



## POLICY BRIEF

# Improvement of value chain and Recovery Interventions against effects of COVID-19 pandemic on fruits and vegetable trade between Ethiopia and Djibouti



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## BACKGROUND OF FRUITS AND VEGETABLE TRADE

Within IGAD, Djibouti and Ethiopia are one of the most integrated countries in the region with strong cross-border trade in different sectors like energy, water and agricultural commodities. There are some bilateral agreements on the trade of some commodities with different levels of implementations. One of the most traded commodities between Ethiopia and Djibouti remain definitively Fruits and Vegetables.

Despite the close proximity, the two countries have completely different economic landscape. With a population of less than 1 million inhabitants and highly urban, Djibouti's territory is spread around 23,000km<sup>2</sup> and its economy is predominantly based on service export, contributing to more than 80% of the GDP. Agriculture sector makes up only about 1.2% in Djibouti's GDP<sup>1</sup>. Climatic condition, aggravated by recurrent droughts, and poor soils limit farm output, and the country largely depend on food import for its consumption. On the other hand, Ethiopia is the 10th largest country in Africa in term of geographical area, with 1,104,300 km<sup>2</sup>. With a population nearly to 100 million inhabitants and a GDP per capita of US\$869 (in 2019), Ethiopia is one of the fastest growing country in the world, with 10.3% for the period 2004-2019<sup>2</sup>. Although urbanization is increasing, more than 80% of the population still lives in

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rural areas. Despite an increasing part of the service sector, the economy is largely based on agriculture and account nearly to 34% of GDP and employs more than 80% of the labor force.

The trade of fruit of vegetable between Djibouti and Ethiopia remains important. While Djibouti imported close to US\$ 32 million worth of Fruits and Vegetable from the world, the part of its import from Ethiopia totalled about US\$9 million in value, representing 27% market share in Djibouti according to published data<sup>3</sup>.

Thus, due to the large quantity and market share of fruits and vegetables imported from Ethiopia, food security in Djibouti relies on the bilateral trade between the two countries, explaining the various measures taken in each side to facilitate and sustain the exchange.

<sup>1</sup> National account, 2018, INSD

<sup>2</sup> World Bank, databank, Retrieved on February 20<sup>th</sup>, 2021 at <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=ET>

<sup>3</sup> Source : Statistic of Foreign Trade Directory, 2020, Institut National des Statistiques de Djibouti (INSD)

## EXISTING TRADE AGREEMENTS BETWEEN DJIBOUTI AND ETHIOPIA

Considering the economic interdependence of the two country, Djibouti and Ethiopia established a high-level and technical platform to discuss pending issues on political, social and economics areas, privileging bilateral discussion for a better cooperation. This resolution body, called the Djibouti-Ethiopia JOINT-COMMISSION, discusses all questions or problems in relation to cooperation between the two countries.

In 2019, Djibouti-Ethiopia joint commission held its 15th session in Djibouti. This yearly consultation is organized alternately in the two countries and supported by several technical sub-committees. The technical sub-committees meet as many times as necessary.

Djibouti and Ethiopia have signed in 2018 a general trade agreement during the 14th Djibouti-

Ethiopia joint commission. This agreement aims to enhance the bilateral trade between the two countries, encourage and facilitate trade cooperation and provide facilities to increase the volume of trade between the countries.

In addition, Djibouti and Ethiopia have signed in February 2015, a protocol on cross-border trade which aimed to facilitate the trade between population living closer to borders. The protocol facilitates the customs formalities and procedure and enabled the bordering people of the two countries to access basic tradable goods which they cannot get easily from their respective central region.

Of course, the fruit and vegetable trade between Djibouti and Ethiopia comes under the thumb of these bilateral agreements.

## CHALLENGES THROUGH FRUITS AND VEGETABLE VALUE CHAIN

The discussions led with the different actors of the Fruit and vegetables (F&V) for this consultation identified different constraints and in different levels of the value chain the trade of fruit and vegetables between Ethiopia and Djibouti.

Some key challenges of the upstream and downstream of fruit and vegetable value chain are:

- **The access to input is impeded by high cost and poor quality of seeds and fertilizers.** Small farmers rely on agriculture input to increase production and productivity. However, the inputs are mainly imported from abroad and not easily available. As Ethiopian government does not pre-position inputs on time, farmers rely on informal markets and generally at high cost. Moreover, the fertilizers are often of poor quality and its source is unknown.

