



*“Working Together to Make Trade Work”*

## **NAEGA MAP Trip Report – Nairobi, Kenya**

### **Name of Traveler:**

Katy Lee, International Grain Trade Coalition (IGTC) Secretariat

### **Dates of Travel:**

Tuesday, April 18 – Friday, April 28

### **Purpose of Travel:**

Consistent with advancing NAEGA UES objectives Katy Lee traveled to Nairobi, Kenya from April 18-28 2017. In the context of the IGTC’s Global Outreach Program, the primary purpose of this mission was to conduct a working visit with IGTC participants the Eastern Africa Grain Council (EAGC) and their own members, in order to discuss key IGTC policy files and contribute to NAEGA outreach on tariff and non-tariff barriers for GRNOS. Highlights of this mission included IGTC/NAEGA visibility at the annual meeting of the EAGC; on-site visits with EAGC members (corn flour millers, agri cooperatives); an IGTC-led seminar on “leadership and association management” with 12 members of EAGC staff; and a meeting with the UN’s Food and Agriculture Organization (FAO).

### **Summary of Findings/Conclusions/Accomplishment:**

The visit to Kenya served to deepen the IGTC’s relationships with key regional players in the supply and trade of grains, oilseeds and other agri-bulks. The success of this mission was further enhanced by the fact that over the coming years, the EAGC is aiming to widen its constituency to cover countries in central and southern Africa, and beyond. The relationship with EAGC is therefore becoming a bigger priority than ever for organizations such as IGTC and NAEGA.

This region presents unique and urgent challenges in the short term including severe drought, and lack of access to agricultural inputs, machinery and volumes of quality grain. Faced with these immediate issues, EAGC is doing an important job in advocating a long-term vision for a sustainable and productive sector. Important government venues that the EAGC works closely with include the East African Community (EAC), the South African Development Community and the Common Market for Eastern & Southern Africa.

As a result of the visit, the EAGC has agreed to become a fully contributing member of the IGTC for the first time, and has made available a policy staff member to cover the IGTC’s Policy Teams on Maximum Residue Limits (MRLs) of crop protection products, and the IPPC’s forthcoming International Standard for Phytosanitary Measures (ISPM) for grain. One final accomplishment was to contribute to the training, education and professional capacity of the IGTC Secretariat Katy Lee.

### *Outline of specific activities undertaken between the IGTC and its Eastern Africa member association EAGC*

As Secretariat of the IGTC, Katy Lee was given an office space at EAGC for the duration of the visit to Kenya and the EAGC office was her base for 10 days. She was granted extensive meeting



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time with EAGC’s policy team and regional contact points.

Activities were as follows:

1. EAGC annual meeting: 20<sup>th</sup> April: Ms. Lee was invited to make a key note speech at the EAGC’s Annual Members & Stakeholders Luncheon. The EAGC Annual Members Luncheon was graced by the Republic of Kenya’s Principal Secretary for East African Affairs, Ms. Betty Maina, who was the Guest of Honour. Other prominent dignitaries included representatives of the World Bank and the Swedish International Development Agency.
2. On-site visits with EAGC members: 19<sup>th</sup>, 21<sup>st</sup> and 22<sup>nd</sup> April: Ms. Lee visited three projects that EAGC is working on in Kenya (Mama Millers, Yata Cooperatives, Nyahururu Cooperative, ETG). The IGTC was able to learn about how farmer groups are organized in the country and the common crops grown in lower eastern and central rift. She also had an opportunity to understand the main challenge facing farmers currently which, emerged as a result of low rainfall.

The meeting with ETG ([www.etgworld.com/](http://www.etgworld.com/)) confirmed that the EAGC’s value is noted and appreciated by both small and large operations. The value that ETG sees in EAGC membership relates to the facilitation of trade, which allows businesses to have increased choice and availability in the type of grain they use.

