

The Political Dimension of Trade Reforms

Impact on Food Security in the East African Community



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Foreword

Extensive border procedures and a lack of harmonised standards, among other non-tariff barriers (NTBs), exacerbate food security concerns in the region. These barriers prolong the time it takes for goods to flow from countries with surplus to countries with deficits. These delays at border points discourage trade and thus reduce the volume of cross border trade and increase transaction costs and the resulting high costs and wastage increases the price of goods to consumers in the destination country, which in turn increases food insecurity.

Over the years, the EAC Partner States have implemented trade policy reforms and domestic policies. The EAC has and continues to harmonise its policies and address NTBs, such as infrastructure and border practices. The Eastern Africa Grain Council (EAGC) continues to dedicate its work towards improving the policy and trade environment for the betterment of the grain sector from producer to consumer in the region. The recent harmonisation of 22 EAC Grades for grains and staple foods is one example of the EAGC's efforts in promoting regional trade. While these efforts have facilitated greater trade in the region, therefore decreasing food insecurity, a lot remains to be done.

This publication that focuses on the impact of trade reforms on food security within the EAC region is quite timely. It offers evidence-based policy recommendations with regard to cross-border trade, particularly in maize and rice. The two products are very important for the dietary needs of the majority in the EAC.

The study provides recommendations for uptake at the regional and national level, incorporating governments and non-state actors. These recommendations are critical to ensuring that the national and regional policies that are adopted and implemented facilitate intra-regional trade of food, which would, in turn, mitigate food insecurity in the vulnerable

populations within EAC. The study will serve as a reference for the relevant stakeholders to create and implement holistic responses to the challenges of food security through trade facilitation and integration.

Gerald Makau Masila
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Preface

Parts of East Africa have been food insecure for decades worsened by climate shocks and disasters. Food security challenges in East Africa are related to small-scale subsistence production, high dependence on food aid, low level of agricultural production for specific commodities, capacity, and resource degradation. However, the EAC as a region, where some countries are food self-reliant, some self-sufficient, some chronically food insecure, has a potential to produce enough agricultural goods and, through intra-regional trade achieve food security for all East Africans.

The importance of tackling the impacts of climate change on food security cannot be underscored, and here the role that trade can play in redressing these impacts becomes critical. Whether people are to benefit from trade liberalisation depends on the appropriateness of national institutions. The expected results of such trade reforms may not materialise if there are other domestic institutional or physical factors that come in the way such as domestic monopolies, missing rural infrastructure rendering prices uncompetitive, fluctuating applied tariff rates, alterations in prices, other countries' policies, etc.

This publication examines the political economy aspects of food trade in the EAC region, with a focus on factors that influence decision-making as well as political and social interactions in the production and trade of maize and rice in East Africa. Findings indicate that in spite of the Customs Union Protocol that obliges Partner States to remove all non-tariff barriers, such measures remain a major hindrance to cross-border agriculture trade. Furthermore, policymakers rarely engage non-state actors in the decision-making process of food staples trade policy measures, which are subject to political influence.

The research process commenced with desktop research, outcomes of which were presented at multi-stakeholder meetings in all EAC countries. Thereafter, the study was complemented by field research and in-depth interviews with key stakeholders including government officials, border

post operators, farmer associations, business organisations, civil society and the media, among others. Several multi-stakeholder validation workshops were again held at the national and regional levels. These processes have greatly enriched the study with the varied inputs and viewpoints of stakeholders at both the national and regional levels.

This study is part of a larger initiative by CUTS International, Geneva that has been implementing the “Promoting Climate Change-Food Security-Trade Linkages in the East Africa Community (PACT EAC) project over the past two and a half years. Through an integrated set of research-based advocacy, networking and training activities and by linking grassroots with Geneva, the project seeks to build human and institutional capacity of East African Community (EAC) stakeholders to help them take better advantage of international trade for their growth and development and poverty reduction, particularly in the context of climate change.

One year ago, this project also released five national studies under the title “Climate, Food, Trade: Where is the Policy Nexus?” which aimed to fill the knowledge gaps on the three-dimensional relationship between trade, climate change and food security, and to provide recommendations to EAC Partner States’ for more holistic policy responses to the challenge of climate-related hunger, including through trade.

I trust that through these several studies policy makers at the national and regional level will be better informed in formulating holistic policies that will tackle climate change impacts on the regions food security. I am also confident this research will generate the necessary awareness among critical stakeholders, on the linkages between Climate change-Food security-Trade in undertaking their respective tasks.

I take this opportunity to thank all those who are associated with this very important project including the Government of Sweden for its funding support, the research team, partner organisations in the project countries, and members of the Project Advisory Committee and National Reference Groups. I am also thankful to my colleagues in CUTS Geneva, Nairobi and Jaipur for successfully implementing these project activities.

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Acronyms

AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
APRM	African Peer Review Mechanism
ASALs	Arid and Semi-Arid Lands
ASCU	Agriculture Sector Coordination Unit
ASDS	Agricultural Sector Development Strategy
ASWG	Agricultural Sector Working Group
CAADP	Comprehensive Africa Agriculture Development Programme
CET	Common External Tariff
CGD	Centre for Governance and Development
CITES	Convention on International Trade in Endangered Species
CMA	Customs Management Authority
COMESA	Common Market for Eastern and Southern Africa
CUTS	Consumer Unity & Trust Society
DADC	District Agricultural Development Committee
DASCU	District Agricultural Sector Coordination Unit
DRC	Democratic Republic of Congo
EAC	East African Community
EACCCP	East African Community Climate Change Policy
EACFSAP	East Africa Community Food Security Action Plan
EACM	East Africa Community Common Market
EPA	Economic Partnership Agreement
EPB	Export Promotion Board
ESRF	Economic and Social Research Organisation
EU	European Union
FAO	Food and Agriculture Organisation
FNPS	Food and Nutritional Policy Strategy
FTA	Free Trade Area

GDP	Gross Domestic Product
GoU	Government of Uganda
IFAD	International Fund for Agricultural Development
IGAD	Intergovernmental Authority on Development
IPCC	Intergovernmental Panel on Climate Change
KENFAP	Kenya National Federation of Agricultural Producers
KEPSA	Kenya Private Sector Alliance
LVBC	Lake Victoria Basin Commission
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
NAADS	National Agricultural Advisory Services
NAPA	National Adaptation Programme of Action
NAIVS	National Agriculture Input Voucher Scheme
NARO	National Agricultural Research Organisation
NAS	National Agriculture Strategy
NCPB	National Cereals and Produce Board
NEPAD	New Partnership for Africa's Development
RATIN	Regional Trade and Intelligence Network
REC	Regional Economic Community
SADC	Southern Africa Development Community
SEI	Stockholm Environmental Institute
SGR	Strategic Grain Reserves
SRDI	Imbo Regional Development Company
TIFA	Trade and Investment Agreement
TMEA	Trade Mark East Africa
TNBS	Tanzania National Bureau of Standards
UBOS	Uganda Bureau of Statistics
UGMFA	Uganda Manufacturers Association
UNBS	Uganda National Bureau of Standards
UNCCD	United Nations Convention to Combat Desertification
UNFCC	United Nations Framework Convention for Climate Change
VAT	Value Added Tax
WFP	World Food Programme
WG	Working Group
WTO	World Trade Organization

Executive Summary

Historically, the governments of the Partner States of the East African Community have intervened in agricultural markets either through trade policy reforms or domestic policies such as subsidies and taxes on inputs and outputs. While the trade reforms undertaken so far are fundamental and have significantly opened up cross-border agricultural trade, food insecurity still persists in the region. Trade policy reforms affect food security both directly and indirectly depending on the nature and effectiveness of existing regulatory and institutional framework to influence price transmission to producers and consumers. During the reform process, there are bound to be conflicting interests of producers, traders, consumers and the politicians in an economy as adjustment costs result in both winners and losers. This report looks into trade reforms in the EAC region and how the institutional, regulatory and political factors have influenced cross-border flow of maize and rice. These crops are among the important staple foods in Eastern Africa region and the most widely traded agricultural commodities. For instance, *per capita* maize consumption in East Africa is estimated at 27 kg/year (World Bank, 2011). Consequently, the two crops play an important role in production and intra-regional trade and would seem to represent the largest growth opportunity available to farmers in the region given the growing urban markets and deficit rural areas.

A: Trade and Agricultural Reforms in the EAC

- 1) **The EAC has undertaken fundamental agricultural trade reforms as part of the wider socio-economic and political reforms in the integration agenda.** Key among the reforms is the implementation of the EAC Customs Union Protocol and the Common Market Protocol along with other instruments. The main underpinnings of the Customs Union Protocol are the removal of customs duties and charges of equivalent effects on internal trade, elimination of all non-tariff barriers (NTBs) on trade; and establishment and maintaining a Common External Tariff.

- 2) **The EAC has in the past implemented a number of interventions to increase EAC cross-border trade flows.** These include developing a simplified customs procedure which includes a waiver of the requirement for a certificate of origin for small traders in the region; bringing on board the private sector, NGOs and other non-state actors to promote transparency in the regional market and enhance regional agricultural trade; harmonising sanitary and phyto-sanitary standards; advancing its warehouse receipt system, under which farmers deliver their harvest to a particular warehouse and receive tradable receipts against which they can obtain loans from participating banks; improving the operations at the border points so as to hasten customs clearance and reduce the cost of cross-border trade through automation and establishment of one-stop border posts e.g. at Malaba on the Kenya and Uganda border.
- 3) **The EAC has adopted a common Agriculture and Rural Development Policy and the East African Community Food Security Action Plan (2011-2015) in recognition of the importance of agriculture and food security in the region.** The common strategy aims at fostering a regional policy, building supply value chains to exploit economies of scale in the production and supply of food and ensuring free flow of food supplies within the region.
- 4) **Arising out of the liberalisation efforts, there has been significant increase in recorded and un-recorded trade in maize and rice in East Africa.** The two crops are important staple foods in the EAC region and are also the most widely traded agricultural commodities. Furthermore, the region's market demand for these commodities has been projected to grow significantly. This follows the growing urban markets and deficit rural areas (often across borders) that would seem to represent the largest growth opportunity available to maize and rice farmers in the region.
- 5) **However, despite the potential of trade in alleviating food crises in the region, much of this trade in the East African region, estimated at over 80 per cent in agricultural produce and food, has remained at an informal level (Pannhausen and Untied 2010).** This is largely attributed to existing NTBs and deliberate restrictions by governments that hinder the free flow of the commodities across borders and within territorial boundaries.

- 6) **Despite the removal of customs duties and charges of equivalent effects on internal trade in the EAC, NTBs remain a major hindrance to cross-border agricultural trade.** Some of the key policy issues include restrictive national policies e.g. export bans, complicated approval and clearance procedures, inadequate physical infrastructure especially in the rural farming areas, lack of marketing information and weak institutional linkages between state and non-state actors to support agriculture production and marketing.

B: Institutional and regulatory issues for food insecurity in the EAC region

- 1) **The institutional and regulatory framework for effective implementation of trade and agricultural reforms is lacking.** The major institutions responsible for implementation of various trade reforms have financial and human capacity constraints. Furthermore, there is weak coordination between regulatory agencies on the one-hand and private sector players and the non-state actors on the other, as well as amongst the private sector and non-state actors themselves. This results into the duplication of efforts and/or conflict of interests thereby making implementation of relevant projects ineffective.
- 2) **Mistrust exists between the government and the private sector regarding the implementation of policies.** This arises from a lack of transparency and/or inadequate consultations in the decision-making processes. This somehow constrains private sector investment in food and limits the capacity of the private sector to expand production and trade, while encouraging governments to hedge against the failure of the private sector to supply food when shortages arise.
- 3) **There are regulatory barriers to trade and competition along the value chain.** As a result, many farmers do not have timely access to inputs especially seeds and fertilisers. There are no clear regulations about seeds nor is there a regional market for fertiliser rendering the small-scale farmers unable to exploit economies of scale in production and supply of fertilisers.
- 4) **Weak institutional, regulatory and enforcement mechanisms give room for corruption and powerful cartels involved in agricultural commodity trade.** In addition, the current regulatory EAC is top-heavy in both decision authority and expertise, funnelling regulatory

decisions upward into the political institutions dominated by the national ministries. This slows down action and promotes national policies based on strategic advantage rather than regional policies based on common market principles.

C: Participation of non-state actors in addressing food security in the EAC region

- 1) **The EAC Secretariat has played a major role in encouraging and bringing on board private sector and development partners to support regional trade in agricultural commodities and enhance regional food security.** Some of the notable organisations include the East Africa Business Council (EABC), which is the apex body of business associations of the private sector and corporates from the five East African Countries; the USAID-supported Regional Agricultural Trade Expansion Support Programme (RATES), focusing on maize, milk, coffee, cotton and textiles; the DFID-funded Trade Mark East Africa; the Regional Trade Associations include the Eastern Africa Grain Council (EAGC), the African Cotton and Textile Industries Federation (ACTIF), the Eastern and Southern Africa Dairy Association (ESADA) and the Eastern Africa Fine Coffees Association (EAFCA) and GIZ. The other bodies involved in supporting agricultural trade in the EAC region include the World Bank, the IMF, the European Union, the Africa Development Bank, the NEPAD and United Nations Economic Commission for Africa as well as COMESA and SADC. These bodies support the EAC integration process through policy making, enhancing trade facilitation through harmonisation of regulations and standards, advocacy and policy dialogue, capacity building, conducting studies and implementation of food security-related programmes and activities.

- 2) **Despite the presence of many players and stakeholders, food trade policy measures in the region are rarely subject to open discussion and the interests and views of the broad group of stakeholders in food staples trade policies are seldom represented.** Decisions by policy makers are subject to political influence by those in government agencies, whose size and influence depends on the current institutional arrangements, and private sector interests, including those that earn rents as intermediaries.

- 3) **There is an absence of a clear framework for public-private partnership (PPP) to address government failures in response to institutional and financial gaps.** The participation of the private sector in public enterprises is low and varies across countries. Some of the major factors inhibiting the participation include lack of adequate infrastructure for service delivery and appropriate regulatory framework for PPPs.

D: The nature and role of trade and trade-related politics on food security

- 1) **Despite commitments to implement trade policy measures to ensure regional food security, government interventions often disrupt competitive market conditions and encourage rent-seeking and corrupt practices.** The main government policy responses to food shortages include provision of food aids/donations, price controls, tax exemptions, export bans, production subsidies and marketing. The decisions to undertake these measures are usually done by the executive arms of governments and influenced by political interests.
- 2) **Opening up regional trade in agricultural commodities creates winners and losers.** Whenever price differentials drive maize and rice trade within or across borders, the gap between producer and consumer prices is narrowed and farmers and poor consumers gain. Such a scenario mirrors the case for Uganda, which sees high prices as an opportunity to boost production and improve the food marketing system by reducing transaction and transport costs. On the other hand, farmers and consumers lose at the expense of unscrupulous traders, bureaucrats and politicians whenever governments intervene through export/import bans and taxes as is the case in Tanzania and Kenya.

E: Policy Recommendations

The recommendations for strengthening trade and agricultural reforms and food security distinguish between the roles of national governments and regional organs. The actions at national levels where actual implementation of policies takes place provide the breakthrough in regional agricultural trade and food security. Similarly, the EAC has a major coordination role in facilitating cross-border trade through harmonisation of rules and regulations as well as implementation of various trade facilitation programmes and activities in the region.

Recommendations at the regional level

- 1) **The EAC should cease to treat imposition of trade restrictions and related government interventions that distort markets, as a diplomatic matter.** Such measures reverse the hard won gains of trade liberalisation and enhance chances of returning to the region to protectionism. The maize export bans by Tanzania and Kenya during the recent food crisis are cases in point. While the study did not measure the direct impacts of the export bans, it is apparent that this lead to lost opportunities for farmers (both in Tanzania and Kenya) and consumers (in Kenya) at the expense of unscrupulous traders and middlemen. Rather, Partner States should be encouraged to invoke alternative mechanisms, including safeguard measures that are predicted and have less distortionary effects on markets whenever a food crisis occurs. The EAC should adopt and enforce punitive measures against Partner States that deliberately impose such restrictions under the guise of safeguarding national interests.
- 2) **EAC Secretariat needs to effectively co-ordinate the activities of various actors in addressing regional food security issues including government agencies, the private sector, the civil society, donors and regional development agencies.** Such initiative can create a holistic scenario for cooperation and significantly reduce duplication. This will, however, require recruitment and assignment of additional staff to assist with co-ordination matters on food security related programmes and activities.
- 3) **Strengthening of the PPP to meet infrastructure challenges within the community is strongly encouraged.** For instance, delivery of efficient transport services along the EAC region transport corridors should be prioritised. The reforms should facilitate providing incentives for private sector investments in modern trucks and logistics services in order to effectively remove transport cartels. This would complement the improvements of physical transport infrastructure as well foster the enabling environment for PPP development such as axle load and one-stop-border post initiatives.
- 4) **There is urgent need to expedite harmonisation of food safety and increase awareness in the EAC region.** This is because quality is one of the biggest challenges to staple foods value chain integration and competitiveness. Inconsistencies in food safety standards within the member countries of the EAC constrain regional trade. The absence

of consistent standards and, importantly, the limited awareness of existing standards among staple foods producers make transactions less transparent. There is scope to introduce common systems, for instance in the fields of operating procedures, recordkeeping and auditing. In addition, countries are currently duplicating analytical, testing and other capacities. There is evidently much to be gained from establishing single ‘centres of excellence’ in specialised areas (training, testing of pesticides, etc.).

- 5) **There is a need for the facilitation and promotion of women in cross-border trade through greater security, greater mobility and better service delivery.** Increasing the ability of women to engage freely in cross-border agricultural trade also has the potential to increase the flow of agricultural products to food-deficit areas and improve and increase income for women traders and their families.
- 6) **The EAC should consider mobilising resources for holding regional symposiums/roundtable discussions on politics, conflicts and food security on a regular basis.** This will help Partner States identify weaknesses in existing regulatory and institutional frameworks, take stock of the achievements and mistakes made so far and strengthen implementation of the EAC food Security Action Plan.
- 7) **Stakeholders need access to timely and accurate information on food staples.** Lack of reliable and up-to-date information on crop supply, demand, stocks and export availability has led to hasty, ill defined, and uncoordinated policy responses to crises that in turn have sparked even greater volatility. Although national governments and the EAC Secretariat have made some progress in developing information systems, development partners could help build capacity and strengthen these institutions, so that they deliver up-to-date information and sound forecasts of agricultural market developments within Africa and the global economy.

Recommendations at national levels

- 1) **Trade restrictions and arbitrary policy interventions should be avoided.** Such actions undermine the liberalisation gains already attained as governments attempt to return to protectionism against the spirit of regional integration. Rather than export bans, national governments should consider using alternative mechanisms, including the application of export quotas announced early and increased during

the marketing year. Export bans reduce incentives for farmers to increase their production, which further harms net buyers and other countries within the region.

- 2) **National governments should set clearer rules for public sector actions in the staples market to minimise the uncertainties that discretionary interventions might cause.** The idea is to provide discipline on short-term policy responses to short-term food insecurity that have negative long-term impacts on market development, productivity growth, and food security.
- 3) **National governments should promote transparency and private sector participation when making food security-related policy decisions.** For instance, governments could commit to precise notification procedures, both nationally and regionally, before any government interventions are implemented. In addition, while the national governments would retain the capacity to act in times of short-term food crises, such interventions should not be arbitrary purchase or distribution of staples from the stocks with subsequent impacts on prices and profitability.
- 4) **Effective coordination of the activities of the private sector, non-state actors, regional and international agencies.** The study established a plethora of bodies involved in addressing food security related issues directly and/or indirectly. This results in duplication of efforts thereby undermining the realisation of the very goals they all aspire. However, these bodies should equally observe transparency and accountability in their activities in order to win public and government support.
- 5) **Partner States should place greater emphasis on the reduction of post-harvest losses, which are currently estimated by several organisations (FAO, CIRAD, NRI and UNIDO) to be as high as 30 per cent.** Post-harvest management involves storage, processing and transportation of the raw product. Apart from the warehouse receipt system currently being piloted in Kenya and Tanzania, reduction of post-harvest losses can further be facilitated by improving the quality and safety of foods through appropriate certification, harmonisation of standards, thus improving access to markets.

- 6) **National governments should invest in establishing fertiliser manufacturing.** Currently, EAC Partner States incur huge import bills to import fertilisers, thereby increasing input and productions. These have escalated further following the increase in the global prices of oil products. Investment in fertiliser plant will, therefore, lead to reduction in the production costs of food staples and enhance regional food security.

1

Introduction

Study Background

Historically, the governments of the Partner States of the EAC have intervened in agricultural markets either through trade policy reforms or domestic policies such as subsidies and taxes on inputs and outputs. While the trade reforms undertaken so far are fundamental and have significantly opened up cross-border agricultural trade, food insecurity still persists in the region. Trade policy reforms affect food security both directly and indirectly depending on the nature and effectiveness of existing regulatory and institutional frameworks to influence price transmission to producers and consumers. As trade reforms usually change the balance between protection and liberalisation, they are bound to have an effect on food security, particularly in countries heavily dependent on agriculture, such as the EAC Partner States (PS).¹

The level of intra-regional trade in the EAC in agricultural commodities has increased since the establishment of the Customs Union. In the perimeters of the Customs Union,² trade policies and politics in one country may have an effect on the others, e.g. if all the five are simultaneously trying to increase exports in the same commodity, it may depress prices and be harmful to producers.

Parts of East Africa have been food insecure for decades worsened by climate shocks and disasters. Food security challenges in East Africa are related to small-scale subsistence production, high dependence on food aid, and the low level of agricultural production for specific commodities, capacity, and resource degradation. However, the EAC as a region, where some countries are food self-reliant, some self-sufficient, and some chronically food insecure, has a potential to produce enough agricultural goods and, through intra-regional trade, achieve food security for all East Africans.

Whether people are to benefit from trade liberalisation depends on the appropriateness of national institutions.³ The expected results of such trade reforms may not materialise if there are other domestic institutional or physical factors that come on the way, e.g. domestic monopolies, missing rural infrastructure rendering prices uncompetitive, fluctuating applied tariff rates, alterations in prices, other countries' policies, etc. Protectionism, NTBs, and inefficient resource allocation into unproductive activities are evident in certain agricultural crops, which have potentially damaged broad-based food security. It is important to understand the transactional environment, the economic and political market transactions, states' involvement in enforcing or violating rules, or how governments' incentives and performance are influenced. The questions arise on what are the evident consequences of liberalisation policies altering relations between the government and the non-state actors (NSAs) in the EAC and what are the impacts on regional trade and, therefore, on different interests in the society?

There are two broad options to achieve food security at the national level: food self-sufficiency or food self-reliance. Food self-sufficiency implies meeting food needs, as far as possible, from domestic supplies and minimising dependence on trade. Food self-reliance on the other hand, takes into account the possibilities of international trade. It implies maintaining some level of domestic food production while generating the capacity to import from the world market as needed. Trade is the essential component of a food security strategy based on self-reliance. Trade contributes to food security in a number of ways: it augments domestic supply to meet consumption needs; it reduces supply variability (though not necessarily price instability); it fosters economic growth; it makes more efficient use of world resources; and it permits global production to take place in those regions most suited to it. But reliance on trade may also bring some risks. These include the risks and uncertainty of supplies and world market price volatility.

Food policy debates generally focus on a broad spectrum of issues including production, marketing, trade and consumption. Electoral processes do not only influence these issues, but they also influence election outcomes. As such various interest groups including farmers, traders and consumers influence government reactions or inactions. The main government policy responses to food shortages include provision of food aids/donations, price controls, tax exemptions, export bans, production subsidies and marketing.

The decisions to undertake these measures are usually done by the executive arms of governments and influenced by political interests.

Based on the above, the study looks into the roles and interactions of the state and NSAs in the liberalised market and the impact of their relations to the EAC regional trade in two strategically important food crops with the objective in mind to find out the barriers and imbalances in trade politics and policy.

This research focuses on maize and rice. These crops were identified based on predetermined criteria, namely: 1) both commodities are important food crops in the region; 2) they are affected by changes in climatic conditions and their production require efficient use of water resources; and 3) their production and trade are affected by *politically feasible decisions* which influence incentives for policy making and investment options. This is important considering the majority of the electorate live in rural areas, and rural voters might be expected to exchange their votes for better agricultural policies; 4) both commodities are designated as sensitive products under the EAC Customs Union and protected from import competition whereby their imports from the rest of the world attract 50 per cent and 75 per cent duties, respectively. This measure was intended to protect local production on the understanding that the region had adequate capacity to meet the demand for the selected commodities; and 5) the high levels of cross-border trade in the two commodities. Previous surveys indicate that maize is the most commonly traded commodity in East Africa, followed by beans and rice (AfDB, 2012; Gor, 2012; FEWSNET, 2012).

Statement of the Problem

A global food crisis has emerged from the recent unprecedented increases in the price of food, especially of staples, coupled with shortages and diminishing food stocks, which have reduced access to food for many people in a large number of developing countries (UNCTAD, 2008). In the EAC, persistent food crisis can largely be attributed to two major factors: first, supply constraints commonly blamed on adverse weather conditions, poor infrastructure, rising prices of oil and other inputs; and second, weaknesses in regulatory institutions and financial markets creating powerful profit-driven economic and political actors which undermine the fabrics of competition.

Despite commitments to opening up regional trade in food, implementation has been weak and governments continue to intervene, thereby restricting trade and maintaining administrative barriers as evident by complaints and disputes (EAC, 2011). Further, there has been high volatility of food prices in domestic markets which may be attributed to imposition of food trade restrictions such as export bans. The latter may increase the uncertainties of food movements between markets in EAC region and consequently affect the food situation. In addition, the high Common External Tariff (CET) for maize and rice has not increased EAC trade in these commodities significantly. Thus the region is still a net importer of these commodities. Import prices of these commodities at high CET level lead to higher prices and less food access, thus reduce food security. In effect, the EAC region is frequently affected by food shortages and pockets of hunger although the region as a whole has a huge potential and capacity to produce enough food for regional consumption and a large surplus for export to the world market (EAC, 2011).

Opening up regional trade in agricultural commodities creates winners and losers. For example, where trade reform reduces the gap between producer and consumer prices, farmers and poor consumers will gain; intermediaries earning rents, both in public sector agencies and well-connected private sector interests will lose. Without a political and social consensus on liberalisation reforms, mistrust develops between government and the private sector. This, in turn, constrains private sector investment in food and limits the capacity of the private sector to expand production and trade, while encouraging governments to hedge against the failure of the private sector to supply food when shortages arise. But government interventions also disrupt competitive market conditions and encourage rent-seeking and corrupt practices. In such cases, it is the farmers and consumers who lose at the expense of unscrupulous traders, bureaucrats and politicians.

Implementation of trade policies related to agriculture also pose challenges on cross-border trade in maize and rice in East Africa (AfDB, 2012). For instance, the poor management of sanitary and phyto-sanitary standards (SPS) and lack of trade facilitation restricts free movement of these products across borders and contribute to rising prices and food insecurity. Besides, climate change, extreme weather conditions and natural resource degradation have created more challenging conditions to farmers. These

factors are reflected in the volatility in production and prices of these food crops and affecting both producers and consumers.

Thus, apart from the inability of the poor to buy food, in most cases, food cannot move from surplus to deficit regions within and across countries because of poor roads and barriers. These leads to increased food prices as well as limits access to fresh food. This also leads to high share of food expenditures among the poor as families spend 50 - 80 per cent of income on food leaving them with little to fall back on (FAO, UNCTAD, 2008).

For instance, for every additional one dollar of income, 54 cents is spent on food in Tanzania as opposed to about two cents in the US (Regmi and Seale, 2010). Additionally, low-income consumers are also at greater risk during periods of price surges as consumers in countries like Tanzania make bigger cut-backs on their food expenditures, by over eight per cent for every 10 per cent hike in food prices, while consumers in an affluent country like the US barely adjust their food expenditures, since it declines less than one per cent (Seale, Regmi and Bernstein, 2003).

This trend points to a compounding problem of basic food access coupled with highly vulnerable household budgets in countries with food insecure populations. Without enough food, low productivity follows as health problems lead to high disease burden while adults struggle to work, thereby making it difficult to achieve sustainable economic development.

