

Unlocking Regional Food Trade: A public-private approach to building back better

There is huge opportunity for the food and agriculture sectors in African economies to benefit from improved regional food trade integration.

Currently, many African countries' trade is more closely integrated with the rest of the world than it is with other African countries. These countries are unable to meet their increasing demand for food products with domestic or regional production creating a high reliance on imports. Reducing this import dependency through increased regional food trade can improve food security and nutrition, economic opportunities and value capture within the region.

Figure 1: 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 16 February 2021

However, the continent currently suffers from a number of barriers restricting regional trade.

Regional food trade is hampered by a number of factors including poor infrastructure, lack of policy standardization, numerous non-tariff barriers and high transaction costs. Many of these challenges have been exacerbated by 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 its implementation is delayed, while existing policies are in some cases ineffective, inefficient, or improperly implemented.

There is an eagerness by the private sector to participate in greater regional food trade, but it has a key focus on resolving production challenges first.

A vast majority of companies surveyed by IDH Farmfit expressed a desire to increase their participation in regional food trade, however strengthening production markets and supply chains are a more immediate priority to resolve.

Figure 2: Perceived impact of AfCFTA on the business performance for IDH Farmfit clients

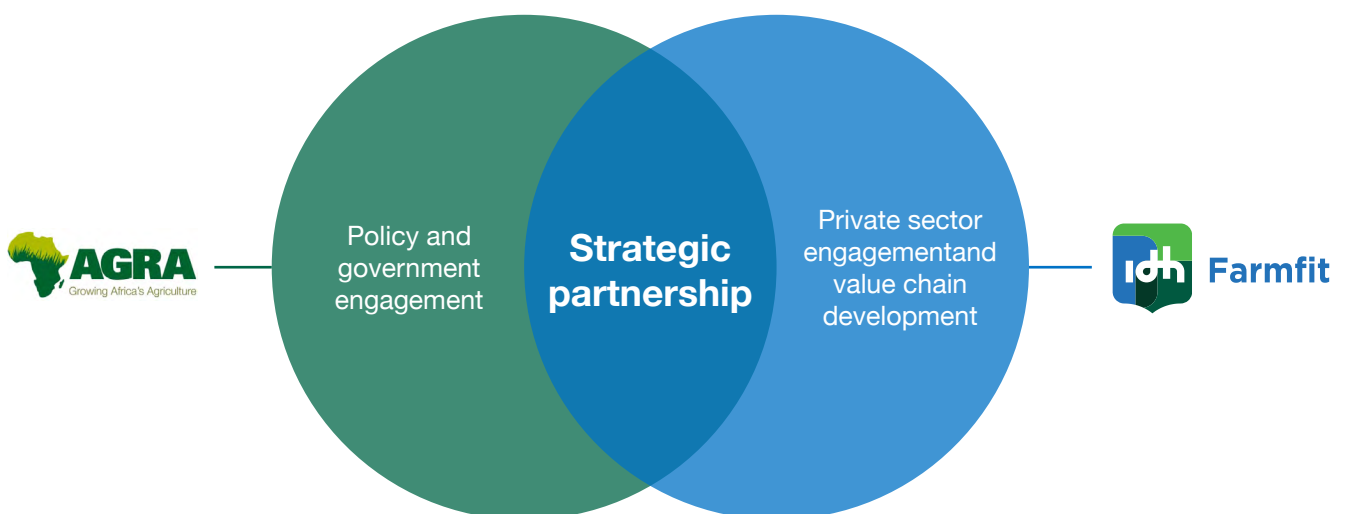


Source: IDH Client Survey 2020

With the support of the Foreign and Commonwealth Development Office (FCDO) and Bill and Melinda Gates Foundation (BMGF), AGRA and IDH Farmfit have formed a strategic partnership to decrease the barriers to regional food trade.

This partnership aims to contribute to the transformation of the African agriculture sector (access to affordable finance, increase commercialization), development of resilient and sustainable value chains and increasing intra-Africa trade. A key objective of this partnership is to contribute to stimulating an increase in regional food trade between surplus and deficit areas in sub-Saharan Africa, contributing to food security and income growth for SMEs and smallholder farmers, as well as to job creation.

This partnership brings together AGRA's strength on policy and government engagement with IDH Farmfit's strong engagement with private sector and value chain development.



AGRA & IDH Farmfit have collaborated on a forthcoming white paper. Drawing on their experiences and reflecting on the barriers and opportunities faced by both the private and public sectors, AGRA & IDH have a series of recommendations:

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:

- 1) Develop and implement measures to enhance regional food value chain actors to better respond and build resilience to multiple shocks.
- 2) 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:

- 1) Agribusinesses and the private sector are supported in strengthening their supply bases in order to meet the quantity and quality demanded for exports.
- 2) Capacity building is provided to private sector participants to help them seize opportunities from increased trade integration, such as through AfCFTA
- 3) 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 and IDH are planning to test and implement the recommendations by working together in three trade corridors

