

Briefing Paper

State and Non-State Actors in EAC Food Trade: A Case for Cooperation

Summary

This briefing paper provides a general analysis of the roles and relationship of EAC States and Non-State Actors in regional food trade. It discusses the challenges that affect the relations between the governments and NSAs in the EAC, their impacts on the production and trade of agricultural commodities, and proposes recommendations for a win-win cooperation.

Introduction

Attaining food security through increasing agricultural production has been one of the main objectives of the East African Community (EAC).¹ Hunger and insufficient food staples remain a serious problem that EAC countries face. In addition, the agricultural sector has a big commercial potential² that has not been achieved given that production has not even managed to meet domestic demand. Coping with food insecurity and low productivity continue to be elusive for various reasons, partly because of the lack of collaboration³ among the diverse actors involved in the supply chain of food staples.

The EAC Secretariat has made efforts to involve the various Non-State Actors (NSAs) to support regional

trade in agricultural commodities and enhance regional food security through for instance the EAC PSO-CSO dialogue framework.⁴ However, achieving full cooperation and coordination of all stakeholders within the Partner States has been problematic due to the lack of appropriate institutions and communication channels. Therefore, improving the relationship between the EAC states and NSAs in the production and trade of agricultural commodities is essential to achieve food security and increase productivity.

This briefing paper provides a general analysis of the roles and relationship of the EAC states and NSAs in regional food trade. The main issues to be discussed are the challenges that affect the relations between EAC governments and NSAs in the region, and their impacts on the production and trade of agricultural

commodities.

The first part of the paper introduces a general context of the agricultural sector in the EAC and trade of agricultural commodities; the second part lists the main policies implemented by EAC States and identifies the diverse NSAs; the third part highlights the main challenges and makes some recommendations; finally, the last part offers a conclusion.

Food Trade and Food Security in the EAC

Agriculture and food security

Food insecurity remains a major problem in the EAC region despite the huge potential to produce enough food for consumption and export to the world market. The agricultural sector is still one of the most important in the region, where about 80% of EAC population lives in rural areas and depends on agriculture for livelihoods. In addition, between 24% and 48% of the member countries' GDP is attributed to the agriculture sector.⁵

Despite the importance of agriculture in the EAC, food security has not been achieved. According to the Food and Agricultural Organization (FAO), food security exists when all people, at all times, have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life.⁶

The persistent food crisis in the region is due to a complex mix of factors including: uncertainty of social and political environments, macroeconomic imbalances in trade, natural resource constraints, natural disasters, poor food distribution network, and low level of intra-food trade within the region.⁷

Because of this, the EAC Partner States developed the "EAC Food Security Action Plan" with the main objectives of increasing food availability in sufficient quantity and quality, improving agricultural productivity and making the region a net food exporter. However, achieving these objectives has been complicated partly because the full cooperation

of EAC states and NSAs has not been achieved.

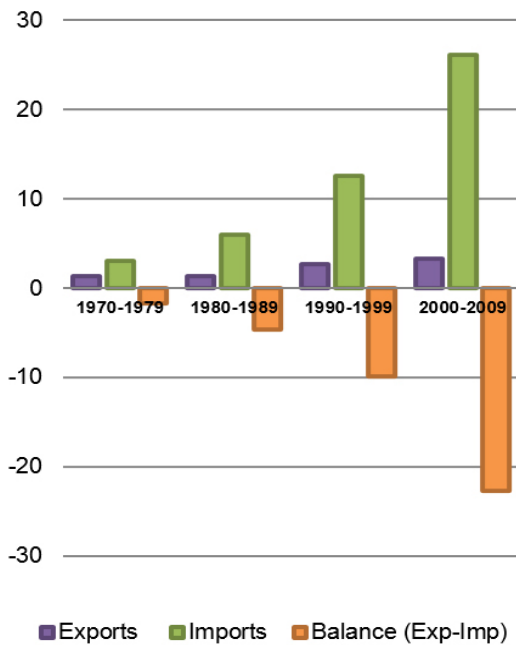
Trade of agricultural commodities

The agricultural sector is of paramount importance in the EAC states not only to meet the food needs of the population, but also for its export potential. Therefore, the rising national, regional and international demand for food requires greater collaboration and cooperation among the various stakeholders at all stages of the value chain in order to increase productivity in the region.