A programme of regional trade reform can only be credible if governments are fully committed to it and take ownership of the process. The EAC is further faced with barriers to trade relating to institutional, regulatory systems and competition issues along the value chain. As tariffs have come down it has become increasingly apparent that a tangled web of rules, fees and high cost services are strangling regional trade in food in Africa (World Bank, 2012).

In some cases the policies that are restricting trade are deliberately protectionist. Barriers raise costs and increase uncertainty, make regional markets smaller, and increase volatility and informality of cross-border trade. For instance, the price of maize in Africa has been more volatile than the world price of maize. At the same time, about 80 per cent of trade in agricultural produce and food in the EAC region is informal and not statistically recorded.

In light of these problems, the study seeks to address the following questions:

- a) what factors influence political and social interactions and decision-making in the production and trade of maize and rice in East Africa?
- b) to what extent do state and NSAs affect agricultural production, trade and broad-based food security?
- c) what policy measures can reduce the negative effects among the vulnerable groups within these countries?

Objectives of the Study

The general objective of this study is to establish the institutional, regulatory and political factors affecting production and trade of maize and rice within the EAC region and how these affect food security situation. The specific objectives of the study are to:

1. study the roles, relationships and implications of state and NSAs in agricultural trade and production of maize and rice in EAC;
2. establish the factors influencing political decision-making in production and trade in maize and rice in the EAC region;
3. identify the barriers/imbances in trade politics and policy⁴ in the EAC; and
4. provide reality-based recommendations that can be used for advocacy for the needed policy reform.

Significance of the Study

Trade reforms in East Africa are aimed at providing benefits to farmers, consumers, and governments. Farmers should gain from the incentives to meet the rising regional demand for food; and new jobs should be created along the activities of the agricultural value chain — for example, in producing and distributing seeds and fertilisers, in advisory services, in consolidating and storing grains, in transport and logistics, in distribution and retailing, and in processing. At the same time, a regional approach to agriculture and food security allows EAC Partner States to better ensure access to food for their populations.

Agricultural reforms and subsequent institutional and regulatory reforms in the EAC Partner States affect agricultural productivity and food security i.e. food availability, accessibility, affordability, and stability. Low agricultural productivity, being experienced in many developing and Least

Developed Countries (LDCs), has implications on economic growth and poverty reduction efforts, including the MDGs.

The importance of maize and rice in the food policy debate in the East Africa is illustrated by the fact that they constitute a significant portion of the food basket. Even though governments attempt to expand domestic production, it is unlikely that food production will meet the growing demand given the limited resources and prevailing weather patterns. Thus, countries must resort to trade to achieve food security. Cross-border trade is also necessary to provide sufficient access to calories and the diet diversity required to avoid undernourishment. Already, food security linkages among the five countries are strong and some Partner States like Uganda and Rwanda have made the expansion of food exports to neighbouring countries an official policy (GTZ, 2010).

Thus, a model of food security based around national self-sufficiency is becoming more and more untenable. Subsequently, a regional approach to food security in East Africa will allow governments to effectively and efficiently meet their obligations of ensuring access to food for their populations. Facilitating cross-border trade in food will provide farmers the opportunity and incentives to supply the growing demand. This brings the prospect of not only benefits to farmers and consumers but also of a significant number of new jobs in activities along the value chain of the two commodities.

In addition, regional food security will help to reduce substantial increase in the food import bills and also avoid a host of humanitarian, socio-economic, developmental, political, and security challenges associated with food insecurity. Finally, this study will provide more information on the policy making processes and political interactions amongst various stakeholders which affect the production and trade of maize and rice in East Africa.

2

Methodology

The Analytical Framework

The relationship between trade reforms and food security can be conceptualised as a causal relationship in which the reforms impact on a series of intermediate indicators including prices, quantities produced and trade volumes, which in turn determine outcomes in terms of food security status. In particular, trade reforms impact on incentives faced by farmers through the price mechanism as well as to determine ways by which agricultural supply and demand responses feed into the food security status. Domestic prices are influenced by not only domestic demand and supply but also demand and supply in neighbouring countries and on the world market. However, most markets are not completely free but are influenced by the government. Prices are, therefore, also affected to a great extent by governments through existing institutional and regulatory environment and other factors, including climatic conditions and human capital all of which influence the extent to which reform will influence the intermediate indicators. Figure 1 explains how prices are transmitted to consumers.

In this framework, four major areas in which the government influences prices and price transmission are distinguished. First, in trade policy through border measures i.e. tariffs, quotas, bans etc. They play a major role in many countries, as these measures often generate income for the government, but often also inhibit free flow of goods between neighbouring countries. In the case of the EAC Partner States, although there are no tariffs levied on goods produced within the region, some Partner States like Kenya and Tanzania often impose import and/or export restrictions in the bid to stabilise domestic supply of maize. At the same time, a three-band tariff structure for imports from non-member states has been adopted

For example, the decision of a government to subsidise farm inputs, introduce agricultural taxes or allow private land ownership could be influenced by the lobbying capacity of the groups.

Furthermore, protection of property/land rights requires the enforcement of property rights protection and group contentment with the content of the concept “property rights” as such. The infringements on property rights can only be prosecuted if property is well-defined. This is important for food production by rural farmer communities which encounter competing interests and conflict in land resources. Thus ambiguous property rights and their poor enforcement affects food production, compromising food security of a country.

Political institutions also define how special interest groups are involved in the political process. The decisive political institutions are those that set up the channels of influence for the special interest groups. These include a formal inclusion in the decision-making process, for example in parliamentary committee hearings, having greater say in budget making process or involvement in policy formulation, and getting observer or delegates’ status within the EAC organs (e.g. for EABC) at the regional level. This creates the possibility of lobbying on certain policy issues like trade restrictions (Grossman and Helpman, 1994, 1996), such as higher tariffs on certain commodities perceived as sensitive in the countries which ultimately determine the food situation within the region. Finally, governments can support consumers’ incomes and expenditures through public goods and transfers e.g. food subsidies, food for work programmes.

Benson *et al.* (2008) have specified government policies that tackle high food prices into three categories, which can be distinguished by the time horizon with which they can be implemented i.e. short, medium or long term. The first two categories fall into the ‘Consumers’ box of Figure 1 while the last one falls into the ‘Farmers’ category. This specification is used to classify and evaluate the government responses to the price developments in the five East African countries.

In addition, institutions play a central role in the way prices are transmitted and whether prices converge or remain dispersed over different geographical locations. Institutional changes affect incentives for investment by farmers as well as the state and NSAs in the production of food (North, 1990). In turn, it depends on interactions between holders of political power and various actors in the decision-making process.

Besides, the sources of pressure and resulting incentives that influence political decision affect food availability, accessibility and affordability. Consequently, the more favourable the rules the greater the amount of food that can be acquired through systems, entitlement mapping and given endowments. In addition, existing political institutions and processes, including constitutional provisions and laws, shape decision making by special interest groups along marketing chains.

A distinction is often made between formal and informal institutions (Meijerink *et al.*, 2009). Formal institutions are embodied in constitutions, laws, the structure of state decisions and regulations enforced by judges, courts, police, bureaucracy, and the like. On the other hand, informal institutions are norms of conduct, perhaps historical traditions or religious precepts enforced by custom or habit (Keefer and Shirley, 2000).

The institutional environment consists of the broader socio-economic framework within which different institutional arrangements take place. The latter (institutional arrangements) refer to a set of rules or agreements governing the activities of a specific group of people pursuing a certain objective. An example is a producers' organisation – an agreement among farmers perhaps to jointly purchase inputs or deliver produce to clients and so on. Institutional arrangements thus involve agreements to exchange or coordinate goods or services and enforcing them entails expenditure of resources, referred to as transaction costs. To protect oneself against risks or perceived risks of transaction failure, market participants incur costs (i.e. transaction costs). A large share of transaction costs consists of the expenditure of time on the part of buyers or sellers i.e. search and information costs, bargaining and decision costs, monitoring and enforcement costs.

When the institutional environment is weak, transactions are often governed through informal institutional arrangements and also lead to relatively high transaction risks, which is the case for much of East African grain trade. For instance, Rima Al-Azar (2011) stated that most recent famines have been caused not because food was not available but because of bad governance - institutional failures that led to poor distribution of the available food, or even hoarding and storage in the face of starvation elsewhere. Governments have a role in reducing transaction risks, costs and making markets more efficient and more equitable.

Besides, trade policy rules, regulations and political systems affect agricultural policy and investment through price incentives as well as the desire for winning elections. The politics surrounding cross-border trade and trade negotiations have an undisputed effect on transfer of food from surplus to deficit regions. This has resulted in informal and illegal trade across borders. Lack of commitment to the implementation of treaties is also a great hindrance to food security in the region. An effective institutional and regulatory system would allow for diversification, consumption-smoothing and distribution of food whenever shocks arise.

Data Collection and Analysis

In this study, it was impossible to collect data on all four dimensions of food security and related policy impacts. In particular, direct information on the quality of food utilisation was not collected. The report, therefore, partially deals with the problem of food acquirement. It examines policies, rules, political and social interactions that affect both the level of food acquisition and the ability to cope with shocks to acquirement. It is through this kind of analysis that the state politics surrounding production and trade of maize and rice was captured.

The study involved in-depth interviews using interview guides, with various state and NSAs or agencies involved with the broad issues of agriculture production and trade or food security. For each of the EAC Partner States, the institutional and regulatory systems were examined with the aim to establishing the configuration of interest groups and their influence on political incentives as far as production and trade of maize and rice is concerned. These included groups broadly engaged in agriculture or food security and trade, such as:

- a. **Farmers' organisations:** The extent to which farmers influence governments in making decisions regarding incentives for production including subsidies on agricultural inputs and linkages to markets.
- b. **Business organisations:** The influence of business organisations on the political incentives for growth will depend on whether they are able to lobby collectively in the common interest, or whether they respond mainly to sectoral and firm-specific interests geared towards rent-seeking and limiting competition.
- c. **Organised labour:** In many developing countries organised labour is associated with protected industries and public sector employment, and is potentially a beneficiary of rent seeking and patronage.

- d. **Consumer groups:** The groups are a potential source of pressure for greater liberalisation and competition in the economy.
- e. **Other civil society organisations and the independent media:** These play a key role in exposing acts of predation, generating public pressure for change and ensuring that legal sanctions are put in place.
- f. **Ministries in charge of agriculture, trade and food security:** These are the implementers of the treaties; policies geared towards food security and participate in trade negotiations in the EAC as well as outside the region. They have the capability of stretching the government hand in these activities. “Food is a political matter”.
- g. **Directors of Policy in parliament and country representatives or ambassadors within the region:** They play an important role in policymaking and can enforce implementation of the treaties and any other policy agreements in their respective areas of jurisdiction.

Data Analysis

Analysis of the data primarily involved a qualitative analysis. In this case, comparison of field findings and literature review was done.

3

Trade Reforms and Food Security in East Africa

The Political Economy of Trade Reforms and Food Security

Over the years, high and unstable food and agricultural commodity prices and concerns about population growth, increasing *per capita* food demands and environmental constraints have pushed agriculture and food production up in the national and international political, policy and research agendas (Doward A, 2013). The EAC region has remained a net food importer over the years despite agriculture being the backbone of the economies. The food deficits are attributed to several factors including but not limited to poor governance, under-capitalisation of agriculture, corruption and mismanagement of public funds, political conflicts, high food prices, poor infrastructure, inadequate funding of research, low agricultural productivity and low value-added exports.

As a result, it is widely believed that increasing agricultural productivity, diversification in production and improved global and regional trade are keys to meeting food and nutritional demand. However, the political economy of free trade and protectionism show that opening up food staples to regional trade will lead to both winners and some losers (World Bank, 2012). The latter depends on how well and effectively such reforms are implemented. For instance, where reform reduces the mark-up between producer and consumer prices, it is farmers and poor consumers who will gain while intermediaries earning rents, both in public sector agencies and private sector interests will tend to lose. Otherwise, well connected private sector interests gain at the expense of farmers and consumers, if reforms are weak.

Trade policy influences both global and regional food availability, in the case of a major importer or exporter, and national food availability through both imports and production. It also has implications for food security through the link with incomes and expenditures. Thus, any changes in the trade regime will have a direct effect on both rural and urban incomes and employment, and through these on income distribution. In addition, there will be an effect on government revenues through, for example, a change in the level of revenue from import levies. Both national food availability and government revenues have an impact at the household level, and affecting household access to food directly and indirectly through household incomes.

The strategy employed by individual countries to improve their food security status is one of the key factors in understanding the relationship between trade liberalisation and food security. Countries attempting to achieve adequate levels of food security have generally followed two broad options: *food self-sufficiency* and *food self-reliance*. Food self-sufficiency is the ability to meet the food requirements of a population by the sole national production. However, while this approach implies the provision of sufficient domestic production to meet a substantial part of consumption requirements, it does not necessarily imply that all households in the country have access to all the food they require. For instance, Tanzania pursues a food self-sufficiency policy through the Export Control Act which provides for control and restriction of export of major food staple with the aim of supplying domestic requirements and keeping down prices (Manyong *et. al*, 2009).

On the other hand, the strategy of food self-reliance reflects a set of policies where the sources of food are determined by international trade patterns and the benefits and risks associated with it. This strategy has become more common as global trade has become more liberal. It is even argued that improved food security, as well as efficiency gains, may be achieved more satisfactorily, even in countries where agriculture remains a major contributor to GDP, by shifting resources into the production of non-food export crops and importing staple food requirements. Food self-reliance is a top priority in the EAC Treaty and regional trade in agricultural commodities is aimed at ensuring food availability across the region. The success of these broad options depends, *inter alia*, on the ability of producers to react to price incentives (particularly important), or of countries to use income gains for improved efficiency of resource allocation in order to procure food on the international market. The distinction can

also be used at the household level to motivate an understanding of individuals' entitlements to food.

The conflicting interests of producers and consumers of a commodity in an economy are fundamental problems for government policy decisions (Timmer, Falcon and Pearson, 1983). Many a times, political economy informs government decisions especially those perceived as being 'anti-trade'. During the 2008 food price hikes, which led to protests in many countries, many governments responded by either restraining exports or lowering import duties (Andrea *et al.*, 2010). For instance, in India and Vietnam, the rice export bans implemented were aimed to shield domestic consumers from rising prices. However, domestic producers were instead effectively "taxed" by the prohibition from selling in the international markets. In India, domestic incentives for implementing policies, which signalled stabilisation in the near-term, were likely amplified with the highly competitive Indian General Elections occurring in April 2009. Price stability is a major issue within Indian national politics, particularly with an upcoming election (Gentleman, 2007).

In the EAC region, national governments responded to the 2008 food crisis in several ways (FEWS NET, 2010). In general, the focus of the national policy responses included export restrictions, tax reductions, price controls, subsidies and safety nets in the bid to ensure security and foster agricultural supply response. For instance, Kenya and Tanzania imposed maize export bans while Uganda mainly focused on reduction of food taxes. However, contrary to expectations, maize prices in the EAC region escalated as the export bans enhanced uncertainties about movement of the products across borders.

In general, policies are implemented on behalf of consumers at the expense of producers in countries where a strong consumer voice prevailed in comparison to a relatively dispersed agriculture sector. Export restrictions and domestic price ceilings in the EAC countries were implemented at the expense of exporting domestic producers and consumers. Export restrictions, in particular, have tremendous implications for import-dependent countries seeking stable food supplies and are generally inconsistent with policy prescriptions for longer-term food and nutrition security and stability (Von Braun, 2008; ADB, 2008).

Drawing from the political economy literature, Swinnen (2010) summarises some empirical evidences of the political economy of

agricultural trade into three patterns. First, the “*anti-trade pattern*” refers to import-competing sectors being taxed less than export-competing sectors. In the EAC region, this strategy is largely practiced by Tanzania in the bid to enhance domestic supply and keep prices low. However, high agriculture taxation is associated with low agriculture growth and slower growth in the economy (World Bank, 2008). When a large proportion of the population is rural, then the agricultural sector is typically large and comprised of many small producers across the rural areas. Rural populations tend to generally be less affluent and less educated, thereby having a weaker voice in policymaking compared to the stronger voice of the urban population. A restriction on maize trade however raises prices and encourages corruption thereby making producers and consumers losers while middlemen (private sector along the value chain) gain.

Second, the “*development pattern*” in which there is a shift from agricultural taxation to protection as countries develop economically. As countries develop, consumers tend to spend less on food as a proportion of income and the pressure for adopting policies that lower food prices tends to decline. Finally, the “*relative income pattern*” refers to the observation that protection increases when farm income falls relative to the rest of the economy. Generally, the EAC countries tend to follow the development pattern with the bulk of the products in the sensitive list being agricultural commodities.

Timmer (2010) argues that there has been a universal shift in the agricultural policy tendency toward greater government intervention to increase food production, lower food prices and ensure more reliable food access for poor households. Global trends of increasing urban populations and decreasing agricultural proportions of domestic product suggest that this shift parallels some combination of the “development” and “relative income” policy patterns. If the balance in agricultural policies shifts toward protection rather than global competition, it is unlikely that these policies will result in lower food prices or reliable food access. This is reflected in the EAC region whereby restrictive trade practices like export bans as well as price controls are witnessed in some EAC Partner States.

Another important issue is the global land rush by foreign investors, which has far reaching implications on food security according to a recent World Bank (2011) report. Foreign investments in agricultural land have resulted in displacements and loss of livelihood for families. A similar trend has

occurred in the East Africa region. For instance, in Kenya, the Qatari government expressed interest to lease 40,000 ha of the agriculturally rich Tana River delta to grow food for itself. In Uganda, 840,127 ha (about two per cent of Uganda's total land mass) have been leased variously to Egyptian investors to grow rice, wheat, and produce organic beef for exports to Egypt. The bid to develop large-scale commercial farms with investment in collateral infrastructure and in essential technical competencies can help to lift off a commercial agricultural sector.

In addition, the relationship between landowners, tenants and the state may not be clear or not directly helpful to establishing fair and secure leasing arrangements in most cases. Leasing often takes place in situations where social relationships are unequal. When one party is much more powerful than the other, entering into formal leasing contracts is not easy. And should contracting arrangements not be protected under the rule of law, a signed lease is not likely to be mutually beneficial (FAO, 2004).

Indeed, the World Bank study (2011) further indicated that institutional gaps at the country level are immense: including a lack of documented rights claimed by local people and weak consultation processes that have led to uncompensated loss of land rights, especially by vulnerable groups; a limited capacity to assess a proposed project's technical and economic viability; and a limited capacity to assess or enforce environmental and social safeguards among others.

Trade and Agricultural Reforms in the EAC Region

Background

The EAC in July 2010 became a full customs union and ratified a Common Market Protocol. The population in the community totals over 126 million people and this is a huge market for the region. The treaty establishing the EAC envisioned cooperation in agriculture and rural development as one of the ways to address food and nutritional insecurity, through increased agricultural production, more processing, better storage and marketing (EAC Secretariat, 1999). Some of the key trade reform measures undertaken under the EAC Treaty which affect cross-border trade in agricultural commodities include:

- **The Customs Union Protocol** – Signed in March 2004 came into force upon ratification by the then three member countries and became effective on January 01, 2005. The objectives of the Customs Union

include furthering the liberalisation of intra-regional trade in goods; promoting production efficiency in the Community; enhancing domestic, cross-border and foreign investment; and promoting economic development and industrial diversification;

- **Trade Facilitation** – The Partner States have agreed to cooperate in simplifying, standardising and harmonising trade information and documentation so as to facilitate trade in goods;
- **Anti-dumping measures** – The Community has developed anti-dumping regulations, as elaborately highlighted in the EAC Customs Union Protocol;
- **Competition Policy and Law** – EAC already has in place an EAC Competition Policy and Law currently being implemented by the Partner States with an aim to deter any practice that adversely affects free trade within the Community;
- **Non-tariff barriers to trade** – Under Article 13 of the Customs Union Protocol, the EAC Partner States have agreed to remove all existing non-tariff barriers to trade and not to impose any new ones;
- **Standards and measures** – Under Article 81 of the Treaty Establishing the Community, the EAC Partner States recognised the importance of standardisation, quality assurance, metrology and testing for the promotion of trade and investment and consumer protection, among other things.

Past Interventions to Increase EAC Cross-border Trade Flows

Undoubtedly, agro-based commodities dominate the export trade of the EAC Partner States. This has been enhanced through EAC becoming a fully-fledged customs union in 2010 and also by four of the five EAC Partner States being members of the COMESA Free Trade Area (FTA). Under the EAC customs union, farm produce originating from EAC countries does not attract any import duty while those from the rest of the world attract some duties. The main requirement for trade within the EAC member states are Certificate of Origin, Certificate of Conformity (CoC), Export permit, Import permit, Plant import permit, Phytosanitary Certificate, Packing list, Import Declaration Form (IDF), Value Added Tax (VAT) for products which attract this tax. Despite removal of tariffs, informal cross-border trade in grains is still high in the region (RATIN, 2013).

In order to further advance cross-border trade, the EAC has undertaken the following measures:

- a) developing a simplified customs procedure, which includes a waiver of the requirement for a certificate of origin for small traders in the region. The extent to which this is adhered to is, however, an empirical question;
- b) bringing on board the private sector and other NSAs. These bodies support the EAC integration process through policy making, enhancing trade facilitation through harmonisation of regulations and standards, advocacy and policy dialogue, capacity building, conducting studies and implementation of food security-related programmes and activities;
- c) adoption of the NTB monitoring and resolution mechanism at national and regional levels to help eliminate NTBs and prevent new ones from arising;
- d) advocating for transparency in the market through provision of information to minimise exploitation of agricultural producers by middlemen;
- e) efforts towards harmonising food safety standards and sanitary and phytosanitary standards;
- f) advancing its warehouse receipt system, under which farmers deliver their harvest to a particular warehouse and receive tradable receipts against which they can obtain loans from participating banks. Milling companies, grain traders, or the government may also buy the receipts to build reserves. The same idea is being developed in Tanzania with Farm Service Centres, meant to provide machinery and farm inputs besides providing warehouse services and crop failure insurance. This is meant to help curb post-harvest losses; and
- g) improving the operations at the border points so as to hasten customs clearance and reduce the cost of cross-border trade through automation and establishment of one-stop border posts e.g. at Malaba on the Kenya and Uganda border.

Agricultural Development in the East African Community

Agriculture is one of the East African region's most important sectors, with about 80 per cent of the population living in rural areas and depending on agriculture for their livelihood. The sector accounts for about 44 per cent of the GDP in Burundi and Tanzania, 30 per cent in Uganda, 24 per cent in Kenya and 38 per cent in Rwanda (2006 figures), although its contribution to these economies continues to decline. Agriculture also contributes to foreign exchange earnings, employment and provides raw materials for agro-based industries. The agricultural sector is dominated by smallholder mixed farming of livestock, food crops, cash crops, fishing and aquaculture. The major food crops are maize, rice, potatoes, bananas, cassava, beans, vegetables, sugar, wheat, sorghum, millet and pulses.

Agriculture and food security is an important area of cooperation as outlined in Chapter 18 (Articles 105-110) of the EAC Treaty. A key among the objectives of the EAC is the achievement of food security and rational agricultural production. In this regard, a number of policies have been developed as follows:

a) The EAC Agriculture and Rural Development Policy (EAC-ARDP, 2006)

The EAC-ARDP recognises the importance of eliminating hunger and ensuring sustainable food security within the region as a necessary first step to poverty eradication. The strategy outlines the strategic interventions identified for the acceleration of agricultural sector development and the following underpin these interventions;

- 1) Improving Food Security
- 2) Accelerating Irrigation Development
- 3) Strengthening Early Warning Systems
- 4) Strengthening Research, Extension and Training
- 5) Increasing Intra and Inter Regional Trade and Commerce
- 6) Physical Infrastructure and Utilities.

The EAC ARDP further guides the development of strategies, programmes and projects for the realisation of the above goals of the EAC in line with the principles of NEPAD's Comprehensive African Agricultural Development Programme (CAADP).

b) The East African Community Food Security Action Plan (2011-2015)

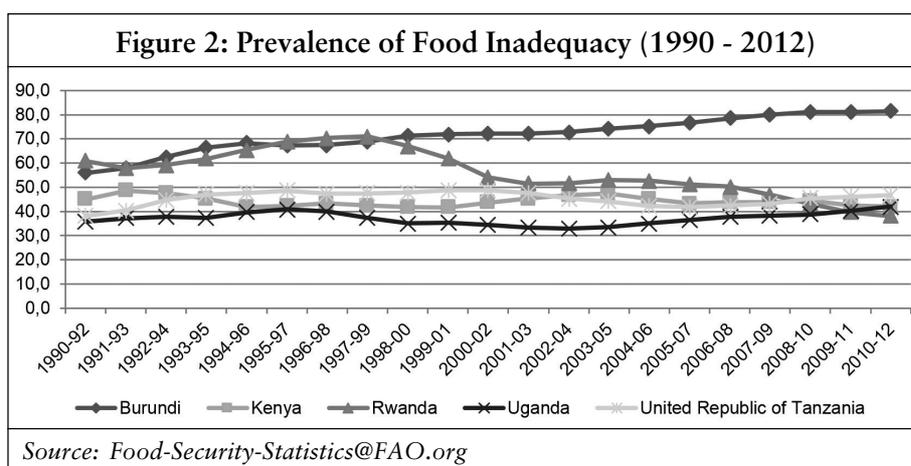
This was developed to address food insecurity in the region. The Action Plan is aligned to the continental CAADP framework and principles focusing on Pillar 3 on Food Security. The latter requires African governments/Regional Economic Communities (RECs) to have a plan of action to build resilience in order to address chronic food insecurity and mobilise community and national systems to deal with crises. For successful implementation of the food security programme, the Action Plan also integrates the other CAADP pillars including Pillar 1: Sustainable Land Management and Water Control; Pillar 2: Improved Rural Infrastructure and Market Access; and Pillar 3: Agriculture Research, Dissemination and Adoption. In addition, the Action Plan was developed within the following context:

- 1) the opportunity for building supply value chains under the framework of the East African Common Market (EACM) to exploit economies of scale in the production and supply of food;

- 2) the need for a regional policy and standards for food security to avoid hindering free flow of food supplies within and across the region;
- 3) enhancing infrastructure development especially connectivity of rural feeder roads with national and regional rail and road networks;
- 4) development of agro-industries for value addition processing;
- 5) development of insurance instruments against adverse weather conditions, price volatility, input cost variability and food safety risks etc.;
- 6) enhancing production and food productivity in East Africa; and
- 7) improving water productivity and use.

c) Food Security Situation in East Africa

The severity of food insecurity differs across the countries. For instance, Uganda is generally self-sufficient in most of the staples given its favourable climatic conditions, except rice and wheat. Uganda supplies about five per cent of Kenya’s maize requirement and in addition to exporting to Rwanda, Burundi and Tanzania, Uganda can potentially serve as a grain basket for the region. Tanzania is a net importer of cereals with a productivity of 1,350 kg/ha (FAO, 2010). The prevalence of food inadequacy in the EAC countries is shown in Figure 2. The countries in the East African region are not able to produce enough food for their population, thus there is high child mortality and a high proportion of people who cannot meet their energy (calorie) requirements. Apparently, the share of household income spent on food is generally high, while most people, including cereal producers, are net food buyers.



The region has been faced with persistent and chronic food insecurity due to several compounding factors. First, there has been persistent slow or rather inadequate growth of the agricultural sector. Secondly, most soils in the region are infertile due to prolonged and intensive land use, as well as shortening fallow periods that used to restore fertility and productivity. Thirdly, the production systems practiced in the region are highly dependent on rainfall and are reliant on traditional factors of production (land, labour and capital). Farmers have little or no risk mitigation measures against the variable weather conditions and the thus exposed to failure in both crop and livestock production systems, which in turn, affect the proportion of food that is produced, consumed and marketed (Omiti, *et al.* 2011; Omiti, *et al.*, 2008).

