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STUDY OF THE KENYA – ETHIOPIA TRADE CORRIDOR

A PATHWAY TO AGRICULTURAL DEVELOPMENT,
REGIONAL ECONOMIC INTEGRATION AND FOOD
SECURITY

Final Report
December 2018

STUDY OF THE KENYA – ETHIOPIA TRADE CORRIDOR

A PATHWAY TO AGRICULTURAL DEVELOPMENT, REGIONAL ECONOMIC INTEGRATION AND FOOD SECURITY

The study was conducted by the New Markets Lab in partnership with the USAID East Africa Trade and Investment Hub.

DISCLAIMER

The author's views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government

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LIST OF ACRONYMS

AU	African Union
BAGC	Beira Agricultural Growth Corridor
CAADP	Comprehensive Africa Agriculture Development Programme
CEN-SAD	Community of Sahel-Saharan States
CIAT	International Center for Tropical Agriculture
COMESA	Common Market for Eastern and Southern Africa
DVS	Directorate of Veterinary Services
EA	East Africa
EAC	East African Community
EAGC	Eastern African Grain Council
ERCA	Ethiopian Customs and Revenue Authority
FAO	Food and Agriculture Organization of the United Nations
FOB	Free on Board
FTA	Free Trade Area
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
IFAD	International Fund for Agricultural Development
IGAD	Intergovernmental Authority on Development
KCEP-CRAL	Kenya Cereal Enhancement Programme–Climate–Resilient Agricultural Livihoods Window
KEBS	Kenya Bureau of Standards
KEPHIS	Kenya Plant Health Inspectorate Service
KRA	Kenya Revenue Authority
LAPSSET	Lamu Port-South Sudan-Ethiopia Transport Corridor
LCDA	LAPSSET Corridor Development Authority
LDC	Least Developed Country
LMS	Livestock Markets System
MCLI	Maputo Corridor Logistics Initiative
MOU	Memorandum of Understanding
NBE	National Bank of Ethiopia
NCPB	National Cereals and Produce Board
NEPAD	New Partnership for Africa’s Development
NMC	National Monitoring Committee
NML	New Markets Lab
NTB	Non-Tariff Barrier
OSBP	One-Stop Border Post
PABRA	Pan-African Bean Research Alliance
PPP	Public-Private Partnership

PRAI	Principles for Responsible Agricultural Investment
PVoC	Pre-Export Verification of Conformity
RATIN	Regional Agricultural Trade Intelligence Network
RECs	Regional Economic Communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SCT	Single Customs Territory
SDI	Spatial Development Initiative
SMS	Short Message Service
SPS	Sanitary and Phytosanitary Standards
SQMT	Standardization, Quality Assurance, Metrology and Testing
SSA	Special Status Agreement
TFA	Trade Facilitation Agreement
TFTA	Tripartite Free Trade Area
TKC	Trans-Kalahari Corridor
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
USD	United States Dollars
WBCG	Walvis Bay Corridor Group
WFP	World Food Programme
WTO	World Trade Organization

EXECUTIVE SUMMARY

This Study of the Kenya-Ethiopia Agricultural Trade Corridor (hereinafter “Moyale Corridor” or “Corridor”) as a Pathway to Agricultural Development, Regional Economic, Integration, and Food Security” (“Study”) was conducted by the New Markets Lab (“NML”)¹ in partnership with the East Africa Trade and Investment Hub (the “Hub”), with support from the U.S. Agency for International Development (USAID), to assess the potential for increased agricultural trade between Kenya and Ethiopia along the Moyale Corridor. The Study was designed around four key objectives:

1. To collect and synthesize existing information on agricultural trade corridors, growth clusters, and similar initiatives in the context of agricultural development and regional trade;
2. To identify the existing business environment, partners, stakeholders, ongoing activities, and milestones achieved along the Corridor;
3. To analyze the obstacles, opportunities, and frameworks of the institutions, partners, and activities that enable or inhibit development along the Corridor; and
4. To assess the potential impact of improved agricultural trade on regional food security and propose policy recommendations that would eliminate obstacles and multiply opportunities along the Corridor.

The Moyale Corridor, which extends from Nairobi to the town of Moyale at the Kenya-Ethiopia border, holds significant potential (see *Figure 1*). According to the African Development Bank, as a result of investment in the greater corridor area, trade between Kenya and Ethiopia is expected to increase fivefold by 2019, going from US\$35 million to US\$175 million.² The Moyale Corridor has already been instrumental in advancing food security in the region and could play an even greater role if developed more fully. The corridor was critical for enabling the 2017 import of the emergency supply of maize from Ethiopia to Kenya, although the arid climate and sparse development within the northern region have presented challenges to broader agricultural development. However, new infrastructure investment, including the recently completed highway between Isiolo and the border at Moyale and construction of the physical facility to house a one-stop border post (OSBP) between Ethiopia and Kenya in Moyale, will contribute directly to the increased potential for trade between Kenya and Ethiopia. Additional infrastructure projects are planned throughout the northern region as a part of the larger Lamu Port-South Sudan-Ethiopia Transport Corridor (LAPSSET), within which the Moyale Corridor falls.

¹ The New Markets Lab team included Adron Naggayi Nalinya, Elliott Brennan, Megan Glaub, and Katrin Kuhlmann, with additional research support from Paul Healy, Natalie Gallon, and Saba Sadri.

² “Nairobi-Addis Ababa Road Corridor Boosts Trade in East and Horn of Africa,” *African Development Bank Group*, 2018, <https://www.afdb.org/en/news-and-events/success-stories/nairobi-addis-ababa-road-corridor-boosts-trade-in-east-and-horn-of-africa/>.

Figure 1: Highlights of the Moyale Corridor



Corridors can be a particularly useful approach to strengthen market linkages for food security, to the benefit of stakeholders along the full value chain, from producer to consumer,³ and they can be an effective model for improving regional integration as well.⁴ Traditionally, most corridors have focused on infrastructure development and trade

facilitation, but, as the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) and renewed efforts around the Beira Agricultural Growth Corridor (BAGC) initiative in Mozambique,⁵ indicate, corridors can also be tools for agricultural development and food security. Creating true agricultural corridors, however, requires a concerted effort, as discussed in greater detail below. Ensuring that agricultural transformation and food security are central to the development of the Moyale Corridor will be critical going forward. Other corridors in the region, such as the Berbera Corridor connecting Ethiopia and Somaliland, would also benefit from such an approach and could be part of a broader regional development initiative.

This Study is based on extensive desk and field research conducted in Nairobi and along the corridor in the towns of Marsabit and Moyale on the border between Ethiopia and Kenya. Preliminary research on the corridor was conducted by the New Markets Lab based on public information available through the Governments of Kenya and Ethiopia, open source literature, and sources shared by the Study's partners. This research was supplemented by data collection and analysis by the Tegemeo Institute of Agricultural Policy and Development at Egerton University. Tegemeo also facilitated meetings with stakeholders and partners along the corridor, who were interviewed during the field research phase of the Study. The field research spanned two weeks in July 2018, with follow-up in August and October 2018, and consisted of



³ Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

⁴ Charles Kunaka and Robin Carruthers, *Trade and Transport Corridor Management Toolkit*, World Bank, 2014.

⁵ *Beira Agricultural Growth Corridor: Delivering the Potential*, BAGC Partnership, https://www.agdevco.com/uploads/reports/BAGC_Investment_Blueprint_rpt19.pdf.

consultations with key stakeholders.⁶ The key obstacles and opportunities identified through this analysis are summarized in *Table 1*.

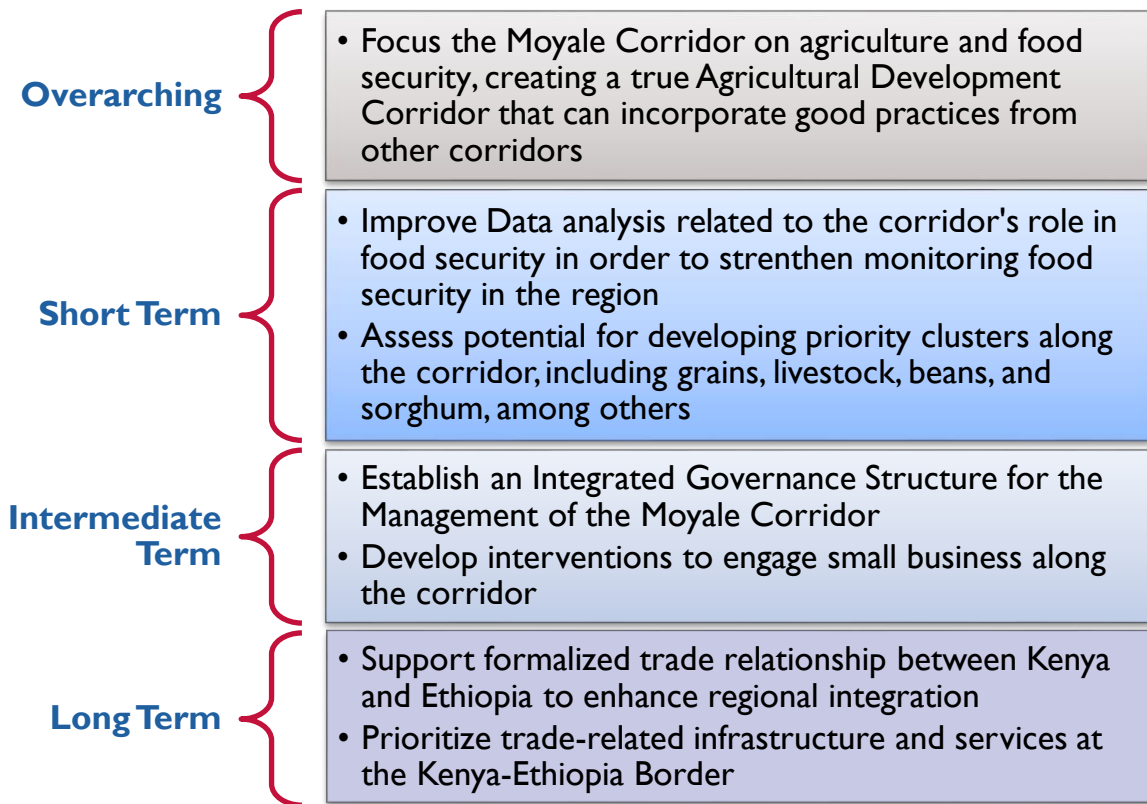
Table 1. Situational Analysis of Agricultural Trade along the Moyale Corridor: Summary of Obstacles and Opportunities

 <p>Opportunities</p> <ul style="list-style-type: none"> • High agricultural production capacity in Ethiopia • High, unmet demand for agricultural goods in Kenya • Special Status Agreement between Ethiopia and Kenya provides platform for deeper engagement • TradeMark EA’s OSBP project is a positive step towards trade facilitation along corridor • USAID’s Feed the Future work on developing Livestock Market Systems and the PARABA/CIAT bean corridors • LAPSSET Development Authority is bringing increased attention to the region • Opening of secondary industries supporting agricultural industry • More formal trade means better visibility of activities along the corridor 	 <p>Obstacles</p> <ul style="list-style-type: none"> • Corridor underutilized, with current trade well below potential • Lack of value chain infrastructure related to regional trade • Disconnect between regional market dynamics and local market dynamics • Civil unrest in cross-border region • Cultural differences between Ethiopia and Kenya • High levels of youth unemployment • Tariff and non-tariff measures and poor implementation of laws and regulations • Lack of binding regional agreement between Ethiopia and Kenya
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Source: *New Markets Lab 2018*

⁶ Key consultations included meetings with USAID partners working in the northern region of Kenya (Marsabit County); Senior Logistics Officers for Kenya and the East Africa Region at the World Food Programme (WFP); officials in the County Departments of Trade and Agriculture in Marsabit County; officials from Kenya Plant Health Inspectorate Service (KEPHIS), Kenya Bureau of Standards (KEBS), and Kenya Revenue Authority (KRA) at the Kenya-Ethiopia border crossing in Moyale; local traders, storekeepers and transporters involved in the cross-border trade in Moyale; officials at the National Cereals and Produce Board, the LAPSSET Corridor Development Authority, the National Ministry of Trade, and the National Ministry of East African Affairs; and stakeholders from the East Africa Grain Council (EAGC) and TradeMark East Africa.

Based on the analysis of the Moyale Corridor and its potential for regional development and food security, the Study includes the following recommendations:



Ultimately, the Moyale Corridor holds great potential for improving regional trade and food security, and this Study is an important first step in assessing how the corridor could deliver on this potential. Deeper dives into other aspects of the corridor, including Ethiopia's market system and regulatory environment and a more comprehensive assessment of additional commodities and value chains, would be warranted going forward, as would development of a more detailed strategy for strengthening the corridor and establishing a legal and institutional structure that could ensure its focus on agricultural development and food security.

SECTION I: CORRIDORS AS A PATHWAY TO FOOD SECURITY AND AGRICULTURAL TRANSFORMATION

Corridors are natural pathways for agricultural transformation and food security,⁷ yet most current corridors lack sufficient focus on agriculture. Although corridors have existed for many years all over the world – from the ancient Silk Road to the Erie Canal and inter-continental railway system in the United States – they are particularly relevant for Africa’s food security challenge.⁸ Despite the fact that Africa has 20 percent of the world’s arable land, its food markets are underdeveloped and fragmented, encompassing both a small commercial agricultural sector (which has a disproportionately low share of the market for most commodities other than cash crops) and a vast, largely subsistence based farming sector.⁹ Functioning markets that tie farmers into commercial channels, provide better inputs like seeds and fertilizer, and facilitate regional trade would significantly contribute to more stable, productive, and food secure economies.¹⁰

Corridor approaches span several different models, all of which are structured around spatial development initiatives (SDIs),¹¹ which focus on addressing unexplored and uneven economic development through investment agglomeration within a defined territory.¹² Ultimately, corridors are a development model for structuring physical and socio-economic interventions designed to crowd in economic activity along a transport route.¹³ Transport infrastructure is at the core of all corridors approaches, but corridors often extend beyond transport and logistics to improve trade facilitation (“trade and transport corridors”), enhance economic development and improve

⁷ This section is based on the work of the New Markets Lab and its Founder and Board since 2008, including internal New Markets Lab analysis and previous publications; the New Markets Lab and individual authors cited retain the right to use and publish the materials in this section, consistent with the organization’s mission as a 501(c) (3) organization.

⁸ Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

⁹ Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

¹⁰ See FAO, the “The State of Food and Agriculture 2012,” Rome, available at <http://www.fao.org/docrep/017/i3028e/i3028e.pdf> and Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>.

¹¹ Other SDIs include clusters, industrial parks, special economic zones (SEZs), and technopoles. See, Eva Galvez Nogales, *Making Economic Corridors Work for the Agricultural Sector*, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

¹² See Eva Galvez Nogales, “Making Economic Corridors Work for the Agricultural Sector,” FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

¹³ See Eva Galvez Nogales, “Making Economic Corridors Work for the Agricultural Sector,” FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf; adapted from Patsy Healey, “The Treatment of Space and Place in the New Strategic Planning in Europe,” *International Journal of Urban and Regional Research*, February 24, 2004.

the enabling environment (“economic corridors”), or generate investment and community benefits in a particular sector (“agricultural corridors”). While the term “Development Corridors” (or “Growth Corridors”) is used in different ways, the concept is generally meant to refer to a more holistic approach to corridors that encompasses transport infrastructure, trade and logistics networks, the enabling environment, and socio-economic factors.¹⁴ Within sub-Saharan Africa, Nelson Mandela championed a vision of building out corridors that had originally linked Africa’s ports with export markets to generate “a new African industrial revolution” and improve regional trade through the creation of more robust market systems that could connect rural cities and farmers with broader commercial channels.¹⁵

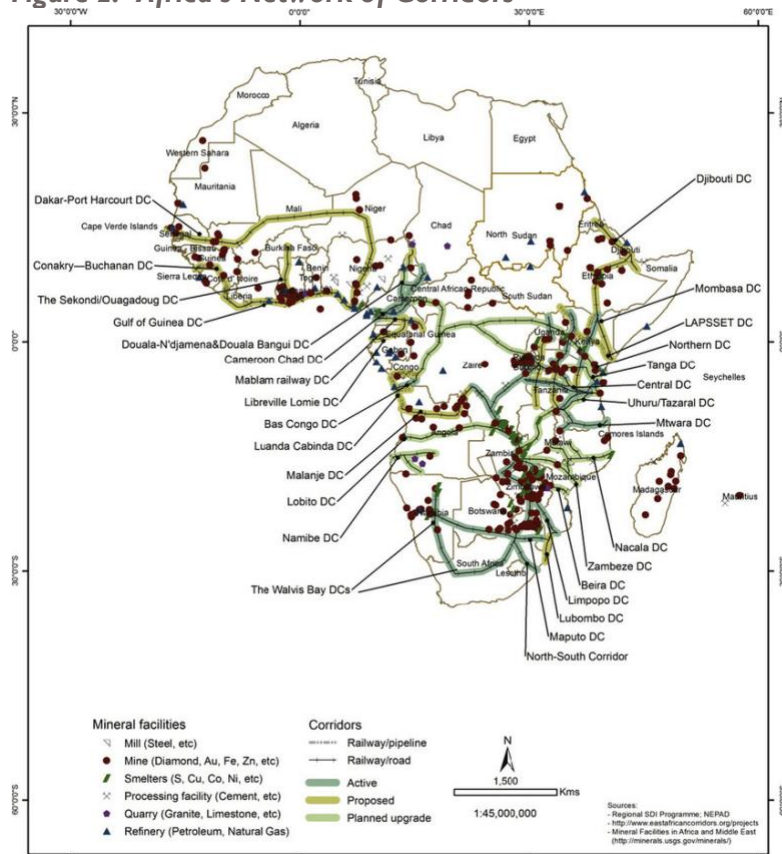
As President Mandela envisioned, Africa’s corridors, which were built around mining and mineral deposits, hold great potential for agricultural development.¹⁶ While not all of Africa’s corridors are true Development Corridors, Africa’s corridor network is substantial and includes the Central Corridor (Tanzania, Burundi, Democratic Republic of the Congo (DRC), Rwanda, and Uganda), Northern Corridor (Kenya, Rwanda, Uganda, Burundi, and the DRC), North-South Corridor (South Africa, Zambia, and Zimbabwe), Maputo Development Corridor (Mozambique and South Africa), and the Lamu Growth Corridor (Ethiopia, Kenya, and South Sudan), among others (See *Figure 2*).

¹⁴ See, e.g., Eva Galvez Nogales, “Making Economic Corridors Work for the Agricultural Sector,” FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf; Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

¹⁵ See Katrin Kuhlmann, Susan Sechler, and Joe Guinan, “Africa’s Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa,” Working Draft, June 14, 2011; see also Rachel Tate “Can Development Corridors Now Produce Sustainable Domestic Outcomes in Mozambique?” BISA Conference Paper, April 25-27, 2011.

¹⁶ Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012; Lingfei Weng, Agni Klintuni Boedhihartono, Paul H.G.M. Dirks, John Dixon, Muhammad Irfansyah Lubis, and Jeffrey A. Sayer, “Mineral Industries, Growth Corridors, and Agricultural Development in Africa, *Global Food Security 2* (2013), Elsevier.

Figure 2: Africa's Network of Corridors



Source: Weng et al, Mineral Industries, Growth Corridors, and Agricultural Development in Africa, 2013.

Corridors have been recognized and prioritized by the highest-level African institutions, including the African Union (AU), its New Partnership for Africa's Development (NEPAD) and Comprehensive Africa Agriculture Development Programme (CAADP). Corridors also underpin Africa's regional harmonization efforts, including the regional economic communities (RECs), such as the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and the Tripartite Free Trade Area (TFTA) among COMESA, the EAC and the Southern African Development Community (SADC) as well as the Continental Free Trade Area (AfCFTA); all of which are relevant for current and future trade between Kenya and Ethiopia.

Creating Development Corridors is an incremental process, and some form of hard transport infrastructure (roads, railways, ports) is a necessary but not sufficient component.¹⁷ Trade logistics tend to follow, with additional hard and soft infrastructure aligned to facilitate the movement of goods and services. As transport corridors evolve into trade corridors, they often

¹⁷ See Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

address issues such as: goods inspection, customs (including harmonization of declaration forms), warehousing/storage, security, weighbridges, and police check points.¹⁸ Additional areas are often incorporated as well, including economic dimensions that go beyond logistics and trade facilitation, socio-economic considerations, and environmental sustainability. In addition, as the New Markets Lab's work has shown and this report will highlight, the legal and regulatory environment and economic/social dimension of corridors development must be a focus, with a more comprehensive and nuanced approach required in order to fully support agricultural development and food security.¹⁹

The most successful corridors do extend well beyond transport and logistics to align the interests of both the private and public sectors and integrate spatial development considerations.²⁰ In this regard, the Maputo Development Corridor in Southern Africa was among the earliest success stories in the development of Africa's corridors network.²¹ The Maputo Corridor linked infrastructure with industries like iron and titanium mines, a steel plant, an aluminum smelter, a fertilizer complex, and tourist facilities. It was designed to rehabilitate regional infrastructure, maximize both public and private investment along the corridor, increase social development, and address policy barriers, including measures at the border.²² The Maputo Corridor, which attracted around US\$5 billion, benefitted considerably from high-level political support from both Mozambique and South Africa. Notably, it also had a private sector governance structure in place, as discussed below. Critics of the Maputo Corridor note, however, that it did not sufficiently engage stakeholders in affected local communities,²³ perhaps as a result of its failure to extend to agriculture.²⁴

Despite the industrial focus of most corridors, they can be used to connect areas of agricultural production with areas of consumption and address economic and social issues, making them a

¹⁸ See African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

¹⁹ See, e.g., Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

²⁰ See Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

²¹ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

²² Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011, p. 17.

²³ Rosalind Thomas, "Development Corridors and Spatial Development Initiatives," January 2009.

²⁴ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

powerful tool in ensuring food security and improving regional trade.²⁵ Regional trade has a spatial development dimension as well. As a recent study from the Centre for the Study of African Economies at Oxford University shows, the impact of regional integration (measured through a trade agreement) is initially more pronounced for cities that are both closer to the border (within 90 minutes of travel time) and smaller in size; over time this impact can become even greater with the appropriate policy and regulatory interventions.²⁶

More holistic Development Corridors encompass all of the components and interactions that enable the exchange of goods and services between production sources and markets along with a deeper focus on engaging stakeholders along agricultural value chains in more rural communities.²⁷ More recently, agricultural corridors have also become part of the landscape in sub-Saharan Africa. The two primary examples, discussed below, are SAGCOT and BAGC, both of which center around anchor investments (for example fertilizer and logistics) and build agricultural “clusters,” that leverage core infrastructure and aggregation of farms in defined geographic areas. This generates investment in additional infrastructure and services and helps local institutions advocate for policies needed to encourage agricultural development. The cluster model, discussed below with other aspects of agricultural corridor development, could have significant application along the Moyale Corridor.

BUILDING AGRICULTURAL DEVELOPMENT CORRIDORS

Structure and Focus of Agricultural Growth Corridors

Both SAGCOT and BAGC are examples of agricultural growth corridors,²⁸ and the design of these corridors includes components specifically centered around the goals of agricultural development and food security. Notably, both corridors seek to encourage investment in the agricultural sector through coordination between the public and private sectors and more comprehensive corridor management,²⁹ and investors and managers of these corridors share the

²⁵ See, e.g., Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

²⁶ Andreas Eberhard-Ruiz and Alexander Moradi, “Regional Market Integration and City Growth in East Africa: Local but no Regional Effects?” CSAE Working Paper WPS/2018-09, August 1 2018, <http://www.csae.ox.ac.uk/materials/papers/csae-wps-2018-09.pdf>.

²⁷ See, e.g., Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

²⁸ These corridors were part of an initiative launched by Yara International, Prorustica, and AgDevCo in 2008 at the UN Private Sector Forum. Other partners included the FAO, International Monetary Fund (IMF), and Alliance for a Green Revolution in Africa (AGRA). See Porter, Kramer, Ramirez-Vallejo, and Herman, “Yara International: Africa Strategy,” Harvard Business School Case Study 9-715-402, January 22, 2018.

²⁹ Rachid Serraj et al, “Agricultural Growth Corridors and Agricultural Transformation in Africa: Research Needs for Impact, Implementation and Institutions,” *European Centre for Development Policy Management, CGIAR*, <http://www.fao.org/3/a-bp142e.pdf>

goal of agricultural development. Both SAGCOT and BAGC are designed to transform commercial agriculture and agribusiness, improving the productivity and incomes of smallholders and supporting local communities in the process,³⁰ thus highlighting their potential as Development Corridors. Both also focus public-private efforts on interventions along the agricultural value chain, which include connective infrastructure and last-mile infrastructure along with policy interventions in support of the corridor's goals.³¹

Within agricultural growth corridors, market opportunity and demand along a transport route (the backbone for movement of agricultural trade), combined with appropriate interventions in the enabling environment to address bottlenecks, create the momentum for agglomeration within a geographic area (or “densification”) that crowds in additional investment (including improvements in storage, processing, and distribution) and leverages untapped growth potential (see *Figure 3* below).³² Better access to appropriate technologies, services, and financing can also follow from this agglomeration effect.