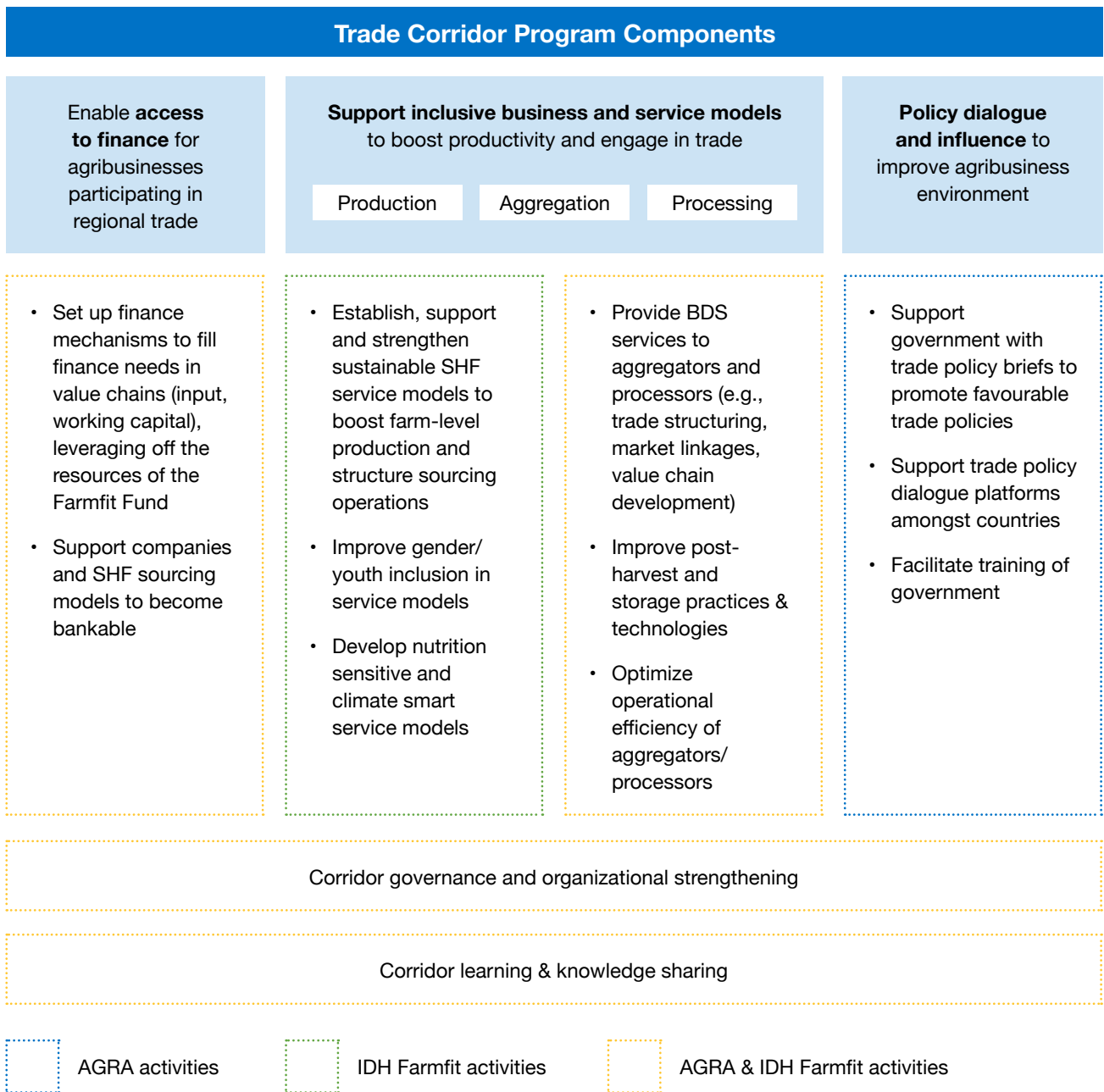
Unlocking trade corridor barriers means addressing a multitude of barriers simultaneously. Therefore, a coordinated systematic multi-stakeholder approach can be key to prevent weak design and uncoordinated implementation. With the trade corridor collaboration, AGRA and IDH Farmfit combine efforts and aim to unlock production areas and regional trade opportunities along a physical backbone of transport infrastructure.

Trade corridors are defined as flows of products, services, information within a geographic area backed by infrastructure and guided by trade agreements and policies. Trade corridors typically connect areas of a production surplus with those with a production deficit

To date 3 potential trade corridors have been identified and are under consideration by AGRA and IDH, these are:

- Chinyanja soybean corridor in Southern Africa
- Grain & pulses corridor in Eastern Africa (Southern, Central, Northern 1 & 2 sub corridors)
- West Africa Rice corridor

The collaborative trade corridor model that AGRA and IDH foresee, exist of 3 components.



The key entry points of collaboration will be agribusinesses (aggregators and processors) with inclusive business models in geographies where there is high potential for increased trade (e.g., infrastructure, areas of high crop production). By combining a production push with facilitation of trade and commercial opportunities, the upgrade of agricultural supply chains in the corridor will be catalysed. In this collaboration, IDH focuses on the market development and productivity-enhancing service delivery models of agribusinesses to support the development of inclusive and investable smallholder agricultural markets. AGRA focuses on policy improvement and supporting forward integration of the value chains by optimizing post-harvest and storage management, trade facilitation and market linkages.