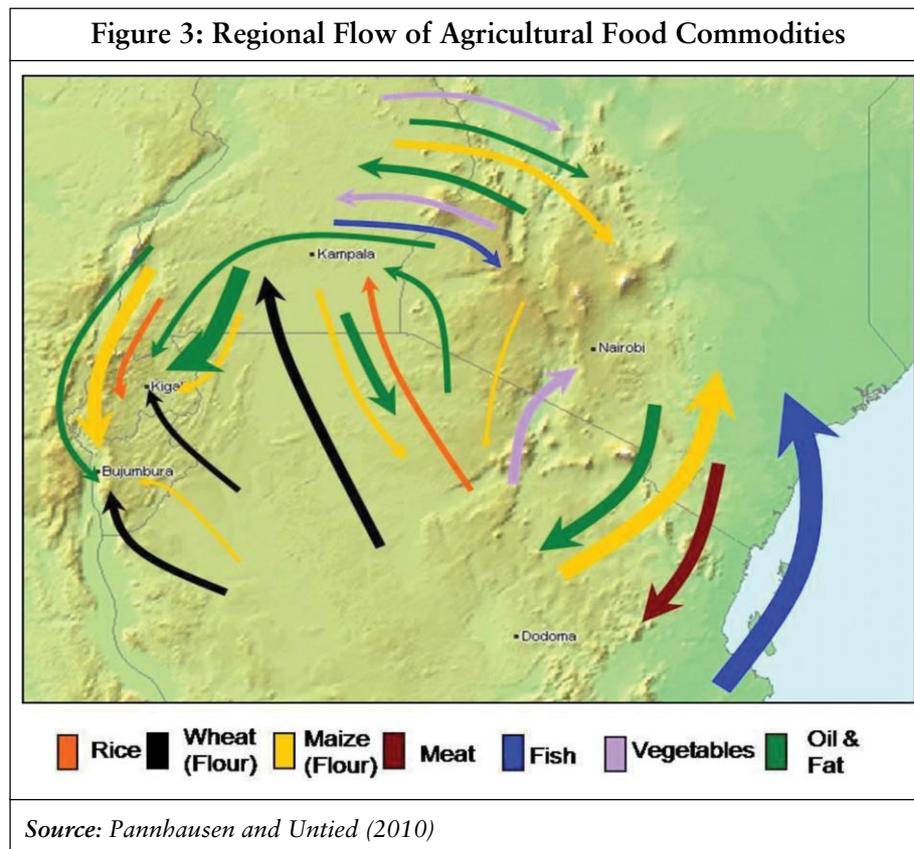
However, previous studies have shown that the EAC markets are weakly integrated with the international markets (Meijerink *et al.*, 2009). For instance, cereal prices in East Africa often show a different pattern than world prices. First, prices in the four East African countries continued to increase in the summer of 2008 while world prices started to decrease again. Second, domestic prices in East Africa fluctuate more than the world price. And third, domestic prices in the four countries correlate more with each other than with world prices and the influence of world price developments is relatively small compared to regional developments. The high food prices caused a food crisis in African countries. Some countries had already been plagued by droughts, natural disasters and political unrests, while the instability in global markets and the major increase in global food prices made importing food very costly, thus making an already tight situation even worse.

In an effort to ensure food security, countries in the region have applied a cocktail of policies. Broadly, the policy interventions are divided into three, those that focus on cushioning the consumers, those that focus on ensuring that the producers stay in production and those that facilitate trade. These interventions have been carried out intermittently, sometimes with abrupt changes in speed and direction and therefore do not achieve much because they are costly and unsustainable. As a result, the region continues to suffer from food insecurity.

Cross-Border Trade in Agricultural Products in the EAC

EAC countries are highly inter-dependent in terms of food staples, maize and rice. While Tanzania and Uganda are net exporters, Kenya is a net importer of the food staples as evident in Figure 3. Developing cross-border trade in these commodities is, therefore, mutually beneficial. However, an important factor to be considered when assessing the volume of agricultural trade within the region is its high level of informality. According to estimates by ministries and industry associations, about 80 per cent of trade in agricultural produce and food in the region is informal and not statistically recorded (GTZ, 2010).

It is for these reasons that the EAC and many international agencies have advocated for free movement of/trade in maize among the EAC Partner States. This free movement of maize, popularly called “maize without borders” is meant to improve food security, reduce maize price volatility and improve the general household welfare. Figure 3 shows the flow of agricultural staples across the EAC region.



Maize is one among the important staple food in Eastern Africa region and the most widely traded agricultural commodity. *Per capita* maize consumption in East Africa is estimated at 27 kg/year (World Bank, 2011). In Kenya, for instance, maize accounts for about 3.7 million acres of cropped land (Republic of Kenya, 2012). Given growing urbanisation and the high rates of poverty that limit dietary upgrading, it has been projected that East Africa's market demand for food staples will grow dramatically in coming decades, from US\$6.9bn in 1997-99, to US\$11.2bn in 2015 and US\$16.7bn in 2030 (Riddell *et al.* 2006). As a result, production of maize and other food staples for growing urban markets and deficit rural areas (often across borders) would seem to represent the largest growth opportunity available to farmers in the region.

According to the Regional Agricultural Trade and Intelligence Network (RATIN), cross-border trade in selected border points indicates that maize flows from Uganda to the other EAC member countries namely Kenya, Rwanda and Tanzania. On the other hand, rice trade flows mainly from Tanzania to the other Partner States. Cross-border trade in rice and maize in selected border points is shown in Tables 1 and 2.⁶ While the potential of trade in alleviating food crises in the region is not in doubt, much of this trade in the East African region, estimated at over 80 per cent in agricultural produce and food, has remained at an informal level (Pannhausen and Untied 2010).

Studies indicate the existence of restrictive national policies, lack of credit opportunities, inadequate seed production capacities, insufficient numbers of recently released varieties by the public sector, and challenging marketing situations. There are sustained efforts to harmonise national

Year	Border	Source	Destination	Volume (MT)
2012	Gatuna	Tanzania	Rwanda	170,280
2012	Lwakhakha	Uganda	Kenya	34
2012	Mutukula	Tanzania	Uganda	686
2012	Oloitoktok	Tanzania	Kenya	192
2013	Gatuna	Tanzania	Rwanda	46,659
2013	Mutukula	Tanzania	Uganda	297

Source: RATIN, 2013 <http://www.ratin.net/index.php/crossborder/crossborder-cummulative-totals>

policies and eliminate all restrictions and NSAs are actively lobbying governments towards harmonisation of existing laws with a view to enhancing food security and encourage private sector investments in food production.

The study by Society for International Development (2012) reported that Tanzania employs the highest form of bureaucratic bottlenecks to the movement of goods and services in the EAC. Kenya, Uganda and Burundi follow in that order in imposing administrative and technical requirements that act as obstacles to trade. But Rwanda has no complaint reported against it from the region in a survey that says integration of EAC has deepened although the challenges facing the bloc are increasing. These impediments seek to meet an agreed regulatory objective as food or product safety, safeguard national security and avoid revenue loss. And “while there may be consensus that existing barriers should be abolished, this does not mean that there is agreement on how to meet legitimate regulatory objectives in a less trade-restrictive manner,” the report says.

Year	Border	Source	Destination	Volume (MT)
2012	Busia	Uganda	Kenya	189,805
2012	Gatuna	Uganda	Rwanda	10,920
2012	Lwakhakha	Uganda	Kenya	891
2012	Malaba	Uganda	Kenya	4,311
2012	Mutukula	Tanzania	Uganda	33,727
2012	Namanga	Tanzania	Kenya	5,433
2012	Oloitoktok	Tanzania	Kenya	1,996
2013	Busia	Uganda	Kenya	42,564
2013	Gatuna	Uganda	Rwanda	3,574
2013	Lwakhakha	Uganda	Kenya	272
2013	Malaba	Uganda	Kenya	104
2013	Mutukula	Uganda	Tanzania	40,175
2013	Namanga	Kenya	Tanzania	90

Source: RATIN, 2013 <http://www.ratin.net/index.php/crossborder/crossborder-cummulative-totals>

The field survey established that price differentials are responsible for cross-border trade in Namanga, Malaba and Burundi/Rwanda border points. For instance, traders at Namanga border indicated the average market price of a 90 kg bag from Tanzania range from Ksh 2400 - Ksh 2800 and sold at Ksh 2800 - Ksh 3,000 in Kenya. However, increased formal trade has not improved the welfare of the border communities because prices have since increased. Whereas others argue that an increase in informal cross-border trade implies stabilisation of food security situation around the border, others mainly suggest that it leads to retardation in economic development and continued low rate of revenue collection by customs authorities as well as continued exportation and importation of low-quality maize and rice. It is also argued that informal cross-border trade in maize and rice have both political and economic implications in terms of economic cooperation, improved regional food security and to the level of interdependence of the states.

Overall, increased cross-border trade has led to transformation of the economies of the border communities, creating business opportunities and diversification of the rural farm enterprises. While most traders were optimistic about the prospects for further business expansion, most were apprehensive about the existing challenges experienced including lack of storage facilities at the border point, delays in clearance, high domestic taxes, documentation/licensing requirements, road blocks, standards and bribery/corruption.

Participation of Non-State Actors on EAC Cross-Border Agricultural Trade

The EAC Secretariat has played a major role in encouraging and bringing on board NSAs including private sector associations and development partners to support regional trade in agricultural commodities and enhance regional food security. Among the notable bodies and institutions include but are not limited to the following:

a. The East Africa Business Council (EABC)

The EABC is the apex body of business associations of the private sector and corporates from the five East African countries. It was established in 1997 to foster the interests of the private sector in the integration process of the EAC. Originally comprising members from Kenya, Tanzania and Uganda, its membership was expanded after 2007 to include private sector

from Burundi and Rwanda. Currently, EABC has 54 associations and 102 corporate members.

Amongst the associations are all the national private sector apex bodies; four manufacturers' associations; five chambers of commerce, three employer associations; two women associations, two bankers associations and the Confederation of Informal Sector Associations of East Africa. EABC's Secretariat is based in Arusha, but has National Focal Points (NFPs) – which are all currently the national private sector apex bodies. EABC's overarching objective is to promote private sector's regional and global competitiveness in trade and investment. In that regard, EABC has been in the forefront in enhancing policy advocacy on the implementation of the customs union and articulating challenges experienced by members at organisational and firm level; and through provision of tailored market intelligence.

In addition, it has played an important role in cooperation projects including NTB Monitoring Mechanism, the Annual Media Summit, trade and investment promotion activities, Economic Partnership Agreement between the EAC and the EU (EPA), counterfeits, infrastructure, HIV/AIDS and finance etc. Finally, EABC has an "Observer Status" at the EAC, which enables its members to participate in all relevant EAC activities and deliberations.

b. The Eastern Africa Grain Council (EAGC)

The Eastern Africa Grain Council (EAGC) is a regional organisation based in Nairobi. It was founded in June 2007 to coordinate matters concerning the grain industry on a regional level. The organisation was launched under the USAID-supported Regional Agricultural Trade Expansion Support (RATES)⁷ Programme, which focused on maize, milk, coffee, cotton and textiles. USAID and the Swedish International Development Agency (SIDA) currently support EAGC.

The EAGC represents actors at all stages along the grain value chain and industry, including grain farmers, traders, the milling industry, service providers and national associations. The EAGC has been advocating for open trade policy as a means of enhancing food security and avoiding post-harvest losses. More specifically, the EAGC is concerned with collecting and exchanging data on the regional trade in grain as well as promoting investment in marketing systems and commodities exchanges through the RATIN.

It also supports introduction of structured trading systems such as hedging, forward trading and collateral management. And to consolidate grain production on the basis of uniform marketing and quality standards, the EAGC is advocating its warehouse receipt system (WRS). Under this system, farmers deliver their harvest to a particular warehouse and are given a warehouse receipt. On the basis of these receipts, participating banks then immediately grant a loan of up to 80 per cent of the probable value of the goods. After the grain has been sold within a period of up to three months the loan is repaid. The receipts are tradable and can be purchased by milling companies, grain traders or the government to create reserves. A receipt guarantees a particular quality, quantity and the precise place of storage. This system gives farmers immediate funds and enables them to have better control of the period at which they wish to sell. The concept is currently being tested with maize in a pilot project in Nakuru. The participating partners consist of a grain trader and a bank. EAGC intends to certify other warehouses in the North and South Rift region in the near future and to extend the concept to wheat.

c. Eastern Africa Farmers Federation (EAFF)

The Eastern Africa Farmers Federation (EAFF) was founded in 2001 and made up of agricultural umbrella organisations and chambers of commerce from Kenya, Tanzania, Uganda, Rwanda and the Congo. It receives limited funding from the associations funding component of the German advisory programme to the EAC. The EAFF represents its national farmers' association members (e.g. KENFAP) at meetings or consultations at regional, continental and international levels. It lobbies on behalf of its member organisations to open up barriers, reduce restrictions and establish access to markets and information.

d. TradeMark East Africa (TMEA)

TradeMark East Africa (TMEA) is a not for profit organisation that is funded by the governments of Belgium, Denmark, Netherlands, Sweden and UK.⁸ TMEA has its headquarters in Nairobi with branches in Arusha, Bujumbura, Dar es Salaam, Juba, Kampala and Kigali. TMEA works closely with EAC institutions, national governments, the private sector and civil society organisations to increase trade by unlocking economic potential through increased market access; enhanced trade environment; and increased product competitiveness. Specifically, TMEA:

- supports regular high-level dialogue with the EAC Secretariat, Partner States and development partners on the regional trade and integration agenda through stakeholder forums and the Arusha roundtable meeting series;
- focuses technical assistance with EAC ministries in each member state to improve their leadership and coordination of regional integration;
- works with the private sector supporting research and advocacy that will facilitate the ease of doing business in East Africa; and
- supports civil society through grants and the creation of regional dialogue platforms on key issues affecting trade and growth.

e. The USAID East Africa Trade Hub

Previously known as the Competiveness and Trade Expansion (COMPETE) Programme, the EA Trade Hub is a USAID funded regional programme intended to increase food security and economic growth in East and Central Africa. The project has three integrated components designed to:

- reduce barriers to regional and international trade;
- facilitate the efficiency and competitiveness of key value chains; and
- ramp up trade and investment between the US and East Africa.

The programme builds the capacity of African firms to compete in the global marketplace and takes advantage of preferential trade opportunities under the African Growth and Opportunity Act (AGOA) and other international trade agreements. The USAID EA Trade Hub works through regional trade associations and lead firms to build the private sector's capacity to advocate for an improved policy and trade environment. The EA Trade Hub works with regional economic communities such as the COMESA and the EAC to build public sector capacity to advance regional integration through harmonised policies, procedures and standards and technological improvements to support evidence based policy decision-making. For instance, the project has collaborated closely with the EAC and the national bureaus of standards from the five EAC countries to develop harmonised quality standards for 22 staple foods products including maize and rice.

The other USAID-supported regional trade associations include the Eastern Africa Grain Council (EAGC), the African Cotton and Textile Industries Federation (ACTIF), the Eastern and Southern Africa Dairy Association (ESADA) and the Eastern Africa Fine Coffees Association (EAFCA). The

associations also basically advocate better policy environment for their members at regional levels.

g. Other Regional Bodies and Development Partners

The other bodies involved in supporting agricultural trade in the EAC region include the World Bank, the International Monetary Fund (IMF), the European Union (EU), *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), the Africa Development Bank (AfDB), the New Partnership for Africa's Development (NEPAD) and United Nations Economic Commission for Africa as well as COMESA and SADC. These bodies support the EAC integration process through policy-making, enhancing trade facilitation through harmonisation of regulations and standards, infrastructure development, advocacy and policy dialogue, capacity building, conducting studies and implementation of food security-related programmes and activities.

Constraints and Challenges to Cross-Border Agricultural Trade in the EAC

Like other developing and less developed countries, low productivity of agriculture has been a fundamental factor underlying supply shortages in the EAC region. The main policy-related challenges and constraints restricting flow of agricultural products across the region include the following:

- 1) Restrictive trade practices including export bans and taxes. Previously, export bans have been seen as easier options for tackling looming food shortages. But such an approach only worsens food price volatility and could discourage agricultural producers. Kenya imposed an export ban on maize in 2008 while Tanzania has had export bans on food staples since 2007;
- 2) Government charges at the borders, long customs procedures and outright corruption in cross-border trade increase the cost of trade and only help in entrenching informal trade;
- 3) Market participants and the general public do not have adequate and accurate information on the opportunities presented by the regional cooperation and integration. Insufficient market information implies that the middlemen exploit farmers;
- 4) Poor rural infrastructure subjects farmers to heavy losses due to wastage at farm level, spillage or spoilage during transportation or marketing;

- 5) High transport cost, caused by the poor state of roads, increases the price of exports significantly, and lowers the gains from exports;
- 6) Lack of harmonised food safety standards in the region e.g. moisture content requirement for traded maize is not uniform in the region. Lack of mutual recognition of standards often acts as a barrier to trade. The procedures and SPS requirements in the region are not harmonised in practice, neither are they adequately communicated to the farmers;
- 7) Inadequate and weak farmer's institutions incapable of supporting a vibrant agricultural sector;
- 8) Ineffective co-ordination of the activities of various actors in addressing regional food security issues including government agencies, the private sector, the civil society, donors and regional development agencies;
- 9) The current regulatory EAC is top-heavy in both decision authority and expertise, funnelling regulatory decisions upward into the political institutions dominated by the national ministries. This slows down action and promotes national policies based on strategic advantage rather than regional policies based on common market principles; and
- 10) There is no overall regulatory strategy consistent with the common market; instead, regional regulation is being developed through slow, negotiated, and inefficient harmonisation efforts. The EAC system is still more a negotiating forum for treaties than a dynamic regulatory system meeting the needs of the common market.

4

Country Level Reports

The Republic of Burundi

Overview of the Economy

Burundi is a landlocked country covering an area of 2.834 km². According to World Development Report 2011, Gross Domestic Product (GDP) *per capita* was US\$170 compared to 1993 pre-crisis value of US\$286 (WDR, 2011). The country is endowed with enormous natural resources, particularly mineral deposits but lacks the necessary infrastructural capacity to exploit them. In 2010, Burundi's population grew at 2.6 per cent (DHS 2010), a large part of it being in the rural areas where 90 per cent of the population lives. The population pressure coupled with poor farming methods has gradually led to a steady and accelerated loss of natural environment. Burundi has suffered from poverty and conflict since its independence in 1962. Most of this conflict stems from ethnic and political divisions between and among the majority Hutu and the minority Tutsi.

Agriculture forms the bedrock of Burundi's economy and livelihood (IFAD, 2012). It contributes about 40 per cent of the GDP and meets a large portion of food security needs while at the same time generating on average 90 per cent of foreign currency. About 90 per cent of Burundi's workforce is to be found in the agricultural sector (CSP 2011). It is observed that agricultural production has decreased by 15 per cent in the last decade, and the country is unable to keep up with population growth. The major contributing factors to the decline in the food production have been attributed to insecurity, which causes displacements that affect farming; limited or no use of agricultural inputs; climate related shocks; limited skilled agricultural staff and population pressure.

Commodity	2010	2011
Tea	8,025	8,817
Coffee, green	6,821	23,856
Maize	126,412	128,483
Wheat	9,034	9,787
Rice	83,019	91,415
<i>Source: Author's compilation</i>		

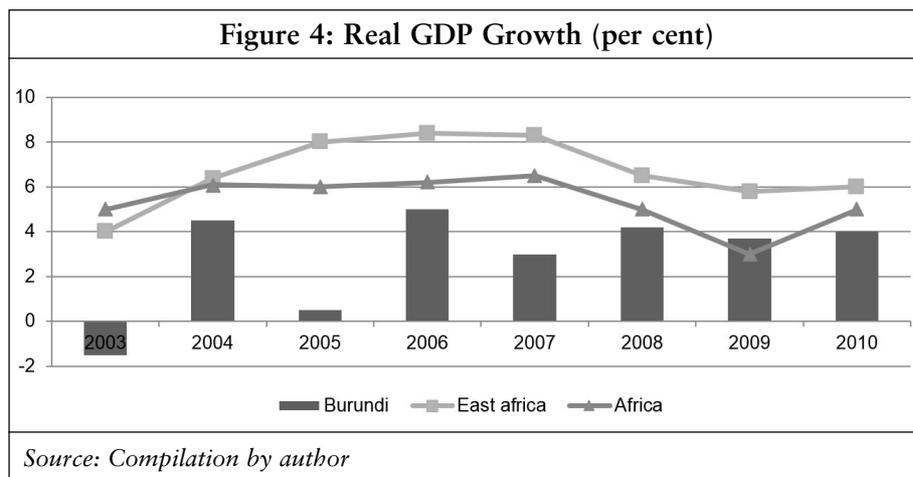
The agricultural sector is dominated by coffee production, followed by tea production and characterised by low productivity and an annual growth rate of below three per cent between 2006 and 2010. Maize production is however gaining in an effort to diversify sources of food crops. However, some key indicators of agricultural production in Burundi have shown a steady increase between 2010 and 2011 (See table 3).

The major weakness of Burundi's economy lies in its inadequate diversification exposing it to both internal and external shocks, political instability as well as climatic hazards and climate change. Service sector accounted for 32 per cent (2011) of GDP with a growth rate of 5.1 per cent in 2010, mainly from transport and telecommunications sectors (6.9 per cent and 8.8 per cent in 2009 and 2010, respectively). The industrial sector also recorded better growth of five per cent in 2010, against 3.7 per cent in 2007, mainly from construction, mining and energy sector. With considerable mineral deposits, Burundi's has not been able to enjoy fully the benefits of these resources because of poor road and rail network and poor energy infrastructure (DTIS 2012).

With the end of decade's long war and relative political stability being experienced, there has been improved aid flows and increased economic activity (Specker 2010). However, the underlying weaknesses of high poverty rates, poor education standards, weak legal systems, and low administrative capacity are undermining the envisaged economic reforms. A large proportion of Burundians still totter in poverty because food security has not improved for the greater part of the population (WFP, 2011). The percentage of population suffering from under-nourishment rose from 44 in 1991 to 63 in 2006 (FAO, 2009). According to the Global Hunger Index (GHI), 42.7 per cent suffered under-nourishment in Burundi

in 2003 showing that the situation was severe but decreased to 38.3 per cent in 2010 (Wodon, 2008). This high percentage of GHI in Burundi was primarily due to an increase in the proportion of the undernourished population as a consequence of inadequate food supply (Ahishakiye, 2011). The average caloric intake at the national level was 2,086 kcal per adult equivalent per day with specific categories in which more than half (56 per cent) of the population had a caloric intake less than 1,900 kcal (Wodon, 2008).

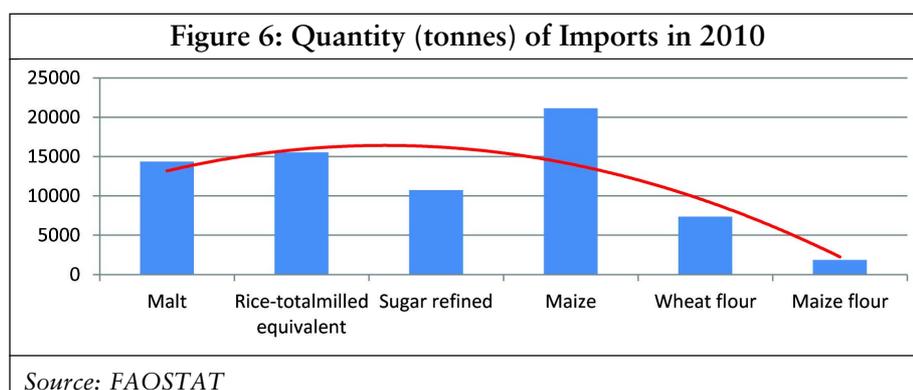
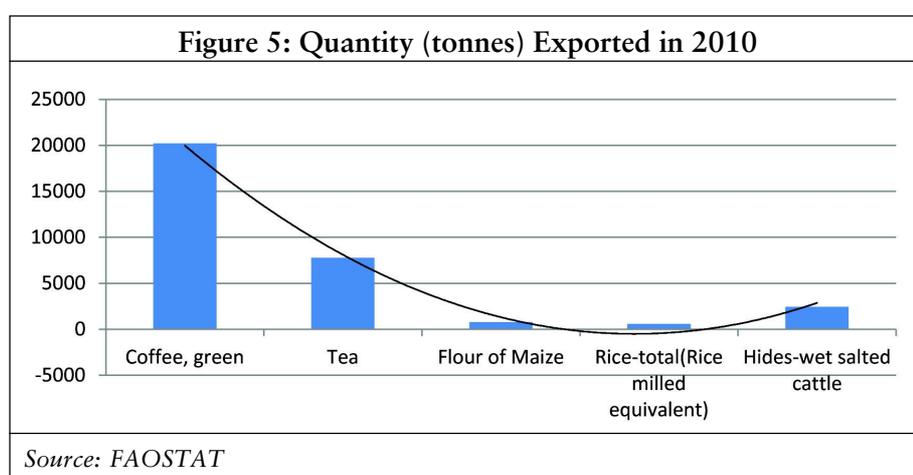
Nevertheless, Burundi's economy has been experiencing slow recovery with an average growth rate of three per cent. The rate rose to 3.9 per cent in 2010 and is estimated at 4.5 per cent in 2013. However, due to its high population growth, Burundi requires a growth rate of eight per cent over the next years to achieve the pre-war gross per capita national income by the year 2015. Figure 4 shows the real GDP growth for Burundi between 2003 and 2010.



Burundi's economy is largely open and participates in regional integration and international trade fora. However, there is structural trade deficit from year to year since imports exceed exports and this continues to grow. In the first half of 2011, imports increased by 44 per cent mainly due to increased purchases of building materials and oil. Exports are mainly primary products with low added value. In 2010, 69 per cent of export earnings came from coffee, 18 per cent from tea, three per cent from the mining sector and the rest from horticulture, cotton and gold. Coffee and tea exports are not yet drivers of growth because of high volatility in

world prices and low volumes of production. Member countries of EAC and other partner countries in the COMESA import 12 per cent and 15 per cent of Burundi's export value, respectively. Countries in the European region are the main importers of Burundi's exports.

Figures 5 and 6 show the volumes of exports and imports for selected commodities in 2010. Coffee and tea are the major exports while maize and rice are the food commodities that are imported mostly from other EAC member countries, although Zambia exports maize to Burundi (FAO 2011).



Importance of Maize and Rice in Burundi

Maize has been produced in Burundi since the colonial era. It is the main cereal grown in Burundi. In 2005, total maize production reached 126,000 tons or 43 per cent of all cereals produced in the year. Although the yield

per hectare on the hills reduced, it is relatively good as compared to that of rice. It is comparatively low in the plains (USAID, 2010).

The country has experienced a deficit of nearly 20 per cent of its cereal requirements. Maize production, which stood at about 225,000 tons before 1993 suffered a dramatic fall of almost half between 1993 and 2000. It has remained quite low, standing at around 126,000 tons in spite of the end of the crisis in 2003. For small producers, maize has the advantage of not requiring large investments in terms of inputs. Small amounts of maize seed are needed to sow cultivated areas. According to a recent research conducted by PAIR project, women support 52.9 per cent of the time allocated to maize.

Maize is grown throughout the country. It is primarily a staple food in highland areas with altitudes of over 1,800 meters. Along with beans, maize is also an important staple food in central plateaus area of between 1,300 and 1 800 meters of altitude. It is grown on hills between September and February and in swampy areas during dry seasons. Maize plays an important role in ensuring food security, especially in highland areas where it is stored and consumed throughout the year. In times of crises and low production, maize has been the main staple food in dietary habits of most Burundians. Maize flour, for example, is preferred to cassava traditionally consumed in these regions due to its richness in terms of nutrients. Farmers consume almost all domestic production of maize (USAID, 2010).

Maize is consumed in various forms – grilled or whole, as a cake, or as porridge – especially in urban centres. Over 70 per cent of the maize is consumed as food, and about 10 per cent is used as animal feeds (maize bran). There is also increasing demand of value-added products (maize flour, poultry feeds, etc.) especially in urban centres where maize is gaining importance both as a major food item and for income generation. Due to institutional breakdowns arising from the political instability that hit the country, there is no data on current consumption.

There is growing domestic demand for this product, which is valued for its nutritional content especially for feeding mothers. There is also a growing use of animal feed. The growth of livestock with improved varieties kept in stables and requiring a diet more balanced and rich should increase the demand for this kind of product. Maize is also used in beer production. The BRARUDI has tried in the past to invest in the production of varieties of maize substitutes for barley, but it abandoned the

experiment for productivity reasons. However, with price rise of cereals on the world market, the productivity of this substitution is likely to be considered again. The major players in the maize sector in Burundi include: producers, collectors, whole-sellers, retailers, processors and consumers.