Based on NML's research and applied work over the past decade, building agricultural corridors involves several interconnected elements, which may be more tailored to the complexity that an issue like food security requires (*Figure 3* below):

- 1) Strengthened links between market supply and demand, both internally and cross-border;
- 2) Primary and complementary infrastructure and services investment in support of the entire value chain (including trade facilitation infrastructure as well as storage, processing, distribution, and financial services), tied to needs of market stakeholders (including farmers and women);
- 3) Tailored interventions in the enabling environment for agricultural development, including policies, laws and regulations, trade agreements, and international frameworks (and their implementation) across all aspects of the market; and
- 4) Partnerships and governance structures that can prioritize agricultural development and bring together the necessary players to effectuate change (these can include public-private platforms, innovation labs, cluster approaches, and legal governance mechanisms).³³

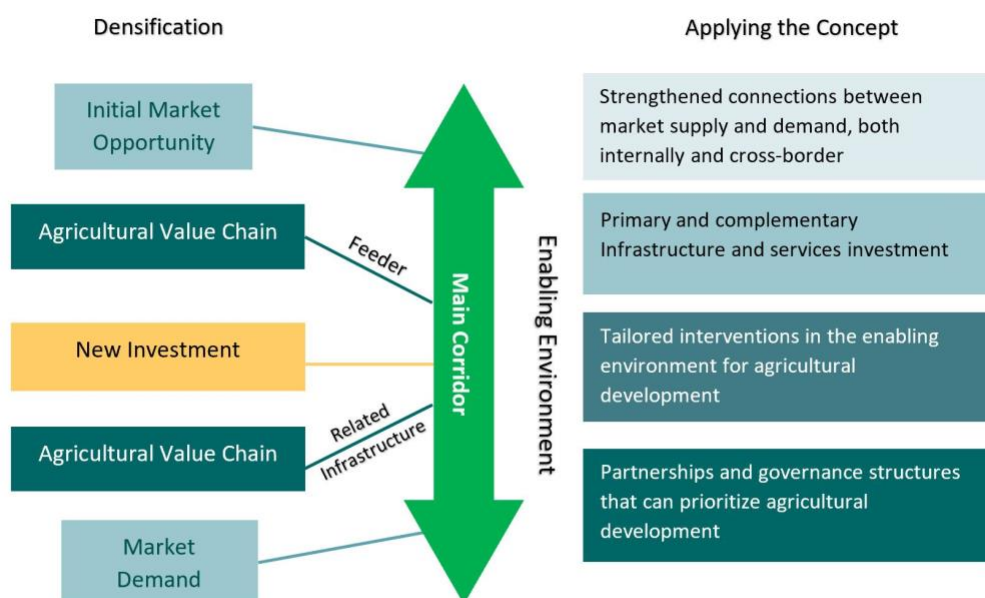
³⁰ *Beira Agricultural Growth Corridor: Delivering the Potential*, BAGC Partnership, https://www.agdevco.com/uploads/reports/BAGC_Investment_Blueprint_rpt19.pdf.

³¹ See, e.g., Eva Galvez Nogales, “Making Economic Corridors Work for the Agricultural Sector,” FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

³² See, e.g., Katrin Kuhlmann, “Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

³³ See, e.g., Katrin Kuhlmann, “Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food*

Figure 3: A Systems Approach to Agricultural Corridor Development



Source: “Densification” by Paul Jourdan, 2012; “Applying the Concept” by New Markets Lab, 2018

Structurally, agricultural corridors are designed to integrate the diverse interests of the multiple actors inherently involved in operating a corridor and harness each actor’s strengths.³⁴ Coordination is critical, particularly for more involved agricultural corridors, as many government agencies can be involved within and across countries.³⁵ Both SAGCOT and BAGC are designed using public-private partnership (PPP) models that can facilitate engagement between these different actors.³⁶ According to the World Economic Forum’s New Vision for Agriculture,³⁷ which launched both SAGCOT and BAGC, good PPPs will involve a group of 20-30 organizations co-led by the Ministry of Agriculture (or other similar government agency) and a private sector leader.³⁸

Security – An Atlantic Basin Perspective Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

³⁴ Sean de Cleene, “Agricultural Growth Corridors – Unlocking Rural Potential, Catalyzing Economic Development, 2014, 76, https://link.springer.com/content/pdf/10.1007%2F978-3-642-54034-9_4.pdf.

³⁵ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

³⁶ Rachid Serraj et al, “Agricultural Growth Corridors and Agricultural Transformation in Africa: Research Needs for Impact, Implementation and Institutions,” *European Centre for Development Policy Management, CGIAR*, <http://www.fao.org/3/a-bp142e.pdf>.

³⁷ “Corridor Clusters,” https://library.net/19365/economics/corridor_clusters; See Achieving the New Vision for Agriculture: New Models for Action,” World Economic Forum, January 2013, http://www3.weforum.org/docs/IP/2016/NVA/New_Models_for_Action.pdf.

³⁸ Achieving the New Vision for Agriculture: New Models for Action,” World Economic Forum, January 2013, http://www3.weforum.org/docs/IP/2016/NVA/New_Models_for_Action.pdf.

SAGCOT, for example, which was launched at the World Economic Forum in 2010, is structured around core infrastructure (rail, roads, and electricity) and covers a significant area from Dar es Salaam to Tanzania's borders with Zambia and Malawi, encompassing a number of agro-ecological zones and crops, highlighting its potential for food security. SAGCOT is led by a public-private platform that engages with multiple partners from across the public and private sectors to support the needs of agriculture production, food security, and sustainable and inclusive economic growth,³⁹ all through the commercialization of smallholder agriculture.⁴⁰ These include the Tanzania Private Sector Foundation, the Agricultural Council of Tanzania, and other private sector organizations and civil society representatives.

SAGCOT's goal is to generate US\$2.1 billion in private investment and US\$1.3 billion in public investment over the course of its twenty-year span.⁴¹ Its operational arm, the SAGCOT Centre, manages the corridor's diverse partnerships with a detailed mandate to:

- Inform private and public investment about partnership opportunities and priority policy reforms;
- Track progress of partner commitments through monitoring and evaluation to ensure progress in meeting commitments;
- Encourage and facilitate participation of the private sector in the partnership;
- Promote policy and regulatory reforms necessary for achieving SAGCOT objectives;
- Derive lessons, adopt approaches to cluster planning and partnership facilitation, and communicate on behalf of the SAGCOT partnership; and
- Promote the SAGCOT partnership and its opportunities to a wider audience, including regional and international partners.⁴²

Alongside the SAGCOT Centre, an independent public-private trust fund, the SAGCOT Catalytic Trust Fund, was created to encourage private investment in agribusinesses along the SAGCOT Corridor. The Trust Fund will help smallholder farmers and small agri-business owners connect with financiers and investors, which is an important part of the success of an agricultural corridor.⁴³ The BAGCI largely mirrors this structure.

³⁹ Beth Jenkins, "Mobilizing the Southern Agricultural Growth Corridor: A Case Study, CSR Initiative, Harvard Kennedy School, 2012, https://sites.hks.harvard.edu/m-rcbg/CSRI/publications/report_48_SAGCOT.pdf, at 4.

⁴⁰ SAGCOT, Who We Are, <http://sagcot.co.tz/index.php/who-we-are/>.

⁴¹ See Porter, Kramer, Ramirez-Vallejo, and Herman, "Yara International: Africa Strategy," Harvard Business School Case Study 9-715-402, January 22, 2018.

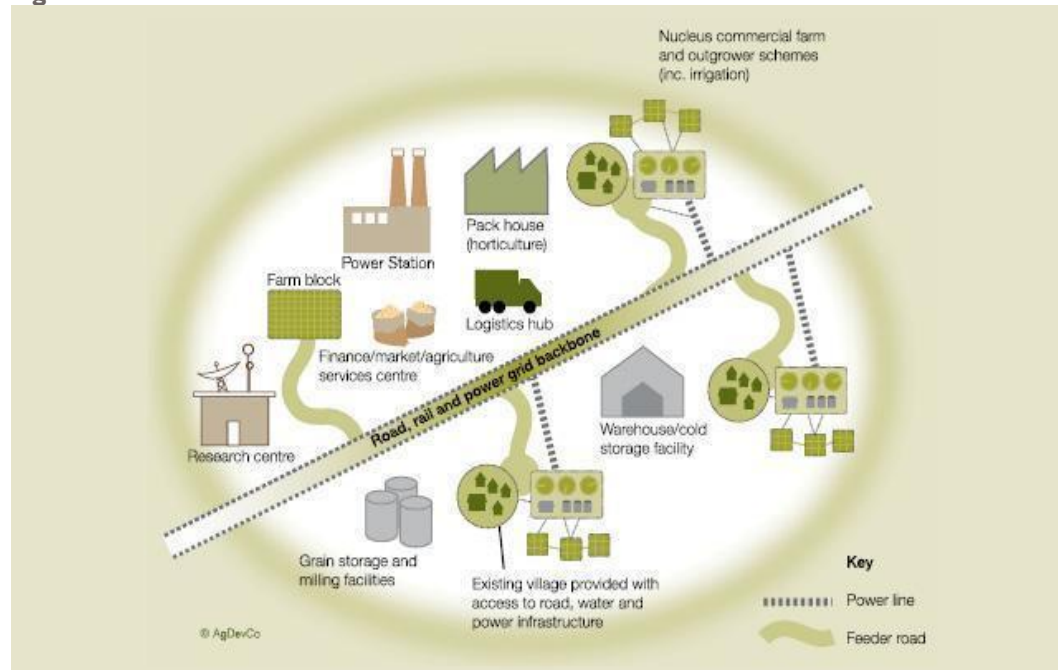
⁴² SAGCOT, Who We Are, <http://sagcot.co.tz/index.php/who-we-are/>.

⁴³ Achieving the New Vision for Agriculture: New Models for Action," World Economic Forum, January 2013, http://www3.weforum.org/docs/IP/2016/NVA/New_Models_for_Action.pdf.

Cluster Models

Both the BAGC and SAGCOT follow a cluster model (Figure 4), which encourages investment in both hard and soft infrastructure at central geographic points (typically a cluster of farms within a region) along the main “trunk” of the corridor,⁴⁴ which is aligned with the approach discussed above. The cluster approach showcases agriculture as an opportunity for business expansion and creates a network to serve agricultural businesses, also integrating farmers more extensively into the corridors (including through arrangements like outgrower models and contract farming).⁴⁵

Figure 4: SAGCOT Cluster Model



Source: AgDevCo, *Southern Agricultural Corridor of Tanzania Investment Blueprint*, January 2011.

These corridor cluster hubs connect farmers to both input and output markets, strengthening the value chain.⁴⁶ The intended result is that more rural areas are better connected to the investments made along the corridor, and smallholder farmers are more directly involved (and therefore directly gain) in the development process. While both SAGCOT and BAGC include primary investments in agriculture, both also prioritize investments at the post-harvest end of

⁴⁴ Sean de Cleene, “Agricultural Growth Corridors – Unlocking Rural Potential, Catalyzing Economic Development, 2014, 76, https://link.springer.com/content/pdf/10.1007%2F978-3-642-54034-9_4.pdf.

⁴⁵ Outgrower schemes and contract farming link networks of individual smallholder farmers, who otherwise lack organization and market strength, with buyers in both the domestic and export markets. Contract farming arrangements, particularly if well designed and implemented, can provide both market and price security to farmers (sellers) and larger agribusinesses (buyers) as well as improve crop quality standards and provide a channel for delivery of technical assistance, improved inputs, and financing. See, Pultrone, C., et al, *Guiding Principles for Responsible Contract Farming Operations*. Food and Agriculture Organization of the United Nations, 2012. Available at: <http://www.fao.org/docrep/016/i2858e/i2858e.pdf>.

⁴⁶ Sean de Cleene, “Agricultural Growth Corridors – Unlocking Rural Potential, Catalyzing Economic Development, 2014, 77, https://link.springer.com/content/pdf/10.1007%2F978-3-642-54034-9_4.pdf.

the agricultural value chain.⁴⁷ These include storage infrastructure and logistics and transport services to support farmers and agri-businesses.⁴⁸

Regulatory interventions to improve storage, packaging, and processing are important as well and can lead to critical reductions in food waste.⁴⁹ Because most corridors span national boundaries, harmonizing the rules of the market, especially customs and agricultural standards across different countries and regions, will positively impact the success of an agriculture-focused development corridor.⁵⁰ For example, reducing or even eliminating sanitary and phytosanitary (SPS) barriers means that food and other agricultural products can cross borders with fewer delays and procedures and lowers uncertainty surrounding the standards that will apply along a corridor. Currently, despite an increased focus on corridors and comprehensive regional harmonization, many countries across Africa still do not fully recognize the standards and regulatory processes of their neighbors. However, addressing these issues as part of a broader development corridor initiative could be a way to encourage more successful implementation of harmonized rules.⁵¹

SAGCOT was also designed to promote diversity and sustainability along the agricultural value chain, connecting different agro-ecological environments that result in different strength crops produced in the various regions along the corridor. SAGCOT has worked with partners like the Nature Conservancy to address issues like land use (e.g. crop suitability), water flows, and best practices for eco-conscious investors to help ensure that investments made along the corridor are ecologically sustainable, ensuring agricultural investments over the long-term.⁵²

Corridor Governance

Another aspect of successful corridors are strong governance structures that manage a corridor's resources and promote common goals of holistic and systemic development.⁵³ While use of the

⁴⁷ Rachid Serraj et al, "Agricultural Growth Corridors and Agricultural Transformation in Africa: Research Needs for Impact, Implementation and Institutions," *European Centre for Development Policy Management, CGIAR*, <http://www.fao.org/3/a-bp142e.pdf>.

⁴⁸ Albie Hope and John Cox, "Development Corridors," *Coffrey International Development*, December 2015, https://assets.publishing.service.gov.uk/media/57a08995e5274a31e000016a/Topic_Guide_Development_Corridors.pdf.

⁴⁹ Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>.

⁵⁰ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

⁵¹ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

⁵² "The Southern Agricultural Growth Corridor: Laying the Foundation for Smart Planning for Sustainable Agriculture in Tanzania," The Nature Conservancy, <https://thought-leadership-production.s3.amazonaws.com/2017/09/12/17/08/57/13210e37-0924-482f-8317-c33c4cad6a6e/SAGCOT-CASESTUDY-4pp-30March-hi.pdf>

⁵³ See Sean de Cleene, "Agricultural Growth Corridors – Unlocking Rural Potential, Catalyzing Economic Development, 2014, 86, https://link.springer.com/content/pdf/10.1007%2F978-3-642-54034-9_4.pdf; See also Katrin

term corridor can refer merely to a trade route, formal corridors have a governance structure, with coordination typically done by a governance body managed by the public or private sector or a combination of the two.⁵⁴ Governance structures can be at the regional level, national level, or at the corridor level itself. Most interstate corridors are managed by written bilateral agreements between neighboring states,⁵⁵ which are governed by international law and interpreted as contracts.⁵⁶ Memoranda of Understanding (MOUs) are the most common form of legal instrument governing corridor management.⁵⁷ As noted above, SAGCOT and BAGC are both structured through PPPs at the corridor level, which were created through MOUs; both the SAGCOT and BAGC PPPs will end in 2030.

Regardless of the type of corridor or governance structure, governance bodies, or Corridor Management Institutions (CMIs), should be designed to perform certain functions that will be critical to a corridor's objectives. These include:

- Planning, prioritizing, financing, and coordinating improvements to the corridor;
- Advocating for legislative and regulatory reforms;
- Monitoring corridor performance;
- Promoting corridor use;
- Piloting reforms in trade facilitation and logistics;
- Giving voices to landlocked countries, the private sector, and other stakeholders; and
- Supporting project implementation.⁵⁸

When multiple countries are involved, responsibilities must be clearly allocated between regional, State, and corridor-level institutions, and coordination is often needed between the national and local levels of government. According to the African Corridor Management Alliance (ACMA), this coordination is necessary in order to achieve a number of interconnected goals, which include:

- Minimize overlapping initiatives and policies;
- Harmonize the legal status of trade facilitation measures;
- Bring together policies and strategies regarding corridor operation;
- Expand the exchange of information; and
- Manage human, technical, and financial resources.⁵⁹

Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

⁵⁴ Charles Kunaka and Robin Carruthers, Trade and Transport Corridor Management Toolkit, World Bank, 2014.

⁵⁵ Adzibey, Yao et al. "Working Paper No. 86: Institutional Arrangements for Transport Corridor Management in Sub-Saharan Africa." Sub-Saharan Africa Transport Policy Program (2007): 18.

⁵⁶ Adzibey, p. 22–23.

⁵⁷ Adzibey, p. 22.

⁵⁸ Charles Kunaka and Robin Carruthers, Trade and Transport Corridor Management Toolkit, World Bank, 2014.

⁵⁹ Adzibey, Yao et al. "Working Paper No. 86: Institutional Arrangements for Transport Corridor Management in Sub-Saharan Africa." Sub-Saharan Africa Transport Policy Program (2007), p. 20.

While not governance models themselves, OSBPs and joint border posts (JBPs) contribute to both infrastructure development and corridor governance, as they can promote coordination among corridor actors, streamline movement across borders, and lower the cost of logistics and inefficient cross-border formalities.⁶⁰ Regional trade agreements play such a role as well.

More established corridors provide insight into different governance structures. The Northern Corridor, for example, was managed through multiple bilateral agreements until 1985, when the Governments of Burundi, Kenya, Rwanda, and Uganda signed a multilateral agreement titled the Northern Corridor Transit Agreement (NCTA). The NCTA was revised in 2007 and modified as other countries, including the Democratic Republic of Congo and South Sudan, joined the corridor. The NCTA also established the Northern Corridor Coordination Authority (now the Northern Corridor Transit Transport Coordination Authority (NCTTCA)), which consists of ministers from the participating countries as its implementing arm to enforce agreements and harmonize policies. The NCTA includes a number of commitments for the contracting states:

- Collaborate on the transport of goods and persons across the corridor, including through customs control and operations, procedures, and trade (this includes establishing and managing reliable transportation and communications systems, cooperating in investment planning and development of transportation facilities, encouraging private sector participation in corridor financing and maintenance, simplifying and harmonizing document requirements and procedures related to trade between the contracting territories and the movement of goods and persons within its territory, and engaging with other contracting states before changing domestic trade laws, regulations, and procedures);⁶¹
- Coordinate with respect to hard infrastructure, including harmonizing technical standards for the design and construction of infrastructure and facilities⁶² and establishing joint border posts between bordering party countries to streamline the transport of persons and goods without overlapping customs procedures;⁶³ and
- Limit other barriers to trade along the corridor by reducing the number of documents and procedures required for interstate traffic, following the United Nations Layout Key for Trade Documents⁶⁴ (this also includes reducing repeated procedures and documents, simplifying customs procedures, establishing one-stop centers for processing and disseminating information regarding cargo handling, port terminal clearance, and onward transport,⁶⁵ and eliminating taxes and duties for traffic in transit).⁶⁶

⁶⁰ Ibid p. 41.

⁶¹ Northern Corridor Transit and Transport Agreement art. 2, October 6, 2007.

⁶² Ibid art. 14.

⁶³ Ibid art. 18, 20.

⁶⁴ Ibid art. 23.

⁶⁵ Ibid art. 24.

⁶⁶ Ibid art. 50–51.

Notably, the NCTTCA created a participatory stakeholders' forum to build consensus among the public and private sectors, which resulted in concrete changes in customs procedures.⁶⁷ Any disputes with respect to the Northern Corridor are to be settled through COMESA's arbitration function, further connecting the corridor with regional integration. The NCTA is funded through weighted member contributions, donors, and port levies.

The Maputo and Walvis Bay corridors also provide illustrative examples of governance structures.⁶⁸ The Maputo Corridor was established through a bilateral agreement between the governments of South Africa and Mozambique, with management of the corridor's infrastructure shifted by concession agreement to the private sector.⁶⁹ The Maputo Corridor Logistics Initiative (MCLI) is also notable for its public-private forum.⁷⁰

The Walvis Bay Corridor Group (WBCG, which spans Namibia, Angola, South Africa, Botswana, Zambia, and Zimbabwe) follows a public-private governance model and was incorporated as a non-profit company governed by a board of directors⁷¹ in 2000.⁷² The MOU on the Development and Management of the Trans-Kalahari Corridor (TKC) governs one of the WBCG's more prominent corridors and commits the governments of Botswana, Namibia, and South Africa to simplifying and harmonizing laws, regulations, procedures, and administrative measures related to trade on the TKC, as well as acceding to the International Convention on the Simplification and Harmonization of Customs Procedures, 1999.⁷³ It is also notable that the WBCG and TKC were established in the context of an existing customs union, the Southern African Customs Union (SACU) that is already focused on streamlining border crossing procedures, which can be a key factor in a corridor's success.⁷⁴

The LAPSET project, which is included in Kenya Vision 2030,⁷⁵ has a somewhat different governance structure which links directly to the government of Kenya. In 2013, the Kenyan President mandated the LAPSET Development Authority as an autonomous government agency to manage the implementation of the corridor. The institutional framework consists of a director-

⁶⁷ John Arnold, "Best Practices in Corridor Management, World Bank, February 2005.

⁶⁸ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

⁶⁹ John Arnold, "Best Practices in Corridor Management, World Bank, February 2005.

⁷⁰ Charles Kunaka and Robin Carruthers, Trade and Transport Corridor Management Toolkit, World Bank, 2014.

⁷¹ Adzibey, Yao et al. "Working Paper No. 86: Institutional Arrangements for Transport Corridor Management in Sub-Saharan Africa." Sub-Saharan Africa Transport Policy Program (2007), p. 10.

⁷² Walvis Bay Corridor Group. "Achievements & History." WBCG.com.na. <http://www.wbcg.com.na/about-us/history-achievements.html> (accessed July 27, 2018); South African Institute of International Affairs (SAIIA). "PPP—Walvis Bay Corridor Group." SAIIA.org. <http://www.saiia.org.za/sadc-business-case-studies/walvis-bay-corridor-group> (accessed July 27, 2018).

⁷³ Memorandum of Understanding between the Governments of the Republics of Botswana, Namibia, and South Africa on the Development and Management of the Trans-Kalahari Corridor, 2003.

⁷⁴ John Arnold, "Best Practices in Corridor Management, World Bank, February 2005.

⁷⁵ LAPSET. "Formation." LAPSET.go.ke. http://www.lapsset.go.ke/corporate_profile/ (accessed July 27, 2018).

general serving under a board composed of five state officials, five private sector representatives (including the information and communication technology (ICT) sector, financial sector, and infrastructure and architectural sectors), and a chairman appointed by Kenya's President.⁷⁶ Notably, one of LAPSSET's intended functions is to help smallholder farmers by creating a "new agricultural growth zone" using a cross-country livestock marketing route.⁷⁷

Ultimately, there is no single model for effective corridor governance, although historically public-private governance structures tend to work best. Under any structure, it will be important to prioritize financial resources, facilitate information flows, enhance analytical capacity, and advocate for interventions needed in order for the corridor to be effective. Corridors may also include monitoring systems to ensure that a corridor is working towards its goals.

One lesson that is clear, however, is that corridors cannot effectively generate agricultural development and food security without an intentional and concerted effort to do so. This will rely upon both focused initiatives (such as development of agricultural clusters) and an appropriate governance structure. As the experience of other corridors has shown, however, corridors may sometimes incorporate more diverse structures to meet different goals (such as the private infrastructure concession in the Maputo Development Corridor alongside the government-to-government agreement),⁷⁸ which could be instructive for development of the Moyale Corridor within the broader LAPSSET initiative.

⁷⁶ IGIHE. "New Agency to Run Lamu Port Project." *IGIHE*, April 1, 2013. <http://en.igihe.com/business/new-agency-to-run-lamu-port-project.html> (accessed July 27, 2018).

⁷⁷ Enns, Charis. "Mobilizing Research on Africa's development corridors." *Geoforum* 88 (2018): 105.

