large volumes trucked over long distances (FAO, 2017a: 1). Research confirms that, when combined with the frequency of travel and length of stay, most traders prefer to travel frequently with low-value loads, rather than infrequently with high-value loads (Peberdy et al., 2015: 17).

In most cases it is women trading: case studies and regional analysis report figures of 70-80 percent (Soprano, 2014; Ibrahim, 2015: 141; Blumberg et al. - AECOM International Development & Banyan Global, 2016: 17; Koroma et al. – FAO Regional Office for Africa, 2017: vi).

Latest available estimates from trade bulletins indicate that three million metric tons of staple food commodities were traded informally in East Africa. ICBT is profitable and surpasses formal trade, especially as processing fees (approximately USD 30-38 for small trade items) do not have to be paid to custom officers for clearance (Ibrahim, 2015: 141).

As ICBT represents commodity flows outside of the formal system, activity is not typically recorded in government statistics or inspected and taxed through official channels. However, such trade is essential for welfare and poverty reduction: it creates jobs (particularly for vulnerable groups – not only women but also youth), supports livelihoods, and contributes to food security (Soprano, 2014).

In West Africa, ICBT is widespread, despite regional integration schemes intended to promote official (formal) trade (Benjamin et al., 2015: 381). Nigeria and Senegal have protected their domestic industries with high import barriers; whereas Benin, Togo and The Gambia have maintained lower import taxation.

In East Africa, the ICBT between Uganda and its neighbouring countries has a great economic impact. Uganda is the main source of ICBT on staple food commodities, particularly for livestock such as cattle, goats and sheep distributed in the region (Ibrahim, 2015: 138). ICBT also increases along the Kenya–Somalia border: sales of livestock alone can attain USD11.7 million annually (Ibrahim, 2015: 139).

In the Southern African Development Community (SADC), ICBT makes up 30-40 percent of total intra-SADC trade, with an estimated value of USD17.6 billion (Koroma et al. - FAO Regional Office for Africa, 2017: vi). The ‘Alliance for Commodity Trade in Eastern and Southern Africa’ (ACTESA - a
specialised agency of COMESA\(^1\), the World Food Programme (WFP), and the Famine Early Warning Systems Network (FEWS NET) collaborate on the ‘Cross-Border Food Trade Monitoring Initiative.’ Latest results on ICBT in this region show that maize grain is the most commonly traded cereal (ACTESA, 2014).

In Zambia, ICBT with neighbouring countries is continual, even though the quantities (especially foodstuffs) are not well understood. COMESA has estimated that trade worth USD2.9 million per month is recorded along the Mwami/Mchinji ICBT corridor (Malawi-Zambia) - one of the most active borders for cross-border trade in South Africa (Ibrahim, 2015: 141). This is 1.8 times the value of formal trade in the region (APPG, 2016: 21).

The variety in the values of the goods carried by traders in South Africa indicates the complexity and diversity of this sector of trade (Peberdy et al., 2015: 27). Research by the Southern African Migration Programme (SAMP) shows that a significant cohort of traders carry goods worth under USD38.50 when crossing. Small traders pay on average 62 percent more than large traders to informally move one ton of a commodity across the border, according to the Diagnostic Trade Integration Study (DTIS) for Zambia (The World Bank Group, 2014: 84). However, it would be three times that amount if they were to go through a formal border post (ibid).

**Formal cross-border trading**

A gradual formalisation of ICBT can be achieved through multiple strategies and programmes developed by formal enterprises, non-government organisations (NGOs) and development partners (Soprano, 2014). This will address the gaps in ICBT, as well as the critical needs of the traders. By becoming a member of these schemes, traders can be provided with improved services, such as access to finance, technical information (health and technical standards), and market information (inputs, products) using state-of-the-art technology, to promote social accountability (Koroma et al. - FAO Regional Office of Africa, 2017: 19).