Burundi does not export maize. Production is not enough even to meet internal demand. Imports of maize from the rest of the world are low (less than five per cent). The application of the CET rate of 50 per cent for maize since the Burundi joined the EAC Customs Union could have consequences of increasing the price of the product and therefore serve as an additional incentive to production. Table 4 shows total maize imports into Burundi between 2004 and 2008.

Table 4: Maize Imports, 2004-2008					
	2004	2005	2006	2007	2008
Volume (MT)	82,821	59,479	51,350	74,700	61,843
Value (US\$)	15,145	10,807	12,850	28,100	17,252
<i>Source: FAOSTAT</i>					

While official cross-border trade statistics are not available, several changes in trade flows are believed to be contributing to price increases in Burundi. First, the overall volume of food imports, which are generally more expensive than locally produced food, has increased. In addition, trade restrictions implemented by the Tanzanian government in 2011 has contributed to higher prices and reduced quantities of Tanzanian imports. Quantities of maize imported from Uganda have also substantially declined as Uganda has increased exports to South Sudan. This reduction in trade with Uganda and Tanzania has resulted in Burundi increasing its imports of maize from Zambia, where maize is generally more expensive.

On the other hand, rice was introduced in Burundi in the 1960s and promoted in the plains of Imbo and Lower Rusizi. Since then, production has been growing steadily to reach an estimated 70,000 tons of paddy in 2006. As a result, rice production takes third position among cereals after maize and sorghum and seventh, in order of importance, after sweet potatoes, cassava, beans, maize and banana [all varieties considered (about five to six per cent of the national production)] and sorghum.

The strong growth of domestic production of rice is attributed to the increase in the area cultivated and to improvements in yields. In an effort to increase the area planted, farmers have extended into marshland and in swamps. Improvements in yields are due to the introduction of high yielding varieties (± 5.5 tonnes/ha of paddy rice in farming areas) and to transplanting across the Imbo plains, facilitated by the Imbo Regional Development Company (SRDI in French). In rural areas, production is largely for domestic consumption and is integrated into the crop rotation system in combination with other commodities. Rice consumption is a function of consumer purchasing power.

Table 5 shows rice production in Burundi during the period 2004-2008. It is, therefore, possible that with the economic development of the country, population increase, and the increasing urbanisation of the population, there will be a sharp increase in demand for rice. In fact, demand for rice in Burundi is already estimated at 100 per cent by 2015.

Although domestic production appears to be increasing, nonetheless, the country has to import rice from neighbouring countries and the world market in order to meet demand, particularly in the capital, Bujumbura. Table 6 below shows the rice imports in 2004-2008. About 90 per cent of the recorded rice imports come from Asia (Pakistan and Vietnam) and the rest, mostly from the EAC region. However, Tanzanian rice is the most frequently found on Burundi markets although this does not appear in official statistics.

	2004	2005	2006	2007	2008
Area Planted (HA)	19,500	19,500	20,500	21,000	20,333
Volume (MT)	64,532	67,947	68,311	70,911	69,056
<i>Source: FAOSTAT</i>					

	2004	2005	2006	2007	2008
Volume (MT)	4,320	2,246	11,375	3,225	5,615
Value (US\$)	1,242	887	3,257	1,407	5,551
<i>Source: FAOSTAT</i>					

Trade Reforms and Its Implications on Agriculture

The country's general development framework and long-term social and economic development objectives are set out in "Burundi Vision 2025" (2010a). According to this economic blueprint, the key objectives for the period up to 2025 are i): 10 per cent annual economic growth, ii): population growth contained at an annual rate of two per cent, and iii): poverty rate down to 50 per cent. The Vision has eight pillars geared toward these objectives: i) good governance and capacity building, ii) human capital, iii) economic growth and poverty reduction, iv) regional integration, v) population, vi) social cohesion, vii) territorial development and spatial planning, and viii) strengthening partnerships with all stakeholders.

For a long time, high tariffs and frequent non-tariff barriers (NTBs) had characterised trade policy in Burundi. Most of the NTBs were abolished in the 1990s but later the country's trade liberalisation programme ended with the country dissenting into civil strife (Ndayikengurukiye 2011).

Government trade policy seeks to expand the country's export base in order to create new sources of foreign exchange revenue, including export of cut flowers and fruits, mines and tourism. The increase of exports is at the core of the government strategy. This policy imposes on government the challenge of finding ways to maximise opportunities within the country's potential.

The import tariff structure was revised in 2003 since it was first set in 1993. There was a reduction of the maximum tariff rates from 100 per cent to 40 per cent then and in 2005 a further reduction to 30 per cent. While Burundi gets preferential market access under the EUs "Everything but Arms" initiative, it faces significant NTBs. Being landlocked, and with long distances to the nearest seaport, regional integration is key to achieve higher competitiveness. Burundi thus accords high priority to regional projects and is part of an initiative to showcase the East African region as an attractive destination for investment. In addition to easing the high transport costs and improving access to goods and services, regional integration will also provide a larger market for Burundi's exports and, most significantly, help attract foreign investment to boost mineral exploration and mining activities. In this regard, Burundi is a member of the COMESA, the Economic Community of Central African States (ECCAS), the Economic Community for the Countries of the Great Lakes (CEPGL) and the EAC.

Since Burundi became a full member of the EAC in July 2007, the Government has initiated bold steps to comply with the EAC Treaty and prepare for the country's full integration into the EA Customs Union. Burundi is now a member of the East African Court of Justice, the East African Legislative Assembly and has applied for membership to the East African Development Bank.

Burundi has a narrow range of exports (US\$50mn in 2007), including largely coffee (60 per cent) and tea (10 per cent); whereas imports (US\$295mn in 2007) were mainly fuel and capital goods. The share of exports to GDP between 2001 and 2006 was on average 6.3 per cent of GDP, whilst that of imports to GDP increased from 16.4 per cent in 2001 to 31.5 per cent in 2006 (ROB 2008). As a result, the country has consistently run a large current account deficit, which was estimated at 11.6 per cent (US\$101mn) of GDP (including grants) in 2007.

With regard to agriculture and food security, the National Programme on Food Security (PNFA, 2009-2015) is crafted around eight sub-programmes namely: (1) sustainable management of natural resources; (2) intensive production of food crops; (3) diversification of farming systems; (4) crop protection, processing and marketing; (5) nutrition; (6) early warning and strategic reserve establishment; (7) support for procurement of inputs, micro-finance, research, extension, and capacity building; and (8) implementation support. This programme has a proposed budget of US\$406mn. The Government of Burundi is poised to finance 30 per cent and request 60 per cent from development partners and, the beneficiaries will have an in-kind contribution of 10 per cent.

Burundi has developed a draft Comprehensive African Agriculture Development Programme (CAADP) document for a period of six years (2010-2015) to coincide with the presumed completion of the Millennium Development Goals (MDGs). This programme is in synergy with the Poverty Reduction Strategy Paper (PRSP), the National Agricultural Strategy, Sector Policy and the National Programme of Food Security and aims to consolidate the gains of other agricultural development projects.

In November 2011, the government launched the National Agricultural Investment Programme to streamline its National Agricultural Strategy into programmes that address the root causes of rural poverty through investments financed by the country's own resources, as well as external sources.

The Role of the State in Addressing Food Security Issues

The Government of Burundi has adopted different kinds of agricultural policies and strategies to enhance agricultural production. Enhancing food security through increased food production capacities is one of the major flagship projects under the Poverty Reduction Strategies framework (Republic of Burundi, 2006). There are a number of government agencies involved in the realisation of the framework. Key government institutions involved are the Institute of Agricultural Sciences of Burundi (ISABU) and the Ministry of Agriculture (MINAGRI) together with other stakeholders such as World Vision International, the European Union (EU), IFAD and FAO. The non governmental organisations (NGOs) and international organisations operating in Burundi have supported government efforts aimed at revitalising the agricultural sector through the introduction of best farming techniques in order to increase productivity.

In 2006, the FAO alone supported 400,000 households with seeds and farm tools together with the restoration of agricultural services at community level (FAO, 2007). Extension services at community level help in the dissemination and supervision of best farming practices and techniques as transferred by agricultural research institutions and other stakeholders. The most commonly disseminated techniques include the use of improved farm inputs such as seeds, fertilisers and pesticides, soil fertility management through erosion control techniques and others (Ahishakiye 2011).

Through the World Bank Group intervention strategy, Burundi seeks to strengthen state institutions and infrastructure improvements to create an enabling environment for private sector investments. The areas of intervention take into account the country's priorities, formulated in the Growth and Poverty Reduction Framework II (GPRSF II) which addresses Burundi's development challenges including: the analysis of its strengths and weaknesses, the fragility of the country, the Bank's East Africa Integration Strategy, complementarities with development partners, as well as analytical work carried-out (ROB 2011). This work helped to strengthen dialogue with the government and development partners and influence the strategic and operational choices.

GPRSF is a programme, which highlights the fundamental role of strengthening state institutions as well as infrastructure investments in order to contribute to economic growth, notably in the agricultural sector,

the opening up of rural areas and regional integration. The pillars of this intervention strategy are in line with national priorities as indicated in the GPRSF II. The Bank will support the government to undertake reforms and consolidate achievements through capacity building in governance and statistics, with a view to stimulate economic growth and development. While selective in its intervention, the strategy adopts a holistic approach to generate a knock-on effect on agricultural productivity, rural employment, economic empowerment of women, and safeguarding the environment.

The state and its agencies have a role to provide the conditions precedent for the donor community whether local or external to provide their support in critical sectors such as agricultural and related activities, trade and trade related activities among others. Specifically, the state should provide security to donor-funded projects but at the same time reduce the bureaucratic obstacles that discourage investment in the country. The respondents identified the government and its agencies as the main obstacle to dealing with food security in Burundi. Whereas, the Government of Burundi is conscious of its role to ensure food security, it is nevertheless restricted by its lack of a comprehensive response strategy in dealing with intermittent situations of food insecurity.

The Role of Non-State Actors in Addressing Food Security Issues

The role of NSAs has long been recognised as important in transforming African agriculture towards alleviating poverty and addressing chronic food shortages that are a common phenomenon. The NSAs comprise NGOs, donors and development partners. Generally, NGO's engage in food security related activities in the following perspectives:-

a. Advocacy and Awareness Creation

NSAs participate actively in the agricultural policy dialogue forums, which sensitise them on how the proposed policy will affect them. They indulge in outreach activities thereby creating awareness across the country on the intended course of action by the government. The NSAs also maintain the public campaign on agricultural investment and create awareness on the availability opportunities for trade locally and externally. They voice the concerns of the people in the sector through different forums.

b. Accountability

The NSAs who participated in the forum identified one of their roles as putting the government to account for its actions. For instance, the media

reports exposing the promises made but never fulfilled could force the government to adhere to them. Farmers associations and civil society groups identified their role as being to press the government to improve access to information thereby guaranteeing transparency, monitor spending and establish the basis for participatory process. The respondents viewed this pressure as a way of getting government to honour its pledges to the people. They do this by developing effective capacity to demonstrate their unity and voice their concerns in the agricultural sector.

c. Policy Making and Planning

The NSAs are involved in planning at various levels. Their participation is mainly by invitation by government to provide their contribution and whether or not their decision is factored in the planning is solely the discretion of the government. However, NSAs have increasingly become visible through their activities at both national and regional levels.

Private institutions and the private sector have been working closely to ensure there is sustained effort to improve the food security situation in Burundi. Lobbying within organisations for certain policy direction has influenced the current policies. However, there is still lack of awareness by majority of the people on the role of the government in ensuring food security.

The Nature and Role of Politics on Food Security

The conflict that befell Burundi in the early 1990s greatly affected the economy in general and agricultural sector in particular. In addition, this situation affected Burundi's relationship with neighbouring countries. External trade could not take place in an environment of anarchy and internal strife. There were refugees fleeing the conflict to neighbouring countries, which exacerbated the situation completely crippling the economy. The pre-crisis situation of food self-sufficiency could not be assured under the prevailing belligerence.

With the war declared over, Burundi was to reorganise itself by creating institutions that would help in securing the economic recovery. Civil society organisations and other interested groups were formed. All these groups became the stakeholders in the policy formulation and implementation process. First, the country was to ensure peace prevailed being a prerequisite for growth in other areas. Food security took centre stage as this would have been the likely source of renewed conflict.

With regional integration and with the signing of agreements with other countries and multilateral institutions, Burundi is now obliged to harmonise its policies with those agreements diminishing the role of internal power politics. The position bargained for at international level is for the benefit of Burundians. This has contributed to dealing with the food insecurity problem that has remained the challenge. Furthermore, political alignments generally affect development in certain regions as resource allocation is based mainly on which political divide you belong. This has also infiltrated the institutions involved in policy formulation.

Meanwhile, there is a formal coordination framework, the Partners Coordination Group, which fosters dialogue between the different development partners and the government. It is subdivided into 12 thematic groups dealing with technical and sector issues. Monthly meetings are held with the concerned ministries. The World Bank is a member of several sector groups. The World Bank has also consulted the multilateral and bilateral development partners with a view to ensuring synergy in co-financing and complementarities. The WFP, IFAD, EU and the Belgian cooperation tackle food security. The Swiss cooperation primarily contributes to the implementation of land reforms, a priority area for the country.

Major Constraints and Challenges

Constraints to Agricultural Production Systems

The food crop sub-sector in Burundi is affected by a number of key constraints contributing to limited growth. These include:-

1. Poor farming methods: Agriculture is the back bone of the economy as it employs over 90 per cent of its labour force and earning 90 per cent of export revenues. However, despite the country's dependency on primary sector, agriculture has not been modernised and continues to rely mainly on subsistence farming, employing unreliable and inefficient technology (Oxfam 2011);
2. At the national and – even more so – local levels, Burundi is marked by a lack of capacity; a feature typical of fragile States. This severely limits the scope of measures and reforms, which can be undertaken even to address food security concerns;
3. There is limited use of improved farm management practices such as irrigation, limited use of purchased inputs, uncertain water supply, high input prices, and post-harvest constraints;
4. High population density comes out as a major constraint; and

5. Land reform and the tensions over land ownership from increasing numbers of returning refugees, give further impetus to Burundi's need to diversify.

Constraints to Cross-border Trade

1. The survey shows that while cross-border trade between Burundi and its neighbours has been on the rise, Burundi is losing a great deal in potential trade earnings due to high trade barriers arising from its own bureaucratic obstacles. In addition, large proportion of earnings in Burundi comes from outside of the EAC region.
2. High costs of transaction through the official channels. If the government of Burundi took a decisive action to integrate the informal channels of cross-border trade into formal economy, this would boost trade and establish a firm base for private sector growth. The significant gaps in prices between Bujumbura and other cities in the neighbouring countries are attributed to transaction costs. Prices in Bujumbura are significantly higher due to a long chain of payments most of which are illegal. Once goods pass the border, the costs they incur are called behind-the-border cost.
3. The unit cost of behind-the-border trading cost inside Burundi is much higher than in neighbouring countries. These higher costs are attributed to the poor state of transport infrastructure in Burundi and insecurity.
4. Burundi continues to experience difficulties in accessing regional and global markets being landlocked. High transport costs, poor infrastructure and an underdeveloped logistics services sector limit Burundi's ability to develop competitive higher-value activities for export and pursue export-led growth (World Bank 2010).
5. The internal obstacles are compounded by long customs delays and high costs in the ports of Dar es Salaam (Tanzania) and Mombasa (Kenya), through which Burundi trades. Some estimates put the transport and logistics costs at approximately 40 per cent of export prices of agricultural products in Burundi. Small traders face significant barriers when crossing borders. In addition to numerous non-transparent and unpredictable administrative barriers, they need to pay bribes and are exposed to harassment.
6. Access to trade finance remains a challenge for most Burundian operators. Difficulties in access to working capital at competitive terms, high cost of trade finance and failure to tap potential external financial sources.

Political and Regulatory Challenges

1. Lack of trust in government policies. The study survey conducted in Burundi indicated that the people did not think the government was committed enough because a lot has been promised but reality shows that nothing substantial is being done. Majority of those interviewed did not see increasing budgetary allocation on agriculture alone as helpful. They felt that the government should first strengthen institutions in the sector in order to reach majority of farmers across the country. Also the respondents felt that agricultural sector is immense and, therefore, for policies to be effective, the government should prioritise the most vulnerable areas and groups so as to adopt a targeted approach for meaningful impact on the lives of people.
2. Scepticism about the commitment of political leaders by the electorate. Whereas Burundi is still growing democratically, the electorate is still sceptical about being represented adequately by those they elect. The respondents identified parliament as the political arm responsible for the formulation of laws and putting the executive under check through exercising its control and monitoring function. Parliamentarians as part of the government, are critical in addressing the problem of food security.
3. High level of poverty limiting the uptake of recommended agricultural production techniques especially among the low purchasing power class who mostly reside in the rural areas. For instance, the high cost and restricted availability of fertilisers and other farm inputs in the rural areas only benefit the cash crop sector particularly tea and cotton (Wodonet *al.*, 2008). In addition, the withdrawal of the Government of Burundi from the fertiliser sector has led to a fall in the use of fertilisers on all crops including food crops (Baghdadliet *al.*, 2008).
4. Vulnerability of the economy to competition affects industry growth and employment leading to tremendous social costs and worsening of food security situations.

The Republic of Kenya

Overview of Economy

Kenya has a total area of 582,650 square kilometres of which 569,250 square kilometres are for land and 13,400 square kilometres for water, respectively. Kenya's population stood at 39.8 million in 2010 and an annual growth rate of 3.11 per cent. In 2011, the GDP at market prices was estimated at Ksh3.02tn and a growth rate of 4.4 per cent, down from 5.8 per cent in 2010 (KNBS, 2009). Agriculture and forestry remains the

dominant sector in the economy. In 2011, the agricultural sector contributed 21 per cent of GDP and about 75 per cent of employment. The sector recorded a lower growth of 1.5 per cent in 2011 compared to 6.4 per cent in 2010. The slower growth in 2011 was primarily due to erratic weather conditions and high cost of agricultural production due to rising farm inputs prices. The main agricultural products include tea, coffee, sugarcane, horticultural products, corn, wheat, rice, sisal, pineapples, pyrethrum, dairy products, meat and meat products, hides, skins. Industrial products include petroleum products, grain and sugar milling, cement, beer, soft drinks, textiles, vehicle assembly, paper and light manufacturing. The other key drivers of the Kenyan economy include transport and communications, wholesale and retail, manufacturing, construction and financial services. Some of the key indicators of agricultural production in Kenya are shown in Table 7.

Commodity	2011 Area (Ha)	2012 Area (Ha)	2011 Production (90 Kg bags)	2012 Production (90 Kg bags)
Maize	2,131,887	2,266,196	37,520,694	40,037,090
Rice	25,598	27,183	1,486,200	1,630,987
Wheat	131,509	148,725	2,983,130	4,908,400
Sorghum	254,25	220,010	1,776,412	1,944,915
Beans	1,036,738	1,065,180	6,418,596	7,358,225
Cowpeas	197,980	218,851	905,938	1,308,253
Green Grams	159,910	188,493	780,283	1,007,796
Potatoes	123,390	329,675	2,365,253 (MT)	5,497,275 (MT)
Cassava	60,473	71,650	679,167 (MT)	905,710 (MT)

Source: Republic of Kenya, 2013

The budgetary allocation to the sector has been fluctuating over the past five decades since independence. On average, the country used to spend over 10 per cent of its total government budget on agriculture during the first decade after independence (i.e., 1963-1973). This declined to an average of 7.5 per cent in the period between 1980 and 1989 and plummeted to a record low of three per cent in the 1990 to 2000 period. Subsequently, Kenya raised the budgetary allocation on the agricultural sector ministries from 1.6 per cent in 2003 to almost eight per cent in

2007-2008. The government has since been increasing resource allocation to the agriculture sector since 2009-2010. The estimates of June 2012-2013 budget indicated that about 10 per cent of the total expenditures was allocated to the broad agriculture and rural development, environmental protection, water and housing sector (Republic of Kenya, 2012). It is noteworthy that these efforts are in tandem with the 2003 Maputo Declaration as a step towards addressing food insecurity in the country.

Importance of Maize and Rice in Kenya

As an agricultural economy, Kenya's food security draws mostly from the agricultural sector through staple food production.⁹ Maize and rice are key staple foods in Kenya and, therefore, hold a strategic position in agriculture, trade and food security. Small-scale farmers who account for about 70 per cent of the total national output mainly produce maize. Medium and large-scale farmers account for the balance of 30 per cent. There are three main groups of actors in the maize processing function. These include 1) the medium to large industrial maize millers of whom 109 (maize and/or wheat millers) are members of the Cereal Millers Association (CMA); 2) the small maize millers, who commonly affiliated with the United Grain Millers and Farmers Association (UGMFA) and 3) the large micro-millers commonly known as posho millers. In addition, National Cereals and Produce Board (NCPB) which is, however, not a member of either CMA or UGMFA, sometimes contracts a few millers to carry out maize processing on their behalf (USAID, 2010).

On the other hand, small-scale farmers grow rice for cash and food. The average area under rice has remained low over the years. Rice yield has also been declining from 42 bags/ha in 2003 to 29 bags/ha in 2007. Rice is produced in the irrigation schemes in Nyanza in West Kano and Ahero covering 3520 ha, in Western in Bunyala scheme covering an area of 516 ha and Mwea irrigation scheme covering an area of 9000 ha. In total the irrigation areas cover approximately 13,000 ha. Approximately, 84 per cent of the rice consumed in Kenya is produced on the irrigated land and the remaining 16 per cent is produced under rain-fed conditions.

According to the National Cereals and Produce Board (NCPB), national rice consumption is estimated at about 300,000 tonnes against an annual domestic production of between 45,000 to 80,000 tonnes. This huge gap between consumption and production is met through importation of rice, especially from Vietnam and Pakistan. Furthermore, the opening of the

EAC market has implications on rice trade. Per capita rice consumption in Kenya is estimated to be between 10-18 kg *per capita* per year (WARDA, 2005). *Per capita* rice consumption is lower in rural compared to urban areas even though rice consumption by the rural population has been rising steadily. Annual rice consumption is increasing at the rate of 12 per cent compared to wheat (four per cent) and maize (one per cent) (Republic of Kenya, 2008). These changes are attributed to change in eating habits of the population. It is, therefore, expected that demand for rice in the country will continue to increase in the future. Furthermore, rice production and consumption in Kenya will help remove over-reliance on maize as a staple food, hence improving rural and urban households' incomes and food security.

The main actors in the rice value chain in Kenya consist of specific input and service providers, primary producers, logistic centres and industries, traders and final consumers. Specific service providers consist of input merchants (agrovets and agro-chemical companies), extension workers (government and private) and credit providers. Primary producers consist of tenant farmers/leaseholds, owner cultivators and farm workers. Logistic centres and industries consist of multi-purpose cooperatives, international and non-governmental organisations (JICA, FAO), National Irrigation Board (NIB) and rice millers. Furthermore, the NCPB Board has been involved in the sale of rice since inception and entered into the milling of paddy rice during the year 2003-2004.

Trade Reforms and Its Implications on Agriculture

Major Policy Reforms

According to the National Trade Policy (Republic of Kenya, 2009), Kenya's trade policy development can be traced back to the *Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya*. Trade policy was inspired by import-substitution industrialisation. There was extensive government control of agricultural production and marketing for most of commodities through cooperative societies, state-run farmer organisations and parastatals (Nyangito, 2003). The interventions included market regulations and pricing of agricultural commodities and inputs especially for major cash crops like coffee, tea and pyrethrum and were done through marketing boards, cooperative societies and state-run farmer organisations. Additionally, the domestic market in these countries was shielded from foreign competition through tariff and non-tariff measures such as quantitative import restrictions and government licenses.

The prices for food crops and livestock products were strictly controlled (Nyangito and Nzuma, 2005; Nyangito, 2003). Maize marketing during the pre-liberalisation era consisted of the formal and informal systems operating side by side. The formal maize marketing system was strictly regulated and managed by the National Cereal and Produce Board (NCPB), the successor of two previous maize boards. The informal system was free, unregulated and unofficial with many market participants operating parallel to the formal system (Schmidt, 1979; and DAI 1989). The NCPB did not provide a sure outlet for maize of all farmers and did not supply maize to many of the rural areas.

The second major phase in the evolution of the trade policy in Kenya was through the Structural Adjustment Programmes (SAPs) introduced in the mid 1980's by *Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth*.¹⁰ The market-oriented reforms advocated by international financial institutions were meant to tackle policy inadequacies such as overvalued exchange rates, restrictive trade regulations as well as excessive taxation of agricultural exports through marketing boards. Hence, liberalisation of the agricultural sector began with the removal of price controls and restructuring of marketing boards to eliminate their monopoly rights in pricing and marketing. The aim was to allow greater private sector participation in production, marketing, processing and trading in agricultural commodities.

Among the policy interventions were reductions in agricultural share of total government budgets from an average of 10 per cent in the 1980's to two per cent in the 1990's (Republic of Kenya, 2004). In 1992, price controls for all food items, except maize and agricultural inputs, were abolished. Eventually, the private sector was allowed to directly purchase maize from farmers, while the NCPB was to manage the strategic reserves and to be the buyer of last resort. In addition, free movement of commercial maize from high producing areas such as rift valley to low producing areas such as eastern province was allowed to reduce food insecurity in the country. A key impact of decontrolling maize movement was the reduction in the costs of transportation since economies of scale were realised with larger volumes (Omamo, 1998). However, liberalisation was implemented without the formation of alternative marketing institutions. Also, maize prices fluctuated substantially according to competitive market forces with limited moderating effects from the Government through open market interventions and import tariffs.

Presently Kenya's trade regime is guided by market-driven principles of liberalisation under the World Trade Organisation (WTO), which came into effect in 1995. The liberalisation phase has led to lowering of tariffs and reduction of NTBs in Kenya's export markets thereby improving market access to Kenya's products. The overall development path is presently guided by the Kenya Vision 2030, which seeks to transform Kenya into a newly industrialising middle-income country by the year 2030. The 2030 vision for wholesale and retail trade is to move towards greater efficiency in the marketing system by lowering transaction costs and through institutional reforms. The specific strategies for agricultural development in the Vision 2030 include: (i) transforming key institutions to promote household and private sector agricultural growth; (ii) increasing productivity of crops and livestock and (iii) introducing new land policy respecting rights of ownership to facilitate better utilisation of land and expand acreage of cultivable land through irrigation.

Subsequently, the government launched the *Agriculture Sector Development Strategy (ASDS) of 2010 – 2020* to guide further development of the agricultural sector. The strategy's objective is to achieve an agricultural growth of seven per cent per year over the next five years. It aims at positioning the agricultural sector strategically as a key driver for sustained economic growth. Besides, the government has a national food and nutrition policy meant to address the link between food security and poverty reduction. However, this exists only in theory, lacking effective practical application. The weak regulation of institutions impedes the meaningful implementation of policies that support food and nutrition security.

The above national strategies are in tandem with international and regional commitments made by Kenya on agricultural development and food security including the EAC, COMESA, United Nations MDGs of 2000 and the NEPADs CAADP of 2003.

The Role of the State on Food Security

The staple food policy in Kenya tries to support and stabilise prices through the National Cereals and Produce Board (NCPB) Act, which is the main legislation for controlling maize production and sale. Government interventions on food security can be categorised into short, medium and long term. The short term interventions are invoked through the *NCPB Act (cap 338) of 1986, revised edition 2012*. Article 13 of the Act specifically empowers the Board to maintain – national strategic reserves

of maize, wheat, and scheduled agricultural produce, and for that purpose, has the mandate to purchase surplus maize, wheat or scheduled agricultural produce grown in Kenya. In the 1980s the NCPB played a major role in the domestic maize market, purchasing 600,000-800,000 tons annually. These purchases have since reduced following liberalisation of the maize market, which has seen the private sector trade playing a much larger role. For instance, since 2000, NCPB purchases have been 30,000-190,000 tons per year. NCPB operations are estimated to have increased domestic maize prices by 20 per cent during 1995-2004. Its purchases had a large effect on prices because they account for 25-35 per cent of all maize sold by the agricultural sector in Kenya. Most of the maize purchased has been directly from large-scale farmers in the Rift Valley.