- **The multiplicity of actors involved in the trade of fruit and vegetable compromises quality and increase cost.** In Ethiopia alone, it is reported there are at least three brokers between the producer and the trader/ wholesaler, increasing at each stage the cost of trade. Similarly, and due to the nature of the merchandise, perishable and fragile, the stages between the different actors result in a deterioration of the condition of the merchandise.
- **The lack of availability and accessibility of storage and packaging infrastructure increases losses.** F&V are seasonal and perishable in nature, the lack of storage infrastructure, at the level of producers, wholesalers, exporters and importers, combined with inadequate packaging results in a loss of goods throughout up to 25% of total quantities<sup>4</sup>.

<sup>4</sup> Constraints and Opportunities of Horticulture Production and Marketing in Eastern Ethiopia, 2007, Bezabih Emana and Hadera Gebremedhin

- **Inadequate transport conditions of F&V causes damages and loss of significant quantity of products.** The produces of F&V are transported like any other goods on trucks or other types of vehicles, exposing them to unsuitable temperatures and often to physical damage. Most of the losses occur during the packing phase (in bags), loading and transport on rural roads, causing losses ranging from 20 to 25% of the goods<sup>5</sup>. Additionally, most farmers in Ethiopia rely on brokers and wholesalers to transport their produce to local markets, putting them in a very unfavourable position to negotiate price and conditions of transport. For international transport, the Djiboutian association of importer use Ethiopian transporters heading toward Djibouti's ports. While the mechanism is convenient for both parties to reduce cost,

<sup>5</sup> Constraints and Opportunities of Horticulture Production and Marketing in Eastern Ethiopia, 2007, Bezabih Emana and Hadera Gebremedhin

it is believed it might not be sustainable and reliable in the long-term.

- **Access to information continues to remain a challenge for local producers in Ethiopia.** The availability and price of inputs, the state of harvests or the selling price on the market determine a good season from a bad season for the F&V producers. Those who suffer most from this unavailability of information are the small producers who are subject to very significant uncertainties that may impact the profitability of their activities.
- **Financial institutions provide little or no support to the F& V actors.** Due to the risks associated with agriculture (climatic hazards, plant diseases, price volatility, and lack of guarantees), financial institutions are reluctant to support stakeholders in the agricultural sector.

## IMPACTS OF COVID 19 PANDEMIC

Despite the positive economic relation between the countries, both Djibouti and Ethiopia were recently impacted by a cascade of events (social protest, drought, flooding, locust, etc.) that reduced their trade. The impact of COVID-19 is hence coming to add an extra burden to pre-existing factors in the agriculture and food industries, threatening the livelihoods of the most vulnerable and reducing the availability of fruit and vegetables in markets.

To limit the spread of coronavirus disease (COVID-19), local authorities put measures and restrictions including lockdown, closing land border crossing, heightened screening, and social distancing. While borders between Ethiopia and Djibouti remained open to commercial traffic during the crisis, the restrictions on cross-border movement have dramatically affected the trade and livelihood activities, including the trade of fruit and vegetable, on both side of the borders.

The study showed that:

- **The delay of agriculture inputs and the shortage of labor due to COVID-19 movement restriction impacted the production of F&V in Ethiopia.** Ethiopian farmers rely on a range of inputs including fertilizer, improved seed, and pesticide to increase production. With the closing of borders and limitation of movement between regions due to COVID-19, access to inputs, such as pesticides and fertilizer, became very difficult for farmers and not easily available. This led to a heavy drop in production, particularly for highly dependent fruit and vegetable on improved seed such as tomato, papaya and watermelon. Additionally, the restriction of movement to contain the pandemic and the fear of the diseases forced many daily laborers across the country to return to their villages, creating a shortage of labor in Ethiopia's agriculture sector.