One step towards trade formalisation in Africa is use of the **Charter for Cross-Border Traders**, which stipulates basic rights and obligations of traders and border officials. According to the Charter, all traders will be able to cross borders without impediment, such as “verbal or physical abuse or harassment, including but not limited to sexual and gender based violence” which have previously been prevalent (Okello - Chimp Reports, 2017). Effective Charter implementation can allow traders to not only safely use the formal border post, but also avoid prosecution and goods confiscation. Border officials can also perform their duties more effectively, and expect an improvement in revenue collection.

The Charter was adopted in Moshi, Tanzania in January 2016. It covers all trade borders of six East African countries: Uganda, Kenya, Tanzania, Rwanda, Burundi and South Sudan. After the Charter was piloted at the Mwami/Mchinji border post in Malawi-Zambia to strengthen economic collaboration between the two countries, as well as reduce delays in custom clearances (Soprano, 2014), the two countries signed a bilateral agreement on a **One Stop Border Post** (OSBP) for better trade facilitation along the Nacala Transport Corridor in May 2017 (Lusaka Times, 2017). In June 2017, the Charter was launched at Mira/Kagitumba border post in Uganda-Rwanda (Okello - Chimp Reports, 2017). A Regional Training Curriculum for border officials is currently being developed in Rwanda by the **East African Community**.

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Plans are to extend the Charter to other border posts in Southern and East Africa (SADC and COMESA) regions, to enhance trade facilitation through efficient movement of goods and people, and to tailor its contents to the specificity of each local context (Soprano, 2014; Lusaka Times, 2017). COMESA has developed a Simplified Trade Regime (STR) to address any challenges with the Charter (Koroma et al. - FAO Regional Office for Africa, 2017: vii). Under this, traders carrying goods included in a pre-negotiated list and worth USD1,000 or less can clear them with little paperwork (using a Simplified Certificate of Origin issued at the border post). Although the processing fee has been lowered in a number of COMESA countries (Soprano, 2014), the STR can be used to avoid the fee as there will be no need for inspection by clearing agents (Ibrahim, 2015: 141).

Supra-national and country level evidence on promoting cross-border trade, focusing on the benefits for specific groups, are listed in sections 3-6:

3. Farmers

Increased income

Farmers can increase their income via co-operative business ventures. For example, the Rice Farmers Association of Nigeria (RIFAN) is currently seeking collaboration with the Competitive African Rice Initiative (CARI) and other African countries to increase rice production and export within the continent (The Nation Online, 2017). It aims to significantly improve the livelihoods of approximately 120,000 rice farmers in selected countries by increasing the competitiveness of domestic rice supply (ibid). CARI is currently implemented in Burkina Faso, Ghana, Nigeria, and Tanzania. The direct beneficiaries of this project are male and female smallholder rice farmers with a daily income below USD2 (ibid).

Other organisations are also working to increase the incomes of farmers, for example the Nigeria Customs Service has signed a memorandum of understanding (MoU) with RIFAN to decrease smuggling of rice through land borders into the country. Media resources state that by the end of this month, several rice stakeholders across Africa will converge in Abuja to further discuss rice research, development, production and policy. The meeting will consolidate on production of enough rice to cover the needs of consumers, as well as how to add value and allow rice export to other West African countries to enable it compete favourably with rice from Thailand and India (ibid).

The European NGO Farm Africa is currently developing new, self-sustaining business models for farmers. One of these is Sidai - a franchised animal health social enterprise in Kenya, where approximately 40,000 farmers have been trained directly by Sidai staff with skills to improve their incomes (Annual Impact Report, 2015: 15). Farm Africa is also piloting a project to connect 750 barley farmers in the Oromiya region of Ethiopia, training them to produce high-quality barley and helping them market their crops to get the best prices.

The USAID East Africa Trade Hub programme (formerly known as COMPETE - the Competitiveness and Trade Expansion Programme) aims to enhance economic growth and food security in Eastern and Central Africa by stimulating increased trade and competitiveness in both regional and global markets, as well as improve producer/farmer incomes. The USAID-funded Regional Agricultural Trade Expansion Support project (RATES) which ran from September 2002 to March 2009 included maize as one of the target commodities for its activities. For one maize and coffee bean farmer in Kenya, the project resulted in sustainable cross-border partnerships with buyers in Uganda and Tanzania, as well as a quadruple in sales.
Increased technology uptake

Where digital technologies are most inaccessible, slower growth, fewer jobs and poor services only deepen already existing inequality (The World Bank Group, 2016). Mobile learning is one of the fastest growing and investment-supported learning technologies in the world at this current time (Atkins - Ambient Insight, 2015) - and its increase is projected to continue.