Secondly, *Ministerial Declarations and Presidential Decrees* are commonly used in setting purchasing prices by the NCPB, controlling exports/imports and providing subsidies to agricultural inputs like seeds and fertilisers. For instance, Kenya had a maize shortfall of approximately 270,000 tonnes in 2008 following depressed staple food production after the 2007-08-post election violence and the 2007-08 global food crises. The government tried to cover by supplying millers with maize stocks held by the NCPB purchased from the previous seasons. In addition, the government imported about 140,000 tonnes to increase the strategic grain reserve. When the food situation worsened, the President declared the food shortage, which threatened the lives of approximately 10 million people, a national disaster in January 2009. And more recently in March 2013 President Kibaki¹¹ directed the Treasury to release KSh3bn to buy fertiliser and seeds for farmers by the NCPB. The President also directed the Ministry of Agriculture to reduce the price of maize seed from KSh4,500 to KSh3,400 per 25 kg bag, while fertilisers were to be sold to farmers at a subsidised price of KSh2,500 per 50 kg bag, down from KSh4,500.

The medium to long-term strategies on food security are enshrined in the Vision 2030 framework through specific projects and programmes. The flagship projects related to addressing food security issues under the 1st Medium Term Plan 2008-2012 include: (i) the enactment of a consolidated agricultural reform bill to harmonise and rationalise contradictory development, regulatory, licensing, processing, marketing of agricultural parastatals; (ii) fertiliser-cost reduction investment; (iii) establishment of disease-free zones; (iv) land-use master plan and ASAL Development Programme to bring 600,000-1,000,000 million acres under irrigation.

Besides, the production and sale of rice in Kenya is guided by the *National Rice Development Strategy 2008-2018* with the objective of doubling rice production in both rain-fed and irrigated conditions by 2018. Under this strategy, the government seeks to expand area under rain-fed and irrigated rice; reduce field and storage losses of rice; improve farmer's access to credit and to high quality inputs; improve farmers' access to certified rice seed and provide advisory extension support services.

The Role of Non-State Actors and the Private Sector on Trade Reforms and Food Security

In Kenya, the private sector, NSAs and the donor community play an active in the trade reform process and food security-related activities. Participation of these groups has been facilitated by the democratic system of governance. These bodies support the trade reform processes through policy making, enhancing trade facilitation through harmonisation of regulations and standards, advocacy and policy dialogue, capacity building, conducting studies and implementation of food security-related programmes and activities etc.

(a) The Private Sector

The Kenya Private Sector Alliance (KEPSA) is the apex body of the private sector comprising companies and private bodies. KEPSA's mandate is for private sector development through advocacy, projects and partnerships and by influencing public policy through policy formulation and implementation in various sectors including agriculture and food security related sectors. KEPSA plays major role in promoting public-private partnership (PPP) in Kenya through the UNDP funded project by organising Quarterly Round-Table with top government officials, parliamentary departmental committee meetings, governance and business forums etc.

There has been increased engagement of Producer Organisations (POs) in the policy-making and budget making processes in Kenya over the years. Among notable organisation include the Kenya National Federation of Agricultural Producers (KENFAP) formerly Kenya National Farmers Union (KNFU) which is the umbrella agricultural producer organisation in Kenya. KENFAP is the umbrella organisation to which many other cooperatives are affiliated and currently hosts about 14 commodity groups. In the past, KENFAP has lobbied the government in various forums, including briefing the ministers for agriculture on the underlying agricultural activities of its members. The KENFAP Chairman also chairs the agricultural board in the Kenya Private Sector Alliance (KEPSA) that

is increasingly becoming recognised by government in policy making in all sectors of the economy.

(b) Non-Governmental Organisations (NGOs)

Under the NGO Council, NGOs are involved in advocacy, provision of agricultural inputs, pricing of products, distribution of products, research and capacity building, planning and budget-making processes. Besides, some provide training/capacity building of farmers, design monitoring and evaluation and technical support services. The NGO Council exists to preserve, strengthen, and promote voluntary action in pursuit of a more just and equitable society. It champions the key values of probity, transparency, accountability, justice and good governance. It enhances the self-regulation of its members, and assists them to realise their potential in improving services that improve the socio-economic status of Kenyan society in pursuit of sustainable development.

For instance, the Centre for Governance and Development (CGD), a policy research and advocacy organisation in Kenya, spearheaded the formation of key agriculture sub-sector regional coalitions to lead reform campaigns in various sectors. These regional coalitions have coalesced around the banner of the Kenya Producers Coalition (KEPCO). The regional coalitions include, the Sugar Campaign for Change (SUCAM) in Western Kenya, *Ng'ombena Mahindi* (NGOMA) in the North Rift, *Sauti ya Wafugaji* (SAWA) in South Rift, *Matundana Mboga* (MAMBO) in Eastern Kenya, Fisher folks Forum (FIFO) in Nyanza, and Coffee and Tea Campaign (COTECA) in Central Province.

Besides, CUTS International has recently been in the forefront of promoting agricultural development and food security related activities in Kenya and the EAC region. For instance, the objectives of its project on Promoting Agriculture-Climate-Trade Linkages in the East African Community (PACT-EAC) has are: 1) to increase knowledge and capacity of the stakeholders on Climate-Change-Food Security-Trade (CCFST) linkages; 2) to increase stakeholders' coordination on CCFST issues; and 3) to contribute to policy coherence and policy development processes in the EAC countries.

However, NSAs have raised concerns with regards to access to budget information, which is somewhat quite restricted and limited. According to Ongaro (2011), the participation of NSAs is constrained by the following factors:

1. poor public participation in the budget debate;
2. inaccessibility/non-availability of budget information (i.e., poor information flow);
3. lack of clear legal provisions that guarantees producers' participation;
4. lack of public fora for consultation (poor consultation collaboration between/among stakeholders); and
5. technicality of the budget terminologies beyond the comprehension of producers.

The Nature and Role of Trade and Trade-related Politics on Food Security

Kenya is a multi-party state and presently implementing a devolved system of government since enactment of a new Constitution in 2010. After the General elections in March 2013, the governance structure comprises the National Government headed by the President and the Deputy President and 47 County Governments headed by elected Governors and their deputies. Although the trade sector consists of the Ministries of East Africa and Tourism and the Ministry of Foreign Affairs, the agricultural sector consists of the Ministry of Agriculture, Livestock and Fisheries and several parastatals, the county governments have autonomy to prepare development plans and budgets based on their respective priorities. Thus, the local-level governance and development structures (LLGs) will be involved in managing development activities at community level. LLGs, through appropriate participatory methodologies, will determine the priority development aspirations and initiatives of their communities and lead in their implementation.

Major Constraints and Challenges

Constraints Related to Trade Reforms and Food Security

1. Weak institutional, regulatory and enforcement mechanisms giving room for corruption and powerful cartels involved in agricultural commodity trade

The major institutions responsible for implementation of various trade reforms have financial and human capacity constraints. Furthermore, there is weak coordination between regulatory agencies on the one-hand and private sector players and the NSAs on the other, as well as amongst the private sector and NSAs themselves. This results into duplication of efforts and/or conflict of interests thereby making implementation of relevant projects ineffective. The government interventions lead to the following:

a. Distortion of Domestic Market Prices

The government interventions through direct price controls, purchasing strategic grain reserves (SGR) and famine relief stocks and provision of farm inputs like seeds and fertilisers distort market prices. The climax was however during the period 2008-2009 when food shortages in Kenya were declared a national disaster. For instance, the government announced two different prices for maize, i.e. Ksh52 per two kg for the poor and Ksh72 per two kg for the middle class without any mechanisms to ensure that only the poor would buy the cheap maize. The government further set the prices at which farmers could sell their produce to the NCPB without due consideration to production and market factors. The Government was accused by various stakeholders of distorting the market by imposing price controls on maize.

b. Policy Reversals Send Mixed Signals to Private Sector

Although the government has embraced liberalisation in production and marketing of food staples, its *ad hoc* interventions and short-term measures, whenever there is a food crisis, makes the policy environment unstable and unpredictable to private investors. This leads to mistrust between government and the private sector, a scenario, which limits the capacity of the private sector to expand production and trade. At the same time, such a situation encourages the government to hedge against the failure of the private sector to supply food when shortages arise. A situation often exists in which private sector firms are motivated more by fear of loss than by opportunity for gain.

c. Conflicts of Interests

Ministerial and Presidential directives for grain price controls and farm subsidies generate conflicts between the state, traders and farmers. For instance, following the government decision to buy maize from private suppliers to replenish the Strategic Grain Reserve stocks, a private company Erad Supplies and General Construction and four other firms were contracted to supply maize but the Ministry of Agriculture terminated the contract, resulting in the company suing the NCPB for breach of contract. The Court of Appeal ruled that the NCPB pays the firm Ksh522mn for breach of contract causing panic that NCPB's assets would be auctioned. Another legal dispute pitting the NCPB and a local farmer was the legal basis for the former to directly engage in importations¹² following the Presidential directive to NCPB to import fertiliser. In another incidence, the government decision to control the purchase price by NCPB from farmers drew fierce criticism from many stakeholders including the

KENFAP, the Cereals Growers Association (CGA) and the EAGC. Farmers demanded to receive at least Ksh2, 360 per 90kg bag (*The Standard, December 08, 2008*), which was much higher than consumers were reported to be able to pay.

d. Lead to Uncompetitive Trade Practices like Hoarding

Whenever government action is unpredictable, producers and value chain players adopt a wait-and-see attitude leading to hoarding and other uncompetitive trade practices. For instance, when the government became directly involved in setting prices and importation of maize, there were reports that farmers in the North Rift region and millers were holding on to their maize stocks in anticipation of better prices. Some supermarkets also resorted to rationing packets of maize flour that could be purchased by a customer to two packets.

e. Corruption and/or Financial Scandals

The stop-and-go approach for staple food liberalisation provided sufficient room for corrupt government officials, often at the behest of the ruling government, to participate in maize trade with huge financial gains. According to the World Bank (2009), the main beneficiaries from high maize prices within the country have been the large-scale farmers, traders and politicians. For instance, the reintroduced controls in maize marketing in 2008 resulted in major scandals. Senior government officials from the Ministry of Agriculture were reportedly being used by a cartel involving senior politicians and businessmen to authorise the purchase of maize from the NCPB and resold at higher prices. The Kenyan media¹³ also carried reports about corruption with respect to exports to neighbouring southern Sudan of maize imported by Kenya. Middlemen sold maize purchased from the NCPB by millers and middlemen at a price of Ksh1,750 per 90 kg bag to Sudan at about Ksh6,000.

2. Inadequate market information and marketing infrastructure

There is lack of reliable and up-to-date information on crop supply, demand, stocks and export availability. For instance, farmers in major production areas in Kenya have complained in the past about lack of market for their maize. There are reports that NCPB purchases very little maize contrary to their expectations. In the recent past, farmer groups have contracts with World Food Programme (WFP) to purchase maize in bulk under the Purchase for Progress programme. However, in a few cases, the groups have not been able to meet certain conditions, mainly construction of common store and meeting the target number of bags

agreed upon with WFP. Besides, rice farmers complain of lack of ready markets for their produce and exploitation by middlemen. For instance, recent 2013 reports indicated that over 1,000 rice farmers in Kisumu County risked losing rice worth KSh38mn if they do not find a market for their produce.¹⁴ The unprocessed rice had been lying in the stores of West Kano Irrigation Scheme (WKIS) for the last six months. The National Irrigation Board (NIB) West Kenya attributed the problem to lack of demand for the non-aromatic rice produced in the region.

3. High cost of inputs

High costs of inputs (DAP 18-46-0, NPKs, CAN 27 per cent) mean that the smallholder farming communities cannot afford these inputs. And this reduces the total staple food production and productivity. In addition there are high incidences of smallholder farmers using uncertified/fake seeds and seeds whose sources cannot be authenticated.

4. Land issues including ownership of land, land use, management, tenure reforms

These have severely constrained agriculture productivity although only less than 20 per cent of the country's land surface is high and medium potential. For instance, the 2007 post-election violence is partly attributed to historical land disputes and severely affected food production in arable lands within the Rift Valley region. Besides, there recently have been rising cases of conflicts between different land uses with construction-industrial, cities, homes development taking up agricultural land.

Constraints Related to Cross-border Trade

Many stakeholders raised the concern that continued direct market interventions by the government have failed to address food insecurity in the country and stimulate the private sector to invest in the maize supply chain. By and large, such intervention shall only act to breed corruption and benefit unscrupulous traders and politicians.

Secondly, quality standards are not harmonised and each regional country has different standards especially on moisture content on maize. Inconsistencies in standard make cross border trade difficult as producers and traders cannot access regional markets with ease.

Cross-border trade in rice is mainly influenced by price differentials across countries. There were reports that rice millers in western Kenya face a bleak future as farmers sell their produce to Ugandan and Rwandese

middlemen who offer them prompt payments and inputs.¹⁵ Foreign buyers, particularly from Uganda, offered better terms. “Whereas a Kenyan buyer offers KSh3,000 for 50 kg of paddy, a Ugandan gives KSh4,500.”

Political and Regulatory Challenges

The biggest challenge in Kenya is the effective implementation of the devolved system of government taking into account county, national and regional interests of trade reforms and securing food security. Given the state of affairs, coordination of budget processes at the national and county governments is a key issue of concern but both processes are anticipated to involve collective functions involving the inputs of a wide range of economic players and actors. In addition, Kenya has to deal with the perception of dominance amongst the other EAC Partner States. Finally, food insecurity has been a political issue in Kenya especially during the general elections. In ASAL areas, relief food has been used as a campaign tool to win votes over successive elections.

The Republic of Rwanda

Background

Rwanda is a small territory of 26,388 square km, with current population at about 11 million, which is considered high relative to the country size, and majority of the population lives in rural areas. The central part of the country is situated on an altitude of 1,500-2,500 meters. According to Rwanda’s National Bank’s annual report (BNR 2009, 2012), the economic structure of the country is relatively unchanged since 2005 with the service sector contributing about 46 per cent to GDP, followed by agriculture at 34 per cent and industry at four per cent in 2009. The real Gross Domestic Product (GDP) grew by six per cent in 2009 against 11.6 per cent in 2008 and 8.8 per cent in 2011 up from 7.5 per cent in 2010 while income per capita increased from US\$289 to US\$520 over the same period.

The growth is attributed to the performance of agriculture sector, which grew to six per cent in 2005 compared to negative three per cent in 2003 and a noticeable improvement in industry and service sectors, which increased, by nine per cent and 12 per cent respectively in the same year. The implementation of Crop Intensification Programme (CIP) is partly credited with the improved performance in agricultural sector.

However, the dependency on rain fed agriculture is seen in the negative growth of the sector in 2003 due to bad weather conditions. Given the

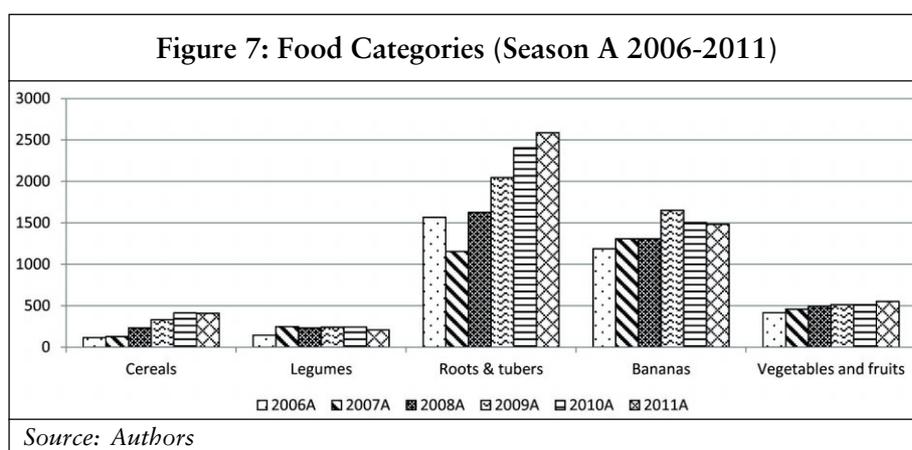
Sector	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agriculture	9	17	-3	2	6	3	3	6	8	4.9
Industry	13	7	5	16	9	12	9	15	1	8.4
Services	7	12	7	10	12	13	12	15	6	9.6
GDP (2006 constant prices.)	8.5	13.2	2.2	7.4	9.4	9.2	7.7	11.6	6.0	8.8

Source: National Institute of Statistics of Rwanda-NISR (various years)

linkages of agriculture with the rest of the economy the decline in performance had a multiplier effect on other sectors such as industry and services. Table 8 shows the growth of various economic activities over the years.

Agricultural sector's contribution to GDP has been marginally declining: 38 per cent in 2005 and 2006, 36 per cent in 2007, 33 per cent in 2008 and 34 per cent in 2009. But like other countries in East Africa, agriculture is still the dominant sector of the economy, employing 80 per cent (especially women) of the population, supplying 90 per cent of national food needed while contributing 63 per cent of export earnings mainly from coffee, tea and edible vegetables (MINECOFIN 2012, Bizimana *et al.* 2012, Alinda and Abbot (2012).

There are various categories of food crops in the country, which include pulses, roots, tubers, bananas, vegetables and fruits. Even though food production has increased significantly over the years, it is critical to notice



that about 60 per cent of this increase is from roots and tubers, with other crops registering slower growths as shown in the Figure 7.

The country cultivation is done in two; Seasons A and Season B defined by rainfall patterns. Season A occurs between September to January while Season B is between February to June of each year. These periods also determine the crops to be planted. For example, haricot is planted in Season A while Sorghum does better in Season B. As shown by Figure 7 roots and tubers has registered considerable growth during season A, followed by bananas, even though cereal production is still relatively small, its production during this period demonstrates a positive trend.

Rice production has increased over the past 10 years, from 11,949 tonnes in 2000 to 72,000 tonnes in 2009 (MINAGRI 2010). The crop is grown exclusively in marshlands that experience population pressure with farms less than five acres. The small scale and subsistence nature of rice production result into two challenges: insufficiency in volume and value of what is planted. This limits the scope to enhance productivity and increase production to address the food security needs of the country.

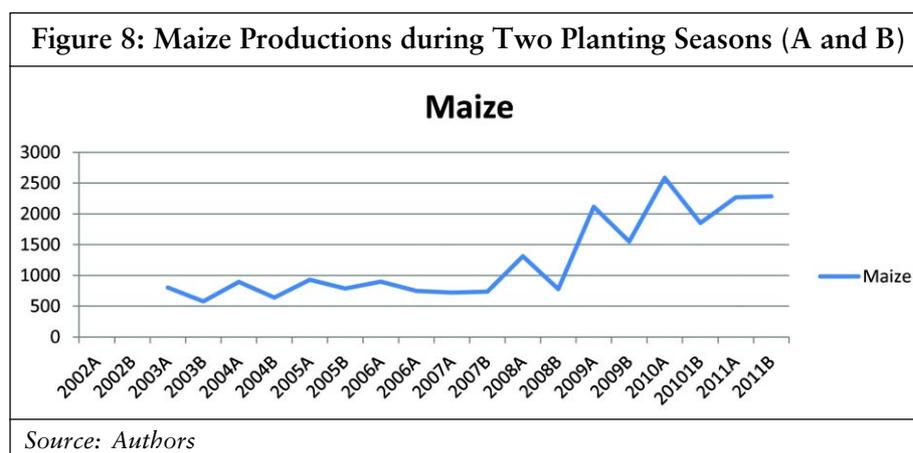
Food insecurity and vulnerability in Rwanda is likely more pronounced among the rural households, with 66.1 per cent of the rural population below the national poverty line of US\$129 per adult per year, compared to 16.1 per cent in Kigali and 46.5 per cent in other urban areas (Bizimana *et al.* 2012). The farming households usually retain between 20-40 per cent of their staple food production on-farm for household consumption and use farm sale receipts to guard themselves against food insecurity.

The percentage of the national food requirement satisfied by domestic food production increased from 63 in 1990 to 84 in 2002 (NISR, 2007). Similarly, the incidence of consumption poverty, measured by the extreme poverty line, has fallen since 2001. The extreme poverty line represents the level of expenditure needed to provide minimum food requirements of 2,500 kcal per adult per day. The trend in consumption poverty has shown a significant decrease from 41.3 per cent in 2001 to 36.9 per cent in 2006, in general (NISR, 2007). The current energy intake (kcal/capita per day) is 2,675 for season 2011 A and 2,938 for season 2011 B (Bizimana *et al.*, 2012). The protein and lipids in the two seasons A and B were estimated at 70 and 24 grams *per capita* each day respectively. According to East Africa Food Security Action Plan (2011-2015), the prevalence of underweight children is about 33 per cent in Rwanda compared with 31

per cent in Kenya and 16 per cent in Uganda. The country fares only better than Burundi and Tanzania that register 66 per cent and 44 per cent respectively. Even though there has been marked progress to achieve nutritional security, the country finds it difficult to sustain the World Health Organisation (WHO) recommended levels for a healthy population (MINAGRI, 2010a).

Importance of Maize and Rice in Rwanda

Maize production in Rwanda mainly involves small-scale farmers that produce about 99 per cent of the estimated 430,000 metric tonnes (MT) of annual maize production. (MINAGRI 2011). The country is largely self-sufficient in maize, except in years of extreme bad weather, and presently maize is a priority staple crop for investment and an item for state intervention. There has been a 400 per cent increase from 100,000 MT in 2007 to about 430,000 MT by 2010 (*Ibid*). Figure 8 below illustrates this increasing production in maize.



Considerable success has been realised in production, thanks to reforms implemented under CIP since 2000. Under these reforms, farmers secured 50 per cent in fertiliser subsidies and 100 per cent for seeds that have had a positive impact on maize production. Besides, there have been state support policies to improve markets and prices (Eicher 1995). Yet, despite past successes, continued investment in maize productivity remains crucial and a challenge to agricultural growth and food security in the country (Melinda *et al* 2011).

The maize market in Rwanda is characterised by the relative absence of brokers and the presence of direct linkages between rural aggregators

and the Kigali consumer market (MINAGRI and FAO 2012) but manifest in a low capacity of small and medium traders, with a dominance of five large traders in Kigali, that transact in maize, beans, sorghum and fertilisers. Though there are only a limited number of traders in local markets, monopolistic behaviour or price agreements between traders are not seen (*Ibid*). Therefore prices are generally determined by the dynamics of supply and demand.

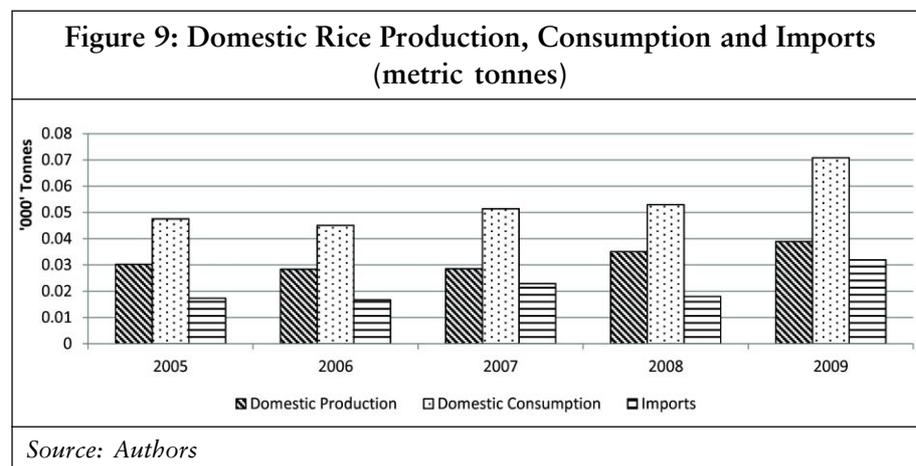
The country's *per capita* and total consumption of staple foods is not well quantified or documented (MINAGRI 2011). But it is believed that per capita maize consumption could be significant, while maize flour consumption is just beginning to take root with full commercialisation still evolving. In a household survey by MINAGRI (2011c) it was found that of the 50 per cent of maize produced in Rwanda, about 62,000MT was for household consumption, with an additional 55,000MT consumed through maize or maize flour purchases. With the expansion of maize production and potential export of maize products, the country can address her food security needs by expanding incomes for the small-scale famers. In addition, increased maize production presents an opportunity to diversify the country's food production and earn export income from maize deficit countries in the EAC like Kenya.

On the other hand, rice was introduced into the country around 1950's and grown mainly in the valleys and southern provinces of the country (MINAGRI NRP 2008b). Over the years soil erosion due to intensive cultivation of traditional crops like banana, cassava, beans and potato, farming in the uplands is diminishing. Subsequently rice has emerged as a suitable crop for marshlands and inland valleys, producing about seven tonnes/ha better than what traditional crops provide per ha and farmers seem to be responding by increasing their rice production (*Ibid*). It, therefore, provides possible livelihood alternative and food security channel to the rural households,

The government has prioritised rice production by investing in marshlands reclamation, construction of small dams, and promoting farmers' co-operatives, farm mechanisation and privatisation of rice mills. These investments have resulted in an increase of the total area under rice cultivation from 3,549 ha in 2000 to 13,000 ha by 2009 (MINAGRI National Rice Policy 2009). The total milled rice production has increased from 5,975 tonnes in 2000 to an estimated 36,000 tonnes by 2009 (*Ibid*).

It is projected that the country shall produce enough rice to satisfy domestic demand by 2015/17 (USDA FAS 2012).

Even though rice production has been increasing, there is disequilibrium in demand and supply of rice explained in part by an increasing population. The consumption preferences in formal markets in the country indicate bias towards the long and slender types of rice grains, which is produced in Rwanda but fetches lower price due to poor milling. As a result, locally produced grains suffer from poor marketability in the mainstream markets compared to imports. The consumption is above what can be produced domestically as shown in Figure 9. The increase in domestic production is partly explained by the government’s efforts and local producers taking advantage of the high EAC applied tariff to spur production.



Though rice production has increased over time, this increase is matched by rising consumption and so the need to import rice. But addressing food security requires that food is available, accessible and affordable to all people at all times, a situation that is not yet achieved in the country. The reliance on imports makes it vulnerable to global commodity price changes that are unstable as some countries respond to spikes in demand through export bans.

In order to bridge the production shortfall, the country imports milled rice grains from Tanzania, Pakistan, Vietnam and Uganda. Being a member of the EAC Customs Union, Rwanda imposes about 30 per cent tariff on imported rice, which is slightly lower than the community’s CET of 35 per cent (EAC GAZETTE Vol AT 1, no 005, 2010). This is because the country considers rice as one of the basic foods commodities hence

imposing lower rates is meant to protect domestic consumers from a possible higher tariff price – and a way to address food security.

Trade Reforms and its Implications on Agriculture

In addition to EAC reforms to trade duties, Rwanda has undertaken major trade policy reforms by bringing down tariffs in the past through the International Monetary Fund's and the World Bank's structural adjustment programmes in the 1990s. Its membership with COMESA has also entailed undertaking further reductions in customs duties and taxes, and since 2002 Rwanda has eliminated all tariffs on imports from Kenya and Burundi.