The creation of the EAC Customs Union has the objective of further integrating the member countries into the global economy through deeper regional integration.⁸ Until 2012, intraregional trade accounted for 20% of the total trade.⁹ However, the complete liberalisation of food staples has not been fully achieved because some are classified as sensitive items.¹⁰ Therefore, state protectionist measures have greatly affected the market for agricultural commodities. Export bans and other trade restrictions discourage private sector development and investments in the agricultural sector, leading to slow growth in the sector, and lost opportunities for farmers and consumers.

Moreover, trade with the world market continues to have a negative balance. On average, food imports surpass food exports suggesting that the region is becoming increasingly food-deficient. As seen in the chart below, the trend in cereals trade indicates that the region has been considerably increasing imports, not matched with an increase in exports, leading to huge cereals trade deficit.

**Cereals Trade in the EAC
(Millions of tonnes)
FAOSTAT, 2013**



One way to increase agricultural productivity and benefit from trade is through improving the relationship between the EAC states and NSAs, in order to create incentives that increase production and facilitate access to financial and technological resources for the private agricultural sector.

Political-Economic Landscape of Food Trade in the EAC

EAC States as custodians

To address the problems in the agricultural sector, government policy responses to food insecurity in the region can be grouped into three:

- *Trade-oriented policy responses:* policy instruments such as reducing tariffs and restricting exports to reduce prices and/or increase domestic supply.
- *Consumer-oriented policy responses:* provide direct support to consumers and vulnerable groups in the form of food subsidies, social safety nets, tax reductions and price controls, among others.

- *Producer-oriented policy responses:* support farmers to increase production, using measures such as input subsidies and producer price support programmes.¹¹

Government interventions have failed to address food insecurity and stimulate the private sector to invest in improving the productivity of agricultural commodities. Decisions to undertake these measures are often influenced by political interests, which do not always meet the needs of different interest groups and the civil society.¹²

To address this issue, the EAC Secretariat has committed not only to improve the relationship between governments of its Partner States and the diverse NSAs, but also to encourage and involve the private sector and development partners to support regional trade in agricultural commodities, increase productivity and enhance regional food security.

Diversity of Non-State Actors' interests

The EAC States-NSAs relationship has been complex due to the non-uniformity of actors with diverse interests and roles. Issues of interest in general include production, marketing, trade and consumption of agricultural products. NSAs in the region can be classified under the following categories:

- Consumers
- Farmers/producers
- Private Sector (e.g. agro-business)
- Distributors
- Collective bodies and associations (e.g. farmers' associations)
- International and national organizations engaged with agriculture.

Although most of the production in the EAC takes place at small farms, smallholder farmers are the most vulnerable given that they find it more difficult to influence government in the agricultural policymaking decisions.

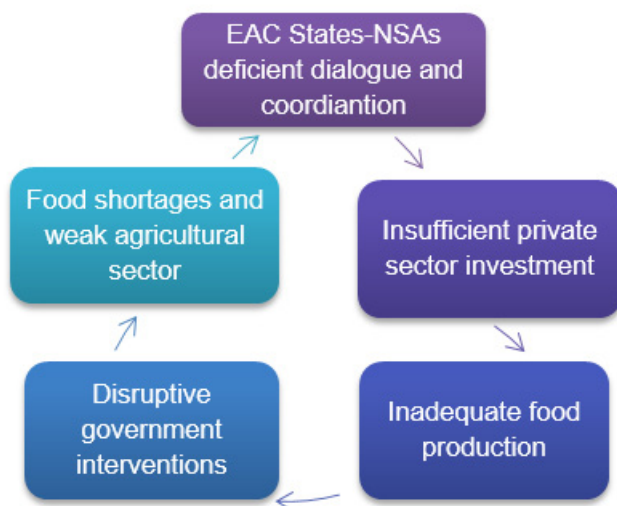
To facilitate the dialogue and to defend their interests, NSAs organize in associations or specific collective bodies. Examples of these associations include: the East Africa Business Council (EABC),

East Africa Farmers Federation (EAFF), the Eastern Africa Grain Council (EAGC), Eastern and Southern Africa Farmers Federation (ESAFF) and the African Cotton and Textile Industries Federation (ACTIF), etc.