⁷⁸ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

SECTION II: SITUATIONAL ANALYSIS OF THE MOYALE CORRIDOR

Agriculture is central to Kenya's economy (representing 65 percent of exports and 70 percent of the rural working sector⁷⁹) and an important component of Kenya's Vision 2030, which highlights agriculture's role in overall economic growth.⁸⁰ Agriculture is prominent in Ethiopia's economy as well and a key aspect of the Ethiopian Growth and Transformation Plan for 2016-2020.⁸¹ According to the FAO, agriculture accounts for 85 percent of employment in Ethiopia. Most of the sector in Ethiopia is made up of smallholder farmers; 12 million smallholders support about 95 percent of agricultural production.⁸²

Although the right to food is enshrined in Kenya's constitution,⁸³ challenges with food security remain. Addressing food security can be complex, as there are many access points for strengthening food security: agricultural production, post-harvest loss, storage, distribution, environmental management, food waste, and the enabling environment.⁸⁴ Markets are particularly central to food security as well. Not only can regional markets move food from areas of surplus to areas of deficit;⁸⁵ no farmer, regardless of size, will invest in significant surplus production if the market is not understood and reliable.⁸⁶

In addition to the ongoing, long-term aspect of food security,⁸⁷ the Study focuses on the acute food crisis caused by the 2016-17 drought in East Africa, which resulted in a critical shortage of

⁷⁹ International Fund for Agricultural Development, "President's Report Proposed Loan and Grant to the Republic of Kenya and Proposed Grant under the Country-Specific Grants Window to the Food and Agriculture Organization of the United Nations for the Kenya Cereal Enhancement Programme—Climate—Resilient Agricultural Livelihoods Window (KCEP-CRAL)", March 25, 2015.

⁸⁰ Government of the Republic of Kenya, *Kenya Vision 2030: A Globally Competitive and Prosperous Kenya* (Nairobi: Government of the Republic of Kenya, October 2007).

⁸¹ Ethiopian Growth and Transformation Plan, 2016, available at http://dagethiopia.org/new/images/DAG_DOCS/GTP2_English_Translation_Final_June_21_2016.pdf.

⁸² FAO in Ethiopia, "Ethiopia at a Glance," 2018, <http://www.fao.org/ethiopia/fao-in-ethiopia/ethiopia-at-a-glance/en/>.

⁸³ Constitution of Kenya, Article 43 (1) (c), 2010.

⁸⁴ See Katrin Kuhlmann, "The Human Face of Trade and Food Security: Lessons on the Enabling Environment from Kenya and India," Center for Strategic and International Studies, December 2017.

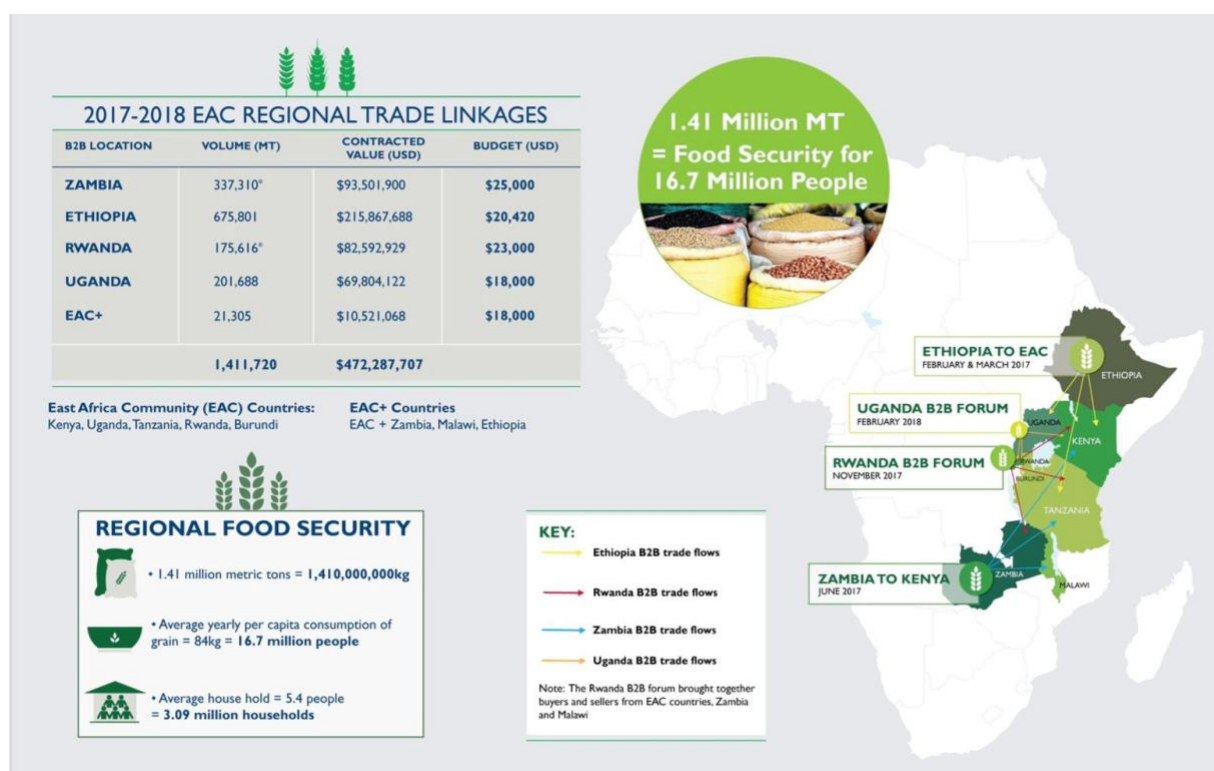
⁸⁵ See Steven Haggblade, *Unscrambling Africa: Regional Requirements for Achieving Food Security*, Michigan State University, 2010.

⁸⁶ See Katrin Kuhlmann et al, "African Markets and Trade: Critical Links to Global Food Security; A Proposed Strategy for the Global Hunger and Food Security Initiative" (draft for discussion), German Marshall Fund, April 9, 2010; Charlotte Hebebrand and Kristin Wedding, "The Role of Markets and Trade in Food Security," Center for Strategic and International Studies, June 2010; and Katrin Kuhlmann, "The Human Face of Trade and Food Security: Lessons on the Enabling Environment from Kenya and India," Center for Strategic and International Studies, December 2017.

⁸⁷ As defined by the World Food Programme [<https://www.wfp.org/node/359289>], food security is a state in which people have "adequate access at all times to sufficient, safe, nutritious food to maintain a healthy and active life." This definition highlights four main requirements: food availability, food access, food utilization, and food stability. In times of crisis, a cycle of insecurity erupts. A particular food crisis can have any number of different causes, including production shortfalls, but the resulting cycle usually looks very similar. Scarcity leads to malnourishment and

maize and other commodities in Kenya. The Hub was directly involved in a response to this food crisis and facilitated an agreement between Ethiopia and Kenya in 2017 to address the maize shortage in East Africa.⁸⁸ The Hub’s facilitation efforts successfully resulted in the import of an emergency supply of 279,000 metric tons of maize, beans, soya, chickpea, sorghum, millet, rice, and sesame from Ethiopia into Kenya and Uganda (this agreement is referred to as the “grain trade facilitation agreement”). Because of the connection with food security, the Study focuses on the example of staple grains (maize, in particular). However, market challenges with staple grains such as maize demonstrate the need for market diversification, which could ultimately help Kenya become more food secure⁸⁹ and build opportunity for both Ethiopia and Kenya along the corridor. Accordingly, other commodities, including livestock and beans, are also included as examples for potential growth along the corridor (See Figure 5).

Figure 5: Link between Trade and Food Security



Source: East Africa Trade and Investment Hub (2018)

malnourishment leads to a loss of economic productivity and social and political instability; these losses reinforce and exacerbate food scarcity.

⁸⁸ See “Trade Facilitation Report – Ethiopia Grain Exports To Kenya & Uganda,” East Africa Trade and Investment Hub, November 2017.

⁸⁹ Katrin Kuhlmann, “The Human Face of Trade and Food Security: Lessons on the Enabling Environment from Kenya and India,” Center for Strategic and International Studies, December 2017.

One of the main takeaways from the situational analysis of the Moyale Corridor is the challenge in ensuring that local market stakeholders' benefits as the regional market for agricultural trade expands along the corridor. Currently, many actors involved in local cross-border trade in Moyale do not have the means to more fully engage in regional trade via the corridor. In order for the corridor to successfully improve food security and deliver local economic development, local stakeholders and marginalized communities will need to be part of the corridor's growth strategy. Other agricultural corridors have also grappled with this challenge, and several (including SAGCOT and BAGC) intentionally integrate local communities and market stakeholders into the corridor through initiatives like growth clusters. Understanding the role of local stakeholders in the market will be critical to ongoing efforts to improve food security in the region and is highlighted in the analysis below.

GEOGRAPHY AND CLIMATE

Geographically, the Moyale Corridor is centered around the recently completed Isiolo-Moyale highway, which connects central Kenya and southern Ethiopia. This “trunk infrastructure” aspect of the corridor spans what has historically been an underdeveloped region of Kenya. The corridor is contained primarily in Marsabit County and also passes through a small section of Samburu County and into Isiolo County. The main towns located within the corridor are Isiolo, Marsabit and Moyale, although the corridor passes through numerous small settlements along the highway as well. There is a long tradition of pastoral livestock farming in the northern region of Kenya, and this population is itinerant, moving often to find sufficient areas to graze goats, cattle, and camels.⁹⁰

Figure 6. The Geography and Climate of the Moyale Corridor



The climate of the Moyale Corridor is arid except for the areas directly surrounding Marsabit and Moyale, which are semi-arid and have small amounts of arable soil. As is shown in *Figure 6*, almost the entire corridor area within Kenya falls within the Chalbi Desert, and the limited amount of vegetation that grows along the corridor relies on a short rainy season of sustained precipitation in May and June and scattered amounts of rain during the rest of the year. In comparison, the central and southern regions of western Ethiopia have a climate that is much more favorable for agriculture

⁹⁰ Marsabit County Department of Agriculture, consultation with NML team members, July 10, 2018.

and receive seasonal rains across a longer period of time from May until September.⁹¹ Because of the limited plant growth in parts of the corridor, the rainy season can make the secondary roads that are not paved impassable. The highway includes a half dozen small bridges that span riverbeds, but these rivers are dry most of the year except for a short number of weeks during the rainy season.⁹²

SOCIAL AND POLITICAL DYNAMICS

While the consultations confirmed that activity within the corridor is on the rise, when field consultations began in Moyale in July 2018, trade through the official border post was largely suspended due to civil conflict on the Ethiopian side of the border. No trucks had passed through the border post for four days when consultations began, and trade through the official border crossing did not resume until several days later. The impact of civil unrest in the cross-border region was acute during the field visit, although all stakeholders consulted explained that trade was usually flowing. There were clear signs that these conflicts are always simmering under the surface, however, even outside periods of overt unrest. In addition to being divided by the national border running east-west through the town, Moyale is also divided by an unofficial boundary that runs along the town's north-south access, perpendicular to the border. This boundary separates the two main ethnic tribes, the Oromo Borana and the Somali, and there is very limited interaction between the two tribes. In fact, there is closer engagement between communities living on opposite sides of the national border than between communities in Kenya from the two different tribes.⁹³

Key On-the-Ground Takeaway

Despite civil unrest during the period of field consultations, every stakeholder stressed that trade flows are normally high along the corridor and at the border.

Both Kenya and Ethiopia are members of the Intergovernmental Authority on Development (IGAD), a multilateral organization for countries in the Horn of Africa, which has the mandate to improve security and maintain international order.⁹⁴ Civil conflict between ethnic-tribal groups transcends the national boundaries of Ethiopia and Kenya, however, and the responsibility for addressing this security concern is shared by the two countries and requires government collaboration at the highest levels. Kenya and Ethiopia have engaged in several programs focused on conflict resolution through the IGAD,⁹⁵ and increasing this engagement, as well as simultaneously intensifying economic integration, could be critical to the corridor's expansion

⁹¹ FAO, Global Information and Early Warning System, Ethiopia, November 22, 2017, available at <http://www.fao.org/gIEWS/countrybrief/country.jsp?code=ETH>

⁹² Marsabit County Department of Agriculture, consultation with NML team members, July 10, 2018.

⁹³ Marsabit County Department of Agriculture, consultation with NML team members, July 10, 2018.

⁹⁴ Economic Analysis of Kenya's Northern Corridor. Tegemeo Institute of Agricultural Policy and Development, 2018.

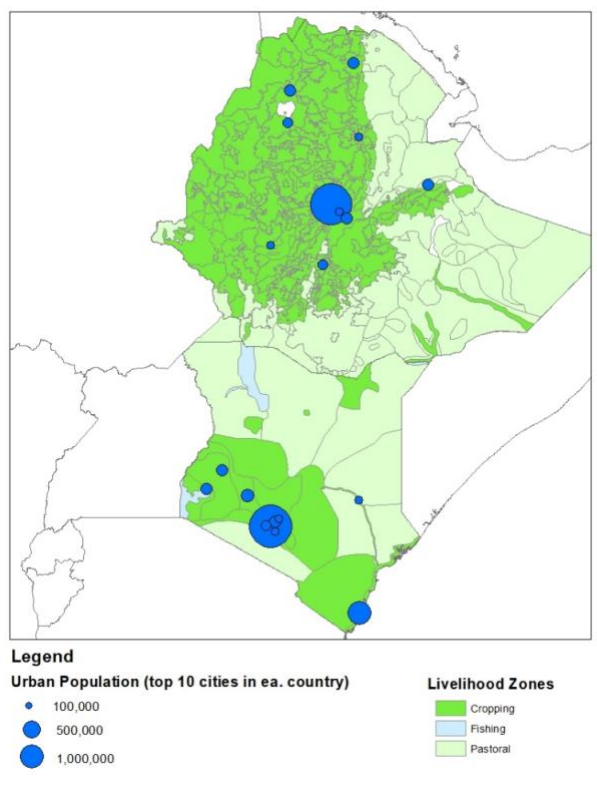
⁹⁵ UNECA, IAGD – Peace, Stability, Security, and Governance, available at <https://www.uneca.org/oria/pages/igad-peace-security-stability-and-governance>

and success. It is notable that, while the IGAD’ mandates include fostering cross-border trade and achieving regional food security, as a regional body it has lagged behind other RECs, like COMESA and the EAC in achieving its objectives, as discussed in Section III below.

REGIONAL TRADE AND MARKET DYNAMICS

Agricultural trade along the Moyale Corridor is driven by regional consumption and production patterns and broader market dynamics between Ethiopia and Kenya. The market balance between the two countries in terms of supply and demand for agricultural products is heavily skewed: there is a much greater supply of agricultural goods in Ethiopia than there is in Kenya, and there is a significant demand for agricultural imports to Kenya due to domestic production shortfalls.⁹⁶ As is shown in *Figure 7* below, the area for agricultural production in Ethiopia is much larger than that in Kenya.⁹⁷ Especially from the southern parts of Ethiopia’s agricultural production zones, the distance to Kenya through Moyale is not far,⁹⁸ and a paved highway now exists to cross the desert region of northern Kenya.

Figure 7. Agricultural Production Zones and Population Hubs for Ethiopia and Kenya



Source: New Markets Lab, 2018

⁹⁶ Economic Analysis of Kenya’s Northern Corridor. Tegemeo Institute of Agricultural Policy and Development, 2018.

⁹⁷ Fewes Net, “Kenya Livelihood Zones,” March 2011, <http://fewes.net/east-africa/kenya/livelihood-zone-map/march-2011>.

⁹⁸ Trade Facilitation Report – Ethiopia Grain Exports to Kenya & Uganda. USAID East Africa Trade and Investment Hub, November 2017.

Overall, Kenya exports much less to the other LAPSSET countries (Ethiopia, Uganda, and South Sudan; see *Table 2* below) than it imports.⁹⁹ Of the LAPSSET countries, Uganda and South Sudan are both members of the EAC (although South Sudan only recently joined) and have much higher volumes of both import and export trade with Kenya compared to Ethiopia.

Table 2: Kenya Value of General Trade with LAPSSET Countries (Ksh. Million)

Exports	2010	2012	2013	2014	2015	2016
Ethiopia	4,385	4,578	4,885	6,919	7,154	8,053
Uganda	52,108	67,450	65,362	60,783	68,574	62,163
South Sudan	-	17,964	16,680	19,823	17,065	16,326
Total exports	56,493	89,992	86,927	87,525	92,793	86,542

Imports	2010	2012	2013	2014	2015	2016
Ethiopia	0.00	354,122	278,631	424,764	501,901	531,602
Uganda	0.00	15,322,810	16,085,806	17,549,421	22,283,692	1,827,573
South Sudan	0.00	1,466,496	213,304	1,210,699	8,709	6,200
Total Imports	0.00	17,143,428	16,577,741	19,184,884	22,794,302	2,365,375

Source: Government of Kenya, *Economic Survey, 2017* pg.138 &141

Notably, the statistics in the table only represent formal trade among the countries, and thus taking into account informal trade (which is more difficult to measure) would further increase the trade volumes. Informal cross-border trade is rife, partly due to the stringent import and export regulations between the two countries – most of which are not understood by key actors and small scale traders operating on both sides of the border – and partly due to the communal ties between the people living at the borders. There are a number of unmanned crossing points along the entire Kenya/Ethiopia border which stretches more than 500km.

Trade in Agricultural Commodities: Maize Snapshot

The agricultural products that are most commonly traded along the Moyale Corridor include maize, beans, lentils, potatoes, and sorghum.¹⁰⁰ The Study focused to an extent on maize, due to its importance as a staple food in Kenya and the role that maize played in the 2017 grain trade facilitation agreement, but other commodities are important as well. For example, sorghum from the corridor region has been identified as an agricultural good that could have a sizeable market

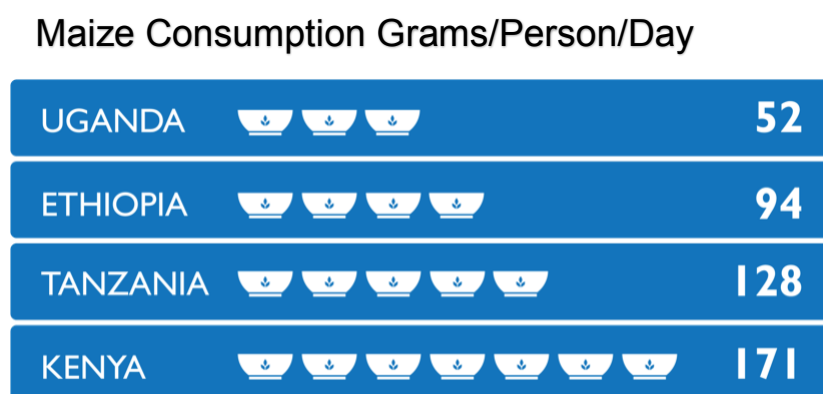
⁹⁹ Tegemeo Institute of Agricultural Policy and Development, 2018.

¹⁰⁰ Kenya Plant Health Inspectorate Service, consultation with NML team members, July 10, 2018.

in Kenya, particularly in order to meet demand from breweries, although sorghum is also used for food.¹⁰¹ Sorghum and other commodities, including beans and livestock, are discussed below.

At present, maize remains one of the most important agricultural products in Kenya. Dry whole-grain white maize is milled into either a fine flour or course meal and eaten by Kenyans as a dietary staple, commonly as the popular dish *Ugali*. In the East African region, Kenya has the highest maize consumption rate per person a day (see *Figure 8*, below).

Figure 8: Maize Consumption for selected African Countries



Source: Ranum, Peter, Juan Pablo Peña-Rosas and Maria Nieves Garcia-Casal. “Global maize production, utilization, and consumption.” *Annals of the New York Academy of Sciences* 1312 (2014): 105-12.

The production capacity of Kenya’s agricultural systems is limited, and the country is quickly moving towards becoming a net importer of food.¹⁰² For maize, this is already the case, and Kenya has to import hundreds of thousands of metric tons of maize annually.¹⁰³ *Figure 9* below shows the comparative production and consumption of maize in Kenya and how, due to declining domestic yields and a growing population, domestic supply is not keeping up with demand.

Table 4 below contains the specific statistics for this domestic supply and demand. In 2006, Kenya had surplus maize production, but over the last decade, consumption of maize in Kenya has

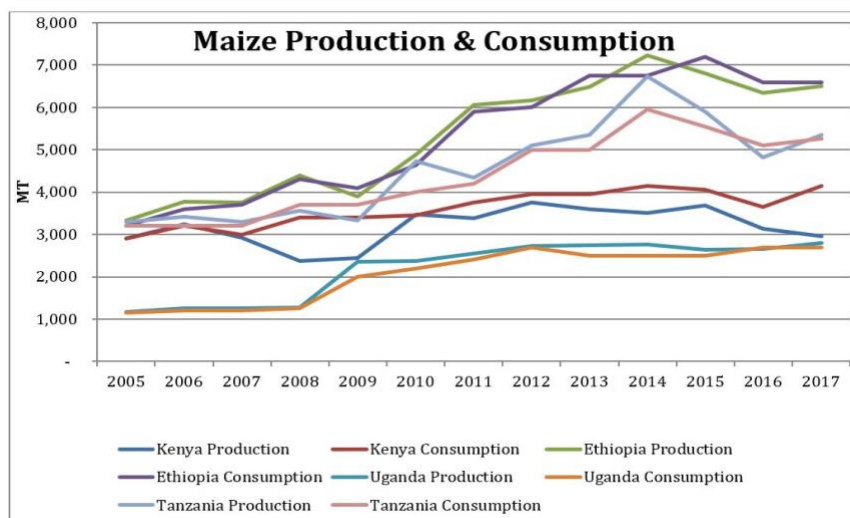
¹⁰¹ LAPSET Corridor Development Strategy, LAPSET Presentation, “Building Transformative and Game Changer Infrastructure for a Seamless Connected Africa, January 2017, <https://drive.google.com/open?id=0B7w3900K6lYnODRPQk4ycHZQRfk>

¹⁰² As Tegemeo has assessed, maize in Kenya is mainly produced under non-irrigated, rain-fed conditions which exposes the sector to erratic weather conditions. Together with other factors such as diminishing land sizes, high cost of production, declining soil fertility, diseases, poor market infrastructure, poor post-harvest handling and lack of storage facilities, this has over the years led to declining production trends. The slow growth in yields together with the growing population have created a demand outstripping supply from own production.

¹⁰³ East Africa Regional Intelligence Report, *FSNWG Food Security and Nutrition Working Group, MAS Market Analysis Subgroup*, January 2017, http://www.fao.org/fileadmin/user_upload/drought/docs/Quarterly%20EAC%20Intelligence%20Brief%20January%202017.pdf.

steadily outstripped domestic production. Kenyan markets have been looking to producers in the region to meet this shortfall. Imports have also come from Uganda and Tanzania; in contrast to trade with Ethiopia, maize purchases through these import channels are subject to EAC trade rules and lower tariffs.¹⁰⁴

Figure 9. Maize Production and Consumption in East Africa



Source: United States Department of Agriculture (USDA), 2018.

Table 4. Domestic Production and Consumption of Maize, Kenya 2005-2017

Year	Production	Consumption
2005	2,906	2,900
2006	3,247	3,200
2007	2,930	3,000
2008	2,367	3,400
2009	2,439	3,400
2010	3,465	3,450
2011	3,377	3,750
2012	3,750	3,950
2013	3,593	3,950
2014	3,513	4,150
2015	3,690	4,050
2016	3,130	3,650
2017	2,950	4,150

Source: United States Department of Agriculture (USDA), 2018

¹⁰⁴ Tegemeo Institute of Agricultural Policy and Development, 2018.

However, as was demonstrated in 2017 in response to the maize shortage in Kenya, Ethiopia is also a viable source for importing maize for a number of reasons.¹⁰⁵ Ethiopia has a huge capacity for agricultural production due to its size and climate. For example, Ethiopia has approximately 15 million hectares of arable land. Kenya, in contrast, has fewer than 6 million hectares of arable land.¹⁰⁶ Additionally, Ethiopians do not consume much maize, so almost all of the maize produced in Ethiopia is exported. Despite the absence of a domestic market, farmers in Ethiopia have been steadily increasing maize production over the last few years as the demand has grown throughout East Africa. Currently Ethiopia is the largest producer of maize in East Africa (see *Table 5* below).¹⁰⁷

Although maize is an important staple crop, it does have disadvantages in terms of food security, one of which is the cost to store the grain out of season. Along the corridor and into Ethiopia, the maize harvest occurs in late May and early June. Some farmers in Ethiopia might be able to grow two crops in a single calendar year and have a second harvest in the fall, but it is more typical for a producer to grow one crop per year. If dried and managed properly, maize can be stored as a whole grain for a long time and used as a storage crop by traders who want to hold it until the market supply drops and the maize can be sold at a higher price.¹⁰⁸ The logistics and investment involved in this kind of storage are usually too much for a trader, but the milling companies, which are the biggest buyers in the Kenyan maize market, are able to manage these dynamics.¹⁰⁹ Overall maize imports have been limited since the 2017 shortage, even though there is clear potential to increase and stabilize this trade. Further even during the period from March – August 2017, when 100,000 metric tons of maize crossed the border from Ethiopia to Kenya, very few local stakeholders (importers, brokers, storekeepers, or transporters) were reportedly involved in the trade.¹¹⁰

It is, however, important to understand the dynamics that underpinned the emergency supply of maize purchased from Ethiopian producers through government channels under the grain trade facilitation agreement. The National Cereals and Produce Board (NCPB), which plays a vital role in agricultural trade, brokered the purchase through the Ethiopian government and hired transporters from Nairobi to drive to Moyale and receive shipments of maize as they were

¹⁰⁵ Trade Facilitation Report – Ethiopia Grain Exports to Kenya & Uganda. USAID East Africa Trade and Investment Hub, November 2017.

