Promoting Intra-Regional Trade in Eastern Africa: Building Momentum

OVERVIEW

Around 80% of the population in Eastern and Southern Africa depend on agriculture as a source of economic livelihood, making it one of the largest economic sectors. Boosting local and regional trade in the region, especially for higher-value, processed foods represents an avenue for prosperity. Increased productivity and competitiveness from an import substitution perspective is also crucial for food security and social stability especially in a region that is prone to climate change and fluctuating commodity prices on the world market.

On average over the past decade, only about 10 – 12 per cent of African trade is with African countries, whilst 40% of North American trade is with other North American countries, and 63% of trade by countries in Western Europe is with

| COVERAGE: Kenya, Zambia, and Tanzania |
| TIME-FRAME: 3 years, 2014 to 2016 |
| BUDGET: EUR 4.25 million |
| DONOR: Government of Finland |
| EXPECTED IMPACT: Contribute to inclusive and sustainable export-led growth |
| PROJECT PARTNERS: Kenya Export Promotion Council (EPC), Horticultural Crops Directorate HCD (formerly HCDA), Tanzania Association of Mango Growers (AMAGRO), Tanzania Honey Council (THC), Small Industries Development Organization (SIDO), Zambia Bureau of Standards (ZABS), Zambia Development Agency (ZDA), Zambia Honey Council (ZHC), Zambia Agribusiness Forum (ABF). |
other Western European countries. Enhancing intra-African trade should help promote specialisation amongst African countries and develop regional value chains to enhance diversification and competitiveness. African countries therefore need to determinedly pursue comprehensive and harmonized regional trade policies as part of their collective development and transformation strategy in the context of regional integration.

Trade growth in many African countries has been constrained by a number of factors which include weaknesses at the level of trade support institutions and in the ability of small and medium enterprises (SMEs) to take advantage of market opportunities. A range of technical hurdles has also crippled trade growth between and within countries in the region, including limited compliance with sanitary and phytosanitary standards, inadequate packaging capacity, post-harvest processing and storage.

PROJECT SCOPE AND OBJECTIVE

The Promoting Intra-Regional Trade in Eastern Africa project was officially launched in December 2013 to strengthen export-driven growth in three Eastern and Southern African countries namely Kenya, Tanzania, and Zambia. The project is funded by the Government of Finland under its Aid for Trade Programme and is implemented by the International Trade Centre (ITC) with local partners in the three countries.

The project takes a value chain approach to improve productivity and competitiveness by addressing some of the main constraints faced by farmers, producers, processors, traders and other market actors.

At the institutional level, the project aims to strengthen local and regional value chains for trade in honey, processed mango and spices including chili, by building up the abilities of Trade Support Institutions (TSIs) to develop the export capacity of small businesses.

These food products were selected by the beneficiaries based on their promising potential for growth, value addition, entrepreneurship development and employment creation.

Products by country:

**Zambia:** honey  
**Kenya:** mango, chili  
**Tanzania:** honey, mango, spices

The project aims during its three years of implementation at improving the export competitiveness of SMEs in these select agro-food chains. Consequently, the project is expected to make an impact by contributing to increased incomes of actors across the targeted value chains.

An assessment of Trade Support Institutions during the first year of the project identified a number of key areas for support. The other priorities of the project include the improvement of product quality, packaging and the timely delivery of trade information.

Throughout the life of the project, emphasis is placed on sharing ideas, experiences and best practices across the region. For example, Kenya has been sharing its advanced practices in quality compliance and in packaging standards for horticultural products with Zambia and Tanzania. Private sector experience has been engaged in providing training to both SMEs and TSIs. For example, Bosch AG has trained three Kenyan SMEs in lean supply chain management.
ACTIVITIES BY COUNTRY

REGIONAL VIEW

The project draws in regional experts to spread best practices and experiences. To date, experts have shared the latest developments in packaging, labelling, printing, and packaging standards. In addition, networking among TSIs to exchange ideas is encouraged.

KENYA

Strengthen trade in four ways:
- Training SMEs in supply chain management
- Training village-based entrepreneurs as market intermediaries between farm gate and exporters for dried and processed mango and dried chili
- Ensuring that farmers meet the quality standards of buyers and intermediaries
- Improving TSI capacities by training the EPC and HCD to offer better services, including on market development and diversification assistance for exporters, and results-based management.

TANZANIA

At the outset, value chain analyses were conducted of the mango, honey and spices sectors and roadmaps were drawn up to develop exports and identify gaps. The remaining activities emanating from those analyses and being addressed through the project include:
- Advising on quality compliance, food standards, and supply chain management
- Setting up a packaging services centre at SIDO and putting branding strategies in place
- Improving services of TSIs in the 3 sectors
- Training SMEs on packaging
- Training the trainers and SMEs on Supply Chain Management

ZAMBIA

Assessments showed efforts should be directed on governance, managerial and operational systems, strategic planning, and setting clear, well-defined mandates and service portfolios of TSIs.

The overall goal is to strengthen the honey value chain so that the Zambian honey products can gain a firm foothold in local and export markets. This will be achieved through the following ways:
- Improving the ability of SMEs to meet international standards on food security, organic production, and output traceability
- Building capabilities in branding, packaging, and international marketing
- Boosting managerial and operational expertise of TSIs to make SMEs more competitive in the honey sector
- Training TSI staff on project management.
- Sharing market data with TSIs and help them prepare market data on the honey sector
- Establishing a partnership to provide modern equipment and training on production in honey, to increase value-added product line and deal with supply constraints.

MAIN OUTCOMES

In the first two years, the project achieved a string of successes in these areas:

Supply Chain Management – increased operational efficiencies and competitiveness through training SMEs and trainers in Kenya, Tanzania and Zambia.

Quality compliance – workshops on Hazard Analysis & Critical Control Points (HACCP) including hands-on training of trainers on the factory floor

Packaging Standards – benchmarked against the Kenya Bureau of Standards for the benefit of Zambia

Packaging – trainers and SMEs trained and best practices shared through visits to packaging and technical institutes, technicians trained on new packaging testing equipment

Trade information – tools and insight developed into market drivers in East Africa, sharing intelligence on international demand
Institutional strengthening – TSIs in the three countries networked and exchanged ideas, TSI trainings were held.

TAKEAWAYS

- Currently producers have little incentive to improve product quality or invest in certification because of an absence of the corresponding price premium.
- Solving value chain issues is a long-term undertaking requiring collaboration between local and international partners.
- Access to supply and demand information is insufficient; to address this, ITC is helping set up a trade information portal.

NEXT STEPS

To step up implementation, the current phase of the project will multiply efforts in these areas:

- Prepare enterprises to be export ready when opportunities crop up.
- Develop local entrepreneurship.
- Empower women and youth in business.
- Spread learning from best practices.
- Upgrade value chains and connect them to buyers.
- Provide targeted support for operators to conform to quality standards.
- Build synergies among TSIs.
- Reinforce the capabilities of TSIs.
- Partner with the private sector.
- Increase marketing and management skills.

FACT FILE ON EAST AFRICA TRADE

- Intra-regional exports are growing. From 2000 to 2009, value-added trade rose almost 20% in the EAC.
- Up to 90% of EAC residents are directly or indirectly dependent for their livelihoods on agriculture.
- Post-harvest loss in Eastern Africa can reach 50% for fruits, vegetables, and root crops. This is due to management issues, such as inadequate processing methods or damage during marketing.
- Constraints to economic growth in East Africa include insufficient institutional capacity and a challenging business environment for local firms.
- Good trade performance and export diversification are indicators of competitiveness and drivers of economic performance.

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