

Development to Trade



Sustainable and Profitable Development

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Background - Africa



- Why was Africa left behind?
 - Dictatorships
 - Cold War rivalries
 - Developed country neglect
 - Socialism/import substitution
 - Virulent tribalism
 - Low government capacity
 - Poor infrastructure
 - Little need for new sources of ag production

Background - Africa



- What is changing?
 - Democratization
 - End of the Cold War
 - China made us pay attention
 - Socialism/import substitution discredited
 - Falling virulent tribalism
 - Rising government capacity
 - Improved infrastructure
 - Need for new sources of ag production

Background - Africa's Opportunity

- Annual consumer spending will increase from \$680 million in 2008 to \$2.2 trillion in 2030
- From 2000-2010:
 - Foreign direct investment (FDI) jumped from \$6.8 billion in 2000 to \$37 billion
 - Africa's middle class increased from 27% to 34% -- or 326 million consumers
 - GDP per capita of Sub-Saharan Africa grew by 58%
- Most (60%) of the world's uncultivated land
- Uses less than 2% of renewable water resources

Background - Aid v Trade

- Disconnect between donors and agbusiness
 - Goals and objectives
 - Available tools
 - Mutual suspicion
- Example: Disagreements between USDA and USAID overseas
 - Exports, business and trade “or”
 - Development and meeting human needs
- This is a false dilemma



Background - Aid & Trade

- Profit and donors common objectives:
 - Increase rural incomes sustainably
 - Improve profitability of partner firms
 - Improve world food supplies
 - Improve relationships of partner firms (CSR)
 - Improve local food supplies
 - Implement sustainable ag practices
- Shared by both public and private sectors



Background - Aid & Trade



How to Connect Aid and Trade?



The Big Picture



How to Connect Aid and Trade?