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- **The COVID-19 disrupted the F&V trade value chain between Ethiopia and Djibouti.** While border remains opened between Djibouti and Ethiopia for the movement of merchandises, fewer trucks and truck drivers, for example, were available to ensure movement of products between the two countries but also within the countries, causing longer collection and transportation time, higher loading and unloading markup, higher distribution cost and longer retail filling, and impacting supply<sup>6</sup>. Additionally, the lack of labor, the absence of low-temperature storage facilities, the delay in transport, shortcoming related to processing and packaging of their produce, disruption of existing distribution channels in Ethiopia but also the presumption about F&V contamination led to significant losses of commercially matured or harvested perishable products. Furthermore, as COVID-19 begins its spread across Ethiopian cities and Djibouti, access to markets of F&V became limited due to lack of transportation and travel restrictions. The majority of actors involved in the F&V markets work in the informal sector in both countries with many involved in the wet market as vendors. Thus, lockdowns and other social distancing measures posed major problems both for consumers and workers.

<sup>6</sup> Forsido & co, COVID-19 Probable Impacts on Ethiopian Agriculture and Potential Mitigation and Adaptation Measures: No Food-No Health-No Life

- **The impacts of COVID-19 was severely high on households, many losing their livelihood and coping up with a hike of price of fruit and vegetable in both side of the borders.** As both Djibouti and Ethiopia put in place control measure to slow the spread of the virus, their economies were severely hit, impacting more negatively poor households and reducing their capacity to earn income. Using pre-pandemic, in-person household survey data and a post-pandemic phone survey, a recent World Bank paper<sup>7</sup> in Ethiopia concluded that two-thirds of the respondents reported that their incomes had fallen after the pandemic began, and almost half reported that their ability to satisfy their food needs had worsened.
- The study also found that household food insecurity increased by 11.7 percentage points and the size of the food gap by 0.47 months in the aftermath of the onset of the pandemic. Related to the F&V sector, these include casual laborers supporting on-farm planting or harvesting activities (including migrant laborers), transport operators, petty traders, market vendors, and village-based resellers.
- Similarly, a study<sup>8</sup> conducted in Djibouti during the pandemic found that among the 59 percent of the breadwinners that worked in the week before the survey, about 19 percent of them lost their job after the start of the pandemic. A large percentage of those who lost their livelihood come from informal sector and include vendors in F&V markets.
- Additionally, consumers in Djibouti experienced price increase of F&V but also shortage of some produce during the pandemic such as tomatoes and onion. The World Bank study<sup>9</sup> highlighted that close to 73% of interviewees in Djibouti city reported a price increase of vegetables while 79 percent of the household's report difficulty buying vegetables during the pandemic period.

<sup>7</sup> World Bank, 2020, COVID-19 and Food Security in Ethiopia: Do Social Protection Programs Protect

<sup>8</sup> World Bank, 2020, Monitoring the socio-economic impacts of COVID-19 on Djiboutian households,

<sup>9</sup> World Bank, 2020, Monitoring the socio-economic impacts of COVID-19 on Djiboutian households

## RECOMMENDATIONS TO IMPROVE TRADE AND RECOVERY INTERVENTIONS FROM COVID 19 PANDEMIC

To mitigate the impact of the COVID-19 pandemic on Fruit & Vegetable but also other health related crisis, both Djibouti and Ethiopia will need to consider a set of policy actions to enhance trade and maintain the flow of merchandises. Below are measures and interventions proposed by different stakeholders.

### Address the shortage of agriculture inputs

- Enhance initiative to bring inputs provided by the government to farmers efficiently;
- Ensure efficient transportation of agricultural inputs from Djibouti to Ethiopia, but also from one part of Ethiopia to the rest of the country through the creation of multiple channels for their timely delivery. Green channels models used during the pandemic to discharge fertilizer in Djibouti and ensure a swift transfer of the input to Ethiopia could be duplicated;
- Foster negotiations with producing countries for the availability of input during shocks;
- Consider constructing local fertilizer blending plants in Ethiopia.

### Ensure labor availability

- Enhance the availability of labor through careful movement of temporary or seasonal farm workers to areas where labor-intensive production (example vegetable production) is needed;
- Establish emergency shelter in each location/region for incoming workers to reduce the risk of COVID-19 spread;
- Avail labor-saving farm tools/machines suited to smallholder farmers.

### Facilitate measure to increase production, including the introduction of new technology



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- Assure incentives, such as government purchase of unsold quantities, for farmer to keep production going during a crisis period;
- Encourage mechanization of agriculture processes to enhance productivity;
- Ensure price control to allow farmers to gain revenue from their crops;
- Provide producers with government assistance to ensure that sanitary measures (mask, soap, etc.) are affordable whilst continuing production;
- Consider subsidies to allow producers and farmers to have access to inputs.