Under the CARI agreement, stakeholders will also promote research and analysis, exchange best practices and create adequate awareness of its activities among farmers using information and communication technology (ICT) (The Nation Online, 2017). The Tripartite Free Trade Area, or TFTA, which comprises of the COMESA, EAC (East African Community) and SADC (Southern African Development Community) regions, has established an online reporting mechanism, which can be accessed by any stakeholder to report any non-tariff barriers to trade (NTB)² and thereby aid development of regional food staple value chains (Engel & Jouanjean, 2013: 19). Examples already reported include technical regulations on sugar imports by Kenya, as well as Zambian permits regulating and restricting dairy imports (Gutowski et al.[eds.], 2016: 83). Mobile technology provided by stakeholders has the ability to deliver tailored real-time information about weather and markets directly into the hands of the farmer, which has been found in Uganda and Kenya (Rose, 2013). Mobile financial services also enable farmers to receive/make payments for the products purchased/sold. Therefore, at every stage of the agricultural value chain, mobile technology can help to improve communication and efficiency, supporting increased food production and better livelihoods.

New technologies are reducing the cost of supplying services across borders and connecting diverse actors along the value chain (OECD/WTO, 2017: 26). Farm Africa’s Maendeleo Agricultural Enterprise Fund (MAEF) supported small-scale producers in Kenya by using innovative technologies to improve production for cross-border trade. A pilot Sesame Project, conducted from November 2013 to April 2014 in northern Tanzania, tested the use of tablet computers to create ‘mobile demo plots’ as a cost-effective alternative to the conventional farmer field school approach for bringing new skills and knowledge to rural farming communities (Farm Africa, 2015: 4). Results showed that training with ICT could allow three to five times as many farmers to be reached, compared to the conventional farmer field school approach. The ICT-enabled training was also three-times cheaper to run than conventional training costs (Farm Africa, 2015: 9).

Increased access to markets

The Economic Community of West African States (ECOWAS) was established in May 1975 with several Anglophone and Francophone countries³. The ECOWAS Trade Liberalisation Scheme (ETLS) entails free trade within the region, and is primarily aimed at encouraging free cross-border trade between the ECOWAS member countries (Ibrahim, 2015: 141). The "brown card" allows vehicles to move freely in the ECOWAS region by providing mutual recognition and acceptance of insurance across the region.

Access is also improved when countries have few borders: Benin Republic, Burkina Faso, Côte d’Ivoire, Niger, and Nigeria, have the lowest estimated borders and are thus the most regionally

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² Non-tariff barriers are a form of restrictive trade where barriers to trade are set up and take a form other than a tariff. NTBs include quotas, embargoes, sanctions, levies and other restrictions.

³ Anglophone countries: Nigeria, Ghana, Sierra Leone, Gambia and Liberia; Francophone countries: Niger Republic, Togo, Guinea, Mali, Senegal, Burkina Faso, Cote d'Ivoire, Benin Republic, Guinea Bissau, Mauritania and Cape Verde.
integrated. This reflects the intense cross-border trade and access of staple grains between these countries (The World Bank Group, 2015: 27).

Uganda, Rwanda, Liberia and Ghana already cater for the needs of small-scale traders within countries and at their borders, by providing them with necessary market information, promoting direct engagement with ICBT representatives, linking them directly with international markets, and ensuring their needs are considered when policies and legislation are developed (Koroma et al. - FAO Regional Office for Africa, 2017: vii).

According to the latest East Africa Trade Bulletin (2017: 1) livestock trade in the region has been mixed, with exports to Kenya increasing atypically as herders sell animals in Somalia following scarcity of water, pasture and browse. Therefore, it should be noted that in the Horn of Africa\(^4\), cross-border areas require specific attention regarding access to markets during drought crises (FAO, 2017b: 3).