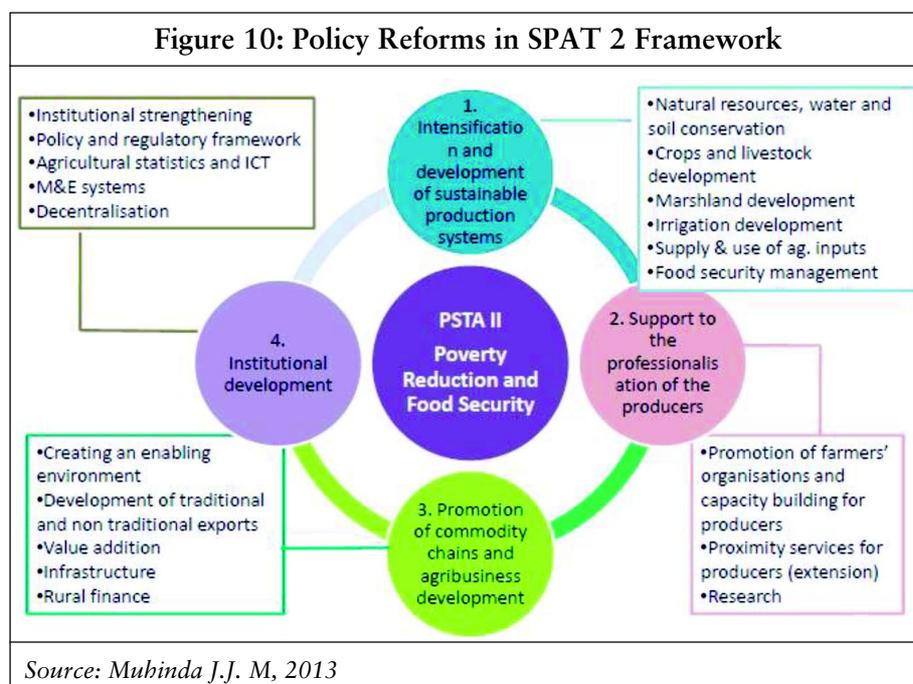
Shortly after the civil war and genocide in Rwanda ended, the government introduced a broad economic reform agenda to privatise state enterprises and establish new financial institutions. Rwanda's government has taken important steps to improve the country's business environment, making Rwanda a model of reform for conflict-affected states. Investment climate teams of the World Bank Group have helped the government improve business regulations, expedite trade procedures, and introduce Special Economic Zones and supporting public-private dialogue to ensure that reforms match private sector needs. For instance, the launching of a one-stop shop for business registration reduced the time to register a business to three days from 16, and also cut start-up costs by 95 per cent. Besides, this led to reduction of the number of required documents, enhanced joint border management procedures thereby reducing export and import times considerably. Hence, the World Bank Group's *Doing Business* reports have since 2004 consistently recognised the country as a leading reformer.

However, trade liberalisation efforts have had the negative impact of reducing tax revenue. Further trade liberalisation can have an adverse effect on Rwanda's fiscal stability in light of its overdependence on tariffs, including regional tariffs as a source of revenue and inefficient tax administration. To mitigate revenue loss, the government hopes to increase trade volumes in order to yield more domestic taxes from increased consumption levels resulting from reduced transport costs and elimination of customs duties, expansion of the excise base and increasing excise duties on some highly affected products under the EAC CET, e.g. petroleum products, and the reduced scope of exemption will yield some revenue. There are also plans to negotiate for special and differential treatment of some selected products of social and economic importance to Rwanda, which will also help in mitigating the losses once it is implemented. The

EAC has also agreed on a list of sensitive products that require extra protection from importation outside the region to protect local production assuming the region has capacity to meet demand for them. These include: sugar, milk, wheat, flour, *maize*, *rice* and worn clothing. Rwanda has finalised its list of sensitive products for negotiation with EAC.

Agricultural policies and strategies are part of the national development plan as outlined in Vision 2020. The National Agricultural Policy developed in 2004 aims at increasing economic growth, poverty reduction in the rural areas and increasing farm income. This is to be achieved through the following strategies: transformation and modernisation of agriculture; agriculture value chains development; promotion of competitiveness for agricultural products; and development of entrepreneurship spirit (MINAGRI 2004). These strategies are in line with the EAC treaty, the MDG Goal 1 and the CAADP (MINECOFIN 2000).

Rwanda’s Strategic Programme primarily guides the development of the agriculture sector for the Transformation of Agriculture II (SPTA2), complemented by other strategies, such as the National Post-Harvest Staple Crop Strategy (PHSCS). Meanwhile, a Road Map has been established for planning of its successor SPTA3 (2013-17), which will feed into EDPRS2. The SPTA II serves to elaborate and develop the programmes,



sub programmes and activities that should lead agricultural development and so will guide implementation as well as forming the basis for a Sector Wide Approach (SWAP) in agriculture. The policy reforms are summarised in Figure 10. (Muhinda J.J. M, 2013).

The Role of the State on Safeguarding Food Security

In Rwanda agricultural programmes and policies are institutionalised in the MINAGRI, which is responsible for the agriculture sector. The Ministry collaborates with other government agencies and relevant stakeholders (Malunda and Musana2012). To safeguard against food shortages and emergencies, the country has developed a Strategic Grain Reserves (RSGR) to be fully financed by the government. In this context it defines two types of food emergencies to be financed under RSGR; acute food emergencies resulting from severe food production disruptions (i.e. due to floods or drought) and significant drop in food production resulting in staple food price inflation. The main purpose of RSGR is ensuring the government undertakes its humanitarian responsibilities to the citizens.

The government also intervenes through soil erosion control and increased acreage of terraced land in the bid to enhance food production. It also improves crop husbandry methods, especially those that facilitate water retention in soils, to cope with the changing weather patterns. In addition, it seeks to ensure timely distribution to farmers of agricultural inputs such as pesticides, fertilisers, and improved seeds.

The Rwandan government negotiated a lower than EAC CET tariff rates for rice to address shortfall in domestic rice production. The evidence from this study shows that domestic support is implemented through subsidised seeds and fertiliser to farmers to the advantage of domestic rice production, as shown by an upward trend in output. This option demands good administrative capacity, local farmers' collaboration and infrastructure to implement in a cost-effective manner. Whereas the support system is working, the respondents identify access to better seeds as a major production constraint, in addition to the need to introduce new rice varieties such as upland rice for production expansion.

In the long-term, the government announced plans to control population growth, saying this would ease rising poverty and food insecurity. With more than 10 million people living on 26,338 sq. km of land and high birth rates, Rwanda is one of the most densely populated countries.

In addition, the public private partnership is identified as the main driver of growth for Rwanda's economy and the realisation of the country's development objectives. The country has sought to improve its business environment by reviewing its commercial laws and institutions. Indeed Malunda and Musana (2012) notes that Rwanda rose from 143rd to 67th place in the World Bank Doing Business Report rankings following the private public sector reforms.

Finally, the government through MINAGRI has a framework for gendering budgetary process. In addition the government has established a gender monitoring office composed of different stakeholders to monitor the effective implementation of gender policies. Gender mainstreaming is critical given that the majority of agricultural workers in the country are women.

The Role of Non-State Actors in Addressing Food Security Issues

The linkages for structured and coordinated participation of NSAs as equal and active partners in the transformation of the agriculture sector are critical to reduce food insecurity in the country. The NSAs identified as actively involved in agriculture include farmers' organisation and the media. The study finds that farmers institutions are mainly involved in advocacy, cooperative organisation and training. These roles complement government efforts in planning; through policy advocacy and political lobbying to improve the quality of food security strategies, policy environment and investment in agriculture by the government; two by aligning the human and financial resources to priorities food security areas and acting as partners for programme design and implementation with farmers; agricultural reforms by getting involved and supporting institutional reforms that promotes an enabling farming and trade environment. Third is to ensure accountability by holding the government and partners answerable on behalf of the farmers and strengthening citizenry responsibility through media action.

According to the research findings the government engages with these NSAs to implement and communicate some of its programmes in the rural sector ministries. However due to their orientation towards increasing food production, farmer institutions are only partially involved in trade related aspects of agricultural value chains, leaving trade policy reforms to large scale traders and government agencies. The farmers political influence is not verified. But farmers numerical strength through cooperative organisations, could be useful in food accessibility and

availability by providing relevant food security information like famine early warning system and food distribution networks in case of emergencies, two channels the study determine as impediments to attaining food security.

The media is perceived as a vital partner in reducing food insecurity through trade as demonstrated by various newspaper articles in *Rwandan Focus Newspaper*; on January 07, 2013, April 28, 2013, and June 26, 2012. The articles draw attention to the existence of non-tariff measures and their adverse effects on regional trade. Poor transport infrastructure is recognised as a major barrier especially on cross-border routes and in linking smallholders to domestic and regional markets. The wider implication is slower economic growth while limiting access to food in the deficient regions.

The Nature and Role of Trade and Trade-related Politics on Food Security

Some trade theories argue that countries need to be self-sufficient in trade; however the view appears to be receding due to deeper regional integration and ability to trade defined by comparative advantage of a country. Whereas Rwanda maintains lower tariff on rice below the EAC-CET, the country is politically committed to both success and implementation of EAC regional agreements. The implication is increased domestic rice production while addressing deficits with imports.

Legislation and policies are communicated by the central government through local governments, district administrative systems and linkages with farmers' representatives. The assumption is that local administrators are benevolent social planners in the best interest of local farmers. However, the possibility of moral hazard in government officials make this setup susceptible to misinformation and manipulation invariably affecting agricultural performance and food security.

The study finds that food insecurity is not a campaign issue, albeit indirectly through appealing to family planning, explained probably by the high population density in the country. Further missing food as a political agenda is explained in part by the implementation of one-cow per family programme, designed as a social protection mechanism to the vulnerable groups especially to food insecurity.

However, noted was the possibility of some traders having silent control on the commodity exchange system through controlled supply chains,

thus restricting free entry and potentially negating policy objectives of the system. The proposal is enactment of a commodity distribution law along value chains and enhances functions of the commodity exchange to eliminate lengthy and costly market links thereby improving food access as a possible remedy.

The consumption of local rice is less preferred to import varieties, which act as a price disincentive to domestic rice traders. Therefore, some traders blend imported rice with local variety to pass it off as imported rice and increase trade volumes. The government is working with rice stakeholders to address such malpractices.

Some respondents expressed reservations on the effectiveness of top-down approach to policy development and implementation, which they perceive to deliver quick wins, but may not be sustainable in the long run without continuous dialogue, cited is the policy on crop and soil matching currently being pursued. This implicitly demonstrates possible regional preferences and attachment to particular crops hence need for local consultation and acceptance before designating certain areas as being suitable for particular crops.

Major Challenges and Constraints

Constraints to Agricultural Production Systems

Maize and rice production in Rwanda involves small-scale farmers with majority being women, limited farm infrastructure and informal supply chains to markets. The study determines that crop productions are largely weather dependent and inadequate supply of good quality seeds. This restricts rice production to marshlands where water table is low. While inadequate seeds compromise both quantity and quality of agricultural produce.

The farmers are adapting to the possible negative effects of climate change, by adopting alternative livelihoods strategies like off-farm employment, mixed cropping and mixed farming. The long-term effect is possible agricultural transformation with a decline in production of some crops in the country. There is also poor post-harvest handling of farm produce, attributed mainly to limited farmers' skills and poor storage infrastructure. The limited value addition result into low earning from agricultural produce.

The government is implementing land consolidation programme, but the topography of the country makes large-scale mechanisation difficult; as such production is restricted to basic farm tools and small scale farming which complicates introduction of complementary environmental best practices into Rwandan agricultural systems.

When there is weak institutional development and poorly functioning markets the capacity of farmers to invest, mobilise critical cash, labour, machinery for effective investments is constrained. The local institutions play important roles like collective regulation and investment, provision of infrastructure and local support services for agricultural production and resource management which are crucial in attaining food and nutritional security.

Constraints to Cross-border Trade

The evidence from the study suggests that the country is a net importer of rice but self-sufficient in maize thus opportunities for employment and income exist along the rice import value chains and domestic maize markets. Agricultural tax policies give different incentives and disincentives for natural resources management. Further agricultural input prices and policies such as minimum price, centralised collection influence farmers' choice of livelihoods and farm enterprise mix. Therefore, the government's fiscal policies must seek to ensure equitable distribution of the benefits across the commodities value chain.

Some respondents mentioned the existence of cartels across the regional routes, hence low incentives to invest in modern trucks and logistics services. The respondents indicated numerous roadblocks in different countries, which add to the costs and time of transportation thereby undermining trade efficiency across the borders.

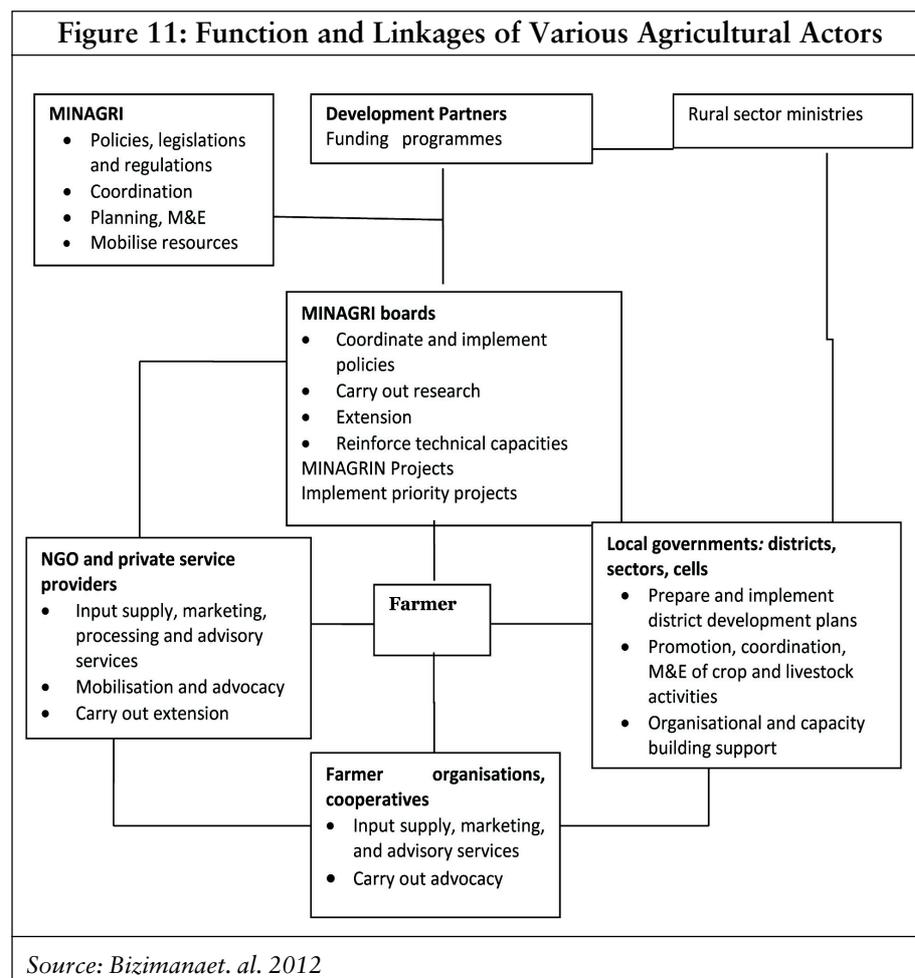
But critical is whether traders know and take advantage of trade reforms such as twenty-four hour border posts implemented by the government. The report finds that trans-boundary markets are not well organised, lack in market information and linkages, which encourage informal cross border trade in the commodities.

Political, Policy and Regulatory Challenges

The national level policies and regulations must address, and if possible, resolve tensions between the often-divergent interests of various stakeholders. As illustrated in Figure 11, agricultural sector include

farmers, traders, consumers, development partners and environmental groups as well as districts and sectors governance structures all of which pursue different self-interests. The governments must balance the competing concerns with welfare distribution of benefits accruing due to domestic and regional trade, and environmental consequences of agricultural production, while upholding regional commitments and environmental agreements. For example, the country operationalised work permits for non-Rwandans as defined in the EAC common market protocol despite the tight labour conditions in the domestic economy.

Bizimana *et al.* (2012) identified various institutions that are involved in the agricultural sector in Rwanda. These include government institutions, local governments, the private sector and NGOs whose action affects the overall performance of the agricultural sector and trade patterns.



Though agriculture remains the mainstay of livelihoods of the rural poor, agricultural production systems affect environmental variables such as water quality and flow, soil quality and movement, vegetation cover and biodiversity. But with increasing rural population, agricultural expansion and intensification the desire to address rural poverty and food security through agriculture indicate potential conflict between poverty reduction and environmental conservation efforts. Land and environmental regulations must confront this conflict between need for more food and adverse agricultural practices that reduce productivity. The introduction of land consolidation policy appears to address these conflicting and competing land uses.

The political commitment to the EAC integration necessitates domesticating regional agreements against divergent interest or impasses that arise, whereas the fulfilment of domestic goals depends on the actions of other trading partners. Preserving any gains need to recognise the importance of negotiations and skills across the negotiation phases; agenda setting, policy analysis, formulation, implementation, and evaluation in the policy process. The involvement of all stakeholders in setting the trade negotiation agenda ought to inform or restrict policy-makers view about the issues pertinent to food security and the final regulatory outcomes. The imposition of lower tariffs on imported rice is a case in point.

Despite linkages across many institutions and interests in agricultural sector, farmers' and consumer institutions need more involvement in setting the trade agenda, lack of which creates the possibility of policy capture by large scale traders and skewed administrative policy decisions and rules to the farmers disadvantage. The study finds that farmers and consumer institutions lack the requisite negotiations skills to engage with bureaucrats on policy and regulatory choices on trade and environmental strategies. Exclusion of the rural poor creates political disempowerment where poor farmers are considered as passive beneficiaries of benevolent social planners. They are likely to be disadvantaged if negotiators' are non-benevolent but self-interested agents for trade lobbies. This would impact the level of environmental measures adopted, food availability and access across the country. In this regard participatory planning is desirable to promote inclusion, more democratic decision-making and decentralised control over natural resources by the central government.

The United Republic of Tanzania

Overview of Economy

Tanzania has a population of approximately 40.7 million people and a GDP of about US\$27.98bn (World Bank, 2012). The country ranks among the poorest countries in the world with a GDP per capita (at Purchasing Power Parity) of around US\$1,700. The majority of the population survives on less than US\$1 a day (positioning the country at rank 203 out of 208 countries). The economic structure, with a dominant agricultural sector and gold as its main export product, is typical for a low-income developing country. However, stable economic growth at around four per cent during the last decade has fuelled hopes that Tanzania has finally found itself back on the path. Growth accelerated from 3.5 per cent on average in the 1990s to seven per cent on average in the 2000s and has been remarkably stable over the decade. The Tanzanian economy has been considered to be among the five fastest growing economies in the world with an average growth rate between 5-7 per cent in recent years (United Republic of Tanzania, 2012). It has been considered resilient to regional and global turbulence and is expected to remain buoyant with a GDP growth forecast of seven per cent in 2013 and accelerate to 7.2 in 2014, well above the regional averages. This growth is attributed to the growth in services, industry and construction sectors.

The Tanzanian economy is heavily dependent on agriculture, which accounts for more than one-quarter of GDP, provides 85 per cent of exports, and employs about 80 per cent of the work force. The country is well endowed with a high potential base for agriculture development, yet productivity remains very low. Agriculture is predominantly characterised as a smallholder business, with farm sizes ranging in size from 0.9 to 3 hectares, dedicated to subsistence with limited marketable surpluses. In addition, the agricultural sector is characterised by traditional farming methods with low levels of technology, low utilisation of modern inputs and inefficient resource allocation (Mashindano & Kaino, 2009; Runyoro, 2006). It has poor linkages to other domestic sectors, with a poorly developed marketing system in general and under-developed infrastructure that affects access to both domestic and international markets.

Although food production has been increasing marginally and in some years exceeded the theoretical overall food requirements, the nation's nutritional energy requirements are far from being met on a sustainable basis. Tanzania is reported to experience major cyclical food insecurity

after every four years with pockets of food insecurity across some regions year to year. This is attributed to the vicious cycle of low inputs use, low productivity, and lack of surplus, low market prices and other post-harvest losses. According to the National Food Security Division of the Ministry of Agriculture, Food Security and Co-operatives, there has always been a deficit in production of cereals as compared to the required consumption quantities since 2008. However, there has been a surplus for non-cereals over the same period.

The major causes of food insecurity in Tanzania are considered to be: overdependence on rain in agriculture production, lack of farmers' education, low R&D expenditure, inadequate transportation infrastructure (roads and storage facilities), lack of irrigation infrastructure, poor health conditions and diseases, culture and tradition, reliance on a narrow range of food crops as staple and poor governance, among others (Bamwenda, Hangi and Mashindano, 2013).

There are a number of policies put forward by the government of the United Republic of Tanzania to improve her trade with the rest of the world. To improve on her export trade, Tanzania has adopted the export diversification strategy by moving towards and focusing mainly on non-traditional exports consisting of gold, fish and fish products, vegetables, oil seeds, horticultural products and manufactured goods. Value addition in main trade activities has also been enhanced especially in the livestock sector.

In the year 2010 most of Tanzania's exports (19.6 per cent) went to the EAC member states followed by Asia (16 per cent) with 11 per cent to South Africa and 12 per cent to the EU countries (TMEA, 2010; EAC Business Report, 2011). However, with the enforcement of the EAC Common Market Protocol in 2010, Tanzania's exports are reported to have increased tremendously to the US\$7bn by April 2012 with 4.8 per cent of exports to Kenya and up to 25 per cent to the EU. Most of the exports to EU are agricultural goods and live animals (TMEA, 2013). Tanzania's share of rice exports in the EAC market has been larger than other markets with Kenya being the lead export destination followed by Uganda. This is attributed to the implementation of the EAC customs union protocol, which became effective in July 2011.

The Importance of Maize and Rice in Tanzania

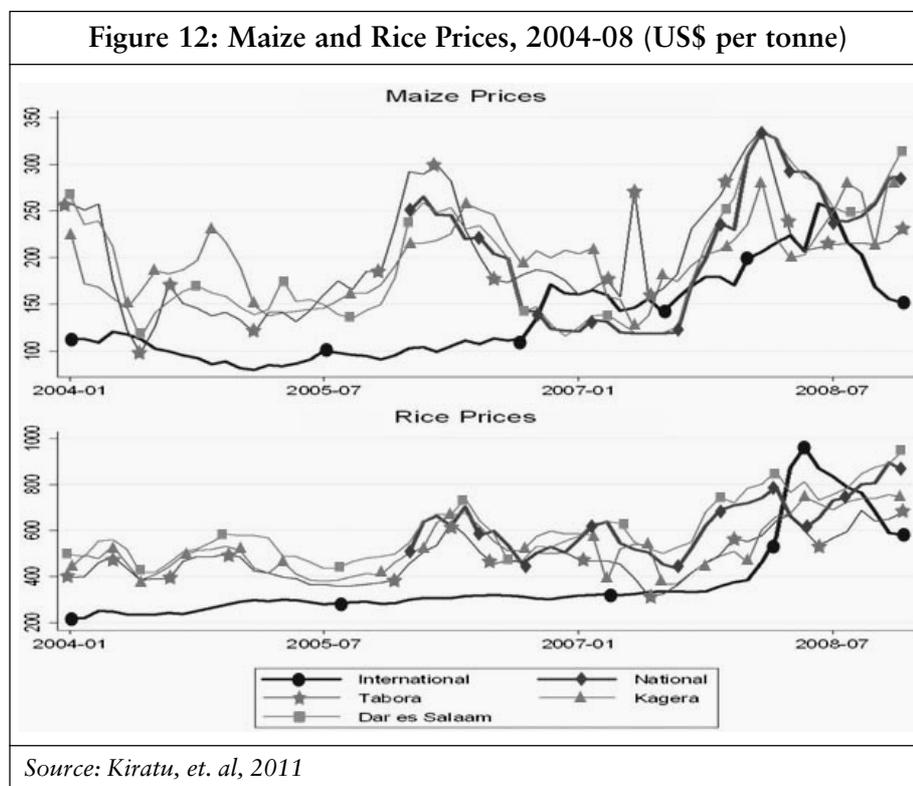
Tanzania essentially produces white maize. Annual production estimates by the Ministry of Agriculture, Food Security and Cooperatives estimated that 3.3 million tonnes are grown on 4.9 million ha of land, with an average land holdings of 0.67 ha. Tanzania's production levels are just meeting local demand with very limited exports of approximately 90,000 tonnes per annum and small irregular imports of mostly seeds or for food security. Maize is the most important staple crop in the food security policy and has been subject to regular export bans (Match Maker Associates, 2010). This is one reason that could account for disincentives for increased production and new investments by large private sector actors.

Maize prices in Kenya are on average 20 per cent above local Tanzanian prices, which is another reason why cross border trade could increase provided Tanzanian farmers manage to compete with Ugandan production and transport costs. The maize sub sector channels are characterised by lengthy brokerage services dominating at village, district and national urban markets. The market margins are generally quite high signifying inefficiencies in supply chains and prices vary greatly between seasons (during harvesting and periods of scarcity). In addition, post-harvest losses are quite significant and productivity levels are low. Actors with access to storage facilities and financial services are the only ones able to take advantage of price fluctuations.

On the other hand, rice is the second most important crop in Tanzania after maize and mostly used as a cash crop. Tanzanian rice productivity is lower than most neighbouring countries and one of the lowest in the world. Furthermore, Tanzania hardly meets its own rice demand and, therefore, imports large quantities, mostly from South-East Asia. However Tanzania is the second largest rice producer in Eastern Africa. Tanzania's total rice production is 899,000 MT, from which a small part is exported to neighbouring countries. Around 90 per cent of the rice production is by (subsistence) smallholders and production concentrates in Mbeya, Morogoro, Arusha, Iringa and Dar es Salaam regions. The rice subsector is highly fragmented with millers and brokers playing a central role in the trading process. The supply channels are generally long and the produce changes many hands before reaching the final consumer. A few more structured supply chains are emerging and there is increasing interest from large (foreign) investors.

The demand from urban medium-high consumers is increasing for quality and branded aromatic rice, which is primarily produced in Tanzania. Likewise most neighbouring countries have rice deficiencies, which make the regional block a highly attractive market if efficient supply chains can be developed. Export bans imposed by the government motivate more structured supply chains to penetrate this market segment.

A notable feature is integration between the Tanzania and international maize and rice market prices (Kiratu *et al*, 2011). As indicated in Figure 12, national and regional prices follow very similar paths and are not perfectly in line with the international price.



In particular, Tanzania’s 2006 food shortage can be shown by peak prices during this time, whereas international prices remained largely stable. In addition, it is notable that domestic prices are significantly higher for most of the non-crisis period, often double or three times the international price. Finally, domestic prices plummeted temporarily in the second quarter of 2008, despite rising international prices. This could mimic the

effect of trade related policy measures implemented by the Tanzanian government to fight the crisis.

Trade Reforms and its Implications on Agriculture

Over the four decades of independence, Tanzania has pursued diverse economic policies culminating in major changes in trade policy with profound consequences on expansion of trade and economic development. The first major policy initiative was consequent to the Arusha Declaration in the 1970s, followed subsequently by the Structural Adjustment Programme (SAP) initiated in 1986. The initial trade policy reforms took the form of informal trade liberalisation measures initiated in 1984 based on the liberalisation of imports and of exchange controls through partial retention of the proceeds of own exports. The formal introduction of the Economic Reform Programme (ERP) in 1986 facilitated the extension of the liberalisation initiative to include wide spread price de-control, and the removal of import restrictions through the introduction of the Open General License. The ERP introduced a series of measures designed to establish a market economy based on free trade through gradual introduction of policies that complement and facilitate effective functioning of trade policies (United Republic of Tanzania, 2003).

With regard to agriculture development, the government initiated the *Kilimo Kwanza* agricultural development vision, with the aim of putting the country's abundant base of renewable natural resources to full productive use. Tanzania possesses 15.1 million hectares of highly productive arable land and the government has committed itself to adopting appropriate policies revising existing strategies (ASDP/DADPs), and testing new approaches to agriculturally driven growth. Under *Kilimo Kwanza* the government hopes to develop and test new forms of public private partnership and new business models which comply fully with the programme's mandate and which bring into Tanzania's agricultural sector the set of "know how" and "know who" which only strategic investors possess.

However, despite the reforms, the government often react with protectionist policies, for example, export bans, price, buying on domestic markets and making subsidised distribution to the most vulnerable, combined with trade restrictions to keep own production in the country. Furthermore, Tanzania's agricultural markets are not well integrated with international markets; nonetheless, the sector was still vulnerable to international shocks.

The Role of the State on Safeguarding Food Security

The government directly and indirectly plays a significant role as far as food security is concerned in Tanzania. Direct government interventions are largely evident through export and import controls, provision of food subsidies, credits to producers, price determination through purchase and sale of food grains and food assistance. For instance, during the recent 2008 food crisis, the government imposed temporary export bans of agricultural products and temporary tariff reductions for the import of these products. The government authorised the imports of around 300,000 tonnes of maize duty free and imposed an export ban on all agricultural commodities (FAO, 2008). By the end of 2008, the government announced that it would make maize flour available at a subsidised price.¹⁶

Tanzania's Strategic Grain Reserve (SGR) was decreased significantly mainly due to sales of maize and sorghum to the World Food Programme, the Prime Minister's Office and other public institutions as well as private traders to alleviate food shortages in some areas. By the end of July 2008, the SGR had only 75,438 tonnes left, which is 41.7 per cent lower than July 2007.¹⁷ Similar bans were recently imposed in March 2011 in response to spikes in maize prices in the bid to prevent domestic shortages and sale across borders.¹⁸

To enhance rice production, government introduced the National Agriculture Input Voucher Scheme (NAIVS) to provide fertiliser subsidies to rice farmers and provoke the shift from cotton to rice production.