¹⁰⁶ Ethiopia: <https://data.worldbank.org/indicator/AG.LND.ARBL.HA?locations=ET> ; Kenya: <https://data.worldbank.org/indicator/AG.LND.ARBL.HA?locations=KE>

¹⁰⁷ Tegemeo Institute of Agricultural Policy and Development, 2018.

¹⁰⁸ FAO Land and Water Database, Maize: <http://www.fao.org/land-water/databases-and-software/crop-information/maize/en/>

¹⁰⁹ National Cereals and Produce Board, consultation with NML team members, July 17, 2018.

¹¹⁰ Marsabit County Department of Agriculture, consultation with NML team members, July 10, 2018.

delivered by selected Ethiopian traders. The NCPB plays an ongoing role agricultural trade and maintains Kenya's emergency food supplies.

Table 5: Area Harvested, Production and Yields

Year	Area harvested(ha)				Production(tonnes)			
	Ethiopia	Kenya	Uganda	Tanzania	Ethiopia	Kenya	Uganda	Tanzania
2005	1,950,115	1,771,123	780,000	3,109,590	3,911,869	2,905,559	1,237,000	3,131,610
2006	1,526,125	1,888,185	819,000	2,570,147	4,029,630	3,247,200	1,258,029	3,423,020
2007	1,694,522	1,615,304	844,000	2,600,341	3,336,795	2,928,793	1,261,803	3,659,000
2008	1,767,389	1,700,000	1,052,000	3,980,970	3,776,440	2,367,237	2,314,909	5,440,710
2009	1,772,253	1,884,368	942,000	2,961,334	3,897,163	2,439,000	2,354,664	3,326,200
2010	1,963,180	2,008,346	1,032,000	3,050,710	4,986,125	3,464,541	2,373,501	4,733,070
2011	2,054,724	2,131,887	1,062,960	3,287,850	6,069,413	3,376,862	2,551,000	4,340,823
2012	2,013,045	2,159,322	1,093,786	4,118,117	6,158,318	3,749,880	2,734,000	5,104,248
2013	1,994,813	2,123,138	1,101,453	4,120,269	6,491,540	3,592,688	2,748,000	5,356,350
2014	2,114,876	2,116,141	1,103,185	4,146,000	7,234,955	3,513,171	2,763,000	6,737,197
2015	2,111,518	2,098,240	1,125,168	3,787,751	7,882,444	3,825,000	2,647,453	5,902,776
2016	2,135,572	2,337,586	1,148,993	4,036,996	7,847,175	3,339,000	2,663,025	5,875,560
Year	Yield(hg/ha)							
	Ethiopia	Kenya	Uganda	Tanzania				
2006	20,060	16,405	15,859	10,071				
2007	26,404	17,197	15,361	13,318				
2008	19,692	18,132	14,950	14,071				
2009	21,367	13,925	22,005	13,667				
2010	21,990	12,943	24,996	11,232				
2011	25,398	17,251	22,999	15,515				
2012	29,539	15,840	23,999	13,203				
2013	30,592	17,366	24,996	12,395				
2014	32,542	16,922	24,949	13,000				
2015	34,210	16,602	25,046	16,250				
2016	37,331	18,230	23,529	15,584				
2017	36,745	14,284	23,177	14,554				

Source: FAOSTAT, 2018, <http://www.fao.org/faostat/en/#data/FBS>

The NCPB tracks and shares information regarding national supplies of staple grains and cereals, which the Kenyan government uses to make decisions on whether to limit or facilitate agricultural imports.¹¹¹ While the NCPB has 110 storage facilities including warehouses and silos located around Kenya, storage is limited due to leftover surplus supply of maize from the facilitated

¹¹¹ National Cereals and Produce Board, <http://www.ncpb.co.ke/>

import in 2017.¹¹² When there is an overabundance of grain in the market, the NCPB will also act to buy surplus grain to steady the agricultural market. According to the NCPB, Kenya is already a net importer of maize and is close to becoming a net importer of wheat. Arable land for farming is already very limited in Kenya, and there has recently been a trend for subdividing farmland into other commercial or residential developments. For example, Nakuru used to be a hub for wheat production but the large parcels of land that are needed for efficient wheat production no longer exist.¹¹³

The East African Grain Council (EAGC) is another central actor in the grains value chain in East Africa and also played a pivotal role facilitating grain imports from Ethiopia in 2017. EAGC is active in trade and agricultural policy in Kenya and collects data related to food security, tracking production volumes for staple crops, market prices, storage levels for warehouses, as well as news related to the agricultural trade in East Africa. This information is disseminated to traders, buyers, and producers on a proprietary basis through a data platform developed by the EAGC called the Regional Agricultural Trade Intelligence Network (RATIN). Through RATIN, the EAGC collects and analyzes information related to market supply and demand and makes this information available to farmers determining the value of their crops, buyers determining their position in terms of market prices and volumes, and traders who negotiate between the two. The EAGC has also developed food balance sheets covering a variety of staple foods at the national and regional levels.

Trade in Other Agricultural Commodities

In addition to maize and other staple grains, other commodities such as livestock, beans, and sorghum could be important to the corridor as well (see *Figure 10* below). Many of these commodities are already being traded along the corridor or are the focus of current development efforts (as in the case of livestock).

An active project through USAID's Feed the Future's Livestock Markets System (LMS) activity is working to improve market access and opportunities for pastoralist livestock farmers along the Moyale Corridor.¹¹⁴ The program is built around a two-part "pull-push" approach: the pull of business development grants, and the push of an improved enabling environment and strengthened governance in these communities. The work of LMS reinforces a critical development goal for agricultural trade along the corridor, namely aggregation and conglomeration (which is central to corridors and akin to the "densification" discussed above).

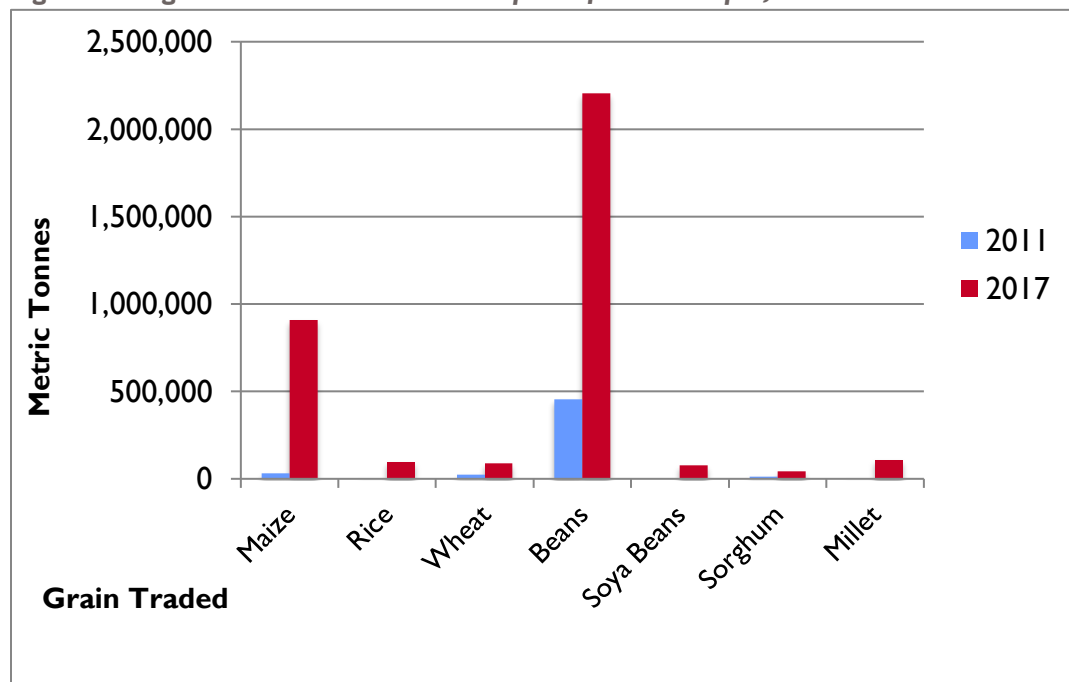
¹¹² "Kenya: Grain and Feed Annual Report", USDA Foreign Agricultural Service: https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Grain%20and%20Feed%20Annual_Nairobi_Kenya_3-28-2018.pdf

¹¹³ National Cereals and Produce Board, consultation with NML team members, July 17, 2018.

¹¹⁴ This project is being implemented in Marsabit County through a collaboration between USAID, ACDI/VOCA, and Mercy Corps. ACDI/VOCA, Feed the Future Kenya Livestock Market Systems Activity, <http://www.acdivoca.org/projects/feed-the-future-kenya-livestock-market-systems-activity/>.

Through its business development grants, the project is supporting the creation and build out of value-enhancing enterprises like a dairy processing facility. These investments can improve the livelihoods of many farmers simultaneously by providing them with a more stable market point for selling their agricultural products.¹¹⁵ USAID’s work through the LMS reflects an important step towards building a commercial value chain for pastoralist farmers in northern Kenya, which could eventually turn into an export market from Kenya to Ethiopia. LMS could also support Ethiopian producers by creating a market for livestock feed through the Moyale Corridor.¹¹⁶

Figure 10: Agricultural Commodities Imports from Ethiopia, 2010-2017



Source: KEPHIS Office, Moyale, 2018

Beans are an important commodity along the corridor as well and are already being traded between Kenya and Ethiopia, with resulting opportunities on both sides. Currently, Kenya imports white pea beans and red beans for processing in Nairobi and export to other countries in the region (including Uganda, Rwanda, and Tanzania). Kenya’s four canneries rely upon supply from Ethiopia, where the cost of production is lower, and represent an important processing and exporting channel for Kenya. The Moyale Corridor could align with the bean corridors developed by the Pan-African Bean Alliance (PABRA) and International Center for Tropical Agriculture (CIAT), which link demand-led crop breeding with production and consumption zones.¹¹⁷ This alignment could channel more formal, private sector activity along the corridor,

¹¹⁵ ACDI/VOCA, Feed the Future Kenya Livestock Market Systems Activity, <http://www.acdivoca.org/projects/feed-the-future-kenya-livestock-market-systems-activity/>.

¹¹⁶ ACDI/VOCA, consultation with NML team members, July 5, 2018.

¹¹⁷ Birachi Eliud, et al., Bean Corridors: A Novel Approach to Scale Up National and Regional Trade in Africa, Pan African Bean Research Alliance (PABRA), October 2017, https://cgspace.cgiar.org/bitstream/handle/10568/80540/PABRA20_Bean_Corridors_BRIEF.pdf?sequence=5.

particularly if done in a way that continues to benefit existing informal stakeholders along the value chain.

While not considered a staple like maize, sorghum is a versatile grain consumed in East Africa; globally it is considered to be the fifth most important grain in semi-arid regions after maize, wheat, rice, and barley.¹¹⁸ Sorghum is more tolerant to drought than maize and can be grown in harsher conditions with less irrigation and fertilizer. The value chain for sorghum is similar to maize: minimal processing is required for sorghum to be used in a human diet. Predominantly, sorghum is grown as a subsistence crop with lower percentages of the crop sold at market.¹¹⁹ Sorghum had greater potential for commercial production, since in addition to being used for food it can also be used for animal feed and malted for use in breweries.¹²⁰

Overall, the development of the Moyale Corridor could be a significant factor in enhanced market opportunity and food security, enabling the region to gain from a diversified economy of agricultural products and providing greater flexibility for producers and improved nutrition for consumers. This potential, however, will only be unlocked if additional challenges related to physical infrastructure and the enabling environment are addressed.

PHYSICAL INFRASTRUCTURE AND LOGISTICS

Road Infrastructure

Many of the issues assessed and consultations conducted during the Study centered on logistical and regulatory issues (the latter are discussed in Section III below) related to the movement of agricultural goods across the Ethiopia-Kenya border to terminal markets in Kenya. These included poor feeder roads in northern Kenya and ongoing high costs of transport, among other issues. Nevertheless, movement along the Moyale Corridor has increased dramatically in the last year due to the completion of the highway between Moyale at the border and Isiolo, a town that is roughly halfway between Nairobi and the border. While previously only 30-40 cars travelled along the road on any given day, now there are more than 100 a day.¹²¹ The trip from Nairobi to Moyale through Isiolo used to take at least three days, but now takes only 11 hours.

¹¹⁸ FAO: http://www.fao.org/fileadmin/user_upload/inpho/docs/Post_Harvest_Compndium_-_SORGHUM.pdf

¹¹⁹ Gates Foundation: <https://agriknowledge.org/downloads/hx11xf31z>.

¹²⁰ LAPSET Corridor Development Strategy, LAPSET Presentation, "Building Transformative and Game Changer Infrastructure for a Seamless Connected Africa, January 2017, <https://drive.google.com/open?id=0B7w3900K6lYnODRPQk4ycHZQRfk>

¹²¹ "Nairobi-Addis Ababa Road Corridor Boosts Trade in East and Horn of Africa," *African Development Bank Group*, 2018, <https://www.afdb.org/en/news-and-events/success-stories/nairobi-addis-ababa-road-corridor-boosts-trade-in-east-and-horn-of-africa/>.

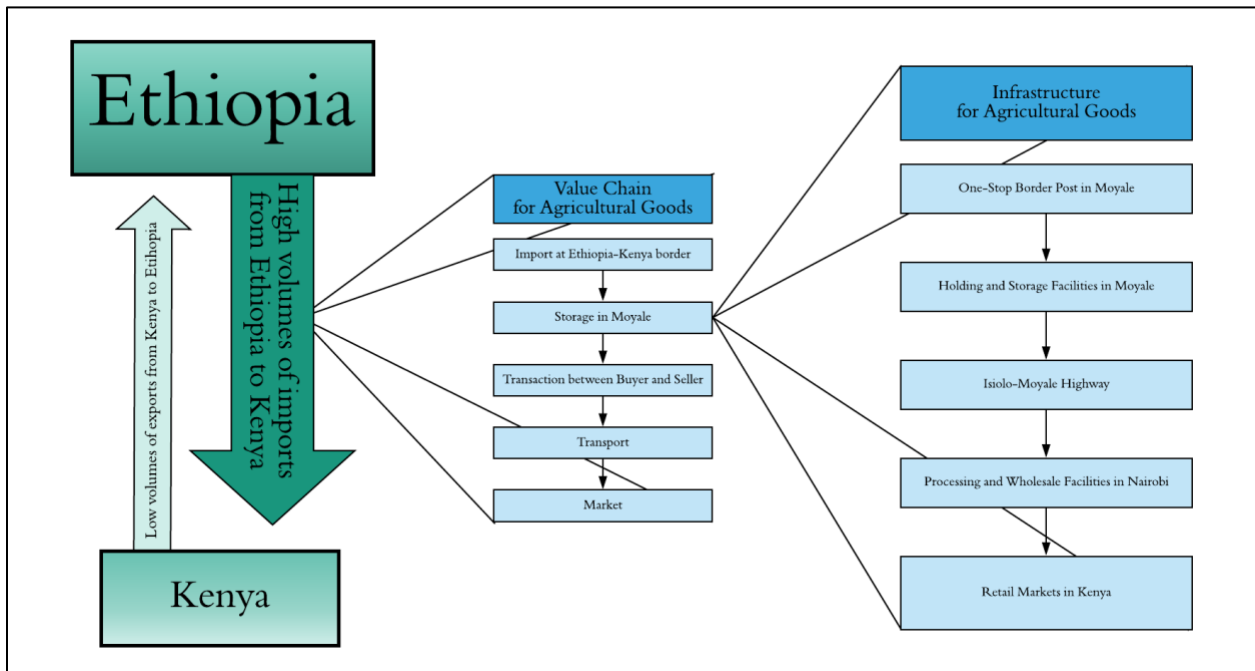
Key On-the-Ground Takeaway

Local stakeholders and residents in the cross-border region agreed there have been **improvements in safety, speed, and volume** of traffic along the corridor.

Despite the significant improvement in road infrastructure, challenges remain. Many are unaware of the new ease of movement along the corridor, especially transport operators in Ethiopia and Kenya. The distance between Moyale and Nairobi is still perceived as an issue, especially when compared to trade routes with Uganda (for example, trade through the Kenya-Uganda border at Busia), which are well-

established.¹²² Due to its recent construction, the highway does still lack roadside services like gas stations, banks, and rest areas, especially between Isiolo and Moyale. Secondary roads in northern Kenya that feed into the Isiolo-Moyale highway continue to limit use of the improved road infrastructure. These feeder roads, which could connect communities from a wider area to the assets of the Moyale Corridor, are for the most part not paved and consist of either gravel or bare dirt. During the rainy season, these roads can become impassable and, during especially bad seasons, must be rebuilt once the heavy rains stop.¹²³ Figure 11 below illustrates the relationship between these three components of agricultural trade along the Moyale Corridor.

Figure 11. The Interaction between Regional Markets, Value Chain, and Infrastructure for Agricultural Goods along the Moyale Corridor



Source: New Markets Lab, 2018

¹²² Importers-Exporters Association of Moyale consultation with NML team members, July 11, 2018.

¹²³ Marsabit County Department of Trade, consultation with NML team members, July 9, 2018.

Still, consultations with local stakeholders and residents in the cross-border region highlighted a number of benefits for the local populations living along the Moyale Corridor. There are now five passenger buses that go between Nairobi and Moyale every day. The quantity of products and manufactured goods coming to Marsabit and Moyale from Nairobi and elsewhere has increased significantly. These goods used to be transported in small volumes in cars or small vans, but now delivery trucks and even freight trucks can access Marsabit and Moyale from the south.¹²⁴ This trunk infrastructure has also improved safety and security in the area along the corridor. Previously, slow movement and vehicle breakdowns due to the rough terrain put travelers and transporters at greater risk for theft and harassment.¹²⁵

Since the infrastructure improvements are still very new, it is not yet clear what kind of broader gains the road will bring to the region, although stakeholders like aid agencies will likely see improvements for reaching new groups that were previously isolated. The World Food Programme (WFP), for example, is active in the region and is working with TradeMark East Africa on an assessment of all of the border crossings in East Africa. In addition to some of the soft infrastructure challenges discussed in the section below, benefits for corridor partners like WFP will depend upon how additional infrastructure is clustered along corridors and near border crossings. For example, one challenge transporting goods between Ethiopia and Kenya through the corridor is the lack of high and consistent volumes, ventilated storage facilities for agricultural goods near Moyale. There are no silos in the northern region of Kenya like there are near Mombasa, and this is a significant hurdle for increasing trade in staple grains through the Moyale Corridor.¹²⁶ Another challenge is maintaining a consistent enough volume of grain trade to support services along the corridor. For example, one operator had to recently close down and repurpose a promising storage facility in Moyale built in coordination with WFP because there was not enough trade volume to support the cost of the facility.¹²⁷

These examples highlight the kinds of problems that can be solved using a corridors approach. The challenge is how to successfully address the varying priorities of different stakeholders (including local communities, humanitarian aid providers, and larger regional stakeholders). In this case, the interests of partners like WFP must be aligned with the interests of important value chain partners and with the commercial interests of private traders and storage facility owners who will ultimately drive trade volumes that can make investments in storage facilities viable. Establishing better developed trade and logistics hubs around Moyale to enhance operational efficiency and better reach beneficiaries in both Kenya and Ethiopia could be a way forward.

¹²⁴ ACDI/VOCA, consultation with NML team members, July 5, 2018.

¹²⁵ ACDI/VOCA, consultation with NML team members, July 5, 2018.

¹²⁶ World Food Programme, consultation with NML team members, July 6, 2018.

¹²⁷ Marsabit County Department of Agriculture, consultation with NML team members, July 10, 2018.

Trade and Services Related Infrastructure

In addition to road infrastructure, trade-related infrastructure will also directly impact the corridor's growth. The physical infrastructure for an OSBP was constructed by TradeMark East Africa (TMEA) with donor support in Moyale in 2017 as part of a larger initiative to transform cross-border trade in East Africa.¹²⁸ The border post is located in a 500-meter zone that encompasses the actual boundary line between the two countries. The Kenyan side of the post consists of two large building complexes, and the Isiolo-Moyale highway passes between the buildings, crosses the border, and continues north through Ethiopian Moyale towards Addis Ababa. The segment of the highway that runs through the OSBP has been constructed to diverge into a series of wide lanes that can accommodate large volumes of freight traffic.¹²⁹ As noted in Section III, with further implementation, the OSBP can become fully operational and help ease some of the legal and regulatory challenges previously cited along the corridor. Before construction of the OSBP, relevant agencies had offices located throughout the cross-border area, but by bringing them together in one location, the OSBP will accelerate the process for moving goods across the border.

Financial services infrastructure requires ongoing attention as well, and there are various challenges along the corridor. Consultations with banking services representatives highlighted that financial services are not used by the local stakeholders involved in cross-border trade at Moyale. For regional trade, most of the buyers who are working through the local traders in Moyale are based in Nairobi and typically access financial services in Nairobi. For local traders, loans and credit are not used for religious reasons. Many of the traders are Muslim, and Islam prohibits these services as usury. Some banks offer a service called Islamic banking, which offers basically the same services as a loan or line of credit, except the fee is paid as a percentage of the profits earned through the loan instead of a calculation of interest based on the original loan. Another important issue is the common refusal of banks to accept or convert Ethiopian birr. The currency is considered too unstable in its value against the Kenyan shilling or US dollar. Mobile money transfers through the platform MPesa are also used in transactions related to cross-border trade but have not yet addressed all the challenges.¹³⁰

Infrastructure Development in the Greater LAPSSET Area

Other efforts are underway to improve physical infrastructure in the region. The LAPSSET Development Authority is rolling out a massive infrastructure plan for the northern region of Kenya, including the Moyale Corridor. The LAPSSET project involves basic preliminary

¹²⁸ <https://www.trademarkea.com/news/ethiopia-kenya-one-stop-border-post-to-commence-service-soon>

¹²⁹ The one-stop border post was built by the same company that constructed the new highway between Isiolo and Moyale, which is Chinese-owned. Increased investment in development projects by China has been an important dynamic in the region, and perhaps the most prominent example of this was the completion in 2017 of the first Chinese military base outside of Asia in Djibouti. (Marsabit County Department of Agriculture; "China's Second Continent" (Book) by Howard French).

¹³⁰ Kenyan Commercial Bank and First Community Bank (Moyale), consultation with NML team members, July 12, 2018.

infrastructure (highways, airports, and pipelines) to facilitate the movement of people and goods between Lamu and Isiolo, Isiolo and Moyale, and Isiolo and Turkana, while engaging private sector stakeholders in the development that takes place. The LAPSSET Development Authority describes itself as a facilitator and identifies four key actions to facilitate infrastructure development: plan, coordinate, prioritize, and mobilize. For this last action, the LAPSSET Development Authority has taken the approach of mobilizing public-private partnerships that can drive investment and action related to the project.¹³¹

These basic structures are intended as the foundation for four large industrial infrastructure projects that the next phase of the LAPSSET plan: a deep-sea port at Lamu that can accommodate 32 container ships; a multipurpose dam at Tana River that will be a source of drinking water, irrigation, and hydroelectric power for the region; an Inter-regional standard gauge railway connecting Lamu, Isiolo, Juba, Addis Ababa, and Nairobi; and an oil refinery at Lamu port. The network of pipelines built as part of the initial transport infrastructure will connect Turkana to Lamu to supply crude oil from South Sudan to the refinery, and Lamu to Moyale to supply refined oil to Ethiopia. If accomplished, this degree of development would transform the northern region of Kenya and Kenya's relationship with South Sudan and Ethiopia.

LAPSSET does include a range of agricultural development benefits, with focus on products such as livestock, sorghum, sugar, and fruits and vegetables. However, unlike corridors like SAGCOT and BAGC, LAPSSET is not focused primarily on agricultural development, although it does encompass objectives for addressing the sector.¹³² At this stage, however, it is not yet clear how smaller market stakeholders will fit into the LAPSSET plans, which will be critical in realizing these goals. Nonetheless, LAPSSET could be a promising vehicle through which to increase focus on agricultural development and food security in the Moyale Corridor, as elaborated in the recommendations below.

ADDRESSING THE NEEDS OF OTHER STAKEHOLDERS IN THE CORRIDOR

The combination of high market demand in Kenya and high supply of agricultural goods in Ethiopia has led to a diverse group of stakeholders along the corridor with subsequent infrastructure needs.¹³³ While some of these are being addressed through current efforts, others deserve greater focus.