The African Export-Import Bank (Afreximbank) predicts that the size of intra-African trade could double from the current level of approximately USD170 billion per year to almost USD400 billion, by addressing the issue of availability of market information on the continent. Creation of a **Continental Free Trade Area** (CFTA) would make intra-Africa trade a reality. The CFTA endeavour is ambitious: it aims to combine the economies of 55 African states under a pan-African free trade area comprising 1.2 billion people in a market with a combined GDP of USD2.22 trillion (International Monetary Fund, 2017). Announced in 2012 by the African Union (AU) Heads of State and government, the CFTA is the first flagship initiative of the AU’s Agenda 2063. It will reduce tariffs between African countries, introduce mechanisms to address the (often more substantial) NTBs, liberalise service sectors, and facilitate cross-border trade. It will also help rationalise the overlapping free trade areas that already exist in the participating countries within Africa (Dogbevi – Ghana Business News, 2017). The remainder of 2017 will see technical working group meetings and two more negotiating rounds to refine market access offers and the legal text of the agreement. The intention is to finish negotiations by the end of the year (International Monetary Fund, 2017).

**4. Consumers**

**Increased food product availability and access to nutrition-enriched products**

Urban consumers have long been the drivers of agricultural policy formation, with the aim to provide cheap food to large cities (Engel & Jouanjean, 2013: 19). Rapidly growing middle classes in many African countries offer important potential markets for farmers and agricultural producers (Gutowski et al.[eds.], 2016: 140); research concludes that the African agro-industry “has to become more conscious of quality standards and regional brands”, in order to meet demand of this growing group (ibid).

The ‘Connecting Food Staples and Input Markets in West Africa’ report (The World Bank Group, 2015) also calls on governments in West Africa to move beyond nationally-focused food policies, and address regional trade within the ECOWAS to link farmers with consumers in the region’s thriving

\(^4\) The Horn of Africa (HOA) region comprises of eight countries: Djibouti, Eritrea, Ethiopia, Kenya, Somalia, Sudan, South Sudan and Uganda, which are members of IGAD – the Intergovernmental Authority of Development.
Urban areas. Regional integration via cross-border trade can accomplish lower transaction costs, benefitting producers and consumers, and contributing positively to both agricultural production and food security (Gutowski et al.[eds.], 2016: 140). For example, enterprises such as Sidai have been able to open up new, more efficient, product value chains (input and output) for its customers (Annual Impact Report, 2015: 15), and provide immediate access to quality items as it reduces selling food products through informal traders.

Under its Trade Policy and Regulatory Reform component, the USAID East Africa Hub provides an environment for the increased production, processing and marketing of value added staple foods for consumers, as well as increased access to nutrition-enriched products (Chemonics International Inc., 2009: 1). Fortified corn soya blend (CSB) and a fortified peanut paste referred to as ready-to-use therapeutic Food (RUTF) are most used in Kenya, Uganda, Rwanda and Ethiopia (ibid). Supply of soybean and maize from local sources vary from country to country, but can also be sourced from neighbouring Tanzania, Malawi and South Sudan.

Since the economic crisis in Zimbabwe, cross-border trade (especially ICBT) has played a critical role in ensuring that essential supplies, such as nutrient-rich foodstuffs, remain accessible to many households (Chikanda & Tawodzera, 2017: 5).

**Increased product price stability**

By reducing the gap between producer and consumer prices, farmers and poor consumers will benefit (The World Bank Group, 2012). High transaction costs incurred by traders result in higher prices for the consumers, and in lower profits for the producers (Brenton – The World Bank Group, 2012: 86; Gutowski et al.[eds.], 2016: 140). Therefore, stability in product price is essential.

One successful example in mutually beneficial economic stability is Nigeria and Niger Republic, who share a trade boundary (Ibrahim, 2015: 126). In order to strengthen the bilateral relations between these two countries, they regularly hold a meeting on ‘Cross-Border Trade and other Economic matters’ under the Nigeria–Niger Joint Commission for Cooperation (NNJCC) (Ibrahim, 2015: 127). ECOWAS established the intra-regional cross-border initiative programme Kano-Katsina-Maradi (K2M), with NNJCC as a coordinating body, to facilitate the long historical trading between the two countries (Ibrahim, 2015: 132). Niger’s trade with Nigeria reduces price fluctuations of food staples and, to some extent, protects prices from major external shocks (The World Bank Group, 2015: 27).