In the medium to long-term, the enactment of the Cereals and Other Produce Act of 2009 is a significant development affecting both maize and rice market development in Tanzania. This Act creates a new Board and vests it with significant powers to intervene in rice and maize markets. Importantly, the Board is further empowered to carry out commercial operations, to buy and sell cereals, to import and export cereals, to process them, to provide warehousing services, to clean, dry, weigh, grade and package and to perform other commercial functions which the Minister approves which aid the development of trade in cereals. The Act further creates a set of Zone Councils which would be responsible to act as a liaison point with the local farmer groups, develop local market information services and further act as a consultative forum in which local farmers and traders can discuss and resolve their differences. The Act also creates a new regulatory authority – the Cereal and Other Produce Regulatory

Authority to among others regulate and control the collection, movement, marketing, transportation, importation and exportation and supply of cereals.

Furthermore, under the *Kilimo Kwanza* initiative, the country seeks to put its abundant base of renewable natural resources to full productive use by developing a platform of large-scale commercial farms. The government controls large tracts of underutilised prime arable land. Government agencies control an estimated two million hectares of dormant land and comparably large holdings have been entrusted to co-operatives, which are under performing.

The Role of Non-state Actors on Trade Reforms and Food Security

The private sector, NGOs and the donor community have equally played key roles in nurturing trade reforms and ensuring food security in Tanzania. There are numerous project interventions by NGOs, donor agencies and the government. The findings of the field survey established that activities of NSAs revolved around the following: supplying agricultural inputs (seeds and fertilisers) for both maize and rice to the farming communities; produce, marketing, buying and distribution; enhancement of production, linking the private sector to government with the view of promoting private sector development, facilitating community development work as well as research and policy analysis.

Traders' associations are involved in transforming the maize and rice sectors from growing for subsistence to commercialisation. These work hand in hand with farmers' associations to advocate for better farm gate prices. International NGOs are also involved in these sectors by facilitating the local NGOs (RUDI) in forming district advocacy or lobbying teams as well as providing technical assistance for policy development in agriculture.

Farmers' cooperatives and associations collaborate with government agencies in advocacy and over-seeing policy dialogue as well as monitoring policy implementation. Community-based Organisations (CBOs) and NGOs collaborate with villages authorities when action is to be taken for policy implementation and monitoring. However, it was pointed out that the participation of CBOs and NGOs in the subsidy programmes is very much limited.

To promote food security, small-scale farmers and vulnerable groups respond to environmental changes through crop management practices as well as livelihood diversification. These have been managed through tree planting, early crop planting and use of fertilisers. They also envisage deficiency in food supply arising from environmental change. Women play a very important role in production of maize and rice in Tanzania and contribute up to 70 per cent of the labour force involved in planting, weeding and harvesting.

In addition, as part of a series of policy reforms under the New Alliance, and with the assistance and recommendations of US researchers working to evaluate the full impact of the export ban, government lifted export bans on maize and embarked on reforms geared toward establishing a more stable and transparent trade regime that reduces tariff and non-tariff trade barriers.

The Tanzania Agricultural Partnership (TAP) has received through the Agricultural Council of Tanzania (ACT) support from the European Commission (EC) for the scaling up of the rice and maize value chain development activities in thirteen high potential districts of Tanzania. Since 2006, TAP has been implementing a Fertiliser Fast Track pilot PPP programme in five districts of Tanzania.

Furthermore, there is support to Agriculture Research for Development of Strategic Crops in Africa (SARD-SC) funded by Africa Development Bank CGIAR (2012). The aim is to increase food security and improvement of profitability of smallholder farmers through improvement of the value chains of wheat, cassava, maize and rice being the important staple crops.

Besides, through *Feed the Future* initiative, the US government through her global hunger and food security initiative aims at improving rice productivity by linking smallholder farmers with major rice vendors and markets by working closely with Tanzanian Rice Partnership, established under the auspices of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). This is being done through strengthening the rice value chain from farm to market, through interventions that help farmers organise themselves into associations, and introduction of new production and post-harvest practices.

The Nature and Role of Trade and Trade-related Politics on Food Security
Balancing between national and regional interest remains a key challenge for Tanzania as far as trade reforms and food security is concerned. For instance, whereas the government's intentions are to be self-sufficient in food production and to make staple foods available to her citizens, direct market interventions by the government exacerbate the food insecurity situation in neighbouring countries, pushing up prices even more in those countries, while producers in Tanzania are not benefiting from these high prices.

The other political economy issue in Tanzania is the relationship between landowners and the state. Currently, government agencies control an estimated two million hectares of uncultivated land and comparably large holdings have been entrusted to co-operatives, which are under performing. At the same time, a total of 640,000 ha have reportedly been leased, out of which 500,000 ha to Saudi Arabia for rice and wheat production. According to Ncube (2012), while the government may see it as a development model, given the lack of fiscal space to support capital-intensive projects, most land deals lack effective contract negotiations and are characterised by below-market level fees. In other cases, the land acquisitions are held for speculative purposes given the sketchy details of implied investments (after acquisition) and the low land fees, which make secondary land transfers very lucrative.

In addition, land issues remain a very emotive issue within the EAC region and although Article 15 of the Common Market Protocol provides for access to and use of land as governed by the national policies and laws of the Partner States. Tanzania has been categorical that land will not be part of the EAC integration process, and calling on all investors from the regional bloc wishing to invest there to follow available channels and national laws.

Major Challenges and Constraints

Constraints to Trade Reforms and Food Security

Despite the increasing trend in production of maize and rice in the country, production per acreage particularly for small farmers is reducing due to climate change, poor fertility soils, persistent draught and pests and diseases. This has led to the failure of the formal safety nets intended to protect the poor. Shortages in supply of maize and rice are attributed to poor weather/climatic conditions, lack of inputs e.g. good quality seeds,

fertilisers, lack of storage facilities and poor road infrastructure. Lack of awareness by farmers about new technologies in terms of improved varieties and conservation agriculture technologies to enhance productivity has also contributed to low maize and rice production.

Findings also indicate lack of coordination between farmers and the other stakeholders which also relates to poor market prices leading to low returns on maize and rice. The low farm gate prices have made most farmers to divert their efforts to cash crops like tobacco from maize and rice. Price fluctuations are also a problem because of the uncertainty it causes. Farmers are no longer sure of the returns to expect from their produce given the efforts they put in. Unreliable water sources for irrigation coupled with unpredictable rainfall have also led to low productivity especially in rice growing regions. Pests and diseases together with limited appropriate soils have affected growth and production of rice.

A number of weaknesses in the institutional and regulatory framework in addressing food insecurity include; lack of storage facilities right from the grass roots level starting with small-scale farmers; poor farming methodologies leading to low productivity; lack of a coherent relationship between farmers, NGOs, technocrats, politicians as well government through its ministries and other agencies; and lastly lack of proper sensitisation to the public concerning policy and new developments that link agriculture productivity and trade and lastly corruption in the value chain.

Constraints to Cross-border Trade

The government effectively protects the local market for rice for local producers by imposing 75 per cent import duty. Since this duty applies effectively only to rice imported from beyond the region (no other East African country grows rice to the extent of Tanzania), its continuance is likely even after the pending implementation of the regional free trade agreement. The corresponding tariff, which applies to maize, is not stable and this tariff has historically been raised or lowered depending on government's assessment of production levels and resulting levels of maize self-sufficiency in the coming market. Trade protections then for rice are high and constant and for maize lower but variable. Neither set of conditions is conducive to large-scale private sector investment in export trading. Findings indicate that issues that hinder cross-border trade include currency differences, differences in government structures as well as corruption among border and government officials. The state of

infrastructure is also a big hindrance to both road infrastructure and non-functioning railway line across the borders within the EAC.

Tanzanian traders also indicated stiff competition, especially from their Kenyan counterparts, as a challenge. This is mainly attributed to aggressiveness of Kenyan traders and the stronger currency as compared to currencies for other EAC Partner States.

Political and Regulatory Challenges

The land policy in Tanzania is also a hindrance to EAC laws or requirement. This is because land is mainly owned by government and the bureaucracy involved for individuals to own land limits agriculture expansion and growth. It has been pointed out that a significant proportion of people in Tanzania have no right to occupancy of land. The few who own land are mainly men yet women spearhead food production. Lack of authority over land by women has frustrated their efforts in maintaining food supply and thus increases food insecurity at household level.

The other finding is the perception that Kenya stands to benefit most from the trade reforms taking place in the EAC. This is mainly attributed to Kenya's strong currency as compared to currencies for other EAC Partner States. It is also cited that Kenya is the central market of most agricultural products from mainly Uganda and Tanzania which are the main producers in the region yet have weaker currencies.

The Republic of Uganda

Overview of the Economy

Uganda is a landlocked country in the EAC bordering Kenya from the east, Tanzania from the south, and Rwanda from the southeast, Democratic Republic of Congo from the west and South Sudan from the north. Uganda has a total area under land of 199,807km² with 41,743km² under water and swamps. The Ugandan economy has been considered to be among the six fastest growing economies in the world with an average growth rate of six per cent over the last five years owing to high diversification and increased performance in the agriculture –based economy, United Nations (2013). Uganda has also reduced her balance of payment (BOP) deficits over time registering a surplus in 2009. Her population growth is 3.4 per cent, among the top three growing rates in the world with a fertility rate of 6.7 children per woman (The Republic of Uganda, 2012). Uganda is basically an agriculture-based economy

employing up to 66 per cent of Uganda's population and contributing up to 22.9 per cent of her GDP at current market prices (UBOS, 2012). However, in 2011-2012, agriculture value added declined by 2.6 per cent from 1.8 per cent within the same year while cash crop value added grew by 5.7 per cent. Value added for food crops dropped by 4.4 per cent while for livestock and forestry grew by 0.9 per cent and that of fishing also declined by 10.5 per cent (UBOS, 2012).

Despite the increasing and 23.7 per cent current contribution of agriculture to the Uganda's GDP, the budgetary allocations to this sector have been very low over time and currently dropped to 3.3 per cent of the 2013-2014 budget (Republic of Uganda, 2013). It is absurd that despite Uganda being a signatory to the Maputo convention that advocates for up to 10 per cent of the budgetary allocation to the agriculture sector, she has not achieved even a half but instead reduced the percentage allocations. All this contradicts the National Development Plan, which is guiding instrument for budgetary allocations and advocates for an increment of agriculture allocations till 2014-2015 (NDP, 2010).

Some of the key indicators of agricultural production in Uganda are shown in Table 9.

Crop	2008 Area ('000Ha)	2008 Production (000'T)	2009 Area ('000Ha)	2009 Production (000'T)	2010 Area ('000Ha)	2010 Production (000'T)	2011 Area ('000Ha)	2011 Production ('000 T)
Plantain-Banana (all type)	916	4229	942	4,522	978	4,694	979	4,895
Maize	1,052	2,315	942	2,355	1,031	2,374	1,063	2,551
Millet	196	275	192	250	167	268	172	292
Sorghum	285	342	340	374	355	391	364	437
Rice	68	178	86	206	87	218	90	233
Beans	651	912	616	925	633	949	654	915
Cassava	846	2,876	777	2,952	794	3,017	822	2,712
Sweet Potatoes	427	1,794	463	1,943	442	1,987	450	1,798
Groundnuts	383	230	369	258	394	276	409	327
Simsim	165	99	192	115	198	119	203	142

Source: MAAIF and UBOS (2012)

With regard to climatic conditions, temperatures are likely to increase by up to 1.50 Celsius in the next 20 years and by up to 4.50 Celsius by 2080 due to climate change. Rainfall is postulated to increase by 10-20 per cent over most of the country (IPCC, 2007). It has been pointed out that there is increasing frequency of drought events and also increased rainfall variability in recent years, that is linked to climate change (Uganda's NAPA 2007). Uganda experienced floods in 1961-62, 1997-98 and in 2007 which led to wide spread infrastructure damage, displacement and destruction of livelihood assets (UNAAP, 2007). In recent years (2010-2012) some parts of the country have been experiencing mudslides destroying lives, homes and crops. Droughts have also become more severe and taken a significant toll with a frequency 13 droughts recorded in the period 1991 to 2006, which have affected food production hence food insecurity. This has also led to increased malnutrition cases, poverty, illnesses, asset loss and migrations (Hepworth and Goulden, 2008).

The Importance of Maize and Rice in Uganda

Maize is not a major staple in Uganda, but is largely sold as a commercial crop. Therefore, the rise in regional and international maize prices had a positive rather than a negative impact on food security in the country (FEWSNET, 2009). Between 2010 and 2011, area under cultivation for maize increased by three per cent. Another major (cash) crop in Uganda is rice. Maize and rice prices increased substantially end of 2007, beginning 2008. In 2011 maize took 19.0 per cent of the total area under cultivation which was lower than 19.6 per cent in 2010 (UBOS, 2012). Other than the EAC-CET rate policy for rice, Uganda has an open border policy for trade in food staples especially maize. The production enhancement policies for both maize and rice are managed domestically. Thus, among the major cereals produced in Uganda, maize is grown more than others and has increasingly become a staple food for households in Uganda (Ddamulira, Nalunga and Isabirye, 2013). However, it was noted that despite the increase in production of such kind of cereals, overall production has not significantly increased as compared to population growth.

The cereal prices in Uganda seem to be influenced more by regional dynamics (several failed harvests in the northeast and large demand from both Sudan and Kenya in 2008) than by international prices. According to previous IFPRI study (2008), there may, however, be secondary effects of high global food prices, especially when it is coupled with regional effects, such as the 'uncharacteristically high demand from Kenya', which resulted from the political turmoil. When Ugandan food prices enable

food traders from neighbouring countries (e.g. Kenya, Tanzania, Rwanda) to profitably import food from Uganda (or Ugandan traders to profitably export), local markets will see an increase in demand and the prices Ugandan consumers face will rise.

Trade Reforms and its Implications on Agriculture

Trade reforms in Uganda can be traced back in 1980 but were halted by the civil war till 1987 when the new government came in power. In 1987 under the Economic Recovery Programme (ERP), the implementation of the trade reforms began as a result of the agreement between the Uganda's ruling party – the National Resistance Movement (NRM) and the international institutions. International institutions advocated for limited state intervention encouraging liberalisation of the economy and a free open market oriented economy. It was argued that protecting domestic industries against foreign competition creates distortions that have negative consequences on exports impoverishing the domestic economy. The Washington Consensus states that the basic principle of the trade policy is “Access to imports of intermediate inputs at competitive prices that would enhance export promotion” (Williamson, 1989).

Structural Adjustment Programme (SAP) on trade policy aimed at stabilisation of the exchange rate and elimination of trade barriers that included export taxes and reduction in tariffs was adopted. Later this was extended to rationalisation of tariff bands, reduction in non-tariff barriers to bring the non-traditional exports' sector on board; and pursuit of regionalism among other barriers to trade. Among the key components of trade reforms in Uganda is export diversification (Uganda's NAPA, 2007).

The success of these reforms according to Jaimovich and Kamuganga (2010) is viewed in three ways, whereby Uganda's basket of exports has expanded including both traditional and non-traditional exports. The number of trading partners has also significantly increased and the share of manufactured products has also expanded. Uganda now has vision 2040. The vision seeks “A transformed Ugandan Society from a Peasant to a Modern and Prosperous Country within 30 years.”

Uganda's economy being agricultural based with over 78 per cent of her exports from agricultural products has led the government to confront a number of initiatives and strategies to improve agricultural productivity. Among the initiatives is Plan for Modernisation of Agriculture (PMA)

2000-2009 that aimed at transforming Uganda's predominantly subsistence farming into a market-oriented, commercial sector. This plan had support programmes of NARO, NAADS through which the government hoped to ensure every family earnings to increase to a minimum of Ushs20m per year. Agriculture Development Strategy and Investment Plan 2010-2015 preceded the PMA (Republic of Uganda - MAAIF, 2010). Both PMA and ADSIP had support programmes aimed at enhancing production and productivity, improving market accessibility, creating an enabling environment and value addition. Other strategies include export and import diversification to reduce the increased importation of agricultural products like rice, vegetables and fruits, dairy products and other beverages. Uganda is also a member of NEPAD, which identified agriculture as important in economic development of African countries and also noticed the weaknesses of member countries' agricultural policies. NEPAD initiated the CAADP and APRM to improve agricultural policies on the African continent.

Uganda's open trade policy for food staples has also enabled its traders to offer products and services competitively, reliably, and sustainably; and Uganda is now a food basket for East Africa. There is no export restriction on agricultural products, nor has the government instituted any export bans, quotas or any other trade restrictions. Consequently, the flow of maize from Uganda to Kenya is one of the larger and more consistent cross-border flows in the region (of approximately 120,000 tonnes per year). There is also cross-border trade with Rwanda (50,000 tonnes), and South Sudan is becoming a growth market for Ugandan products.

In addition, a distinctive feature of the Ugandan market is the significant presence of the World Food Programme (WFP) and its procurement programme. Maize and beans are procured from there, and the former accounts for the largest proportion of maize the WFP procures in Africa (21 per cent in 2010), excluding South Africa (which accounted for 24 per cent in 2010). The WFP buys Ugandan maize and beans for distribution to internally displaced people in the country but also sends shipments to Kenya, Burundi, Tanzania, Sudan, DR Congo, and Rwanda, which periodically face food shortages. The volumes purchased reached 109,000 tonnes in 2010. The maize policy of the Ugandan government allows and encourages cross-border trade and the WFP procurement programme, which has encouraged a supply response from farmers to produce more maize and beans, at least the largest ones able to meet WFP's quality and quantity requirements.

However, trade openness alone does not guarantee immunity from domestic food price hikes. Sound macroeconomic management more generally is equally important. Uganda, for example, suffers one of the highest rates of inflation in the region at 28.3 per cent, much of this coming from food prices. Inflation has been a combination of drought conditions putting pressure on normally bountiful harvests, currency depreciation in light of the Euro zone confidence crisis, and the surge in global food and fuel prices. With the economy already close to full capacity, and the monetary policy responses to the shock not robust, both food and non-food price increases have escalated dramatically in recent months (Hagblade *et al.*, 2008; World Bank 2009; and IMF (2011).

Finally, a number of policies have been put in place to improve food security, productivity and nutrition. These include the Agriculture Sector Development and Investment Plan 2010-2011 – 2014-2015, the Uganda Nutrition Action Plan 2011-2016, Uganda Food Nutrition Policy 2003 and, the Uganda Food and Nutrition Strategy, and Investment Plan 2004.

In light of CAADP policy, the Agricultural Credit Facility (ACF) was set up by the Government of Uganda (GoU) in partnership with commercial banks, Uganda Development Bank Ltd (UDBL), micro deposit taking institutions (MDIs) and credit institutions all referred to as Participating Financial Institutions (PFIs). This was intended to provide medium and long-term loans to projects engaged in agriculture and agro-processing on more favourable terms than are usually available from the PFIs. The Bank of Uganda (BoU) administered the programme, with provision for a maximum grace period of three years and the interest rate to the final borrower being a maximum of 10 per cent per annum.

Given the climate change, in a bid to increase productivity of some crops for example rice, government introduced upland rice, which can be grown in uplands with great use of fertilisers. Although production of rice can be immensely increased, its growth has negative impacts on the environment since it requires use of cleared virgin forest land or land that has been under fallow for 3-5 years or use of fertilisers. Without the above, growing upland rice may lead to soil erosion. Besides, use of fertilisers is costly for Uganda's small-scale rural farmers and thus leading to this scheme not yielding to its expected maximum. According to Sasakawa Global (2000), among factors that have led to low productivity of rice are the birds that are said to possibly destroy up to 100 per cent of the rice crop and thus low or zero yields.

In collaboration with SG 2000, the Ugandan government has implemented initiatives for agricultural production enhancement. Extension services include NAADs and PMA, which supply a range of services to farmers from inputs to diversify crops and initiation of livestock and agro-processing enterprises to improving market linkages. One Stop Centre Associations (OSCs) which are village based groups were also created. In addition, between 2001 and 2008, SG 2000 focused on establishment of infrastructure for the OSCs, leadership capacity building and enterprise development. Enterprise development revolved around seed multiplication and supply (quality protein maize, improved NERICA rice varieties, groundnut and pigeon pea), as well as post-harvest handling, bulk grain marketing and agro-processing.

In 2009, a partnership was launched with the Uganda National Agro-Inputs Dealers Association (UNADA), aimed at strengthening the ability of member dealers to offer sound agricultural advice and to encourage the repackaging of their products with smallholder customers. In 2010, the Farmer Learning Platforms (FLPs) were also put in place and among the Technology Option Plots (TOPs) and Women Assisted Demonstrations (WADs). Maize, beans, upland rice (NERICA), soybeans, groundnuts, cassava, sweet potatoes and millet were included with 43 per cent of members being women. SG (2000) also registers on-going collaborations with emerging private seed companies, such as NASECO, Pearl Seeds, Victoria Seeds, FICA, Grow More Seed, East African Seed Company, and Mount Elgon Seeds, to encourage the availability and use of improved seeds. It also boasts of registering seven high-level farmer associations and 314 small farmers groups consisting of up to only 10000 farmers. This is quite a small number compared to Uganda's population involved in farming. Smallholder farmers through the construction of 77 storage facilities, 95 drying floors, have registered increased maize and rice production with a reduction of post-harvest grain losses.

The Role of State in Addressing Food Security Issues

Generally, the approach taken by the government has been to improve agricultural production by increasing the efficiency and effectiveness of the agricultural extension service through the National Agricultural Advisory Services (NAADS) programme. NAADS aims to develop a demand driven, farmer-led agricultural service delivery system targeting poor subsistence farmers, with special emphasis on women, youth and people with disabilities.

Through the Ministry of Trade, Industry and Cooperatives (MTIC) that has a constitutional role to formulate policies, strategies and programmes in relation to trade formulation, industrialisation and co-operatives promotion, the Government of Uganda is trying to promote trade to achieve food security among other objectives. The MTIC is guided by a number of key policy instruments that include the National Trade Policy, the Strategic Development (five year) Plan, Industrialising Policy, the National Development Plan and the EAC Customs and Political Act.

Through this Ministry, government has undertaken a number of trade policy reforms relating to maize and rice and in harmony with the EAC policy reforms. For the case of rice, the CET rate as well as any other ministerial decisions from Arusha in regard to trade in rice are upheld. Policy reforms in relation to maize are managed domestically with domestic policies guiding the development of the maize sector. The Quality and Standards Improvement through the NSQP is another policy reform relating to maize production and trade. This has been achieved by amending the Uganda National Bureau of Standards Act. Another policy reform is in relation to improvement of storage and marketing that is being done through the Warehouse Receipt System.

The key players in the value chains for the two crops include NAADS providing the advisory role to enhance productivity, National Seed Companies (NASCO), seed distributors, farmers who are the producers and other input distributors (agro-chemists), middlemen and traders/millers as well as livestock farmers, transporters who provide transport and enable distribution of both the inputs and outputs, government, MTIC and the Ministry of Agriculture for policy formulation and development.

Through the department of cooperatives, a Warehouse Receipt System has been introduced where maize grain is graded, dried, bagged and stored. These warehouses guarantee to maintain the quality and quantity of the grains for the depositors until it is transferred to whoever buys the receipt from the depositor. Through this system, depositors are also give loans of up to 60 per cent of the value of their grain. The Uganda Commodity Exchange instituted in major production centres across the country is another major communication channel. These are situated in the districts of Kapchorwa, Jinja and Gulu among others. Ministry policy statements are communicated through a generic sensitisation programme carried out by ministry officials in conjunction with the district commercial and agricultural officers as well the Uganda Grain Council.

To ensure adherence to these rules and policies, sanitary and phyto-sanitary (SPS) measures have been put in place. Agencies like the UNBS have been empowered to carry out their duties in regard to standards enhancement and the legal system is applied together with licensing. However, monitoring and enforcement is not yet on ground and it is amiss that even the enforcers themselves also break the rules. This has contributed to a lot of laxity in monitoring and enforcement.

In implementing policies and regulations in regard to trade in maize and rice, Uganda's Ministry of Trade and Industry works hand in hand with URA and the MoFPED on taxation, the Ministry of Agriculture and National Bureau of Standards on issues of SPS. This brings about convergence in policy formulation to cater for cross cutting issues across related agencies and ministries. However, complaints are solved at the technical level involving especially the permanent secretaries of the respective ministries.

The Role of Non-State Actors in Addressing Food Security Issues through Trade

A number of farmers and traders associations as well as other CBOs and NGOs were consulted. The mandate of farmers' associations is produce and marketing, enhancement of production, mobilising young people to be involved in agriculture and promoting agro-pastoral projects in Karamoja. Some of these co-operatives are community-initiated and they market through group buying and selling. This is an avenue of reducing transport costs as well as for personal development. The mandates of traders' associations is marketing and uniting as well as co-ordination of traders.

Some farmers' associations are aware of the National Trade Policy (NTP) and the National Agriculture Policy (2011) which are key guiding instruments for their activities. It is, however, absurd that most of these associations are not aware of any domestic and/or regional liberalisation or policy reforms for maize and rice seeking to address food insecurity in Uganda or EAC. This is attributed to lack of exposure of the relevant policies to the local farmers, thus they are not informed on the available policies.

These associations are involved in implementation of the policy reform through organising advocacy programmes. These programmes mainly focus on getting more funding for the youth farmers' in the maize and rice

sectors. They also ensure implementation of the policies by the farmers and trying to follow up government to implement their mandate. Farmers' cooperatives and associations relate with CBOs and Uganda Farmers' Federation as well as other government agencies in advocacy and overseeing policy dialogue. It is also reported that organisations intervene in terms of standards at individual level. Some associations mainly focus on financing the maize and rice sectors. These societies also participate in agricultural input supplies to avoid unequal distribution. Most of these associations collaborate with NGOs and Uganda Farmers' Federation for training in agriculture productivity enhancement and produce marketing as well as farmers co-ordination. While others collaborate and partner with the district local governments in some projects, some farmers practice group marketing and selling to large farmers while others sell to local buyers.

To promote food security, small-scale farmers and vulnerable groups respond to environmental changes through crop management practices as well as livelihood diversification. These have been managed through tree planting, early crop planting and use of fertilisers. They also envisage deficiency in food supply arising from environmental change. Women play a very important role in production of maize and rice contributing up to three quarters (3/4) of the labour force in planting, weeding and harvesting. However, men take the lead role in managing the produce mostly ending up selling all or almost everything and leaving little or nothing for home consumption.

The media has been useful in disseminating the policy statements and guidelines, while workshops have also played a great role in dissemination of such information as well as for sensitisation purposes. In many instances, stakeholders' consultations have always been done especially policy formulation and development.

The Nature and Role of Trade and Trade-related Politics on Food Security
Uganda being a food basket for the EAC as well as for the Central African region, supplies agricultural produce especially maize to mainly Kenya, Rwanda and Burundi region (IFPRI, 2008). However, whereas Uganda has conformed to the EAC protocol concerning free flow of such products across borders, it has been noticed that other Partner States are not abiding to this protocol fully. In particular from the neighbouring Kenya, where Kenyan traders have freely traded and acquired maize from Ugandan markets and farms, Ugandans are not free to do the same in Kenya. It has

also been noticed that Kenyan traders go as far as purchasing premature maize from Ugandan farms which they can not do in any other Partner State including Kenya. It is also believed that Kenyans only trade with Uganda when it is convenient for them and thus Uganda is also thinking of gazetting trade in maize. This has been observed during periods of bumper harvest of maize in Kenya when Kenyans do not purchase maize from Uganda and do not as well allow Ugandans to enjoy the bumper harvest in Kenya through accessing local markets in Kenya. Thus the business economic environment as far as maize trading is concerned is very open in Uganda and yet closed in other Partner States. This is a sign of very harsh business economic environment between Uganda and other Partner States Kenya in particular.