Key On-the-Ground Takeaway

Most trade across the border is still **informal** – many traders import goods on foot or via *bodas* (small motorcycles). Almost all of these transactions are completed without formal documentation.

¹³¹ LAPSSET Development Corridor, consultation with NML team members, July 17, 2018.

¹³² LAPSSET Corridor Investment Prospectus:

<https://drive.google.com/file/d/0B7w3900K6IYnNI8xZIVidWVM2NVE/view>

¹³³ Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

Moyale is still a pass-through stop; most of the commodities that formally cross the border from either side are mainly in transit to other cities and villages and are only temporarily stored in Moyale. Despite the improvements in infrastructure, much cross-border trade at Moyale is still conducted informally, especially for goods moving into the local market.

Agricultural goods traded in the local market are either brought up from the central region of Kenya or imported across the border from Ethiopia. These small quantities of agricultural goods that come from Ethiopia are brought over on *boda bodas* (motorbikes with small engines that are used for transporting goods or as informal taxis throughout Kenya) or by foot in wheelbarrows through the informal border crossings. Along with the informal nature of cross-border trade for these goods, the traders explained that most transactions are not recorded and almost all agreements are done verbally without any formal documentation.¹³⁴ Typically, the incidence of large volumes of goods crossing the border is so low most trucks will not have to wait to be processed at the border.¹³⁵

It is clear that security and government policies have an effect on formal trade. The first time one stakeholder saw a line of trucks with large volumes of goods waiting to be processed at the border in Moyale was during the grain trade facilitation in 2017. Conversely, even though all cross-border trade through the official border post had stopped at the time of the July field visit for this Study, trade in goods between Ethiopia and Kenya continued through the informal border crossings. For example, during meetings in the western Oromo side of Moyale, where the road goes directly to an unofficial border crossing into Ethiopian Moyale, at least 80 *boda bodas* passed by, almost all of them loaded with small volumes of goods. As the corridor continues to evolve, development of physical infrastructure should be tailored to the needs of diverse value chain stakeholders, which, in turn, will be driven by the market dynamics of supply and demand.

Two other important issues are the lack of gender inclusivity and the high rates of youth unemployment in the cross-border region. There appear to be very few women involved in cross-border trade as importers, brokers, or transporters. The only women available for consultations were the storekeepers who had organized and registered as the Green Grocers Sacco in Moyale to increase their influence and capacity in the local market for agricultural goods.¹³⁶ Likewise, youth unemployment was noted as a major challenge over the course of the Study. In Kenya as a whole, the unemployment rate is 35 percent. It is possible that in the northern region of Kenya, where there is below average economic development, this figure is even higher. One stakeholder pointed to unemployment as a contributing factor to the active, ongoing conflicts around Moyale and also shared the view that breaking the tribal divisions that fuel these conflicts can be done generationally.¹³⁷ Addressing the needs of these stakeholders will be just as important as addressing the needs of other more active participants along the corridor.

¹³⁴ Moyale Green Grocers Sacco, consultation with NML team members, July 11, 2018.

¹³⁵ ACDI/VOCA, consultation with NML team members, July 5, 2018.

¹³⁶ Moyale Green Grocers Sacco, consultation with NML team members, July 11, 2018.

¹³⁷ Strategy for Northern Development, consultation with NML team members, July 10, 2018.

SECTION III: THE LEGAL AND REGULATORY ENVIRONMENT

Legal and regulatory frameworks play an important role in corridors, particularly more holistic corridors that prioritize both economic and social development. To fully unlock a corridor's potential, interventions in the enabling environment should be tailored and respond to concrete market challenges, yet approaches must address multiple components of the market system as well. Interventions may include better laws and regulations; improved certification and quality control systems; and policies and programs related to facilitating trade across borders, making better quality inputs available, and ensuring food quality and safety.¹³⁸ Legal and regulatory interventions will also need to focus on improving the implementation of existing laws and regulations, particularly across borders.¹³⁹ In addition, certain legal frameworks will be important in order to support corridor structures (such as legislation on PPPs¹⁴⁰) or reinforce agricultural corridors (such as rules related to equitable land use and contract farming).

Because of the complex nature of food security, agricultural development corridors must encompass a range of policy, legal, and regulatory interventions, along with a diverse group of public and private stakeholders. While transport corridors have traditionally focused heavily on customs and trade facilitation issues, these are essential to well-functioning corridors but only one area of law and regulation that must be addressed.¹⁴¹ In addition to regulation of customs, standards and food safety, the success of agricultural development corridors and clusters approaches will also depend upon the regulation of improved support services, including warehouse services, insurance, infrastructure and financial services, as well as rules regarding specific crops and inputs.¹⁴²

Trade between Kenya and Ethiopia at the Moyale border is especially unique because of the relationship the two countries have with each other, their respective membership in regional and

¹³⁸ Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

¹³⁹ Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>.

¹⁴⁰ Kenya promotes private participation in infrastructure development under the Public Private Partnerships Act, No. 54 of 2013, and its Regulations (PPP Regulations 2014, L.N. No.171 of 19 December 2014, PPP (County Government) Regulations 2015 (draft), PPP (Petition) Regulations 2015 (draft), PPP Petition Guidelines, 2014 (in force), and the PPP (Project Facilitation Fund) Regulations 2015 (draft). The PPP Act creates the PPP Committee, mandated with the regulation and overseeing the monitoring and evaluation of PPPs. (Sections 7 and 8) The Ministry of Finance oversees the work done by the Committee (Section 71(2)). The Act also establishes a PPP Unit serving as a resource center on all matters relating to PPPs, including capacity building, disseminating information relating to PPP projects, and generally attracting investment (Section 14).

¹⁴¹ Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

¹⁴² Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>.

international economic communities, and their domestic trade laws and policies, all of which will play a central role in addressing challenges and deepening market integration along the corridor. Ethiopia's absence from binding regional and international trade agreements, such as the EAC and WTO, also makes it more difficult to address tariff and non-tariff barriers.

A number of processes, procedures, and documents are required for the import and export of agricultural produce by both Kenya and Ethiopia, as discussed in greater detail below. Traders who want to engage in cross-border trade need to ensure that they have proper documentation and have paid the necessary fees and tariffs, as well as show evidence that goods adhere to the required quality standards. A number of stakeholders within the corridor reported that necessary documentation on rules and regulations is not easily accessible. In addition, some requirements, like a certificate of competence from Ethiopian authorities (which has been eliminated for some businesses but is often still required), can be difficult to obtain. These challenges are amplified by the fact that most of the local actors in agricultural trade in Moyale have fluctuating roles.¹⁴³ The distinctions between local stakeholders like importers, brokers, storekeepers and transporters involved in the regional cross-border trade of agricultural goods in Moyale are often blurry. Depending upon the job, a trader may handle one step of the cross-border trade process, a few of the steps, or all of them. Annex I includes further detail on relevant requirements, both in tables and a series of Regulatory Systems Maps, developed by the New Markets Lab.¹⁴⁴

During the field consultations, a number of stakeholders highlighted regulatory implementation challenges, including the lack information on the relevant cross-border procedures that actually apply in practice. Many traders have to learn the procedures through trial and error, a highly inefficient method when facilitating trade is a goal. Although most rules and regulations are in the public domain, with some notable exceptions, import procedures are often confusing because the enforcement of rules at the border can be inconsistent. Sometimes enforcement is strict, and other times it is not, creating a great deal of regulatory uncertainty, particularly for smaller traders. Although it can be difficult to measure the degree to which the enabling environment is designed and implemented to facilitate effective corridors,¹⁴⁵ based on the experience of the New Markets Lab, several factors apply (See *Box 1* below).

¹⁴³ Importers-Exporters Association of Moyale, consultation with NML team members, July 11, 2018.

¹⁴⁴ NML's regulatory systems maps visually depict regulatory processes and their implementation. They are part of a larger library of maps, all designed by the New Markets Lab to increase understanding of regulatory processes and bring enterprises and policymakers together around a shared understanding of where the regulatory system has bottlenecks and where improvements would be most beneficial. These maps are made publicly available in order to make legal and regulatory systems more transparent, participatory, and equitable.

¹⁴⁵ See, e.g., World Bank Group, *Enabling The Business of Agriculture*, 2017; African Development Bank, *Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation*, Final Trade and Transport Facilitation Report, 2016 at page 96.

Practical and technical concerns also create trade challenges at the border. Due to the complexities of fulfilling the formalities for importing goods into Ethiopia and for transport on Ethiopian roads, Kenyan transporters tend to prefer to off-load cargo at the Moyale border crossing into temporary storage warehouse operated by Ethiopian Customs. Technology has somewhat eased trade (for example clearance of the goods at Moyale is conducted online through the Simba system),¹⁴⁶ but a number of challenges remain. In addition, frequent power outages contribute to weak Internet connectivity which in turn affects border operations. The border in Moyale also has no cargo container scanners, baggage scanners, or other equipment required for efficient border operations, and there are no weighbridges for controlling the axle load limits. All of these issues relate to trade-related infrastructure and regulatory issues, as discussed below.

Box 1: Key Factors for Assessing Design and Implementation of the Enabling Environment

1. **Relevant measures within domestic law** (laws/acts, regulations, policies, and administrative and institutional frameworks) **and mechanisms to implement regional and international obligations;**
2. **Total number of procedures and documents and total time required for trade-related procedures** including customs inspection, laboratory testing, registration processes, technical controls, and trade document processing, among others (See, e.g., the World Bank’s Enabling the Business of Agriculture initiative);
3. **Total cost for regulatory procedures**, including the cost of trade document processing, border control costs, costs of registering businesses along the value chain, and certification and licensing costs;
4. **Existence of legal-related infrastructure**, including number of qualified inspection agents and laboratories, among others;
5. **Successful completion of regulatory processes**, such as registrations and certifications granted;
6. **Streamlining of regulatory processes to align with market dynamics and policy goals** (this may involve shift from *ex ante* regulation, which regulates market activity before stakeholders may engage in the market, to *ex post* regulation, which regulates market activity once it has begun through enforcement measures);
7. **Adoption of international good practices and mutual recognition of comparable regulatory systems; Mechanisms for protecting economic legal rights and resolving legal disputes;** and
8. **Accessibility of information on relevant laws and regulations** (publication in easily accessible sources; online publication), **degree of awareness among diverse market stakeholders** (business of all sizes, informal and formal market stakeholders, farmers, women traders, etc.), **and ability of non-governmental stakeholders to engage in the process for developing and changing law, regulation, and policy** (such as public comment procedures and stakeholder validation).

Source: New Markets Lab, 2018

¹⁴⁶ KRA Public Notice on the SIMBA System: http://www.kra.go.ke/csd/pdf/Customs_Notice_SIMBA_Sytem_II.pdf. The KRA Simba Tradex System can be accessed at: <http://212.49.91.93/>.

NATIONAL REGULATORY AND INSTITUTIONAL FRAMEWORKS

The movement of goods across borders is regulated through a number of requirements and processes which generally include tariffs, fees, and other charges; customs procedures; standards and non-tariff issues; classification and valuation of goods; rules of origin (rules that determine where a good comes from or where value is added); and required licenses and permits. Both the Kenyan and Ethiopian governments have institutions in place overseeing that these requirements are complied with. Laws and regulations also affect formal and formal institutions that play an important role to trade along the corridor.

Kenya's Agricultural Regulatory System

Kenya regulates agriculture and trade through a number of legal measures and several institutions, all of which will be relevant as the Moyale Corridor evolves. The Kenyan Ministry of Industry, Trade and Cooperatives will have oversight over aspects of the corridor, including trade facilitation, while the Kenyan Ministry of Agriculture and Irrigation will be responsible for a number of critical issues related to agricultural development and food security. Additional ministries will be engaged as well, as will a number of regulatory bodies that fall within the purview of key ministries. These will include the Kenya Plant Health Inspectorate Service (KEPHIS)¹⁴⁷ and the Directorate of Veterinary Services (DVS)¹⁴⁸ within the Ministry of Agriculture and Irrigation and other important institutions like the Kenya Bureau of Standards (KEBS)¹⁴⁹ and the Kenya Revenue Authority (KRA). While these institutions all regulate and monitor the export and import of agricultural produce and livestock along the Moyale Corridor, they derive their authority from different legal instruments and report to different ministries. The regulation of trade in agricultural produce and livestock across the border includes a number of regulatory systems, including regulation of trade in plant material,¹⁵⁰ import and export health certificates,¹⁵¹ and customs.¹⁵²

¹⁴⁷ The Kenya Plant Health Inspectorate Service Act Cap 54 established KEPHIS and obliges it to regulate the import and export of plant materials, register importers and exporters, issue plant import and export permits, conduct inspection and issue phytosanitary certificates to exporters.

¹⁴⁸ Kenya's Animal Disease Act, Cap 364 created the Directorate of Veterinary services, which has the mandate to regulate the import and export of livestock, including inspection of livestock imports and exports, and issuance of veterinary health certificates.

¹⁴⁹ Kenya's Standards Act, Cap 496 and the Verification of Conformity to Kenya Standards of Imports Order, 2005 (Legal Notice No. 78 of 15th July 2005) provide the legal basis for the Kenya Bureau of Standard, which inspects, monitors and verifies conformity with the standards and issues the certificate of conformity.

¹⁵⁰ Kenya's Plant Protection Act, Cap 324, Plant Protection (Importation of Plants, Plant Products and Regulated Articles) Rules of 2009, and Legal Notice 48 (The Plant Protection Fees & Charges) Rules (2009) regulate the import and export of plant material, issuance of export and import permits, and the issuance of phytosanitary certificates.

¹⁵¹ Kenya's Public Health Act, Cap 242, Public Health (fees) Rules, Food, Drugs and Chemical Substances Act, Cap 254 and its regulations create the Port Health Services, which issues the import and export health certificate.

¹⁵² Kenya's Customs and Excise (Amendment) Act of 1996 and Legal Notice 120 and the Regulations (2010) regulate customs practices at the border, as do the East African Community Customs Union Common External Tariff (2017), the East African Customs Management Act (Revised Edition, 2012), East African Community Customs Management Regulations (2010) and other EAC rules and measures. Relevant regional instruments

Ethiopia's Agricultural Regulatory System

Similarly, agricultural trade is governed by several ministries and regulatory entities on the Ethiopian side, including the Ethiopian Ministry of Agriculture and Livestock Resources; the Ministry of Trade;¹⁵³ and the Ethiopian Customs and Revenue Authority (ECRA).¹⁵⁴ As in Kenya, a number of legal measures regulate different areas relevant to the corridor, including customs,¹⁵⁵ phytosanitary certificates,¹⁵⁶ import and export licenses,¹⁵⁷ port health certificate,¹⁵⁸ foreign exchange,¹⁵⁹ cargo insurance (mandatory in Ethiopia),¹⁶⁰ and temporary customs storage and bonded customs warehouses.¹⁶¹

include the Treaty Establishing COMESA, COMESA Protocol on the Rules of Origin (2015), Council Regulations Governing the COMESA Customs Union, and the COMESA Market Customs Management Regulations, (which also included the COMESA Common Tariff 2017).

¹⁵³ Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 916/2015 defines the powers and duties of government bodies involved in the regulation of importation and exportation, such as the Ministry of Trade and the Ministry of Agriculture and Livestock Resources.

¹⁵⁴ Ethiopia's Customs Proclamation No. 859 of 2014, along with other customs laws and regulations,¹⁵⁴ sets forth the mandate for the ECRA to monitor and verify the payment of taxes and duties at the border.

¹⁵⁵ Other Ethiopian customs laws and regulations include: Value Added Tax Proclamation No. 285/2002; Excise Tax Proclamation No. 307/2002; Ethiopian Revenues and Customs Authority Establishment Proclamation No. 587/2008; A Proclamation to Amend the Value Added Tax Proclamation No. 609/2008; A Proclamation to Amend the Excise Tax Proclamation No. 610/2008; A Proclamation on Export Trade Duty Incentive Schemes, Proclamation No. 768/2012; A Proclamation on Investment, Proclamation No. 769/2012; Tax Administration Proclamation No. 983/2016; Customs Warehouse License Issuance Council of Ministers Regulations No. 24/1997; The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 25/1997; The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 80/2002; The Revised Regulation on the Importation of Goods on Franco- Valuta Basis Council of Ministers Regulation No. 88/2003; The Customs Tariff Regulations Amendment Council of Ministers Regulation No. 89/2003; Franco-Valuta Directive No. 66/2004 E.C; Export Trade Duty Incentives Directive No. 86/2005 E.C; Directive to Determine the Application of Customs Declaration, Directive No. 118/2008 E.C; and the Directive of Goods Examination and Goods Subject to Prior Customs Procedure, Directive No. 119/2008 E.C.

¹⁵⁶ Ethiopia's Plant Quarantine Council of Ministers Regulation No. 4/1992 regulates the issuance of phytosanitary certificates by the Ministry of Agriculture and Livestock Resources.

¹⁵⁷ Ethiopia's Commercial Registration and Business Licensing Proclamation No. 980/2016 regulates the issuance of general import and export licenses; the Animal Diseases Prevention and Control Proclamation, No. 267/2002 regulates the issuance of export and import permits for livestock and animal feed by the Veterinary Drug and Feed Administration Control Authority.

¹⁵⁸ Ethiopia's Food Medicine and Healthcare Administration and Control Councils of Ministers Regulation No. 299/2013, created the Food, Medicine, Healthcare and Control Authority, which issues the port health certificate at the border.

¹⁵⁹ Foreign Exchange Regulations of Ethiopia, Directive No. FXD/07/1998 of the National Bank of Ethiopia (NBE), last amended for imports by Directive No. FXD/16/2001 and for exports by Amendment No. FXD/26/2004 to the Directive No. FXD/07/1998, which mandates the National Bank of Ethiopia, regulate the issuance of bank permits (allowing for payment modalities such as a letter of credit, cash against document, advance payment, and Franco-Valuta) and the issuance of foreign currency to importers and exporters.

¹⁶⁰ Ethiopia's Licensing and Supervision of Insurance Business Proclamation N° 86/1994 and the National Bank of Ethiopia Notice N° 1/1977 regulate the issuance of the mandatory cargo insurance by the Ethiopian national insurance companies.

¹⁶¹ Ethiopia's Directive on Customs Warehouse Administration Implementation No. 40/2002 regulates the management of temporary customs storage and bonded customs warehouses.

Formal and Informal Institutions

There are several key institutions involved in the value chains along the corridor that are affected by national and regional laws and regulations. Among these are financial institutions, traders' associations, civil society organizations, and development partners. The role played by each of these institutions is significant to trade in the corridor and laws that are prohibitive in their operation could negatively affect trade in the corridor. During field consultations, a number of stakeholders cited numerous, stringent laws and loosely implemented laws as challenges to their operations. Some informal institutions, like unregistered SACCOs and moneylenders also play an incremental role in trade along the corridor. Unfortunately, there are currently no initiatives to motivate such informal institutions to be formalized, which could come with more legal protections and clearer market roles.

Key On-the-Ground Takeaway

Loosely implemented and unclear laws were cited as among the top challenges to improved trade along the corridor.

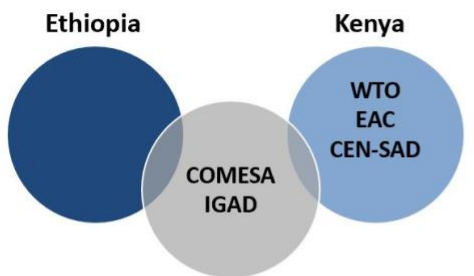
Many traders must use trial and error to determine which laws apply.

REGIONAL TRADE AGREEMENTS

Kenya is a member of the EAC, COMESA, IGAD, and the community of Sahel-Saharan states (CEN-SAD). Kenya and Ethiopia have overlapping membership in IGAD and COMESA, although Ethiopia is not yet a member of the EAC. (Figure 12). While significant progress has been made to expand the legal coverage of these agreements, particularly the EAC and COMESA, effective implementation remains a challenge. Other relevant regional level agreements include the Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA). The TFTA is meant to combine COMESA, the EAC, and the Southern African Development Community (SADC) into one unified trade block. Likewise, the AfCFTA is meant to create a single market for goods and services across the continent. While both have major implications for trade in the region, they are not yet in operation.

Figure 12: Multilateral and Bilateral Agreements

Multilateral Agreements



	Free-Trade Area	Customs Union	Common Market
EAC	Established	Established	Established
COMESA	Established	Established	Not Scheduled
IGAD	Not yet Established	Not yet Established	Not Scheduled
CEN-SAD	Not yet Established	Not yet Established	Not Scheduled

KEY
 Established
 Not yet Established
 Not Scheduled

Kenya-Ethiopia Special Status Agreement

- Signed in 2012
- Provides a framework for;
 - The coordination of progressive tariff concessions,
 - Increased market access,
 - Harmonization of tariff lines, Streamlining of standardization and quality assurance procedures
- **Challenge:** The agreement is not binding, it is not publicly accessible, nor is it widely known in Kenya or Ethiopia

Although it is technically a member of COMESA, Ethiopia has not yet joined the COMESA FTA, citing a range of reasons for its reluctance to join, including skepticism about the FTA's actual potential for boosting trade; possible revenue losses as a result of the FTA; treatment of sensitive products; and the protection of key industries.¹⁶² Ethiopia's economy has changed significantly since it joined COMESA, however, with substantial growth in the services and agricultural sectors. Ethiopia is now working towards joining the FTA and has commissioned studies on the implications of doing so.¹⁶³ It also introduced a 10 percent tariff reduction on goods imported (depending on the type of goods) from COMESA countries. As a non-FTA member of COMESA, however, Ethiopia neither fully benefits from COMESA nor can be fully bound.

IGAD, the other regional economic community to which Ethiopia is a member, currently does not have a free trade area, common market, or customs union. This means that IGAD currently does not have a legal structure that would address tariff and non-tariff barriers among member states. In addition, the protocols under IGAD are not binding on the member states unless domesticated under the national laws. This means that for cross-border trade to be successful between Ethiopia and Kenya at the regional level, Ethiopia would have to join other regional

¹⁶² Ethiopia, Regional Integration and the COMESA Free Trade Area, Economic Diplomacy Program Occasional Paper 198 of 2014, at page 17. Available at: <https://www.saiia.org.za/occasional-papers/573-ethiopia-regional-integration-and-the-comesa-free-trade-area/file>.

¹⁶³ Ethiopia, Regional Integration and the COMESA Free Trade Area, Economic Diplomacy Program Occasional Paper 198 of 2014, at page 17. Available at: <https://www.saiia.org.za/occasional-papers/573-ethiopia-regional-integration-and-the-comesa-free-trade-area/file>.

economic communities that have more binding rules on trade and customs management, like the EAC and COMESA. IGAD is currently in the process of developing a protocol on free movement of persons, which is envisaged to include provisions on the free movement of goods and trade facilitation.¹⁶⁴ However, at the moment neither Kenya nor Ethiopia can freely trade in agricultural produce along the corridor under IGAD but rather must resort to other trade agreements.

Although Ethiopia is not yet a member of the EAC, its rules still have an impact on Kenya's regulation of its borders, even with non-EAC countries. The EAC is also notable among the RECs, as it has established a free trade area, customs union (which took effect in 2010), and common market, with a monetary union intended to follow. The main trade policy instruments of the EAC Customs Union are contained in the Protocol on the Establishment of the East African Community Customs Union (2004), the EAC Customs Management Act 2004, and the EAC Customs Management Regulations 2006. Together, these provide for a number of measures to improve regional trade, including, but not limited to, the gradual elimination of internal tariffs; establishment of a common external tariff; liberalization of intra-regional trade in goods; and promotion of production efficiency, economic development, and industrial diversification. The Customs Union and Common Market Protocols of the EAC provide for free movement of goods, capital, people, and services. This includes trading across borders with minimal checks for clearance, no trade taxes on goods originating from the region, and uniform tariffs on similar products. The EAC is currently in the process of eliminating all internal tariffs to become a Single Customs Territory (SCT) with a common external tariff system. The EAC also currently has a Simplified Trade Regime, which makes it easier and faster for traders with consignments under USD 2,000 to trade across EAC borders. A trader only needs to acquire a Simplified Certificate of Origin to prove that the goods originate from one of the EAC member countries. The importer also does not need to have a clearing agent and can apply directly for tax assessment. COMESA also includes a Simplified Trade Regime provision, which facilitates trade in goods valued at USD 2000 or less and traded from one COMESA Member State to the other.

SPECIAL STATUS AGREEMENT

Key On-the-Ground Takeaway

If fully implemented, the Special Status Agreement (SSA) could lead to **major improvements in bilateral trade**. However, **almost no stakeholders** consulted knew about the SSA, which presents a major challenge.