Because maize meal constitutes the largest share of total urban food expenditure, particularly for the poor, maize prices figure prominently in perceptions of effectiveness (Sitko et al., 2017: 245). The East Africa Price bulletin for June 2017 notes that maize and beans are the most heavily traded commodities in the region (USAID FEWS NET, 2017b). Wholesale analysis of maize for 2017 shows that prices are currently increasing in Kenya, Uganda, Ethiopia, and Burundi on a month by month basis; whereas is it decreasing in Tanzania (ibid). Kenya utilises its National Cereals and Produce Board (NCPB) to manage margins between wholesale and retail grain prices (Sitko et al., 2017: 251). Mozambique has greater margin price stability and smaller margins between wholesale and retail grain prices than Kenya (ibid).

The price of beans is more unpredictable than maize, with sharp decreases in the previous months for Uganda and Burundi. PABRA is adopting a ‘corridor approach’ in its bean work across Africa so that farmers can increase their incomes by getting the best prices based on market demand. Corridors are the major bean production, distribution and consumption routes through which beans are traded nationally and regionally. These trade flows include movements from countries such as Ethiopia, Tanzania and Uganda to others such as Kenya, South Sudan and South Africa.
Food-based ‘safety net’ policies such as targeted subsidies can shield against negative consequences for adversely affected groups (Engel & Jouanjean, 2013: 20). For example, the Miller’s Association of Zambia, a group comprised of most of the large commercial mills in the country, are the most visible lobbying group advocating for subsidies on maize. Overall, the most powerful group lobbying for farm gate price subsidies, as well as trade restrictions to protect producer prices from competition, is the ZNFU. Zambia has formally exported very modest quantities of maize to Zimbabwe and Malawi. Since its establishment in 1996, output market subsidies in Zambia have been provided through the Food Reserve Agency (FRA), which pays pan-territorial prices for maize to producers. These prices are frequently higher than prevailing private sector prices (Sitko et al., 2017: 246). However, due to high market prices and relatively low institutional purchase prices, their FRA, which acts as a macro-economic stabilizer for food grown in the country, was unable to purchase the targeted quantities for the current marketing year. This has resulted in an atypically large role of the private sector (private traders) in domestic supply and trade (USAID FEWS NET, 2017a: 2).

5. National economies

Cross-border trade improves national economies, as it leads to the creation of more jobs due to the movement of goods and related commercial activities taking place across borders of neighbouring states (Ibrahim, 2015: 132). In the countries that do recognise the significant potential of ICBT to economic growth, proper attention on the development agenda of African countries or their multilateral development partners is still needed (Koroma et al. - FAO Regional Office for Africa, 2017: vii). This is because trade policies and integration strategies in Africa could be lacking information on approximately half of trade-related activities, which could affect national economies (Koroma et al. - FAO Regional Office for Africa, 2017: 1). Cities or states might also be benefiting from foreign private investment as a result of cross-border trade between neighbouring municipalities and other countries (Ibrahim, 2015: 132).

Increased agro-processing/manufacturing and service base

Cross-border trade can have benefits for various service bases. Certain countries are approaching agricultural value chain upgrading by moving from agriculture to agri-business. To date, successful examples of services have been found in Ethiopia, Kenya, South Africa, Tanzania and Zambia (Purchase, 2017). For instance, many fish processing plants have relocated from western Kenya to Jinja and Kampala in Uganda. This is because as several fish landing on beaches along Lake Victoria are barely surviving, small beach towns in Uganda along the lake are flourishing (Bwire – Business Daily Africa, 2016).

In 2014, the second Conference of African Ministers of Fisheries and Aquaculture endorsed the AU Policy Framework and Reform Strategy for Fisheries and Aquaculture in Africa, which prioritises fish trade, and aims to promote responsible and equitable fish trade and marketing. During the same year, the AU Heads of State made the Malabo Declaration to triple intra-regional agricultural trade by 2025 (WorldFish, 2017a).

