FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

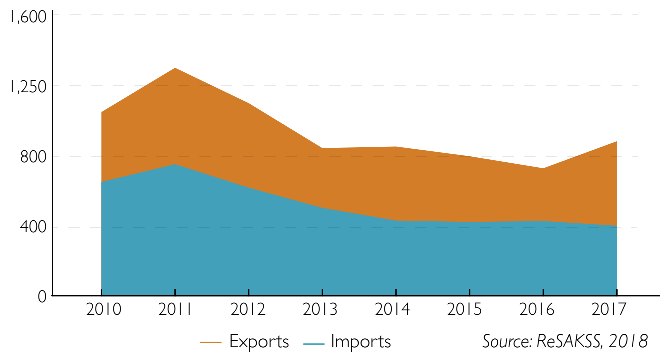
FEED THE FUTURE ENABLING ENVIRONMENT FOR FOOD SECURITY PROJECT

Intra-African Agriculture Trade Improvement Scorecard: Kenya

In June 2014, African Union member states committed to a set of goals in the Malabo Declaration that included tripling intra-African agricultural trade by 2025. As reported in the African Union's 2018 Inaugural Biennial Review Report, Kenya is not on track to tripling trade, but it is on track to establish trade policies to meet the Malabo Declaration targets.

AGRICULTURE FORMAL TRADE FAST FACTS

Kenya Intra-African Agriculture Trade, USD, Millions



Key Ag Commodities (2016)

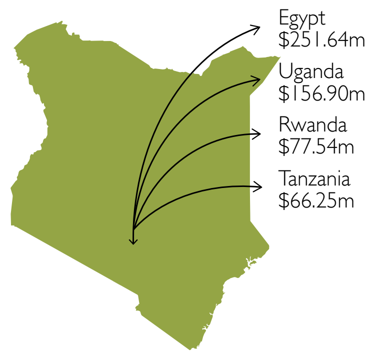
Intra-African Imports:

- Tea, $153m
- Corn, $44m
- Legumes and dried legumes, $41.07m

Key Intra-African Exports:

- Tea, $266m
- Seeds, $9.21m
- Legumes and dried legumes, $2.71m

Key Trading Partners (Net Trade)



This scorecard compiles publicly available data related to four key trade determinants from the Regional Strategic Analysis and Knowledge Support System's (ReSAKSS) Africa Agriculture Trade Monitor 2018 report, including (1) production capacity, (2) the cost of trade, (3) institutional efficiency, and (4) trade policies. The bases of comparison for these indicators are Feed the Future or sub-Saharan African (SSA) countries, as indicated. The coloring of the indicators below indicates the country's performance in this area relative to its peers. A green score indicates higher-than-average performance; a yellow score designates average performance, with room for improvement; and a red score indicates below average performance, with a serious need for improvement. For more on indicators, see here.

PRODUCTION CAPACITY

- Fertilizer use
- Improved seed varieties
- Machinery standards
- Mobile phone penetration
- Digital payments
- Rural electrification

PRODUCTION CAPACITY (factors that affect the level of supplies) is determined by resource endowments and other technological and institutional factors that enhance productivity. Kenya's harvests are bolstered by a comparatively high rate of fertilizer use, ranking seventh among 34 SSA countries in the amount of fertilizer per hectare of arable land but still only half as much as leading SSA countries. Kenya boasts 124 approved improved seed varieties, the highest number among SSA Feed the Future countries. It is one of four SSA Feed the Future countries that impose quality and safety standards on tractors, thus obtaining 2.7 of 8 possible points from the World Bank's Enabling the Business of Agriculture (EBA) tractor testing and standards indicator. Although Kenya is average in terms of mobile phone penetration (.80 mobile lines per person), digital payments were used by 79 percent of adults in the past year (double the SSA average of 34 percent). Access to electricity is lacking, as only 40 percent of the rural population has access to power lights, pumps, and equipment.