3. Joint meeting with KEPHIS: 25<sup>th</sup> April: The EAGC set up a meeting with the Kenyan phytosanitary agency, KEPHIS. The motivation for holding these meeting from the IGTC was to discuss priority files in its mandate such as electronic phytosanitary certification and the IPPC’s forthcoming ISPM for grain. The IGTC had the opportunity to present its priorities on the global stage. For its part, KEPHIS was able to communicate to the IGTC and its regional stakeholder EAGC about how it contributes to the global competitiveness of the agricultural sector and helps ensure safe food for consumers. Of specific interest for the IGTC was the fact that KEPHIS has submitted comments to the draft ISPM, and also the fact that the agency has prioritized increased trade of pulse products.
4. Leadership seminar – IGTC-EAGC: 26<sup>th</sup> April: The IGTC lead a seminar with 12 members of EAGC staff regarding best practices for the management and success of international grain trade associations. The group shared experiences and ideas specifically on communications, collection of member dues and policy work. A round table was held during which all were asked to present their motivation and unique path leading them to a career in agriculture. Despite the multinational members of staff (IGTC Secretariat included) there was clear unity among the group in that everyone strongly believed in the role of agriculture as an engine for development.
5. Joint meeting with the FAO: 28<sup>th</sup> April: Katy Lee organized a joint meeting for EAGC, IGTC and the head of the FAO Kenya office Mr. Rugalema. The meeting resulted in recognition of the IGTC’s activities to enhance trade and food security in the region, and the beginning of a project between EAGC and FAO on grain warehouse development. The



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notes from this meeting are attached to the present report.

*Lessons learnt for NAEGA and IGTC*

1. Lessons learnt about the importance of the EAGC in the global grain trade: The Eastern Africa Grain Council (EAGC) is a membership organization of the grain stakeholders in Eastern Africa. The Council has offices in Kenya, Tanzania, Uganda, Rwanda & Burundi, South Sudan and Malawi. EAGC members represent the main sectors of the grain value chain including traders, farmers and processors. The aim of EAGC is to support structured grain trade with the Eastern and Southern Africa region. The main focus for these countries are maize, wheat, rice, barley, sorghum and millet.

As well as policy work (see below for priorities), EAGC is leading a number of business-critical initiatives and member services. The idea is for EAGC to sustain its existence and value-added for members by providing a number of member-facing services that have a positive impact on their daily operations. The most high-profile of these are the ‘Business-2-Business’ fora, which allow businesses to come together to collaborate on market discovery and contracts. For instance, In April, the Ethiopia B2B event took place, resulting in the signature of 51 contracts of 275,000MT among 50 buyers from 6 countries and 40 sellers from Ethiopia.

Other high-profile examples include:

- EAGC warehouse certification project which sees resources provided to enable electricity in warehouses, and grain sampling materials (mycotoxins, moisture).
  - Market information system which provides real-time price and market movement updates for EAGC members.
  - Structured Trading Systems (‘G-soko’) which encourages aggregation storage of grains in more efficient facilities, guarantees delivery of quality commodities by warehouse operators, uses stored commodities by depositors as collateral for loans, among other aspects.
2. Lessons learnt about the grain trade in Eastern Africa: EAGC expects that demand for cereals is expected to dramatically grow in the coming decades due to the high rate of urbanization and the climate induced food deficit rural areas. EAGC is acting in an environment where agriculture remains the mainstay of the regional economy providing:
    - 32% of Gross Domestic Product (GDP)
    - 80% employment of the labor force
    - 65% of foreign exchange earnings and contributes more than
    - 50% of raw materials contributed to the region’s industrial sector

Trade in agricultural products remains significant in the region with:

- 50% of household needs and income
- 31 % of the total region’s agricultural imports

The region’s staple food surplus zones often lie across political borders translating into tariffs, export restrictions and other man-made impediments to cross border trade that;

- Raise costs of doing business for traders;
- Lower incentives to farmers;
- Raise consumer food prices in cross border deficit markets;



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3. Lessons learnt on membership, structure and governance of EAGC: The Executive Director of the EAGC is Mr. Gerald Masila, who has a team of around 30 people to support the work of the EAGC’s regional Head Quarters in Nairobi, Kenya.