Encouraged by these commitments, the European Commission-funded FishTrade for a Better Future project, led by WorldFish in partnership with the AU Inter-Africa Bureau for Animal Resources (AU-IBAR) and the NEPAD Planning and Coordinating Agency (NPCA), is also supporting AU member states to improve intra-regional fish trade to achieve this goal (WorldFish, 2017a). In 2016, a pilot for an OSBP for fish trade at Busia/Malaba on the Uganda-Kenya border began. Busia has operated as an OSBP since 2016, although it only catered for crop, livestock and manufactured commodities, e.g. fish, milk and maize (WorldFish, 2017a). Uganda has a larger supply of fish products, which on many occasions go to waste; however, traders in Kenya face huge domestic
demand for fish products that local and export consumption cannot access because of stringent standards and different trade regimes within the two countries (Bwire – Business Daily Africa, 2016). To ease the cross-border trade in fish and fish products, allow increased intra trade within the two countries and by extension export to other countries, a number of activities and facilities were established at the Busia border point to provide quick inspection of human, animal and plant products health both at and behind borders (ibid).

**Better use of national finances currently reserved for national food security interventions**

National finances currently reserved for national food security interventions can also be used to benefit cross-border trade. Small businesses trading regionally can contribute significantly to national development in Africa (Byumvuhore – The New Times, 2017). Cross-border trade creates economies of scale in food production, expands opportunities for producers, and reduces the vulnerability of families, especially the poor, to price volatilities, drought and other shocks. Research findings agree that national trade policies, poverty reduction strategies, national development plans and budgets in many African countries and regional economic communities (RECs) should allocate appropriate funding to traders (Koroma et al. – FAO Regional Office of Africa, 2017: 15).

New opportunities for input supply are already emerging in West Africa, with the re-emergence of government spending on input subsidies that began in the wake of the 2008 global food crisis which drove price volatility in Africa (Engel & Jouanjean, 2013: 5). For example, Ghana and Nigeria are actively promoting private sector involvement in the procurement and distribution of subsidized seed and fertilizer for farmers to grow more crops to trade (The Nation Online, 2017). Annual rice production in Nigeria increased from 5.5 million tonnes in 2015 to 5.8 million tonnes in 2017. National spending has drastically reduced because of this increased local production, which is a result of the Central Bank of Nigeria’s Anchor Borrowers Programme (ABP) benefiting 12 million rice producer to farm four million hectares of rice land.

In the south, the Zimbabwe Cross-Border Traders Association (ZCBTA) is currently exploring food export opportunities with Equatorial Guinea and South Sudan; in March 2017 the Reserve Bank of Zimbabwe made USD15 million available in business loans for their members to increase cross-border trade (Masvingo Bureau/Bulawayo Bureau - The Herald, 2017). Also, WorldFish has recently assisted the government of Zambia and others in the SADC region to integrate fish in their national trade strategies, as well as promote cross-border trade on selected OSBPs. This project on aquaculture (Zambia Aquaculture Enterprise Development Project – ZAEDP) will be funded by the African Development Bank (AfDB) (WorldFish, 2017b: 2). The research will improve understanding of the challenges that traders face in cross-border trade, identifying potential opportunities and making recommendations that inform national and regional food trade policies. It will focus on four fish trade corridors in sub-Saharan Africa, covering 21 countries (WorldFish, 2017a). Through their partnership with the Universities of Copper Belt and Cavendish, WorldFish are providing scholarships to national students, and supporting them to conduct research to understand the magnitude of cross-border trade flows between Zambia and neighbouring states (WorldFish, 2017b: 2).