COST OF TRADE

- Road connectivity
- Quality of roads
- Perceptions about infrastructure
- Truck licensing
- Cross-border transport licensing
- Domestic transport costs

USAID
FROM THE AMERICAN PEOPLE

COST OF TRADE. Good roads and an efficient trucking system make it easier and cheaper to import and export food. Kenya features good quality roads but gets average scores for road connectivity. The World Economic Forum's (WEF) Road Connectivity Index gives Kenya a 57.6 (out of 100) score, and the country receives a relatively high score of 53.6 (out of 100) score per the WEF quality of roads indicator. Kenya scores a 2.81 (out of 5) in users' perceptions about infrastructure in the World Bank's Logistics Performance Index, above the SSA mean of 2.49. Poor scoring per EBA truck licensing indicators (3.5 out of 11) indicate that Kenya may be imposing an anticompetitive policy, limiting market entry and driving up prices. Relatively good scores per the EBA cross-border transport license indicators (6 out of 9) are a bright spot. The World Bank's Doing Business Trading Across Borders (2018) standardized domestic transport costs for Kenya were very high compared with other SSA Feed the Future countries: $967 for exports and $1,100 for imports.

INSTITUTIONAL EFFICIENCY

- Competitive business environment
- Agricultural finance
- Secured lending
- Private international legal instruments
- Export border regulations
- Export document compliance
- Import border regulations
- Import document compliance
- WTO Trade Facilitation Agreement

INSTITUTIONAL EFFICIENCY refers to the ease of doing business in relation to agricultural trade. Kenya's domestic market gets average marks for an SSA country, scoring a moderate 54.8 (out of 100) per the WEF's product market indicator. Kenya ranks third among SSA countries examined by the EBA finance indicator, with high marks given for access to branchless banking and non-bank lending institutions. Kenya receives 8 points on secured lending, with 7 (out of 12) points derived from the World Bank's Strength of Legal Rights Index and an extra point given for allowing loans against crops in the field. Kenya has only ratified two (of seven) important private international legal instruments, indicating further harmonization is needed with internationally agreed-upon commercial norms.

The Kenyan trade regime has a mercantilist streak. While streamlined for exporters, it is cumbersome for importers. The Doing Business Trading Across Borders indicators calculate that exporters spend 21 hours to comply with export regulations at the border (SSA median of 78 hours) and spend 19 hours to complete documentation (SSA median of 69 hours). Importers spend 180 hours to comply with import regulations at the border (SSA median of 97 hours) and 60 hours to complete documentation (SSA median of 76.5 hours). Oddly, for a more highly developed SSA country with good trade facilitation performance, Kenya has only fully ratified two (of 16) commitments under the World Trade Organization's (WTO) Trade Facilitation Agreement important for agricultural trade.

TRADE POLICIES

- Average weighted agricultural tariff
- Import and export bans recently enacted
- Trade facilitation performance
- Export licensing

TRADE POLICIES include measures aimed at protecting trade. Kenya's average weighted agricultural tariff is at 20.2 percent, which is ninth highest for 35 SSA countries. Kenya has used both import and export bans liberally, imposing a Tanzanian rice import ban (2018), Tanzanian flour ban (lifted 2017), a permanent ban on genetically modified organisms, a wheat import ban (2016), a Ugandan poultry ban (to be lifted 2018), and a maize export ban (2017). The OECD Trade Facilitation Index, which measures the performance of border procedures and policies, shows Kenya making improvements in customs appeals procedures, fees, documents, and automation. Its score of 1.21 puts it well above the SSA mean of 0.70. EBA export licensing indicators give Kenya only 1 out of 5 points due to strict controls over one of its main exports, tea.

THE AFRICAN UNION'S 2018 BIENNIAL REVIEW REPORT

- Tripling intra-African trade
- Establishing intra-African trade policies and institutions

BIENNIAL REVIEW REPORT 2018. The African Union's 2018 Inaugural Biennial Report measured member countries' progress toward achieving the Malabo Declaration's goals. To be considered on track for tripling intra-African trade, countries should have reached the minimum of 20 percent in growth rate increase. Kenya did not meet this threshold. To be considered on track for establishing intra-African trade policies and institutions, countries are rated by the OECD Trade Facilitation Index. To be considered on track, countries need to reach a cumulative score of 10 points when adding together points given for each of the 10 sub-indicators comprising trade facilitation performance. Kenya has met this threshold.

Developed in 2018.

The Feed the Future Enabling Environment for Food Security project is a global mechanism designed to assist Feed the Future focused and aligned Missions as they address legal, institutional, and market constraints affecting food security. For more information, contact Lourdes Martinez Romero (COR) at lmartinezromero@usaid.gov or Nate Kline (COP) at nkline@fintrac.com.