At the bilateral level, the Ethiopian and Kenyan governments have been involved in discussions aimed at improving trade, services and economic relations between the two countries. The SSA, signed in 2012, allows the two countries to devise mechanisms for elevating bilateral trade through the

¹⁶⁴ IGAD, IGAD Launches Negotiations on the Protocol on Free Movement of Persons, available: <https://igad.int/divisions/economic-cooperation-and-social-development/2016-05-24-03-16-37/1588-igad-launches-negotiations-on-protocol-on-free-movement-of-persons>.

removal of tariff and non-tariff barriers and elimination of investment bottle-necks (See Figure 12 above). The SSA provides a framework for the coordination of progressive tariff concessions, increased market access, harmonization of tariff lines, and streamlining of standardization and quality assurance procedures for goods and services between the two countries.

The SSA is anticipated to be one step towards enhanced trade links, expansion of markets, and strengthening of common development objectives. It sets out several priority areas for cooperation: trade, investment, infrastructure, food security and sustainable livelihoods, all of which could align with the Moyale Corridor, and important-focused corridors. The SSA commits the two countries to ease the issuance of work permits, and participate in capacity building, innovation, and research, as well as work jointly to identify key opportunities for the development of the services sector.¹⁶⁵ It also aims to improve trade in agricultural products like maize and other grains in the trade corridor, although the two countries have not yet signed additional instruments on this subject.¹⁶⁶

There are other challenges with the agreement, as well. First, the agreement is not binding in itself, and therefore has limited reach as-is. There is need for the two countries to enter into other binding agreements under the framework of the SSA that will include concrete concessions on specific issues like the removal of tariff and non-tariff barriers. Moreover, the agreement is not publicly accessible or widely known in either Ethiopia or Kenya, even by some of the most relevant stakeholders in the public sector. Further, some stakeholders, including key ministries, have not yet been consulted for their input into ongoing negotiations.

Institutional Framework

The SSA allows for the establishment of a joint private investment council consisting of representatives from both governments and from the private sectors of each country. This council will facilitate and promote trade and investment in close collaboration with the national investment agencies. In addition, a High-Level Joint Tripartite Council will be established to direct and guide the planning, implementation, monitoring and evaluation of the relevant sectors of the agreement.¹⁶⁷ The SSA also emphasizes infrastructure as a crucial priority area to better connect the two markets, ease the way for traders to do business along the trade corridor, and address constraints to business. The SSA allows both sides to intensify road and rail networks to facilitate trade along the corridor. Additional trading facilities, including warehouses and Inland Container Depots, are intended to be established on the basis of reciprocity within each other's areas of custom control. If fully implemented, this will also permit free movement of commercial, transit cargo and axle weights in either country.

¹⁶⁵ <http://www.mfa.go.ke/joint-communique-state-visit-ethiopian-prime-minister-abiy-ali/>

¹⁶⁶ <http://www.awib.org.et/currency/news/item/249-ethio-kenya-special-status-agreement-signed.html>

¹⁶⁷ <https://chilot.me/wp-content/uploads/2014/09/proclamation-no-836-2014-special-status-agreement.pdf>

KEY REGULATORY ISSUES ALONG THE CORRIDOR

Tariff Issues

While there is significant potential for more trade between Kenya and Ethiopia, high tariffs imposed on exports and imports between the two countries continue to be a challenge, due in large part to a lack of formal regional integration (discussed above). Ethiopia and Kenya currently have no enforceable bilateral trade agreement allowing each other tariff exemptions. Ethiopia does, however, apply a tariff reduction on COMESA imports (including imports from Kenya), but extends more favorable treatment to Djibouti and Sudan under bilateral agreements.¹⁶⁸ Further, Ethiopia is still in the negotiation process to join the WTO, giving other countries limited recourse against measures it might impose (see below). By remaining outside the EAC and COMESA FTA, both Ethiopian exports to Kenya and Kenyan exports to Ethiopia are subject to higher duties, making such products less price competitive on the counterpart's market and creating a challenge to trade.

The lack of coordination between Kenya and Ethiopia on import-export procedures is often cited as a persistent challenge. As a non-EAC member, Kenya's tariffs are higher vis-à-vis Ethiopia than with other countries in the region (*Table 8*).¹⁶⁹ Moreover, the importer also has to pay other additional tariffs, including value added tax, road maintenance levy, fees on motor vehicle permits, import declaration fees, among others. Sensitive products, such as maize and rice, are subject to higher tariffs. While political interventions can allow for more open trade (for example, the Kenyan government waived duties for white and yellow maize in response to the shortage), such measures are temporary in nature and not binding or reliable.¹⁷⁰

Table 8: Import Duty charged by KRA on Certain Agricultural Products Imported from Non-EAC Countries Versus Other EAC Member Countries

Description	Import Tax Rate for non-EAC Members	Import Tax Rate for EAC Members
Sheep, Goats, Cattle and Camels	25% per unit	0% per unit
Beans, Peas, Potatoes, Grain Sorghum, Millet, Onions, Lentils, and Others	25% per kg	0% per kg
Maize (sensitive item)	50% per kg	0% per kg
Rice (sensitive item)	75% or \$345/MT (whichever is higher)	0% per kg

Source: EAC Customs Union Common External Tariff, 2017.

¹⁶⁸ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

¹⁶⁹ See, the EAC Customs Union Common External Tariff, 2017. Available at: <https://www.tra.go.tz/swahili/images/EAC-CET-2017.pdf>.

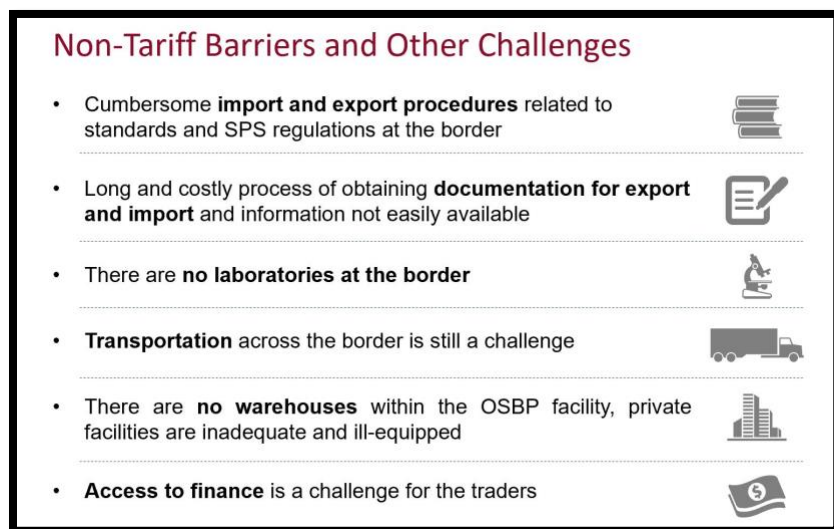
¹⁷⁰ See Gerald Andae, "Duty-Free Window for Maize Extended," *Business Daily*, July 24, 2017.

Non-tariff Measures

Non-tariff measures include the laws, regulations, and policies other than tariffs that affect movement of goods and services across borders. Across the Moyale Corridor, non-tariff issues can be more cumbersome than the high tariffs themselves. *Figure 13* below outlines some of the most common non-tariff barriers. For example, the process of obtaining the required documentation for export and import of agricultural products in Ethiopia is long and costly. Moreover, as noted, information regarding the legal requirements for importing and exporting agricultural produce and livestock is often not easily available, which creates a challenge for companies that could trade along the corridor. Other issues include more stringent customs rules for non-EAC members. Other non-regulatory issues, such as language and cultural issues, have an impact as well (Ethiopians speak Amharic and follow a different yearly calendar, while Kenyans speak Swahili and English and follow the Gregorian calendar). Several of the more significant areas of non-tariff regulation, including customs and standards, are discussed below.

As a result of the EAC Elimination of Non-Tariff Barriers Act in 2017 (NTB Act),¹⁷¹ Kenya established a National Monitoring Committee on Non-Tariff Barriers to Trade, with the mandate of identifying and addressing Kenya's non-tariff barriers. Such National Monitoring Committees (NMCs) have been established in all EAC countries in order to enhance the smooth movement of goods and services and reduce import and export time across the region. The EAC NTB Act obliges countries, including Kenya, to provide a legal framework for removing non-tariff barriers and any restrictions that make importation or exportation difficult or costly.¹⁷²

Figure 13: Non-Tariff Barriers and Other Challenges along the Moyale Corridor



Source: New Markets Lab, 2018

¹⁷¹ The EAC Elimination of Non-Tariff Barriers Act, 2017. Available at: <http://www.eala.org/documents/view/eac-elimination-of-non-tariff-barriers-act-2017>.

¹⁷² Articles 5, 6 and 9 of the EAC Elimination of Non-Tariff Barriers Act, 2017. Available at: <http://www.eala.org/documents/view/eac-elimination-of-non-tariff-barriers-act-2017>.

Customs and Trade Facilitation

Customs and trade facilitation issues are of paramount importance because of the nature of corridors, and trade facilitation efforts have increasingly come into focus within regional markets. Trade facilitation measures are designed to facilitate the physical movement of goods across borders. Improvements in trade facilitation have the potential to significantly reduce costs, improve transparency and participation in rulemaking, encourage increased participation by traders in formal cross-border trade structures, and support higher value trade. While some notable improvements in trade facilitation have been made, both Kenya and Ethiopia still need to streamline customs formalities and simplify other customs requirements.

Kenya has put in place a national E-trade portal that has a description of procedures and formalities for the import and export of the main Kenyan products, which includes agricultural products like maize.¹⁷³ There are other government websites like those of KEPHIS,¹⁷⁴ KEBS,¹⁷⁵ and KRA¹⁷⁶ that also give detailed information on how to acquire some documents required prior to export or import, like a phytosanitary certificate, a genetically modified organism (GMO)-free certificate, information about standards, fees and tariffs, among others. Kenya also has an online platform that facilitates access to information and advisory services for agricultural value chains through linkages with service providers, partnership and collaboration.¹⁷⁷

Kenya has ratified the WTO Trade Facilitation Agreement (TFA), which is aimed at facilitating trade among member countries by streamlining customs procedures and formalities and encouraging collaboration across borders.¹⁷⁸ The WTO TFA, which entered into force in February 2017, is a unique trade agreement that allows developing countries and least developed countries (LDCs) flexibility in implementing its requirements.¹⁷⁹ Developing countries and LDCs can designate commitments under three categories (A, B, or C) according to each Member's unique capacity to implement the provision¹⁸⁰ Category A includes commitments that have already been implemented or can be implemented immediately. Category B commitments will be implemented after a transition period, and Category C commitments require both a transitional period and capacity assistance in order to be implemented.¹⁸¹ Kenya submitted its Category A commitments and is now working on Category B commitments.

¹⁷³ See, <https://infotradekenya.go.ke>

¹⁷⁴ See, <http://www.kephis.org>.

¹⁷⁵ See, <https://www.kebs.org>.

¹⁷⁶ See, <http://www.revenue.go.ke/index.php/customs-services/international-trade/trade-procedures>.

¹⁷⁷ See, <http://www.seedsectorplatformkenya.com>

¹⁷⁸ WTO Agreement on Trade Facilitation: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

¹⁷⁹ Articles 14, 15, 16 and 18 of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm. See also, Katrin Kuhlmann, Legal Guide For Women Entrepreneurs, New Markets Lab and Aspen Network of Development Entrepreneurs, 2015. Available at: https://docs.wixstatic.com/ugd/095963_54aad2211372409c89cba8790c279912.pdf.

¹⁸⁰ Article 14 of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

¹⁸¹ Article 14 of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

In 2016, Kenya established the National Trade Facilitation Committee¹⁸² in line with Article 23 of the TFA. The National Trade Facilitation Committee is composed of members from the private and public sectors¹⁸³ and is aimed at promoting trade facilitation in the country by coordinating the operations of border agencies to ensure expedited movement, release, and clearance of goods, including goods in transit.¹⁸⁴ The National Trade Facilitation Committee's terms of reference include establishing a Monitoring and Evaluation System on Trade Implementation in Kenya, identifying policy gaps, and providing guidance and support to the Government of Kenya on the way forward on trade facilitation.¹⁸⁵ The National Trade Facilitation Committee is also mandated with cooperating with other trade facilitating bodies on any measure that affect trade and providing technical advice on trade facilitation negotiations at the national, regional, interregional, and multilateral levels.¹⁸⁶

Among other things, the WTO TFA encourages WTO Members to establish OSBPs, Electronic Single Window Systems, and integrated border management that can help reduce paperwork, clearance times, and costs associated with cross-border trade.¹⁸⁷ The implementation of a "single window system"¹⁸⁸ that brings together all regulatory functions, while complicated, is also a priority. These include processes for obtaining customs declarations, applications for import/export permits and phytosanitary certifications, and certificates of origin and trading invoices. The TFA also calls upon WTO members to cooperate with neighboring countries: it suggests coordination of operating hours, alignment of procedures and formalities, along with establishment of OSBPs. Such efforts, along with simplification of customs processes for small shipments (including de Minimis customs thresholds), expedited release for perishable agricultural goods, and enquiry points or information desks at border crossings could all help traders along the corridor. Establishment of risk management systems and designation of authorized operators could also reduce trading times. The WTO TFA also requires members to make customs-related information available online and encourages them to establish at least one point of contact for

¹⁸² The Kenya Gazette Vol. CXVIII-No.110 of 16th September 2016, Notice No.7319. Available at: http://kenyalaw.org/kenya_gazette/gazette/volume/MTM2MQ--/Vol.CXVIII-No.110.

¹⁸³ Clause 1, The Kenya Gazette Vol. CXVIII-No.110 of 16th September 2016, Notice No.7319. Available at: http://kenyalaw.org/kenya_gazette/gazette/volume/MTM2MQ--/Vol.CXVIII-No.110.

¹⁸⁴ Clause 2, The Kenya Gazette Vol. CXVIII-No.110 of 16th September 2016, Notice No.7319. Available at: http://kenyalaw.org/kenya_gazette/gazette/volume/MTM2MQ--/Vol.CXVIII-No.110.

¹⁸⁵ Clause 2, The Kenya Gazette Vol. CXVIII-No.110 of 16th September 2016, Notice No.7319. Available at: http://kenyalaw.org/kenya_gazette/gazette/volume/MTM2MQ--/Vol.CXVIII-No.110.

¹⁸⁶ Clause 2(j), The Kenya Gazette Vol. CXVIII-No.110 of 16th September 2016, Notice No.7319. Available at: http://kenyalaw.org/kenya_gazette/gazette/volume/MTM2MQ--/Vol.CXVIII-No.110.

¹⁸⁷ Article 8 of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm. See also, Katrin Kuhlmann, Legal Guide For Women Entrepreneurs, New Markets Lab and Aspen Network of Development Entrepreneurs, 2015. Available at: https://docs.wixstatic.com/ugd/095963_54aad2211372409c89cba8790c279912.pdf.

¹⁸⁸ Article 10(4) of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

customs-related inquiries,¹⁸⁹ and such transparency efforts are particularly helpful for smaller traders who are often less knowledgeable of border rules.

Although Ethiopia is not yet a WTO member, the WTO TFA is an example of international good practices, which have traditionally been aligned with corridors. Ethiopia's WTO accession is reportedly expected to be complete by the end of November 2018¹⁹⁰ and could translate into improved trade facilitation along the corridor for both Kenya and Ethiopia.

Standards and Sanitary and Phytosanitary Measures

Issues of standards and SPS measures (which are measures that protect human, animal, and plant life against certain risks) can be critical to facilitating trade along corridors. Stakeholder consultations (see Annex I) confirmed that import and export procedures related to standards and SPS can be complicated at the Kenya-Ethiopia border.

Agricultural imports into both Kenya and Ethiopia require a phytosanitary certificate, issued by the authority of the importing country. Both KEPHIS¹⁹¹ and Ethiopian officials first conduct an inspection and sometimes take samples for testing to ensure compliance with SPS standards and measures. Under the Ethiopian Plant Quarantine Council of Ministers Regulation No. 4 of 1992, the Ethiopian Ministry of Agriculture and Livestock Resources has the authority to issue a phytosanitary certificate to an exporter of plant products like maize and other grains, after careful inspection of the consignment.¹⁹² The fees on both sides are not significant, particularly for smaller consignments, but the procedures can be cumbersome and result in costly delays. Stakeholders at the border indicated that one of the most pressing challenges is the fact that the Ethiopian pest list is not updated, creating difficulty in obtaining the required phytosanitary certificate.

At the Moyale border, the Kenyan Port Health Services also inspects consignments and may take samples for verification of conformity with food health standards.¹⁹³ If the consignment meets the standards, the Port Health Services issues an import health certificate and gives clearance for importation. On the Ethiopian side of the Moyale border, the Food, Medicine, Healthcare and Control Authority under the Ministry of Health sets and monitors compliance with food safety standards.¹⁹⁴

¹⁸⁹ Article I of the World Trade Organization Agreement on Trade Facilitation, available at: https://www.wto.org/english/docs_e/legal_e/tfa-nov14_e.htm.

¹⁹⁰ "Ethiopia to Join World Trade Organization in 2018," *Ezega.com*, August 31, 2017, <https://www.ezega.com/News/NewsDetails/4622/Ethiopia-to-Join-World-Trade-Organization-in-2018>. This process has been long; Ethiopia requested accession over 10 years ago.

¹⁹¹ Rule 5(1) b of the Plant Protection (Importation of Plants, Plant Products and Regulated Articles) Regulations, 2009.

¹⁹² Regulations 6(2) and 11 of the Plant Quarantine Council of Ministers Regulation No. 4/1992.

¹⁹³ Section 8 of the Food, Drugs and Chemical Substances (General) Regulations, Cap 254, and sections 131, 135 of the Public Health Act, Cap 242.

¹⁹⁴ See the Food Medicine and Healthcare Administration and Control Councils of Ministers Regulation No 299/2013.

Imports into either Kenya or Ethiopia are also required to comply with the countries' respective quality standards. KEBS in Kenya¹⁹⁵ and the Standards Conformity Assessment Enterprise in Ethiopia monitor standards compliance. KEBS is currently implementing the Pre-Export Verification of Conformity (PVoC) to Standards Program for imports into and exports out of Kenya.¹⁹⁶ The PVoC program is aimed at ensuring the safety and quality of certain goods, including maize and other grains.¹⁹⁷ It requires all importers of agricultural products like maize or other grains to accompany their consignments with a certificate of conformity from a specified third-party service provider.¹⁹⁸ The role of these agents is to undertake conformity assessment activities in the country of origin (in this case Ethiopia) for products being imported into Kenya. Assessing compliance includes several activities such as inspection, sampling, testing, and sealing of full-load containers and issuance of certificates of conformity.¹⁹⁹ Once the goods arrive at the border, the importer gives the certificate of conformity to KEBS, which inspects the produce to ensure compliance. At the Moyale border, KEBS follows the EAC Standardization, Quality Assurance, Metrology and Testing Act (SQMT)²⁰⁰ and, according to border officials, enforces the 2018 EAC harmonized standards for several agricultural produce such as maize grains, beans, and sorghum, among others. Because Ethiopia is not a member of the EAC, it follows different standards, and many stakeholders at the border experience challenges meeting differing standards.

Unfortunately, there are no laboratories at the Moyale border. Samples are sent by KEBS to Nairobi for testing, with results returned in about two weeks. KEPHIS and KEBS officials usually advise the importer to bring in a sample for testing prior to importation, so that the results are ready before the importer brings in the full consignment at the border. Further, the clearing authorities are not exactly aligned at each end of the border, making it difficult to determine who has the final say on required documentation and standards. Establishing laboratory facilities at the border could help streamline the process.

¹⁹⁵ KEBS is created under section 3 of the Standards Act, Cap 496, available at: <https://www.aca.go.ke/images/downloads/standards-act.pdf>. Among the functions of KEBS in section 4 of the Standards Act, is the duty to promote standardization.

¹⁹⁶ The Verification of Conformity to Kenya Standards of Imports Order, 2005 (Legal Notice No. 78 of 15th July 2005).

¹⁹⁷ Kenya Bureau of Standards, PVoC Program Operations Manual, available at: [https://infotradekenya.go.ke/media/PVOC%20MANUAL%20\(1\).pdf](https://infotradekenya.go.ke/media/PVOC%20MANUAL%20(1).pdf).

¹⁹⁸ Clause 3.1 of the Kenya Bureau of Standards, PVoC Program Operations Manual, available at: [https://infotradekenya.go.ke/media/PVOC%20MANUAL%20\(1\).pdf](https://infotradekenya.go.ke/media/PVOC%20MANUAL%20(1).pdf).

¹⁹⁹ Under the PVoC Program Operations Manual, agricultural products like maize are certified under Route A, that is, they are subject to testing and physical inspection to demonstrate conformity to relevant standards. A fee of 0.5 percent of the free on board (FOB) value is charged, covering documentary verification, physical inspection and sampling. See, Clause 6.4 of the Kenya Bureau of Standards, PVoC Program Operations Manual, available at: [https://infotradekenya.go.ke/media/PVOC%20MANUAL%20\(1\).pdf](https://infotradekenya.go.ke/media/PVOC%20MANUAL%20(1).pdf).

²⁰⁰ The EAC Standardization, Quality Assurance, Metrology and Testing Act, 2006. Available at: http://www.eac-quality.net/fileadmin/eac_quality/user_documents/3_pdf/EAC_SQMT_Act__2006_Scan_.pdf.

Ethiopia requires that an approved third-party service provider physically inspect every consignment of qualifying agricultural products at the country of origin (Kenya in this case) before importation into Ethiopia.²⁰¹ Depending upon the nature of the product, laboratory testing or documentary verification demonstrating compliance with relevant Ethiopian standards may be required²⁰² as is a Certificate of Inspection or Conformity. Where agricultural products are imported without a Certificate of Inspection from an authorized third-party inspection body, such goods are subject to inspection, sampling, and testing by the Ethiopian Standards Conformity Assessment Enterprise upon arrival.²⁰³

To mitigate some of the more pressing challenges, Kenya and Ethiopia could consider entering into a mutual recognition agreement for standards and SPS, which could be done under the SSA. The mutual recognition agreement would act to encourage trade between the two countries and could significantly reduce the time and costs of doing business and trading across the Ethiopia-Kenya border. The agreement would allow products that have been tested satisfactorily in the exporting country to be accepted by the importing country with minimal additional testing or certification, in alignment with international standards.²⁰⁴

REGULATION OF VALUE CHAIN ACTIVITIES ALONG THE CORRIDOR

Development of trade along the Moyale Corridor will also depend upon the availability of a range of services, including warehousing, insurance, infrastructure and financial services, all of which have regulatory implications.²⁰⁵ Availability of these services can reduce the costs of trade by creating economies of scale, making the corridor more attractive to traders. The regulation of these services is thus a central element for creating an enabling environment for trade.

Some services, like finance, cut across all aspects of the value chain. As noted above, access to financial services can be a challenge along the corridor, and most small businesses struggle with obtaining funding to support importation and exportation. Several commercial banks in Kenya and Ethiopia provide short-term financing, but accessing this financing depends upon the possession of adequate collateral, which is also a challenge (particularly for women).

²⁰¹ Ethiopian Customs Guide, Ethiopian Revenues and Customs Authority, March 2017, available at http://www.erca.gov.et/images/Documents/Customs/Others/Ethiopia_Customs_Guide.pdf.

²⁰² Ethiopian Customs Guide, Ethiopian Revenues and Customs Authority, March 2017, available at http://www.erca.gov.et/images/Documents/Customs/Others/Ethiopia_Customs_Guide.pdf.

²⁰³ See, Article 22 of the Definition of Powers and Duties of the Executive Organs of the Federal Democratic Republic of Ethiopia Proclamation No. 916/2015.

²⁰⁴ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

²⁰⁵ Katrin Kuhlmann, The Human Face of Trade and Food Security: Lessons on the Enabling Environment from Kenya and India, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>.

Transport

Transport is one of the key services related to development in the corridor. Kenya has road and transport agreements with the Republic of Ethiopia focused on the development of interregional highways under the LAPSSET Corridor Development Authority. In November of 2011, Ethiopia and Kenya signed a MOU related to the development, management and utilization of the corridor (a US\$ 700 million agreement for the construction of the Nairobi-Moyale-Addis Ababa road network linking the two East African countries). In March 2013, the LAPSSET LCDA was established through the Presidential Order Kenya Gazette Supplement No. 51, Legal Notice No. 58, to plan, coordinate and manage the implementation of the LAPSSET Corridor, with formal land acquisition done under Kenya's Land Act of 2012. The project also constructed the physical infrastructure for an OSBP at Moyale, which is a significant step forward in facilitating trade.

Although the road from Nairobi to Moyale is fully constructed and generally in good condition, there remain some challenges relating to its use. In addition to the issues noted above in Section II, conflicting regulations that impact the use of the new highway. For example, there are different axle load limit requirements between Kenya and Ethiopia. Most of the Kenyan and Ethiopian trucks using the corridor are currently single or double-axle trucks. Axle load limits in Ethiopia are lower for 2-axle vehicles and higher for triple-axle vehicles.²⁰⁶ Once Ethiopian trucks arrive at the Moyale border, these trucks cannot continue their trip, because the load limits are lower in Kenya. Accordingly, the practice used by most of the Ethiopian trucks is to offload cargo in some private warehouses in Moyale (on the Kenyan side), where the cargo is split in two or more consignments that are delivered by Kenyan trucks to the destination points in Kenya.