**6. Donors**

A consequence of cross-border trade is that countries will need support (including from donors), for example, to identify NTBs and foster value chain development for key food staples (Engle & Jouanjean, 2013: 19). However, these methods will decrease per-capita spend eventually. Therefore, the impact of aid-for-trade on poverty reduction via cross-border trade has to be better explained (OECD, 2009: 9).
Decreased humanitarian/per-capita spend

Political tensions and security issues continue to have a significant humanitarian impact and affect economic activity in several countries, including Burundi, Central African Republic, Chad, DR Congo, Mali, and South Sudan (Haines et al., 2017: 13). Insecurity in northern Nigeria has caused a humanitarian crisis in Chad: island communities have fled their homes, fishing, livestock and agricultural livelihoods are disrupted, and trade with neighbouring countries is impacted (WFP, 2017b: 1).

Political and economic support can aid in stable implementation of regional trade. Donor support for professional agro-dealer associations is also helping to promote private competition and improve farm-level input supply in particular countries, such as Burkina Faso, Ghana, Mali, and Nigeria. Nevertheless, agro-dealer density varies greatly in these countries (World Bank, 2015: 95). Development partners and the private sector have committed to provide nearly USD6 billion to support the Comprehensive Africa Agriculture Development Programme (CAADP) investment plans, and pursue investments in agriculture and food security that maximize benefits to smallholder farmers (AGRA, 2016: 26).

Droughts have been increasing in severity and frequency in the Horn of Africa (FAO, 2017b: 2). Because of this, a number of international development partners, including BMZ/GIZ; USAID; JFA; UNDP; FAO and AfDB, support the IGAD Drought Disaster and Sustainability Initiative (IDDRSI), which aims to redress the threat of famine by providing staple foods, and thereby stabilise of the market in the region. Because of this collaboration, individual spend will be decreased.

Although trade-related assistance has been present for some time, few bilateral donors have explicit cross-trade trade objectives incorporated in their aid programmes, and even fewer have programmes that are aimed at engaging the poor directly in trade-related activities (OECD, 2009: 9). According to the 2017 OECD-WTO aid-for-trade monitoring exercise, ten donors reported a decrease in their aid-for-trade allocations since 2014 (OECD/WTO, 2017: 313).

However, some national, regional and international actors are now paying greater attention to the cross-border areas, in view of their strategic importance. An example of this is a joint assessment by the Burundi Government, World Food Programme (WFP), UNHCR, OCHA, FAO, UNICEF and NGO partners to assess the use of cash-based transfers (CBT) modality as part of early response during emergencies has been completed. Preliminary findings verify that cross-border trade linkages should also be addressed to help decrease the amount of spend needed (WFP, 2017a: 2). This WorldFish pilot is among several initiatives being implemented by partners in the business community as a way of increasing the level of intra-trade volumes in Africa including the EAC, in order to decrease donor spend in the future (WorldFish, 2017a).

TradeMark East Africa (TMEA) is an aid-for-trade organisation established in 2010. Strategy 2 of the TMEA Tanzania programme will continue to support the increase in trade from 2017 to 2023. There will be continued investment to increase the efficiency and productivity of the Dar es Salaam Port, Central Corridor and border posts, and developing agriculture related economic growth along the Dar/SAGCOT corridor to Zambia. Also, the programme will improve standards, leveraging ICT for trade, support advocacy for trade policy, and removing NTBs. Cross-border trade interventions will

5 Southern Agricultural Growth Corridor of Tanzania.
focus on increasing access to information and simplifying trade information and procedures that enable small cross-border businesses to get started.

Increased value for money

Agricultural growth in Africa has expanded livelihood opportunities for millions of people now engaged in the growing ‘off-farm’ stages of the agri-food system (AGRA, 2016: iv). Private companies have invested heavily in Africa’s agriculture value chains in recent years, paving the way for a renaissance in Africa’s agri-food systems that multiplies the options for farmers in terms of the seeds they plant, the fertilizers they use, the markets they can now gain access to, and the information services now available to help them manage their farming activities (ibid). For example, Mali and Burkina Faso are taking a private sector approach in their subsidy programmes, at least for fertilizer distribution (Keyser et al., 2015: 30). This will prove to have valuable implications for both countries.

Offering a glimpse of future success, these advances for cross-border trading have helped inspire a new vision for Africa, one in which farming and trading realise their potential to help make the continent sustainable and hunger free (AGRA, 2016: iv).

7. References


Suggested citation


About this report

This report is based on five days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

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