Likewise, the support of development partners is essential to get expert advice in the field and receive funding for specific projects. The international bodies involved in supporting agricultural production trade in the EAC region include: the World Bank, the IMF, the European Union, GTZ, USAID, the Africa Development Bank, the New Partnership for Africa's Development, the United Nations Economic Commission for Africa, among others.

The “Donation Game” Dilemma

Lack of better coordination and cooperation between EAC States and NSAs contributes to low productivity and a malfunctioning cycle of agricultural production. The problem begins with mutual distrust between governments and the private sector. In addition, insufficient incentives for private sector investment in food limits their capacity to expand production and trade. For their part, governments are forced to hedge against the failure of the private sector to supply food when shortages arise. Consequently, some of these interventions by the State disrupt competitive market conditions and encourage rent-seeking and corrupt practices. In such cases, farmers and consumers lose at the expense of unscrupulous traders, bureaucrats and politicians.¹³



In general, the interaction between state and NSAs in the region can be depicted by game theory, particularly the ‘donation game’ where the lack of reciprocity frame of trust is dominant. The ultimate result of the relation between the powerful (State) and less powerful (NSAs) could be either a sub-optimal when non-cooperation prevails or a “double win” when there is cooperation.¹⁴

		NSAs	
		Non-Cooperation	Cooperation
State	Non-Cooperation	Cost-Cost	Benefit-Cost
	Cooperation	Cost-Benefit	Benefit-Benefit

As can be seen, the optimal balance is reached when both the State and NSAs decide to cooperate in order to obtain benefits at a particular cost. Although the above representation gives a general idea of how the interactions work, it by no means indicates that the relation on the ground between the two actors is that simplistic, particularly because NSAs are non-uniform.

Unarguably, the liberalisation of regional trade in agricultural commodities creates winners and losers. An example is when a trade reform is implemented to reduce the gap between producer and consumer prices. On the one hand, farmers and poor consumers gain; but on the other hand, intermediaries earning rents, both in public sector agencies and well-connected private sector interests, lose.¹⁵

Therefore, the ultimate goal of the EAC should be to promote cooperation of governments and NSAs in order to balance their interests and thus ensure relative benefits of production and trade of agricultural commodities.

Recommendations

Despite ongoing efforts to improve the relationship between EAC states and NSAs, there are still important challenges. Below are the major challenges with relevant recommendations:¹⁶

Establish standing Public-Private Dialogue mechanisms

Food production and trade policy measures in the region are rarely subject to open discussion, so the interests and views of stakeholders in food production and trade are seldom represented.

Each EAC State should establish its own partnership mechanism that responds to the variety and interests of its NSAs. To achieve this, states should encourage regular consultation, establish common goals and agree on cooperation and compromises.

Develop competencies of government officials for participatory planning

Government officials may be inexperienced with multi-stakeholder participation and not possess the necessary skills to manage it efficiently.

They should adopt a more obliging approach, and develop the necessary competencies for effective participatory planning.

Training NSAs on policy processes

Even when invited to governmental consultations, NSAs may lack expertise in policymaking, negotiation, and consultation; as well as limited knowledge on technical aspects of agricultural policy, especially smallholder farmers.

NSAs need to build their capacities in order to meaningfully participate and contribute to agriculture production and trade policymaking process. Stakeholders in the region should design capacity building mechanisms for NSAs, particularly for farmers' associations. Alongside, a concrete capacity building program should be implemented. States need to establish institutionalised engagement framework.

Devise accountability frameworks

Often, it is difficult to track and monitor whether recommendations of various interest groups have been incorporated in ongoing policy reforms and implementation measures, mainly due to lack of both access to relevant channels as well as capacity of NSAs.

An institutionalised accountability mechanism should be established to ensure enforcement of commitments. In addition, a clear framework for public-private partnership (PPP) should be created in order to address government failures in response to institutional and financial gaps.

Conclusion

In summary, the main challenge in the EAC is how to make food security a reality in a region that could sufficiently feed its citizens and profit from exports of agricultural commodities.

In the end, the process of improving agricultural productivity and achieving food security should begin by aligning the interests of the various NSAs and EAC states, so that all stakeholders can enjoy its benefits at reduced costs.

Unilateral state policies that restrict trade in agricultural products only achieve the short-term objective of responding to food crises without concrete mechanisms to prevent them. Policies that actually encourage agricultural production and create incentives for investment are long term solutions for food security through increased productivity and gainful trade.