Another constraint is that foreign registered vehicles are not allowed to operate inside both countries. Drivers of commercial vehicles from Kenya are also required to obtain a circulation permit from the Federal Transport Authority of Ethiopia, allowing them to remain in the country for a period of about two weeks, but the process to obtain this permit can take just as long.²⁰⁷ The permit was established to ensure road safety, since Ethiopian vehicles drive on the left-hand side, while Kenyan vehicles drive on the right-hand side. There are also cumbersome procedures involved in obtaining this permit, including the fact that the relevant Ethiopian laws and regulations on traffic are not always made public.²⁰⁸

As a result, Kenyan transporters often prefer to offload the goods into a warehouse operated by Ethiopian Customs located a short distance from the border. The only requirement for delivering

²⁰⁶ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

²⁰⁷ Likewise, Ethiopian trucks cannot cross into Kenya unless they have fully complied with all the regulations of the East African Customs Management Act of 2010 (EACMA), <https://www.tra.go.tz/tax%20laws/Customs%20Regulations.pdf>.

²⁰⁸ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

goods into such a warehouse is the lodgment of an import declaration to Ethiopian Customs or a declaration for customs warehousing. From arrival at the border until offloading of cargo into the warehouse, goods remain under customs supervision. After offloading, goods are stored in the warehouse pending completion of import formalities that are conducted by Ethiopian importers at the time of their removal from the warehouse.

Accordingly, once Kenyan truck drivers complete the export formalities in Kenya, they deliver goods to the warehouse and often travel back empty to Kenya. This increases the cost of trade and limits the potential for two-way trade along the corridor. In some cases, transporters find return cargo in Moyale (usually livestock) that is back-hauled to Nairobi and other main cities in Kenya. In order to avoid these challenges, both Kenya and Ethiopia could focus on harmonizing and simplifying the formalities and documents required for cargo and vehicles used in inter-state transport. This is one of the obligations binding on both Kenya and Ethiopia under the COMESA Treaty, namely to establish common measures for the facilitation of road transit traffic.²⁰⁹

Security has also been an issue along the corridor (especially from Isiolo to Moyale in Kenya), and engaging escort companies has become more common practice than getting security from the Kenya police. This comes at a cost, which is usually passed on to the importer or exporter, depending upon the agreement between the parties. There is also a high cost of cargo insurance, which is compulsory in Ethiopia for imports and can be given only by a national insurance company, although most Ethiopian insurance companies will not cover the risk of transport in Kenya, effectively requiring two separate cargo insurance policies with two different insurance companies in each country.

Storage

There are several storage facilities at the Moyale border, most of which are privately owned. There are no modern warehouses at the border, and the storage facilities in existence are small in size and not well ventilated. Within the OSBP facility, there are no warehouses with equipment for the transshipment of goods, like cranes or forklifts. Manual labor is mostly employed in loading and offloading of goods, which tends to take a lot of time. At the Moyale border, the common practice is for Kenyan truck drivers to deliver cargo into temporary customs storage in the Ethiopian territory, after completion of formalities for both export (in Kenya) and import (into Ethiopia). Once cargo is offloaded, it is loaded onto one or more Ethiopian trucks for its delivery to the destination. Private operators, with customs authorization, typically operate the temporary customs storage facilities on the Ethiopian side of Moyale.²¹⁰ Once export formalities have been completed with Kenyan Customs, a driver must wait until the Ethiopian importer has lodged an import declaration (an import declaration or a declaration for warehousing is also necessary for offloading cargo into the Ethiopian temporary customs storage facilities).

²⁰⁹ Article 85 of the COMESA Treaty.

²¹⁰ See, Customs Proclamation no. 859 of 2014.

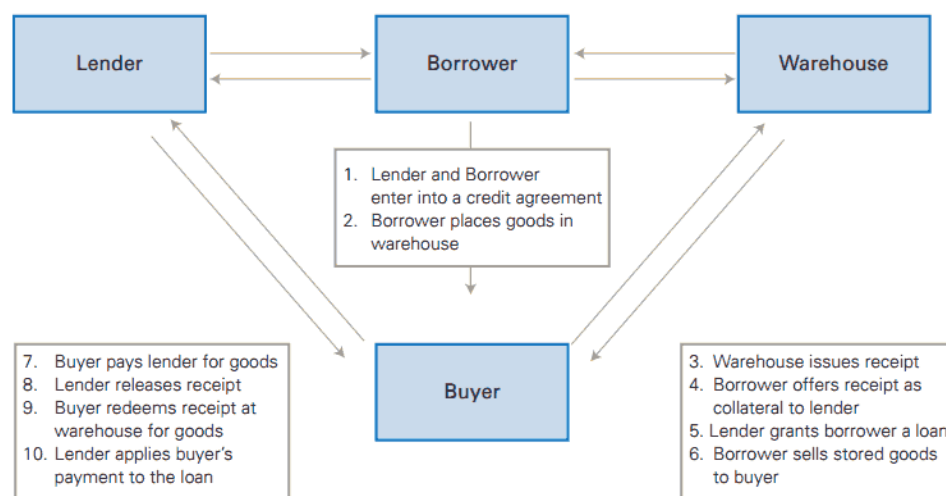
Ethiopian truck drivers observe a very similar procedure. Once the border is crossed, the trucks are escorted by Kenyan customs or police up to a warehouse located on the Kenyan side of Moyale, where goods are delivered and stored. Ethiopian transport companies, in most cases, do not deal with clearance formalities for import into Kenya. After completion of the exit formalities in Ethiopia, they cross the border and deliver goods to the warehouse under the vigilance of Kenyan customs or police, who escort them from the border to the warehouse. All the warehouses are under customs supervision. Accordingly, once the cargo is offloaded and stored in the warehouse, goods cannot move without the authorization of customs and will remain in the warehouse only for the period authorized by Kenyan customs.

Warehouse Receipt Systems

In 2005, the African Union issued the Arusha Declaration on African Commodities, which called for the use of warehouse receipts in accordance with the Abuja Treaty of 1991.²¹¹ Under a warehouse receipt system, (see *Figure 14* below), the commodity owner deposits agricultural produce in a warehouse, and the warehouse owner issues a warehouse receipt.²¹² The owner of agricultural produce can use the warehouse receipt as a financing instrument to obtain working capital, addressing challenges related to both storage and financing.

Figure 14: Warehouse Receipt Financing

Basic features of a warehouse receipt financing transaction



Source, *International Journal for Scientific and Technological Research*, 2012²¹³

²¹¹ Arusha Declaration and Plan of Action on African Commodities, AU/Min/Com/Decl 2005. Available at: http://www1.uneca.org/Portals/atpc/CrossArticle/1/reference_documents/arusha_decla_commo.pdf.

²¹² New Markets Lab, Regulatory Enablers for Spices and Horticulture Value Chains in Kota Division, Rajasthan, India, World Bank (May 2016).

²¹³ Devajit Mahanta, *Review of Warehouse Receipts as an Instrument for Financing in India*, *International Journal of Scientific & Technology Research*, Vol. 1, Issue 9 (October 2012), available at <http://www.ijstr.org/final-print/oct2012/Review-Of-Warehouse-Receipt-As-An-Instrument-For-Financing-In-India.pdf>.

The warehouse receipt system helps create liquidity for agricultural commodities and improves access to credit. It allows farmers to avoid selling after harvest, when prices are depressed, by enabling them to deposit their commodities in a certified warehouse, which issues them a receipt that serves as document of title. This can in turn be used as security for short-term credit, thus helping to mobilize funds. Existence of a well-monitored and regulated storage system would ensure that quality grain is traded along the corridor. In order to function well, however, warehouse receipt systems also must rely on an underlying legal system that adequately governs standards, secured transactions, and contracts.²¹⁴

In 2003, Ethiopia passed the Proclamation to Provide for a Warehouse Receipts System,²¹⁵ which eases the possibility of exporters or importers trading in agricultural products to access finance. The importer or exporter can store maize or other grains in an authorized warehouse, obtain a warehouse receipt, and present the same as collateral to the bank. The Ethiopian Proclamation on the Warehouse Receipt System regulates agricultural warehouses that specifically store agricultural products like maize and cereal. The Proclamation requires that any warehouse that stores agricultural products, as well as the warehouse operator, must be registered and authorized to do so by the Ministry of Agriculture and Livestock Resources. All who work in the warehouse must also show proof of competence to the Ministry or a person authorized by it.²¹⁶ Agricultural products stored in the warehouses are also required by the proclamation to meet the standards set by the Ministry. The Ministry or its delegate may inspect the agricultural warehouse, to investigate its manner of receiving, weighing, classifying and handling the agricultural products, as well as its compliance with the proclamation.²¹⁷ The proclamation also mandates the warehouse manager to ensure that all agricultural products stored in the warehouses are insured.²¹⁸ This kind of monitoring is very important, because it improves adherence with technical and food safety standards, enhances quality, and improves export potential.²¹⁹

Under Ethiopia's proclamation, a warehouse is required to publish storage charges and any other fees in a newspaper of wide circulation, thirty days before the beginning of a financial year.²²⁰ This practice increases transparency and predictability and allows the importer or exporter to budget for the costs with ample time. Ethiopia's Proclamation also provides for laws to regulate the contracts relating to the use of the warehouse receipts and the relationships of all parties involved. These include the bank or a lending institution that accepts the warehouse receipt as a

²¹⁴ New Markets Lab, Regulatory Enablers for Spices and Horticulture Value Chains in Kota Division, Rajasthan, India, World Bank (May 2016).

²¹⁵ Proclamation No. 372/2003, "Proclamation to Provide for a Warehouse Receipts System," <http://extwprlegs1.fao.org/docs/pdf/eth145717.pdf>.

²¹⁶ Article 27 of the Proclamation to Provide for a Warehouse Receipts System No. 372/2003.

²¹⁷ Articles 33,34,35, 36, and 37 of the Proclamation to Provide for a Warehouse Receipts System No. 372/2003.

²¹⁸ Article 31 of the Proclamation to Provide for a Warehouse Receipts System No. 372/2003.

²¹⁹ New Markets Lab, Regulatory Enablers for Spices and Horticulture Value Chains in Kota Division, Rajasthan, India, World Bank (May 2016).

²²⁰ Article 28 of the Proclamation to Provide for a Warehouse Receipts System No. 372/2003.

security, the borrower or owner of the agricultural product in the warehouse, the warehouse operator, and a transferee of a negotiable warehouse receipt. The proclamation also provides for dispute settlement mechanisms such as negotiation and arbitration.²²¹

Kenya currently has a 2018 Warehouse Receipts System Bill before parliament for approval that mirrors the provisions in the Ethiopian proclamation on warehouse receipt systems.²²² In the meantime, ordinary contract laws govern operations of agricultural warehouses in Kenya. Such a framework is inadequate to sustain operations of a modern warehousing receipt system, however, and additional aspects will have to be addressed going forward.

²²¹ Article 42 of the Proclamation to Provide for a Warehouse Receipts System No. 372/2003.

²²² The Warehouse Receipt System Bill, Kenya Gazette Supplement No.6 (National Assembly Bills No.2) of 2018. Available at: http://kenyalaw.org/kl/fileadmin/pdfdownloads/bills/2018/WarehouseREceiptSystemBill_2018.pdf.

SECTION IV: RECOMMENDATIONS

If the Moyale Corridor is leveraged to increase cross-border trade between Ethiopia and Kenya, both countries could benefit substantially. In Kenya, increased trade would help consumers by providing a deep supply of agricultural goods to fill the deficit caused by Kenya's growing population and its limited agricultural production. It would also aid Kenya's processors, who rely upon commodities from Ethiopia. In Ethiopia, increased trade could connect farmers to a larger market, which would encourage surplus production (a key instrument for improving food security since many farmers in Ethiopia are currently subsistence farmers) and improve livelihoods.

Another potential benefit for Ethiopia of expanded trade with Kenya would be an alternative option for access to maritime trade channels. Due to a decades-long conflict with Eritrea which separates Ethiopia from the Indian Ocean, Ethiopia has been landlocked.²²³ While the conflict with Eritrea is now being addressed, Ethiopia continues to rely on Djibouti, Sudan, and Somalia for access to ports and maritime export. Through stronger trade ties with Kenya, Ethiopian merchants could have access to alternative ports at Mombasa and potentially Lamu as well.

There are parallel opportunities for other areas of development along the Moyale Corridor as a result of improved agricultural trade. Kenya has an advanced and robust ICT and mobile phone sector, which includes services such as MPesa that have received global recognition. Newer innovations are emerging among Kenyan innovators that could transform various aspects of the regional economy, and Ethiopia would gain from stronger connections to the ICT revolution in Kenya.

Ethiopia, on the other hand, has considerable potential for cheap and renewable energy production, which could help Kenya gain access to clean energy and reduction in electricity costs. The Kenya-Ethiopia SSA includes issues related to bilateral projects for clean, renewable and affordable energy and power trading. Due to its isolation from the main power grid in Kenya and its proximity to Ethiopia, Moyale would greatly benefit from access to energy from Ethiopia, which could lead to the development of manufacturing industries on the Kenyan side of the border.²²⁴ Based on research and analysis of the potential for agricultural trade between Ethiopia and Kenya along the Moyale Corridor, the following recommendations could be adopted to stimulate agricultural trade and enhance the role of the corridor in delivering food security and economic development.

²²³ This may change soon based on the recent declaration of peace between Ethiopia and Eritrea. Eritrea will most likely remain independent (and use its access to maritime trade strategically in its policy with Ethiopia), but it also seems likely that a trade agreement may follow that gives Ethiopia some kind of access to Eritrea's ports.

²²⁴ Economic Analysis of Kenya's Northern Corridor. Tegemeo Institute of Agricultural Policy and Development, 2018.

OVERARCHING RECOMMENDATION

Recommendation 1: Focus the Moyale Corridor on Agriculture and Food Security, Creating a True Agricultural Development Corridor That Incorporates Good Practices from Other Corridors

When adequately designed and implemented, Agricultural Development Corridors can have substantial positive impacts in terms of economic development and social and environmental sustainability. The benefits may include increases in GDP,²²⁵ employment generation²²⁶ increased cross border trade, and considerable reductions in time and business costs.²²⁷ For the Moyale Corridor, addressing trade and regulatory challenges between Kenya and Ethiopia would have to be a priority and could align with efforts to formalize regional integration, addressed in Recommendation 3.

Like the BAGC and SAGCOT corridors, the Moyale Corridor could be structured to transform agriculture into a highly productive sector and an engine of economic growth, with major improvements to domestic food supply, export earnings, smallholder farmers and local communities. It could also include initiatives aimed at stimulating investment in commercial agriculture and agribusiness within the corridor, while improving productivity and facilitating trade.²²⁸

Interventions in soft infrastructure will be critical. These may include the following: improved behind-the-border policies and changes in regulatory systems; investment promotion policies; trade reforms that promote trade facilitation and remove restrictive agricultural trade policies like export bans; improved design and enforcement of standards, such as food safety and traceability standards, organic, and SPS standards; promotional and support measures targeting SMEs in corridor areas (see Recommendation 5 below); information sharing through corridors

²²⁵ See, e.g., Infante, I. 2012. The Mesoamerican Integration Corridor. Integrating Mesoamerica through the Pacific. *Integration & Trade Journal*, 34: 69–78. January–June. Institute for the Integration of Latin America and the Caribbean (IDB-INTAL). Available at: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=36877594>.

BAGC and SAGCOT plan to generate significant GDP gains (estimated at 12.9 percent for Mozambique and 5.2 percent for Tanzania). See, Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf; AgDevCo & InfraCo. 2010. *Beira Agricultural Growth Corridor. Delivering the Potential*. Mozambique, Beira Agricultural Growth Corridor Initiative (BAGCI). January 2010, http://www.agdevco.com/sysimages/BAGC_Investment_Blueprint.pdf

²²⁶ SAGCOT expects to create at least 420,000 new employment opportunities in agriculture and lift 2.3 million people permanently out of poverty through the creation of employment opportunities. The BAGC sees employment creation as one of its main outcomes, with a goal of creating 350,000 jobs. See, Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²²⁷ In Asia, the North-South Economic Corridor (consisting of China, Myanmar, Lao People's Democratic Republic, and Thailand), has greatly reduced cross-border delays and improved transport efficiency. According to the FAO, border-crossing time has been reduced by 40-50 percent. This has, by extension, fostered trade in food and other manufactured commodities. See Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf. See also, Asian Development Bank, *Toward Sustainable and Balanced Development: Strategy and Action Plan for the Great Mekong Subregion – North-South Economic Corridor*, 2010.

²²⁸ Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

on opportunities in agribusinesses and trade; other technical and entrepreneurial assistance regarding production and marketing extension services; entrepreneurial development, coaching, market research and intelligence; and advice on post-harvest handling and value addition through agro-processing, among other issues.²²⁹

Characterizing the Moyale Corridor as an agricultural development corridor would also include responding to additional infrastructure needs (Recommendation 7 below), integrating farmers more fully into the corridor, and perhaps addressing issues related to access to finance and energy. Equitable approaches to land use and management and contract farming will also be critical, given the needs of diverse stakeholders along agricultural corridors. Addressing land issues could include the adoption of responsible investment guidelines, such as the Voluntary Guidelines on the Responsible Governance of Tenure of Land adopted by the Committee on World Food Security and the Principles for Responsible Agricultural Investment (PRAI) developed by the FAO, International Fund for Agricultural Development (IFAD), United Nations Conference on Trade and Development (UNCTAD), and World Bank. It could also include the establishment of land banks, which have been used by SAGCOT and other corridors to connect investors with appropriate land sites in an efficient, transparent, and equitable way.²³⁰

Further, contract farming could integrate farmers more fully into the corridor by providing farmers with access to inputs, relevant services and markets; it could also be a way to involve farmers as more investment is brought into a corridor.²³¹ Promotion of contract farming can be done through tailored enabling legislation,²³² although in some cases more general rules on contracts apply. While Ethiopia currently has a draft proclamation on contract farming,²³³ Kenya does not have a specialized law and governs contract farming practices under broader contract law. Additional processes and formalities would need to be assessed as well. The FAO has

²²⁹ See Eva Galvez Nogales, *Making Economic Corridors Work for the Agricultural Sector*, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf; See also Katrin Kuhlmann, "Africa's Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth," in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012.

²³⁰ Eva Galvez Nogales, *Making Economic Corridors Work for the Agricultural Sector*, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²³¹ See Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017, <https://www.csis.org/analysis/human-face-trade-and-food-security>; Eva Galvez Nogales, *Making Economic Corridors Work for the Agricultural Sector*, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²³² See, International Institute for the Unification of Private Law (UNIDROIT), FAO, and IFAD, *Legal Guide on Contract Farming*. (Rome: FAO, 2015), available at <http://www.fao.org/3/a-i4756e.pdf>.

²³³ The Agricultural Production and Marketing Contracts proclamation was drafted by the Agricultural Transformation Agency (ATA) with support from the New Markets Lab through the Alliance for a Green Revolution in Africa (AGRA) to improve relations between traders and producers and establish legal contract farming in the country. See, Desta Meghoo, *Ethiopia Establishes Legal Guidelines for Contract Farming*, available at: <http://capitalethiopia.com/2017/05/24/ethiopia-establishes-legal-guidelines-contract-farming/#.W3GxaC2B00o>. See also, Gerrit Holtland, *Contract Farming in Ethiopia: Concept and Practice*, Arnhem, The Netherlands: AgriProFocus (2017).

developed a checklist (Box 2) to guide the process of designing and implementing agricultural corridors, which could be instructive in the case of the Moyale Corridor.

Box 2: Checklist to Guide the Design and Implementation of an Agro-Economic Corridor

- ★ Defining the Corridor strategy & roadmap
 - ★ Engaging and activating key stakeholders
 - ★ Program Targeting: Area, Sector, Value Chain, Product and firm
 - ★ Preparing a Corridor Development Matrix
 - Financial and Risk Management
 - ★ Soft Interventions in Agriculture and Related Sectors
 - Hard-Side Interventions
 - Institutional Arrangements and Delivery Mechanisms
 - ★ Strengthening implementation capacity
 - ★ Monitoring Progress and Refining corridor strategies
- ★ Actionable Recommendation for USAID

Source: Eva Galvez Nogales, “Making Economic Corridors Work for the Agricultural Sector,” FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

The Moyale Corridor, however, currently falls under the legal authority of LAPSSET, which has a much broader mandate than agricultural development. The highway was built under the MOU between Ethiopia and Kenya, and Kenyan Presidential Order Kenya Gazette Supplement No. 51, Legal Notice No. 58 regarding the LAPSSET Development Authority is relevant as well. The Moyale Corridor could either be turned into a more formal agricultural corridor through an appropriate initiative under LAPSSET, or another mechanism could be established under the Special Status Agreement or through an MOU or PPP between the public and private sectors.

LAPSSET does include a range of agricultural development benefits, with focus on products such as livestock, sorghum, sugar, and fruits and vegetables. However, unlike SAGCOT and the BAGCI, LAPSSET does not appear to include a more holistic approach to agricultural development to implement this goal.²³⁴ Further, it is not clear how smaller market stakeholders will fit into the LAPSSET plans. Nonetheless, LAPSSET could be a promising vehicle through which to increase focus on agricultural development and food security in the Moyale Corridor.

²³⁴ LAPSSET Corridor Investment Prospectus:
<https://drive.google.com/file/d/0B7w3900K6lYnNI8xZlVidWM2NVE/view>

As other corridors have experienced, a cluster approach could be especially helpful in ensuring that farms and key agricultural regions remain central to development initiatives along the corridor. Along these lines, a focus that goes beyond maize and addresses a diverse variety of agricultural products along all points of the value chain would lead to greater success overall. Within LAPSET, clusters could be prioritized in key commodities such as beans, livestock, and sorghum, among others (See Recommendation 6 below).

Establishing a recognized agricultural growth corridor would require initiative from both the Ethiopian and Kenyan governments. The two governments could jointly and severally work with key development partners, including USAID, and other stakeholders such as the FAO, WFP, World Bank and UNDP. Focus could be drawn to the corridor through formal stakeholder agreements or generally mobilizing the private sector to increase investment in agriculture along the corridor. The governments could also enhance national plans and policies to facilitate investment in the agricultural sector and related infrastructure, improve the enabling environment, and develop programs along the corridor to improve environmental sustainability and inclusive development.

SHORT TERM RECOMMENDATIONS

Recommendation 2: Improve Data Analysis Related to the Corridor's Role in Food Security

Data to support a holistic approach to food security is lacking and should be priority for future stages in the development of the Moyale Corridor. The regular collection, monitoring, and analysis of data related to agricultural trade and markets will produce valuable insights and effective models for understanding the dynamics of regional food security. Good data is also critical for a fair and competitive market because this information provides transparency for prices and supply volumes for all parties. Given the nature of the corridor, additional data focused on spatial development should be prioritized, which could support the Agricultural Development Corridor approach discussed above. Comprehensive data-driven solutions for monitoring food security in the region could be a significant element in support of the evolution of the Moyale Corridor and should be pursued alongside the other recommendations included in this section.

Private sector associations could play an important role in improving data analysis, including tracking and modeling volumes of staple foods. The Kenyan and Ethiopian governments could also contribute by collecting necessary data and fostering cooperation between public and private stakeholders. USAID and other development partners could come up with a way to map food production and prices and pinpoint surplus and deficit areas, which could leverage the use of geographic information service (GIS) data. Other organizations, including the FAO, WFP, and World Bank could also be important partners in data collection and analysis for improved food security and increased agricultural trade in East Africa.

Recommendation 3: Assess Potential for Developing Priority Clusters along the Moyale Corridor, Including Grains, Livestock, Beans, and Sorghum

Clusters are an effective way to build Agricultural Development Corridors, as they link commercial opportunity in the market with infrastructure, services, agricultural research, and transport and logistics. The Moyale Corridor could benefit from a clusters approach that addresses gaps and opportunities in several priority value chains, including maize. While this Study focused on the value chain for maize along the corridor due to the importance of maize as a staple crop and the 2016-17 maize crisis in East Africa, further analysis of other agricultural value chains such as sorghum, livestock, and beans could underpin a clusters approach.

Diversifying the range of agricultural goods traded along the corridor would improve the resilience of the broader food system. Beans are already being trade between Kenya and Ethiopia (white pea beans and red beans are produced in Ethiopia and processed in Kenya before being exported to other countries in East Africa), and a cluster approach could align with the PABRA/CIAT bean corridors²³⁵ and usher in more formal, private sector activity, particularly if done in a way that continues to assist existing informal stakeholders along the value chain.