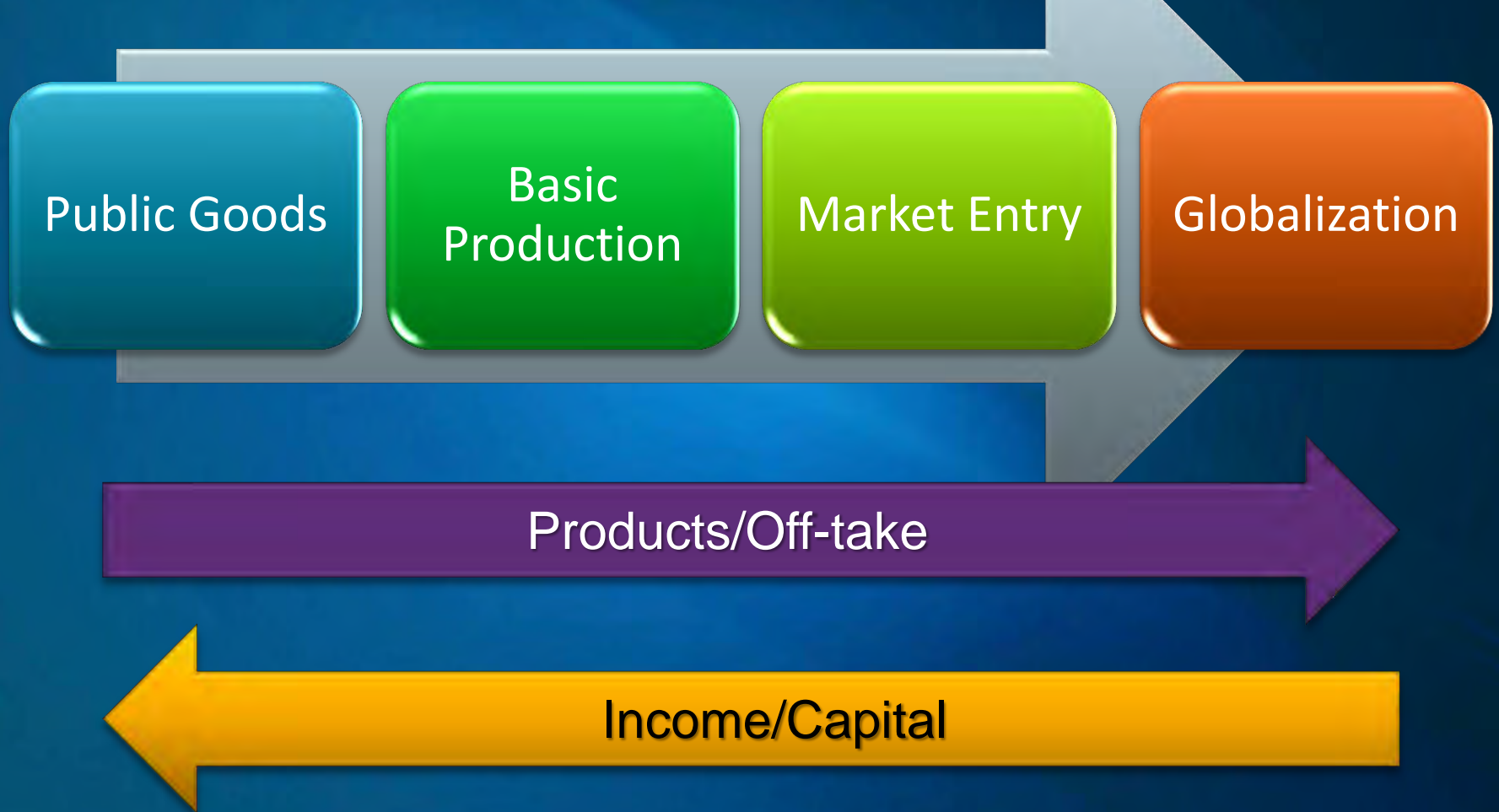
The Big Picture



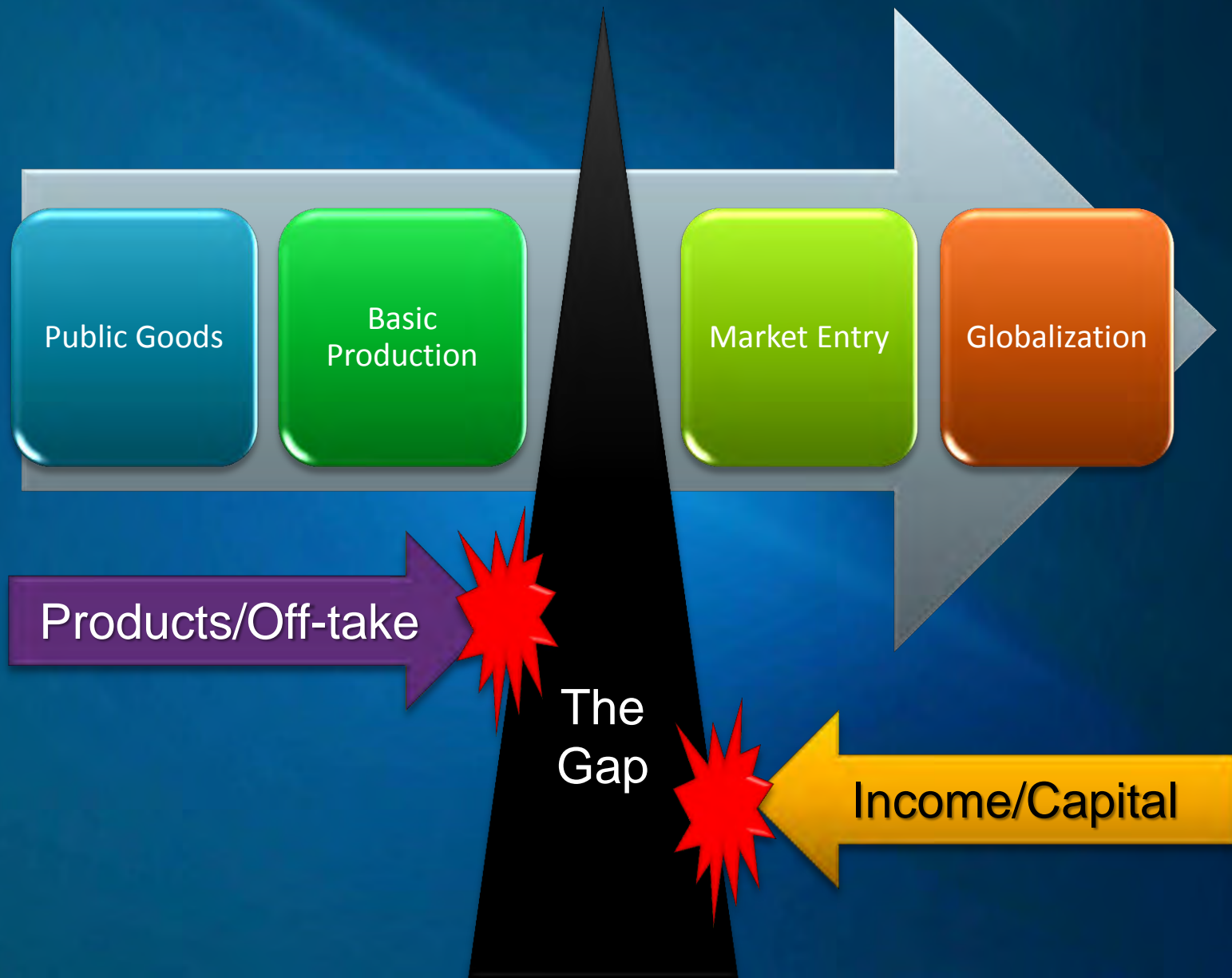
- The agricultural sector develops along the value-chain:
 - Public Goods
 - Basic & Subsistence Production
 - Market Entry/Emerging Commercial Farms
 - Marketing/Value-Added to the Global Ag Economy.
- Product off-take moves to markets
- Income flow makes development sustainable
- Capital flow boosts value-added production