Creating a true partnership of all stakeholders will be no easy task. Conflicts of interests and the emergence of winners and losers is common in trade reforms. Nonetheless, EAC Member States should consider the views of all NSAs involved in the supply chain and try to reach a balance of interests. After all, actual trade and production activities are carried out by the latter.

Notes

1. EAC Secretariat, *EAC Food Security Action Plan (2011 – 2015)*, Nairobi, Kenya, February, 2011, p. 6.
2. This potential is defined in terms of the size of the work force, plenty of fertile arable land for agriculture, as well as availability and variability of ground water supply from lakes, ocean and rivers that could be used for irrigation.
3. There is consensus that the level of engagement between non-state actors and the EAC Secretariat needs to be improved significantly in order to raise agricultural productivity (Afun-Ogidan, van Seters, and Rampa, 2012).
4. The EAC PSO-CSO is a dialogue mechanism for the effective participation of the business organizations, professional bodies, civil society and other non-state actors in the EAC regional integration process.
5. EAC Secretariat, *op.cit.*, p. 8
6. FAO, *Committee on World Food Security*, <http://www.fao.org/cfs/cfs-home/en/>
7. Nancy Laibuni, John Omiti and HellenNatu, "Food Insecurity in the East African Region: Policy Dilemma", *Enhancing food security in Eastern and Horn of Africa*, African Research and Resource Forum, Kampala, 2011, p. 1.
8. EAC, *Protocol on the Establishment of the East African Customs Unions*, 1999.
9. UNCTADSTAT, Intra-trade of regional and trade groups by

product, 2012.

10. 31 agricultural tariff lines are designated as EAC sensitive products including: wheat, maize, rice and sugar. Common External Tariffs for these products are mostly substantially higher than the 25% maximum rate for non-sensitive products (FAO, 2013).
11. Nancy Laibuni, John Omiti and HellenNatu, *op.cit.*, p. 3.
12. Christopher H. Onyango, Paul O. Otung, Susan Watundu and DanstonUlwodi, "Trade Reforms and their Impact on Food Security in the East African Community: the Political Dimension", PACT EAC, 2014, p. 13
13. *Ibid.*, p. 18.
14. To read more on donation game refer to: Otaviano Canuto, "Can Non-State Service Delivery Undermine Governments?", *Growth and Crisis Blog, World Bank*, 10/31/2012, <http://blogs.worldbank.org/growth/can-non-state-service-delivery-undermine-governments>
15. Christopher H. Onyango, Paul O. Otung, Susan Watundu and DanstonUlwodi, *op.cit.*, p. 15.
16. Some recommendations were adapted from: Ian Randall, "Guidelines for Non State Actor participation in CAADP processes", *CAADP Working Group on Non State Actor participation*, Wasafiri Consulting, January 2011.

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2. Mbilinyi Apronius, "Agriculture Development Potential and Food Security Challenges in the EAC", *Regional Policy Forum*, Kampala, Uganda, November, 2011.
3. EAC Secretariat, *EAC Food Security Action Plan (2011 – 2015)*, Nairobi, Kenya, February 2011.
4. EAC, *Protocol on the Establishment of the East African Customs Unions*, 1999.
5. FAO, *Committee on World Food Security*, <http://www.fao.org/cfs/cfs-home/en/>
6. FAOSTAT, *Commodity Balances, 2013*, <http://faostat3.fao.org/faostat-gateway/go/to/download/C/CC/E>
7. Laibuni, Nancy, John Omiti and Hellen Natu, "Food Insecurity in the East African Region: Policy Dilemma", *Enhancing food security in Eastern and Horn of Africa*, African Research and Resource Forum, Kampala, 2011.
8. Onyango, Christopher H., Paul O. Otung, Susan Watundu and Danston Ulwodi, "Trade Reforms and their Impact on Food Security in the East African Community: the Political Dimension", *PACT EAC*, 2014.
9. Rampa, Francesco, Jeske van Seters and Dolly Afun-Ogida, "Regional approaches to food security in Africa: The CAADP and other relevant policies and programmes in EAC", ECDPM Discussion Paper 128c, Maastricht, ECDPM, 2012.
10. Randall, Ian, "Guidelines for Non State Actor participation in CAADP processes", *CAADP Working Group on Non State Actor participation*, Wasafiri Consulting, January 2011.
11. UNCTADSTAT, Intra-trade of regional and trade groups by product, 2012.

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