USAID and other development partners could create or leverage existing programs and map out future programming for clusters within the corridor. Sorghum is also of particular interest, because sorghum has a direct-to-consumer market and a value-added market through breweries. The livestock value chain can be complex and involves a number of variables and steps between producer and consumer, but it is also an important commodity that is currently traded along the corridor and could benefit from a clusters approach. LAPSSET has already highlighted the potential value of the livestock sector, strengthening the connection between the Moyale Corridor and the broader LAPSSET area.

INTERMEDIATE RECOMMENDATIONS

Recommendation 4: Establish an Integrated Governance Structure for the Management of the Moyale Corridor

Well-functioning agricultural corridors also include institutional and governance structures that specifically encourage public-private support for agriculture. As experiences with other corridors have shown, the particular management structure appropriate for a corridor will depend upon the nature of the corridor itself, and some corridors (for example, the Maputo Corridor) exhibit mixed governance structures which might be particularly relevant to the Moyale Corridor given its connection to LAPSSET. Whether related to the corridor overall or a sub-set of its activities, the goal of corridor governance is to create synergy among multiple systems and agencies involved in trade and regulation within the corridor in order to achieve the goal of an effective and efficient corridor. Overall, the corridor managing body should have a certain level of control

²³⁵ Birachi Eliud, et al., *Bean Corridors: A Novel Approach to Scale Up National and Regional Trade in Africa*, Pan African Bean Research Alliance (PABRA), October 2017. Available at: https://cgspace.cgiar.org/bitstream/handle/10568/80540/PABRA20_Bean_Corridors_BRIEF.pdf?sequence=5.

over the corridor activities (or a subset of these activities) and coordinate the interests of different stakeholders in the public and private sectors.²³⁶

Political will and financial support from both the public and private sectors will be critical, and private companies must also be ready to actively listen to and engage with smaller stakeholders along the corridor, especially smallholder farmers. Also critical is the need to include other stakeholders in the corridor dialogue, representing the private sector and civil society. At a minimum, the corridor managing body's main objective should be to remove physical and soft obstacles to the movement of goods, vehicles and persons along the corridor and achieve an overall reduction of transit time and cost;²³⁷ however, agricultural corridors give rise to other priorities as well as discussed above, which must be prioritized from the start. Development partners such as USAID could help facilitate this by convening a working group of government and private sector stakeholders to discuss options for a governance structure.

Possible legal approaches could align with LAPSET and the SSA. At the country level, national coordination committees could be established in both countries to liaise with the different ministries and local agencies concerned with the implementation of specific activities related to agricultural development.²³⁸ It is important that any governance mechanism, particularly one focused on agriculture, receives high-level political support, which will send investors and other stakeholders in the private sector a clear signal about public sector commitment to promoting agricultural trade in the corridor and enhancing the business climate.²³⁹ It will also be important to strike a balance between national and local government, which has been a challenge in promoting corridors in Ethiopia in the past.²⁴⁰ Both Ethiopia and Kenya have already shown interest in further developing the corridor, however, hopefully paving the way for more concrete commitments.²⁴¹

²³⁶ ²³⁶ Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

²³⁷ See African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016; See also Katrin Kuhlmann, Susan Sechler, and Joe Guinan, "Africa's Development Corridors as Pathways to Agricultural development, Regional Economic Integration and Food Security in Africa," Working Draft, June 14, 2011.

²³⁸ Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²³⁹ Harrison, A. & Rodriguez-Clare, A., *Trade, Foreign Investment, and Industrial Policy for Developing Countries*. NBER Working Paper 15261. Cambridge, Massachusetts, United States of America, The National Bureau of Economic Research, 2009.

²⁴⁰ Eva Galvez Nogales, "Making Economic Corridors Work for the Agricultural Sector," FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²⁴¹ Joint Communique Issued After Bilateral Talks Between H.E. Uhuru Kenyatta, President of the Republic of Kenya and Commander-in-Chief of the Kenya Defense Forces and H.E (Dr.) Abiy Ahmed Ali, the Prime Minister of the Federal Democratic Republic of Ethiopia on the Occasion of the State Visit to Kenya on May 7, 2018. Available at: <http://www.mfa.go.ke/joint-communique-state-visit-ethiopian-prime-minister-abiy-ali/>.

Recommendation 5: Develop Interventions to Engage Small Businesses along the Corridor

Due to the large number of small businesses engaged in both formal and informal trade along the Moyale Corridor, both Kenya and Ethiopia could develop policies aimed at engaging small businesses along the corridor and encouraging traders to join the formal sector, where they would have greater legal protections. This could be done through introducing tax and customs approaches that address the particular situation of small businesses and traders, perhaps offering certain exemptions from more complicated formalities, such as business taxes and customs procedures. There is precedent for this approach; for example, de Minimis approaches which exempt smaller shipments from customs duties (which exist and could be better implemented). At a minimum, Kenya and Ethiopia could take steps to insure full implementation at the Moyale border of the COMESA Simplified Trade Regime provision which facilitates trade in goods valued at USD 2000 or less and traded from one COMESA Member State to the other.

Both the Kenyan and Ethiopian governments could develop a more comprehensive capacity building strategy aimed at simplifying import and export procedures for the traders at the border and increasing knowledge of relevant rules and standards. This could include border officials working together with traders' associations to inform them of border procedures as well as relevant trainings geared towards particular stakeholder, such as small farmers and women traders, who may face greater challenges engaging in the system. Key development partners like USAID could also be engaged in supporting stakeholder capacity building initiatives at the border, including educating traders and others engaged in agricultural value chains on custom formalities and procedures, as well as leveraging existing programs.

LONG TERM RECOMMENDATIONS

Recommendation 6: Support Formalized Trade Relationship between Kenya and Ethiopia to Enhance Regional Integration

At present, Kenya and Ethiopia do not have a formalized trade relationship, since Ethiopia remains outside of the EAC and has not yet fully implemented the COMESA FTA. While it is notable that Ethiopia and Kenya have concluded the SSA, which could be a vehicle for a more formal relationship, there is a need to draft and adopt additional specific instruments to make the agreement operational. So far, dialogues related to the SSA have been promising but have not gone beyond executive-level announcements from the two governments. Building off of the priorities laid out in the SSA, the governments should establish a process for deeper commitment on tariff and non-tariff issues and facilitate meetings between the respective national ministries in each country responsible for implementing changes in bilateral trade, all of which could be done in support of the corridor's development.

A formalized trade relationship could have very practical outcomes. At present, bureaucratic delays pose a burden on movement of goods across borders, and almost every stakeholder consulted during this study stressed the significance of the lack of cooperation on trade between the national governments of Kenya and Ethiopia. Enhanced cooperation should address the tariff and non-tariff barriers that affect cross-border trade; improve trade facilitation; develop incentives to bring more cross-border trade into official channels (while taking into account the needs of informal market stakeholders); address the issue of civil conflict in the cross-border region; and streamline regulatory processes required for cross-border agricultural trade.

Trade facilitation in particular is critical, including expedited clearance, release of good, and movement across borders. The interventions noted in this Study would align the corridor with international best practices and the fundamentals of trade facilitation: standardization, simplification, harmonization and transparency.²⁴² As a member of the EAC and WTO, Kenya is already obligated to enact provisions on trade facilitation and is working towards implementing these trade facilitation provisions.

Perhaps in parallel to enhancing the SSA, the governments could give greater priority to bringing Ethiopia into the EAC. Ethiopia has signaled an interest in joining the EAC, and Ethiopia's membership in the EAC could play a significant role in promoting the corridor's development (and the development of other corridors in the region), as well as intra-regional trade more broadly. At the regional level, the EAC is more advanced than other RECs, since it has a fully functioning customs union and free trade area and is taking steps towards a common market. EAC members have also put in place trade facilitation initiatives in line with the WTO TFA and the EAC NTB Act. Ethiopia's absence from the EAC and delayed implementation of the COMESA FTA have impacted trade with Kenya, as discussed above, in particular due to the high tariffs imposed on imports by both Kenya and Ethiopia. In addition, a number of non-tariff challenges exist that impact trade between the two countries. Joining the EAC would require that Ethiopia makes several relevant structural and legal changes to address these tariff and non-tariff issues, which would have the effect of easing trade between the two countries (and other East African countries by extension). Having both Kenya and Ethiopia in the EAC would also provide a framework for increased private sector engagement in the corridor as well as for continued public sector cooperation.

A number of stakeholders should be engaged in enhancing regional integration, starting with the governments themselves. Substantively, trade facilitation would be a logical place to begin, and other areas of policy and regulation will need to be addressed as well in order to achieve greater food security in the region.²⁴³ For example, the two countries could consider entering into a more comprehensive and concrete agreement under the SSA to facilitate agricultural trade, which

²⁴² See, Trade Facilitation, World Trade Organization. Available at: http://wto.org/english/tratop_e/tradfa_e.htm.

²⁴³ Katrin Kuhlmann, *The Human Face of Trade and Food Security: Lessons on the Enabling Environment From Kenya and India*, CSIS, December 2017. Available at: <https://www.csis.org/analysis/human-face-trade-and-food-security>.

could have the effect of considerably reducing time and business costs involved with trading at the border. In particular, such an agreement could include provisions on mutually recognized standards, border agency cooperation; movement towards an integrated single window system; reduction in the formalities and documents required for import and export through streamlined border procedures and uniform documentation requirements; capacity building; focus on the regulatory aspects of all elements in a cluster approach (storage, distribution, retail, processing, etc.); and enhanced stakeholder participation in the policy and regulatory process, among others. A mutual recognition agreement for standards and SPS would also be particularly helpful, as inconsistency in standards and their application is a pressing challenge. In addition, Kenya and Ethiopia could harmonize and simplify the formalities and documents required for cargo and vehicles used in inter-state transportation. Development partners like USAID could be helpful in supporting discussions between the two governments and sharing information on the benefits of using the SSA, EAC, or both as a gateway to deeper bilateral trade.

Recommendation 7: Prioritize Additional Infrastructure at the Kenyan-Ethiopian Border in support of the Corridor

Although a trunk road exists along the Moyale Corridor, there are other pressing infrastructure challenges and the need for a diversified service industry that includes warehousing, distribution, wholesale and retail operations.²⁴⁴ This will be a critical step in the corridor's evolution and could result in improvements in logistics and streamlined procedures for storage, certification, and inventory control.²⁴⁵ In particular, putting in place three key infrastructure facilities at the Moyale border would have a significant impact on the corridor's development.

1. **Laboratories:** Currently, most samples requiring laboratory analysis are sent to Nairobi by KEBS and Addis Ababa by the Quality and Standards Authority of Ethiopia for quality testing. This tends to take approximately two weeks, which creates delays at the border. High-quality laboratories at the Moyale border could reduce the time spent in transferring test results from Nairobi and Addis Ababa and could also contribute to implementation of quality standards, improving food trade and consumer confidence. This would require government engagement and most likely support (technical, financial or otherwise) from development partners.
2. **Large-Volume Storage Facility:** A large-volume storage facility or industrial mill is needed in Moyale to increase the capacity of the Moyale Corridor for regional agricultural trade in staple goods and grains. Currently, there is a significant disconnect between how the local market in Moyale works and how an ideal regional market for agricultural trade between Ethiopia and Kenya should function. Processing and storage are important steps

²⁴⁴ Eva Galvez Nogales, Making Economic Corridors Work for the Agricultural Sector, FAO Agribusiness and Food Industries Series, 2014. Available at: www.fao.org/3/a-i4204e.pdf.

²⁴⁵ Banomyong, R. 2008. Logistics development in the Greater Mekong Subregion. A study of the North-South Economic Corridor. *J. Greater Mekong Sub-region Development Studies*, 4: 43–58. December. See also, http://www.yara.com/sustainability/how_we_engage/africa_engagement/growth_corridors/index.aspx

in the value chain for most traded agricultural commodities, which are currently not supported by infrastructure that could encourage greater commercial investment in the corridor. Formerly, a large-volume storage facility was built along the Moyale Corridor and was mainly utilized by the WFP. This volume of non-commercial trade was not sufficient to support the operation of the storehouse, and the facility subsequently closed. Therefore, a storage or processing facility would have to be built to serve a real demand within the market. The advantages of such a facility would be to engage more local stakeholders in the cross-border region and increase the capacity for increasing agricultural imports from Ethiopia.

3. **Online Information Centre and an Integrated Single Systems Window:** Traders at the border expressed challenges with accessing information relating to the formalities, documentation, and fees related to the use of the Corridor and the Moyale border. TMEA has suggested that this problem could be addressed by setting up a virtual “Border Information Centre,” with information on customs procedures, required documentation for goods, vehicles and drivers, traffic laws and transport regulations, protocols on transport and transit and other aspects related to the movement of goods and vehicles across the border.²⁴⁶ Such a center would address a systemic challenge along the corridor and also support broader efforts to improve trade facilitation. An online information center could be established through a joint initiative of the Ethiopian and Kenyan governments with technical and financial support from development partners.

As is true with respect to all activities along the corridor, development of infrastructure and services will depend to a great extent upon the design of appropriate regulatory systems and their effective implementation, and the governments of Kenya and Ethiopia will play a key role. As corridors around the world have demonstrated, an effective system of regulation, *inter alia*, must ensure that there is predictability and stability for investors, making trade in the corridor more attractive.²⁴⁷ Rules and regulations also need to be clarified up front and be made widely and easily accessible by all stakeholders. The two governments could initiate projects aimed at disseminating this information, working with development partners to do so.

A number of stakeholders will play a role in improving development of both infrastructure and the enabling environment. Development partners like USAID could help set up laboratories, storage facilities with proper equipment, and an Integrated Single Systems Window. Similarly, pragmatic approaches could also be used to make the information easily understandable and

²⁴⁶ African Development Bank, Mombasa-Nairobi-Addis Ababa Road Corridor Development Project Phase III: Upgrading of Turbi-Moyale (A2) Road Consultancy Services for Trade and Transport Facilitation, Final Trade and Transport Facilitation Report, 2016.

²⁴⁷ See Katrin Kuhlmann, “Africa’s Development Corridors: Pathways to Food Security, Regional Economic Diversification, and Sustainable Growth,” in *Filling in the Gaps: Critical Linkages in Promoting African Food Security – An Atlantic Basin Perspective* Joe Guinan, Katrin A. Kuhlmann, Timothy D. Searchinger, Elisio Contini, and Geraldo B. Martha, Jr., the German Marshall Fund of the United States, January 2012; See also Rita Nangia and Evangeline Suggang, *A tool kit in cross-border infrastructure in the Greater Mekong Sub-region*, Asian Development Bank (2007). Available at: <https://ppiaf.org/documents/2069/download>.

accessible; these could include, for instance, using NML's legal mapping tools (See Annex I), sharing information through signs and leaflets, and displaying posters with the relevant information at the border in different local languages. Other innovative models, such as developing cartoon images as a simple way of sharing information on relevant rules (this has been done for land rights in South Africa, for example), could also be explored.

ANNEX I: TABLES AND REGULATORY SYSTEMS MAPS SHOWING IMPORT AND EXPORT REQUIREMENTS AND PROCEDURES

Table A: Clearing Authorities at the Moyale Border

Ethiopian Clearing Authorities	Kenyan Clearing Authorities
Ministry of Agriculture & Livestock Resources	Ministry of Agriculture, Livestock, & Fisheries
Ministry of Trade	Kenya Plant Health Inspectorate Service
National Bank of Ethiopia	Kenya Bureau of Standards
Ethiopian Revenue and Customs Authority	Kenya Revenue Authority
Veterinary Drug and Feed Administration Control Authority	Directorate of Veterinary Services
Ethiopian Conformity Assessment Enterprise	Port Health Services

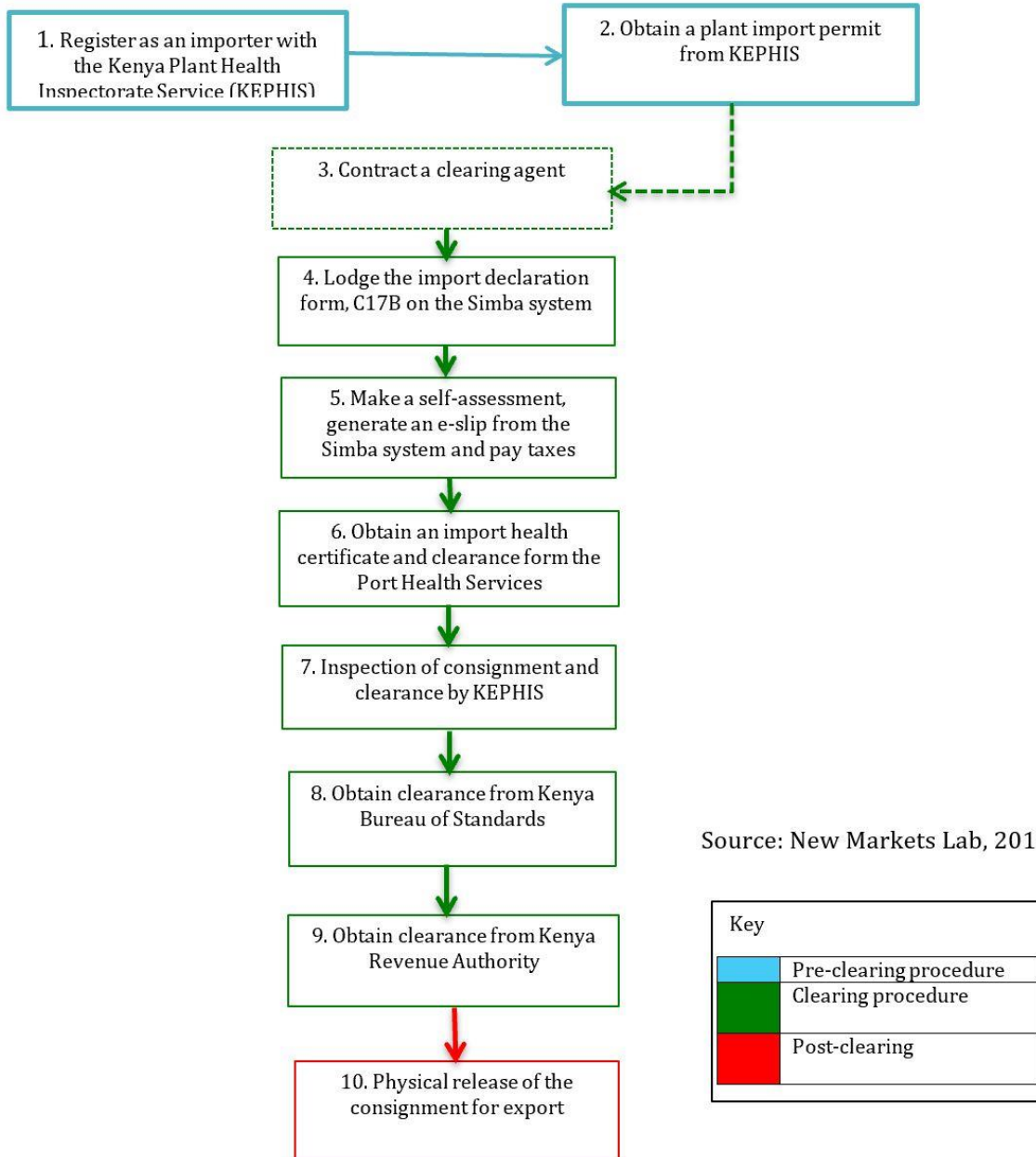
Table B: Required Documents for Import and Export of Agricultural Produce and Livestock at the Moyale Border in Ethiopia

Import	Export
1. Import license	1. Export license
2. Obtain bank permit	2. Obtain bank permit
3. Phytosanitary certificate for plant materials, and a veterinary health certificate for livestock (from country of origin)	3. Phytosanitary certificate for plant materials, and a veterinary health certificate for livestock
4. Plant import permit/livestock import permit	4. Plant export permit/livestock export permit
5. Cargo insurance, invoice, demand note and packing lists	5. Cargo insurance, invoice, demand note and packing lists
6. Certificate of conformity	6 Certificate of conformity
7. Final clearance certificate	7. GMO free certificate
8. Certificate of origin	8. Certificate of origin
9. Final clearance certificate	9. Final clearance certificate

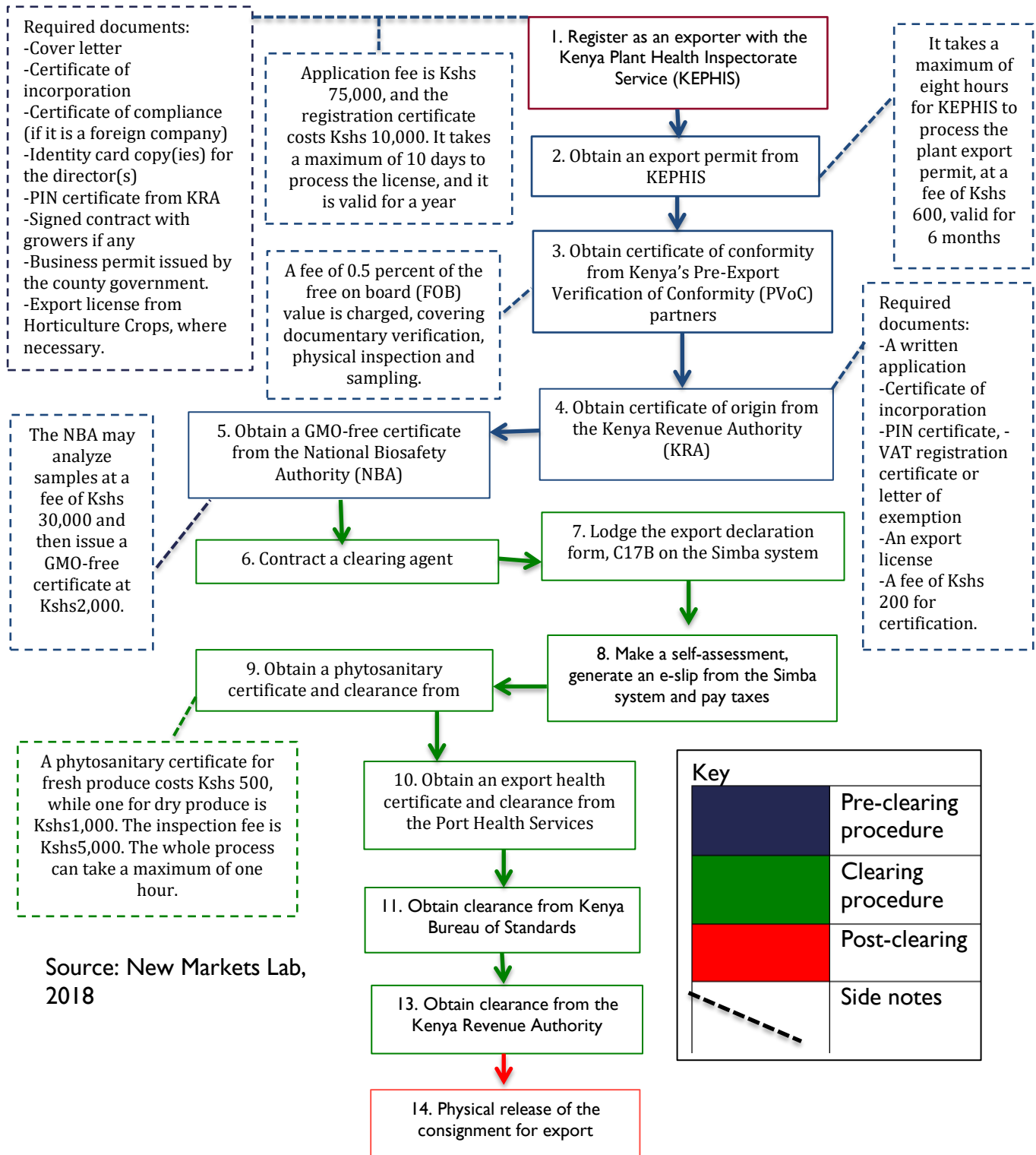
Table C: Required Documents for Import and Export of Agricultural Produce and Livestock at the Moyale Border in Kenya

Import	Export
1. Proof of registration as an importer	1. Proof of registration as an exporter
2. Import permit	2. Export permit
3. Phytosanitary certificate for plant materials, and a Veterinary certificate for livestock (from country of origin)	3. Phytosanitary certificate for plant materials, and a veterinary certificate for livestock
4. COMESA Certificate of Origin (from country of origin)	4. COMESA Certificate of Origin
5. GMO-free certificate	5. GMO-free certificate
6. Certificate of conformity (from country of origin)	6. Certificate of conformity
7. Invoice, demand note and packing lists	7. Port health certificate

New Markets Lab Regulatory Systems Map I: Summary of Kenya's Import Procedures for Agricultural Products



New Markets Lab Regulatory Systems Map 2: Summary of the Kenyan Agricultural Produce Export Procedures



Source: New Markets Lab, 2018

New Markets Lab Regulatory Systems Map 3: Summary of the Ethiopian Agricultural Produce Export and Import Procedures