### Keep transport channels open and ensure healthy measures

- Relax the provisions concerning working hours and movement for truck drivers to allow transport of F&V;
- Keep borders open in Djibouti and Ethiopia for essential goods, including food, and guarantee free movement of essential transport workers.
- Ensure enough availability of protective equipment against COVID-19 for truck drivers, port workers, seasonal workers, as well as for workers in warehouses, and markets.

### Support handling and storage facilities

- Mobilize local communities to help at farm level handling activities in Ethiopia F&V growing regions;



- Initiate producers in Ethiopia to low-cost handling and storage technology to preserve F&V in case of crisis;
- Establish an efficient postharvest handling and storage system with improved temperature;
- Encourage private sector investments in cold storage rooms for perishable products in Ethiopia (for producers and exporters) and in Djibouti (for the importers);

### Develop processing and packaging industries

- Invest in processing and packaging technology to reduce human interventions;
- Educate the producers in Ethiopia about the health benefits of increased hygiene and safe food.

### Enhance distribution mechanism and channels

- Strengthen the activities of cooperation and union for distribution;
- Encourage brokers to rent venue closer to consumer for redistribution;
- Develop a pipeline of small and medium enterprise specialized in F&V distribution in both countries.

### Facilitate access to market

- Ensure the mobility of harvest, packhouse and port workforces where curfews are in place so that these workers can arrive to their workplace safely and without interruption;
- Provide producers with government assistance to safeguard income, sales channels, and/or promote new channels to ensure the smooth flow of production of small farmers;
- Ensure that social distancing measures take into account the situation of small farmers and the need to maintain the supply of fresh produce;
- Increase access points while maintaining a strict health guideline in both Djibouti and Ethiopia
- Support policies and programs for enabling digital agriculture

### Ensure the protection of Fruit and vegetable growers, traders and consumers

- Provide support to farmers and traders of fruit and vegetables by introducing ad hoc measures such as relaxation or deferral of taxation and reduction of fines; and temporary credit facilities to absorb liquidity problems related to the coronavirus crisis in both countries;
- Create an insurance system to producers (small farmers) of fruits and vegetables in Ethiopia so as to help farmers handle and deal with the effects of natural disasters;
- Facilitate access to financial services of F&V actors to recover from adverse effect of the pandemic in both countries;
- Avail easily scalable social protection program to mitigate impact of COVID-19 in poor F&V farmers, transporter, resellers both in Djibouti and Ethiopia. Having a well-functioning social protection program in place prior to the pandemic could have reinforced the resilience of poor households.
- Ensure price control of F&V to avoid spiral effects on poor household during crisis in both countries.

## Develop the organization capacities of F&V chain actors

- Improve the organization and structuring of professional associations, cooperatives, syndicates of the actors of F&V;
- Ensure those organizations play an interface role with local authorities and protect the interest of their members;
- Reinforce the capacity of those organization so they can cushion the impact of crisis on their members.
- Build their capacity in marketing, financial management, and other agriculture competencies so they can increase the crop productivity and the sales shares of their members.



## Conclusion

The COVID-19 pandemic is global health crisis that is having an important toll on world economies, and in the countries of the region of IGAD. This evaluation looked at Djibouti and Ethiopia and notes the impact of the pandemic is also being felt in the trade of Fruit and vegetable between the two countries. The measures put in place to contain the spread of the virus disrupted the trade between the two countries, increased the price of F&V for consumer of both countries, crushed the livelihood activities of many farmers and traders but also highlighted the vulnerabilities of the actors in the value chain of the trade in both countries. The pandemic also shed light on the need to reinforce the capacity of the countries to enhance resilience mechanism for the actors that compose its social fabrics and ensure the production of F&V. The crisis should enable policymakers to consider reforms to support the F&V production and trade, including the development of new technology for the production of high yielding crops, facilitating private investment in input production and storage facilities, building the capacity of farmers/brokers organization, initiating green channel to reach customer and producers in timely manner, etc. Realizing these policies will be the only forward to avoid a duplicate of the COVID-19 impact on the economy but also on actors and construct a resilient fruit and vegetable sectors.



### INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT

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