Traders get most of the market information by word of mouth through friends or relatives or business colleagues. Some traders scheme by investigating at different trading places the prevailing prices and the quantity and quality of food items on demand. Payments for both exports and imports are mainly in cash terms whereby it is hard to identify their transactions for record purposes.

The most common mode of transporting goods for small traders at the borders is by using push carts or by head. A few traders especially large traders transport their merchandise using vehicles. Most of the large traders transport their merchandise using more than one mode of transport thus they may involve head, bicycles as well as push carts.

Although traders at these border posts claim to pay both export duty, import tax as well as excise duty, they highly welcome the efforts by EAC for free trade across borders of the Partner States. In fact they advocate for reduced taxes on imported goods. However, some traders dislike the idea of regional integration. Trade at the borders may be facing a lot of hindrances, but one advantage is that there is no need for foreign currency to trade. All currencies can be used in this trade. This has been an advantage for small traders. Large traders however, claim to be affected by exchange rate distortions but also obtain foreign currency mainly through parallel markets.

It has also been noted that to a greater extent in Uganda, the policy environment allows for broad-based benefits regarding maize and rice. An example is NERIC that has been upheld for producing the best seeds, and as well government provision of good extension services.

Major Constraints and Challenges

Constraints to Trade Reforms

1. Financial constraints, which affects production sustenance and post-harvest management.
2. There is also a problem of limited supply of quality seeds, which leads to poor yields. It has also been noted that there are few areas in the country growing maize with low returns given the market pricing as well as pests and diseases that reduce farm productivity.
3. With regard to rice production, the major challenges include unfavourable weather conditions, pests and diseases together with limited appropriate soils have affected growth and production of rice. These have led to poor harvests and hence low productivity. Low market prices have also led to fewer returns, which was discouraging to farmers and thus has also affected productivity.
4. The other constraint pointed out is in relation to the land ownership policies in the country whereby land is mainly privately owned thus promoting small land holdings. Despite the willingness of individuals to expand on food production, this kind of land ownership limits them for the small holders may not be willing to rent out their small pieces of land to expand production.
5. Cultural factors. For instance, men, who have full power over the land and decide what is cultivated, traditionally own land. Our research found out that some men sell food from the gardens leaving women who would be the food managers to struggle on how to feed the family. This has critically affected food security in the country. Land grabbing was also cited as a constraint towards agriculture since it reduces on available land for maize and rice farming since most of such land is used for pastoralist and construction.
6. Weaknesses in the institutional and regulatory framework in addressing food insecurity have been pointed out. These include: lack of storage facilities right from the grass roots level starting with small-scale farmers to the parish level then at the district level and then silos at the regional level; poor farming methodologies leading to low productivity; lack of a coherent relationship between farmers, NGOs, technocrats, politicians as well government through its ministries; lack of proper sensitisation to the public concerning policy and new developments that link agriculture productivity and trade and lastly corruption in the value chain.
7. It has also been pointed out that foreign aid also threatens both the maize and rice sector when free and cheap food is provided.

Constraints to Cross-border Trade

1. The major reasons identified to be hindering cross border trade in the EAC region are non-tariff barriers in form of local government tax, especially in Kenya. This is confirmed by the complaints raised by traders of both maize and rice across the Uganda-Kenya border. Local government tax instituted by the Kenyan government has also been reported as a hindrance to trade between Kenya and Uganda. It has also been reported that whereas Uganda does not levy any tax on any food tracks entering Uganda from Kenya, the Kenyan government levy's a local government tax of Kshs.2000 per truck on Uganda tracks that have entered Kenya.
2. Complaints raised by traders are mainly price related, cartel related and NTBs. High prices have mainly affected the rice sector due to the 75 per cent CET rate.
3. Poor road infrastructure is also one of the major problems especially domestically in transporting produce to the market. This is confirmed by the complaints raised by traders of both maize and rice. These complaints are mainly price related, cartel related and NTBs. High prices have mainly affected the rice sector due to the 75 per cent CET rate.
4. A bigger problem is embedded in NTBs in terms of too many roadblocks reported in some Partner States which delays transportation of the goods to their destination in time.
5. There is also a problem of lots of documentation required at customs across the border, which also hinders trade in the respective Partner States. Local government tax instituted by the Kenyan government has also been reported as a hindrance to trade between Kenya and Uganda.
6. It also been noted that there is conflict of interest between the Partners States where politics plays an important role in business and thus the need to separate politics from business. Conflict of interest has also arisen due to national interests in terms of food insecurity and yet the regional interest also stands to be adhered too. Some Partner States in the process of protecting their populace from food insecurity have ended up hurting other Partner States as well as trade in the respective food crops especially maize and rice.
7. Poor road infrastructure is also one of the major problems especially domestically in transporting produce to the market.
8. Findings also indicate that some EAC Partner States trade more with the EU and Asian countries than among themselves in regards to

especially trade in rice. It has been reported that Kenya for example signed an agreement with an Asian country from which it imports rice at lower rates. Such inconsistencies have led to the sustainability of the 75 per cent CET rate for rice, which is a big obstacle to food security in the EAC in relation to rice.

9. Issues of post-harvest handling and financial intermediation have also been raised with traders as well as farmers complaining on losses arising from poor post-harvest handling as well lack of financial intermediation to enhance productivity and trade. The average marketing costs by some farmers' co-operatives are estimated at 20 per cent of the selling price.
10. Other constraints to cross border trade is lack of good storage facilities by small traders who end up storing their merchandise in shops or on verandas and some in bars and a few especially large traders have rentals for stores. This has facilitated illegal trade since individuals' merchandise cannot be easily identified.
11. Traders pointed out that another challenge facing trade across borders is competition from other traders, distorted forms of foreign exchange as well as tariff and NTBs. Most traders suggest government provision of quick and cheaper transportation infrastructure across borders in terms of improved roads and transport availability, storage facilities at the border posts and removal of roadblocks.

Political and Regulatory Challenges

1. It is argued that the market potential in the neighbouring Partner States drives prices as well as hoarding. The ban of food exports by Tanzania in 2008, though stopped still continues to affect trade in the region. There is also no control over the farmers on how and when to trade.
2. It has been noted that EAC Partner States are not committed to addressing food insecurity concerns within the regional EAC framework. This is attributed to lack of observation of standards whereby poor quality produce is mixed with good quality for export.
3. The major beneficiaries of the trade reforms taking place are traders, consumers and politicians. Farmers argue that they do not benefit from the trade reforms taking place in regard to maize and rice. It is also argued that some political leaders instead use reforms as an avenue for taxing traders for private earnings.
4. Food availability is a political issue in Uganda and it highly influences election outcomes in the country. Findings also show that food supplies during shortages are supplied through specific co-operatives from

certain parts of the country excluding co-operatives from other regions. It is argued that people are not sensitised at the grass roots, which is interpreted as intentional with hidden motives.

5

Cross-country Analysis

Introduction

This section presents a cross-country analysis of the EAC Partner States in terms of how regulatory and political processes affect production and cross-border trade of maize and rice in the EAC region.

Ease of Doing Business

The competitiveness of an economy is most of the time based on its capacity to pull investors and encourage business. From Table 10, EAC economies are ranked in the ease of doing business from 1 to 47 for sub-Saharan Africa.

Country	Ease of doing business	Starting a business	Paying taxes	Trading across borders
Burundi	16	3	24	41
Kenya	12	25	33	27
Rwanda	2	1	3	31
Tanzania	19	17	22	18
Uganda	13	32	14	33

Source: World Bank, Doing Business 2014 report

Overall, Rwanda ranks ahead of the other EAC Partner States in the ease of doing business, starting business and paying taxes. However, the report indicates that Tanzania offered the best environment for trading across

borders followed by Kenya and Rwanda, while Burundi was the worst. However, Burundi performs well in terms of starting a business compared to the rest of the EAC Partner States, except Rwanda.

In terms of duration required for start of a new business, Rwanda has the most convenient regulatory environment with the least number of procedures and days followed by Burundi. On the other hand, Kenya and Uganda has the most restrictive regulatory environment and shown in Table 11.

Country	Number of days	Procedures
Burundi	5	3
Kenya	32	10
Rwanda	2	2
Tanzania	26	9
Uganda	32	10

Source: World Bank, Doing Business 2014 report

Domestic Taxes

With regard to domestic taxes, there exist some variations in the rates charged for profit, VAT and total tax rates across EAC Partner States. Variations in domestic tax rates cause trade deflections as well as unfair competition amongst traders from within the region. For instance, Tanzania charges the least profit tax (20.4 per cent) while Burundi has the highest (38.6 per cent) as seen in Table 12. All the EAC Partner States charge 18 per cent VAT except Kenya which charges 16 per cent.

Country	Profit tax (%)	Value Added Tax (%)	Total tax rate (%)
Burundi	38.6	18	51.6
Kenya	28.2	16	44.2
Rwanda	21.9	18	29.9
Tanzania	20.4	18	44.9
Uganda	25.2	18	36.6

Source: World Bank, Doing Business 2014 report

Elimination of NTBs and Cross-Border Trading

Although EAC Partner States have agreed on mechanisms to eliminate non-tariff barriers by establishing an NTB monitoring mechanism and resolution, unresolved issues and new ones still emerge. For instance, the 5th report on the Status of Elimination of NTBs within EAC region as per December 2012 indicates that 37 were unresolved; three new NTBs were reported; and forty NTBs as resolved were reported. According to the report, some of the major NTBs affecting cross-border trade and their sources are indicated in Table 13.

Description of NTB	Affected countries	NTB source(s)	Impact to business/ trade policy	Recommendations
1. Numerous institutions involved in testing goods	All EAC Partner States	Statutory bodies	Delays in business	Mutual recognition of certificates
2. Several police road blocks along northern and central corridors.	All EAC Partner States	Police departments	Delays in transport. Bribes, estimated at US\$0.55 per roadblock per truck on Ugandan side and US\$1.3 Kenyan side, or US\$25.70 on the northern corridor per truck. US\$7.5 per roadblock per truck	Political goodwill by Partner States as reportedly done by Rwanda
3. Border management institutions' working hours are not harmonised	Tanzania, Uganda, Rwanda and Burundi	Revenue authorities	Business community to identify impact delays and extra cost to doing business	Harmonisation of working hours
4. Lack of verification sheds and parking yards at border posts	All Partner States	Partner States revenue authorities and Ministries of Works	Loss of business and spillages of cargo	Provision of sheds and parking yards

Contd...

5. Arbitrary import/export bans	Tanzania and Kenya	Existing laws and lobbyists	Price distortions and shortages	Removal of restrictive laws and regulations
6. No movements of cargo trucks beyond 6:00 pm within Tanzania	Kenya, Uganda, Burundi and Rwanda	Tanzania	Time loss	Removal of requirement
7. Imposition of 75 per cent CET duty or US\$200 per metric ton on rice wholly produced in Kenya by Uganda	Kenya	Uganda Revenue Authority	Loss of market to Kenyan farmers and traders	Removal of restriction
8. Re-introduced requirement for yellow fever card to nationalities entering the country by Tanzania	EAC Partner States	Tanzania's Ministry of Immigration.	Restriction of movement of persons, including business people	Removal of requirement to ease movement across borders

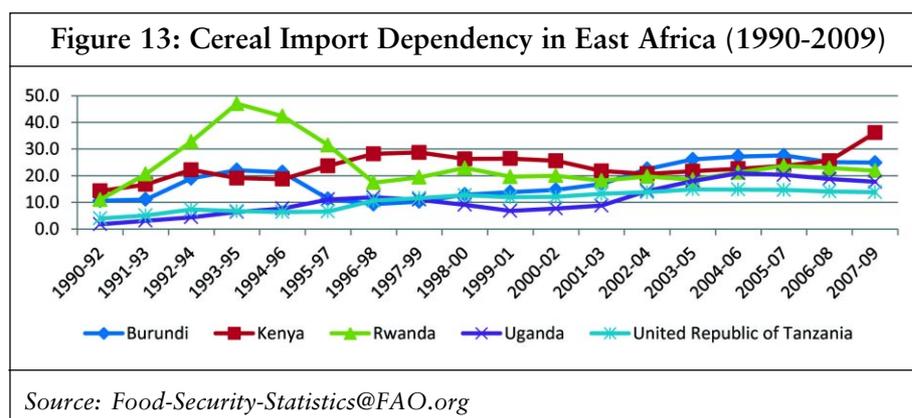
In addition, there exist differences in the procedures and requirements for export and import of merchandise within the EAC Partner States. According to the Doing Business Report, 2014, there is notable variations in the duration and cost of exports and imports with Burundi being the most expensive country to export and import, while Tanzania is the least cost (see Table 14). The differences are partly attributed to geographical locations of the countries, with the landlocked countries being more costly.

	Burundi	Kenya	Rwanda	Tanzania	Uganda
No. of documents to export	9	8	7	7	7
Time to export (days)	32	26	26	18	30
Cost to export (US\$ per container)	2905	2255	3245	1090	2800
No. of documents to import	10	9	9	11	10
Time to import (days)	46	26	30	31	33
Cost to import (US\$ per container)	4420	2350	4990	1615	3375

Source: World Bank, Doing Business 2014 report

Food Import Dependency and Utilisation

According to FAO statistics, Burundi, Rwanda and lately Kenya are the most food import dependent countries in the EAC region. Between 2007 and 2009, Tanzania was least dependent on imports followed by Uganda. The former can be attributed to its export restrictions, which curtailed outflow of cereals, especially maize out of the country. On the other hand, Uganda is largely self-reliant in food production due to its favourable climatic conditions. The rate of ratio of imports to total food requirements between 1990- 2009 in the EAC countries are presented in Figure 13 and Table 15.



The Figure 13 shows Kenya being the most cereal import dependent country with Tanzania being the least during the period 2007-2009. On the other hand, table 15 shows the value of food imports over total merchandise exports, this being the sum of the value of food imports divided by the sum of total merchandise exports multiplied by 100. Regarding the ratio of the value of food import to total merchandise exports, shows that Uganda and Kenya have the highest rates, while Rwanda and Burundi have the lowest.

Country	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	5	5	5	6	6	6	6	6
Kenya	12	12	12	12	12	13	13	13
Rwanda	4	4	4	4	3	3	3	3
Tanzania	7	8	9	9	10	10	11	12
Uganda	14	14	14	14	15	16	17	18

Source: Food-Security-Statistics@FAO.org

There also exist variations in food utilisation indices across EAC Partner States, specifically the levels of undernourishment as shown in Table 16. Apparently, Uganda has the highest number of people under the risk of undernourishment followed by Kenya and Tanzania. These statistics reflect poor utilisation of food, especially for Uganda where food production is relatively more favourable compared to the other countries.

Country	2005	2006	2007	2008	2009	2010	2011	2012
Burundi	5	5	5	6	6	6	6	6
Kenya	12	12	12	12	12	13	13	13
Rwanda	4	4	4	4	3	3	3	3
Tanzania	7	8	9	9	10	10	11	12
Uganda	14	14	14	14	15	16	17	18

Source: Food-Security-Statistics@FAO.org

6

Conclusion and Recommendations

Conclusion

Cross-border trade is one of the leading forces behind the EAC integration efforts. Whereas cross-border agricultural trade has tremendously increased since implementation of the EAC Customs Union in 2005, food insecurity still persists in the region. Specifically, prices and price variability remain relatively high in East Africa. The divergence of prices between and within countries points at among others, high transport and transaction costs. Trade reforms can improve regional food insecurity. To facilitate this, regulatory barriers to trade and competition along the whole value chain need to be removed for East Africa to reach its potential in regional food trade and effectively address its food security challenges.

The nexus between politics, trade reforms and food security in the EAC region give a broad consensus on the existence of a positive relationship between political willingness to regional trade, climate adaptation and food security. This study confirms that open trade defined more by local political orientation expand the opportunities to both producers and traders, thereby influencing what is available for sale and prices consumers pay for the commodities. However the existence of non-tariff measures points to latent replacement of declining policy trade barriers thus negating the benefits of EAC regional integration. Inadequate conformity to common market provisions could compromise stability of food supply and accessibility in the country when faced with food emergencies. However the complexities in trade regulations and lack of regional pooling in sovereignty to resolve trade disputes demand active involvement of political institutions in the EAC member countries.

In an effort to assure food security, countries in the region have applied a cocktail of policies. Broadly, the policy interventions are divided into three, those that focus on cushioning the consumers, those that focus on ensuring that the producers stay in production and those that facilitate trade. These interventions have been carried out intermittently, sometimes with abrupt changes in speed and direction, therefore, have not achieved much because they are costly and unsustainable thus the region continues to suffer from food insecurity. During food emergencies, the EAC governments (with the exception of Uganda) often react with protectionist policies, for example, market interventions, buying on domestic markets and making subsidised distribution to the most vulnerable, combined with trade restrictions to keep own production in the country. These measures for emergency intervention are cost-intensive and normally remain imposed even when the situation has improved.

Furthermore, there is the tendency that those measures are outside to the general principles of the national policies. In recent years, governments have been trying to give the agricultural sector more attention, particularly *via* measures to increase production and the improvement of market infrastructure to increase the supply of food. However, measures to fight hunger in emergencies or to improve food security on a long-term basis are mainly implemented on a national level. There is room for intensification of co-ordination or co-operation on regional level.

There are huge potentials for farmers, traders and processors in the EAC region for maize and rice. These are opportunities that exist for export-led agriculture which has a regional focus: i) regional food markets are growing with rising urban populations in Kenya, Rwanda and Burundi as well as South Sudan and Ethiopia; ii) disposable income within these regional markets is increasing rapidly as economic growth has accelerated and per capita income rises apace; iii) international prices for farm commodities have risen significantly over the past four years and promise to remain high in the near to medium term; and iv) barriers to regional trade within the region are declining.

Recommendations

The recommendations for strengthening trade reforms and food security distinguishes between the roles of national governments and regional organs. The actions at national levels where actual implementation of policies takes place provide the breakthrough in regional agricultural trade

and food security. Similarly, the EAC has a major coordination role in facilitating cross-border trade through harmonisation of rules and regulations as well as implementation of various trade facilitation programmes and activities in the region.

Recommendations at the Regional Level

- a) The EAC should cease to treat imposition of trade restrictions and related government interventions, which distort markets, as a diplomatic matter. Such measures reverse the hard won gains of trade liberalisation and enhance chances of returning to the region to protectionism. The maize export bans by Tanzania and Kenya during the recent food crisis are cases in point. While the study did not measure the direct impacts of the export bans, it is apparent that this led to lost opportunities for farmers (both in Tanzania and Kenya) and consumers (in Kenya) at the expense of unscrupulous traders and middlemen. Rather, Partner States should be encouraged to invoke alternative mechanisms, including safeguard measures, which are predicted and have less distortionary effects on markets whenever a food crisis occurs. The EAC should adopt and enforce punitive measures against Partner States, which deliberately impose such restrictions under the guise of safeguarding national interests.
- b) EAC Secretariat needs to effectively co-ordinate the activities of various actors in addressing regional food security issues including government agencies, the private sector, the civil society, donors and regional development agencies. This requires recruitment/assignment of additional staff to assist with co-ordination matters on food security related programmes and activities.
- c) Strengthen the PPPs to meet infrastructure challenges within the community. For instance, delivery of efficient transport services along the EAC region transport corridors should be prioritised. The reforms should facilitate providing incentives for private sector investments in modern trucks and logistics services in order to effectively remove transport cartels. This would complement the improvements of physical transport infrastructure as well as foster the enabling environment for PPP development such as axle load and one-stop-border post initiatives.
- d) There is an urgent need to expedite harmonisation of food safety and increase awareness in the EAC region. This is because quality is one of the biggest challenges to staple foods value chain integration and competitiveness. Inconsistencies from country to country within the EAC constrain regional trade. The absence of consistent standards and, importantly, the limited awareness of existing standards among

staple foods producers make transactions less transparent. There is scope to introduce common systems, for instance in the fields of operating procedures, record-keeping and auditing. In addition, countries are currently duplicating analytical, testing and other capacities. There is evidently much to be gained from establishing single 'centres of excellence' in specialised areas (training, testing of pesticides, etc.).

- e) Facilitate and promote women in cross-border trade through greater security, greater mobility and better service delivery. Increasing the ability of women to engage freely in cross-border agricultural trade also has the potential to increase the flow of agricultural products to food-deficit areas improve and increase income for women traders and their families.
- f) The EAC should consider mobilising resources for holding regional symposiums/roundtable discussions on politics, conflicts and food security on a regular basis. This will help Partner States identify weaknesses in existing regulatory and institutional framework, take stock of the achievements and mistakes made as far as and strengthen implementation of the EAC Food Security Action Plan.
- g) Stakeholder access to timely and accurate information on food staples. Lack of reliable and up-to-date information on crop supply, demand, stocks and export availability has led to hasty, ill defined, and uncoordinated policy responses to crises that in turn have sparked even greater volatility. Although national governments and the EAC Secretariat have made some progress in developing information systems, development partners could help build capacity and strengthen these institutions, so that they deliver up-to-date information and sound forecasts of agricultural market developments within Africa and the global economy.

Recommendations at National Levels

- a) Trade restrictions and arbitrary policy interventions should be avoided. Such actions undermine the liberalisation gains already attained as governments attempt to return to protectionism against the spirit of regional integration. Rather than export bans, national governments should consider using alternative mechanisms, including the application of export quotas announced early and increased during the marketing year. Export bans reduce incentives for farmers to increase their production, which further hurts net buyers within and the other countries in the region.

- b) National governments should set clear rules for public sector actions in the staples market to minimise the uncertainties that discretionary interventions might cause. The idea is to provide discipline on short-term policy responses to short-term food insecurity that have negative long-term impacts on market development, productivity growth, and food security.
- c) National governments should promote transparency and private sector participation in making food security-related policy decisions. For instance, governments could commit to precise notification procedures, both nationally and regionally, before any government interventions are implemented. In addition, while the national governments would retain the capacity to act in times of short-term food crises, such interventions should not be arbitrary purchase or distribution of staples from the stocks with subsequent impacts on prices and profitability.
- d) Effective coordination of the activities of the private sector, NSAs, regional and international agencies. The study established a plethora of bodies involved in addressing food security-related issues directly and/or indirectly. This results in duplication of efforts thereby undermining the realisation of very goals they all aspire. However, these bodies should equally observe transparency and accountability in their activities in order to win public and government support.
- e) Partner States should place greater emphasis on reduction of post-harvest losses, which are currently estimated by several organisations (FAO, CIRAD, NRI and UNIDO) to be as high as 30 per cent. Post-harvest management involves storage, processing and transportation of the raw product. Apart from the warehouse receipt system currently being piloted in Kenya and Tanzania, reduction of post-harvest losses can further be facilitated by improving the quality and safety of foods through appropriate certification, harmonisation of standards, thus improving access to markets.
- f) Improve infrastructure in order to increase access to input and output markets for smallholder farmers. Connecting farmers to markets through rural feeder roads, credit institutions, information and communication technologies, and vertical coordination along the food supply chain is essential to reducing farmers' risks and marketing costs. The private sector, supported by good government policies, can play a leading role in investments in the value chains.
- g) There is need to strengthen the institutional capacity of rice industry in all the Partner States. Rice sector cooperatives societies are important in mobilising small scale farmers and can support vertical integration

among rice farmers, processors and input suppliers. There should be a focus to enhance the management and resource capacity of various rice cooperatives through public-private partnership and a development fund for the rice value chain.

- h) The need for restoration of political stability in the entire region, especially in Burundi, which remain fragile.

Limitations and Scope for Further Research

1. Non-cooperation by some respondents. The most notable were Kenya's customs officials at the Namanga border who insisted for clearance from the headquarters as well as Ministry of Agriculture in Uganda.
2. Resource and time limitations. This affected the number of researchers and field assistants engaged in the study given its scope and coverage. In addition, the field survey was allocated only three days in each of the Partner States yet it is practically impossible to successfully fix appointments within such short periods. The researchers sent out interview guides in advance to prospective interviewees to address this problem. Besides, the field surveys were made to coincide with NRG stakeholder trainings in order to reach out to many stakeholders given the time constraints.
3. Language problem was encountered in Burundi where French is widely used. This affected availability of statistics and other relevant information published in French as well as field interviews. However, CUTS International gave researchers translation assistance during the field surveys.

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Endnotes

- 1 Trade policies have an effect on food availability, access, stability, and supply by allowing a change in price, production, entitlement, etc., to be introduced.
- 2 Customs Union became fully operational in January 2010.
- 3 International trade policies have an impact on domestic trade policies but it is the domestic institutions and structures that have the actual impact on individuals and the population since they do the mediation between the individuals and wider external markets, converting border prices into retail prices influencing wages, endowments enjoyed by households, etc.
- 4 By trade policy what is meant is also trade related policies and measures.
- 5 The EAC three-band tariff structure is zero per cent for capital and primary inputs; 15 per cent for intermediate products and 25 per cent for finished products.
- 6 Data on Burundi is missing.
- 7 The RATES programme ran from 2003-2008 to promote intraregional trade in agricultural products and so far remains one of the high profile project aimed specifically at promoting and institutionalising regional trade structures in the agricultural sector.
- 8 Key TMEA donors include Belgian Development Cooperation, Danish International Development Agency (DANIDA), Kingdom of the Netherlands, Swedish International Development Agency (SIDA), Department for International Development (UK Aid) and Ministry for Foreign Affairs of Finland.
- 9 The non-agricultural sector also contributes immensely to the state of food security through incomes, but mostly for urban dwelling households. This group of consumers derives its food from earned incomes. Rural dwellers in Kenya consume food obtained directly from their own farms and sell the surplus in markets.
- 10 The other important policy documents include *Sessional Paper No 1 of 1994 on Recovery and Sustainable Development to the year 2010*; *Economic Recovery Strategy for Wealth and Employment Creation 2003 – 2007* and *Strategy for Revitalising Agriculture 2004-2014*.
- 11 *Kibaki orders release of Sh3bn for farm inputs* - Business News ...www.nation.co.ke/.../Kibaki-orders-release-of.../index.html

- 12 A local farmer in Rift Valley had sought orders from the High Court to stop the board from procuring and supplying fertiliser in the country, arguing that fertiliser business is not part of NCPB's mandate and functions and that the Board was contravening the NCPB Act (Cap 338) by engaging in this trade. www.the-star.co.ke/.../ncpb-wins-case-against-its-fertiliser-business... December 10, 2012.
- 13 Maize scandal: The lies and the facts, Daily Nation, February 05, 2009; "Revealed: KSh150mn maize scandal", Daily Nation, January 10, 2009. Accessed 2009-05-13. Archived 2009-07-29.
- 14 www.standardmedia.co.ke/?...Rice-farmers-face-Sh38m-loss-due-to-l... March 27, 2013
- 15 www.businessdailyafrica.com/Opening-of...rice.../index.html June 05, 2012
- 16 Arusha Times, January 31, 2009.
- 17 The Citizen, October 13, 2008.
- 18 As part of a series of policy reforms under the New Alliance, and with the assistance and recommendations of US researchers working to evaluate the full impact of the export ban the government lifted the export ban.
- 19 A high ranking means the regulatory environment is more conducive compared to the other countries.

About the Book

This publication by CUTS is the outcome of a regional research under the *Promoting Agriculture-Climate-Trade Linkages in the East African Community* (PACT) Project to examine political economy aspects of food trade in the EAC region. The research involved in-depth interviews with key stakeholders in the five EAC Partner States including government officials, border post operators, farmer organisations, business organisations, civil society and the media, among other stakeholders.

To establish the institutional, regulatory and political factors affecting food security in the region, the research focused on two food crops, maize and rice, which are heavily protected from import competition and designated as sensitive products under the EAC Customs Union. While the production of these crops is affected by climatic changes; both production and trade are subject to politically feasible decisions.

The study focuses on factors that influence decision making and political and social interactions in the production and trade of maize and rice in East Africa; the role of state and non-state actors; as well as policy measures that reduce negative effects among the vulnerable groups within Member States.

The research outcome indicates that in spite of the Customs Union Protocol that obliges Partner States to remove all non-tariff barriers, such measures remain a major hindrance to cross-border agriculture trade. Furthermore, policy makers rarely engage non-state actors in the decision-making process of food staples trade policy measures, which are subject to political influence.



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