Funding of the EAGC includes tiered membership fees and contributions from outside donors. EAGC membership fees:

- All members, regardless of category (Recorded Affiliate is an exception), pay a one-time registration fee and a subscription fee. Fee rates are based on membership category.
- EAGC offers members an option of a one-year or a five-year annual subscription plan. The five-year plan provides a 20% discount. All fees and subscriptions are determined and approved by the Board. The Board maintains the right to adjust registration fees, and the annual and five-year subscription. 5-year subscription rates, at its discretion and shall inform members within two weeks of such adjustments. Fee and rate adjustments do not affect members in good standing and only apply to new members and to member subscriptions at time of one-year or five-year renewals.
- A member’s one-year or five-year subscription period commences on the date that annual subscription fees (and registration fee in the case of new members) are received.
- Upon registration, the member is given a membership number, a certificate of membership and copies of Council operating documents including but not limited to the following: the Bylaws, EAGC operation manual including the standard terms of trade, arbitration procedures, and template contract forms.

Partners of the EAGC include the International Trade Centre (ITC), the UN’s FAO and USAID.

The April 2017 Annual General Meeting brought with it a change of guard in EAGC’s Board of Directors as five (5) Board Directors completed their maximum four-year tenure at the Board. The retiring Board Directors are Dr Bernard Otim (Outgoing Chairman), Ambassador Philip Idro (Uganda), Gabriel Kitenga (Vice Chairman) and Stephanus Kruger (Kenya) and Abel Lyimo (Tanzania). They have been replaced by Rose Mutuku (Kenya), Dr Rose Omaria (Uganda), Dr. Joel Tenai (Kenya), Otil Otim (Uganda) and Adbikadir Khalif (Kenya). Frederick Kawalewale (Malawi) and Olivier Vyuzura (Burundi) have also been appointed to the Board. Board Members continuing their term as Board of Directors are Isaac Chege (Kenya –currently serving as Treasurer), Julius Wambura (Tanzania), Munir Thabit (Kenya), Evarist Silayo (Tanzania) and Eugene Rwibasira (Rwanda).

4. Lessons learnt on current EAGC policy priorities: EAGC sees real opportunities in policy improvements with the key aims of:
- Production improvement
  - Development of intra-regional trade in food staples



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Of the many barriers to trade that are impacting IGTC member associations today, in Eastern Africa they are overwhelmingly related to availability of volumes of grain, and the ability of buyers, processors and traders to choose from different quality standards. FTAs and other trade agreements therefore take prominence at both industry and government level.

The problem of export bans imposed by governments such as that of Tanzania exacerbates this problem further, placing very serious pressure on all parts of the supply chain. Anecdotal evidence and informal conversation with certain EAGC members showed that there is a real possibility of businesses having to stop their operations as a result of these policies.

High on the EAGC policy advocacy agenda is also the global harmonization of standards and SPS protocols. The EAGC advocates for better compliance with rules, asking governments to recognize each others’ regulatory frameworks and provide mutual support in implementation. The IGTC’s global efforts on international alignment on phytosanitary controls are therefore relevant here.

**Recommendations:**

1. EAGC to be fully integrated in relevant IGTC Policy Teams: MRLs and the IPPC’s ISPM for grain. This means more than inclusion on Team lists - it should include a full briefing with EAGC staff in order to ensure their meaningful and regular participation.
2. IGTC should improve its annual reporting to association members such as EAGC. IGTC reports should take into specific account the individual priorities of member associations and how Policy Teams and Working Groups are relevant to them.
3. Conduct a study into IGTC member associations and the different type of services that are provided to their own members. EAGC is likely to be a particular example. Nevertheless, there will be common experiences to share.
4. NAEGA should monitor the expansion of EAGC constituency over the coming years and be ready to advise the IGTC Management Council on the implications of this for the IGTC and other grain trade organizations.
5. Report back to the International Grains Council (IGC) on the visit. This will be of particular relevance for Kenya as an IGC member government, and the UN’s FAO as an IGC Observer.
6. IGTC Secretariat to judge whether any of the EAGC approaches to governance and membership fees (e.g. 1 and 5 year membership fees) can be proposed to Management Council for integration into the IGTC Business Plan.
7. IGTC to prioritize learning more about the work that is taking place between governments on the entire African continent, focusing specifically on the East African Community (EAC), the South African Development Community and the Common Market for Eastern & Southern Africa.

**Annex:**

1. EAGC member report of IGTC presence in Nairobi in April, 2017
2. EAGC report from IGTC leadership seminar with EAGC staff (26<sup>th</sup> April)
3. EAGC report of joint FAO meeting (28<sup>th</sup> April)