The Big Picture

- The development process...



The Big Picture – A Big Problem



The Big Picture – A Big Problem

- Gaps in the process block progress
 - Especially between the public goods & basic production and markets
- Result of differing incentives for donors and the for-profits
- Cultural differences/perceptions:
 - Aid versus business
 - Governments/NGO versus For-Profits
 - “Do-gooders” versus “Greed”
 - Resilience versus growth



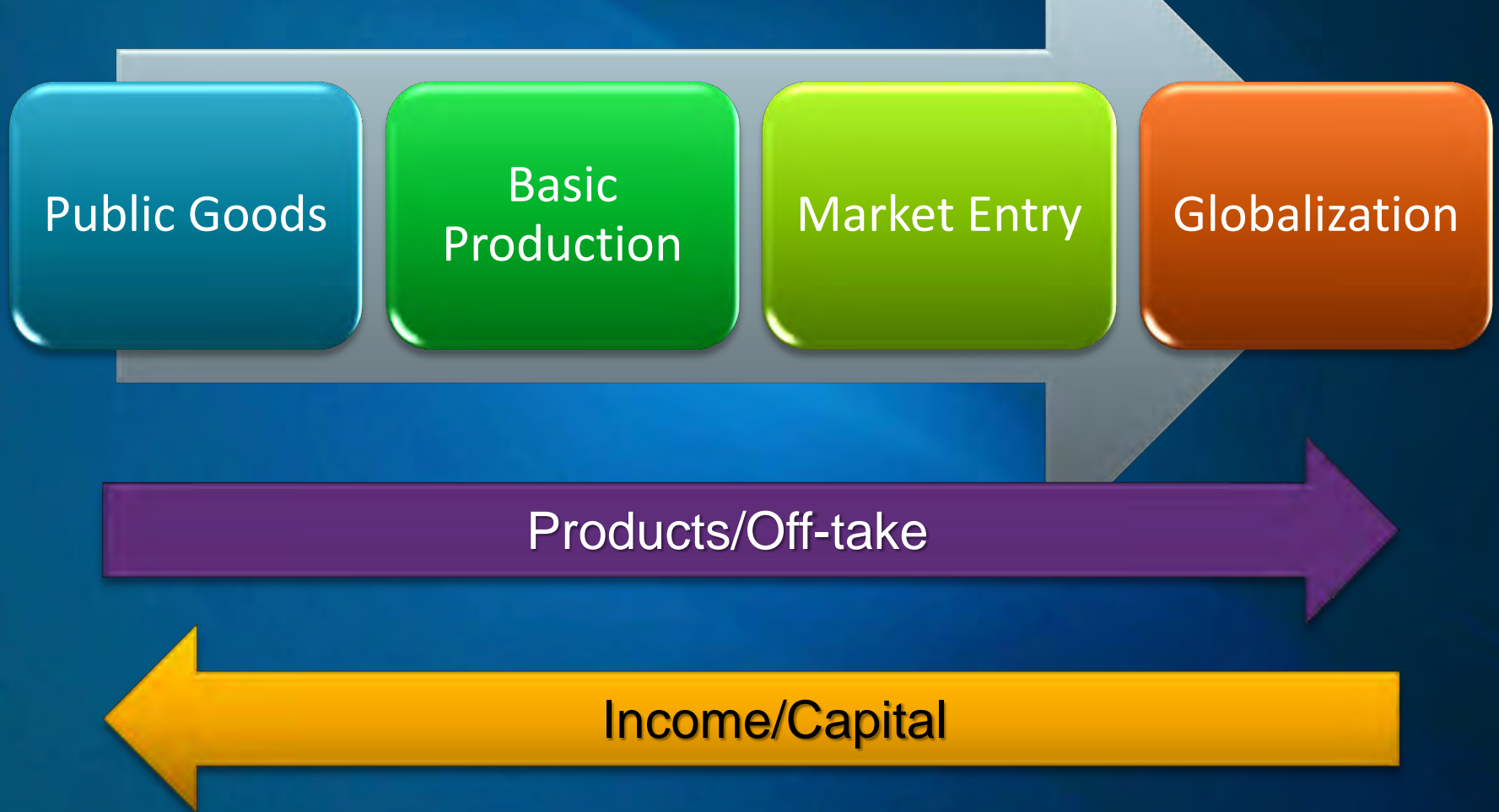
The Big Picture – A Big Problem

- Consequences of the Gap:
 - Companies without long value chains are cut off from suppliers
 - Farmers cut off from capital and income
 - Loss of potential “anchor” income gained by tapping global markets
 - Land, labor and water are used less efficiently
 - Ag development is less sustainable
 - Lower food security
 - Poverty persists



The Big Picture

- The development process...



The Big Picture

- Each stage has these characteristics:
 - Nature of the Good
 - Types of interdependence and ability of markets to work
 - Goals
 - Targets to prepare for the next step
 - Challenges
 - Issues that must be overcome to advance
 - Actors
 - Set of participants/interests
 - Activities
 - Specific actions taken by those involved



Stage One: Public Goods

- Nature of the Good

- Public Goods
- Non-Profit (Joint Impact Goods)

- Goals

- Improve health, education, ability to produce

- Challenges

- Lack of sustainable resources
- Donor fatigue
- Demonstrating success
- Infrastructure, water and sanitation
- Legal system

Public Goods

Stage One: Public Goods

● Actors

- Donors - USAID, NGOs, FTF, MCC
- For-Profit - CSR

● Activities

- Crisis/Relief
- School feeding
- Health services
- Water and sanitation
- Infrastructure
- Safety net

Public Goods

Stage One: Public Goods

- Example: USAID - AWARE-RH in Togo and Niger
 - Improves water and sanitation for 18,000 people



Photo: USAID

Public Goods

Stage Two: Basic Production

- Nature of the Good

- Subsistence agriculture

- Goals

- Achieve food security through basic production
- Build resilience to prevent food crises
- End abject poverty

- Challenges

- Capital and risk reduction
- Increasing input use w/o subsidies
- Access to credit
- Improve value chain



Basic
Production

Stage Two: Basic Production

● Actors

- Donors - USAID, NGOs, FTF
- For-Profit - CSR
- Cooperatives
- Small farms
- Local merchants
- Local governments

● Activities

- Training
- Microcredit
- Resource remediation

Basic
Production

Stage Two: Basic Production

- Example: USAID and partner Catholic Relief Services (CRS) in Burkina Faso
 - Improved harvests of millet and sorghum along with land rehabilitation



Photo: USAID

Basic
Production

Stage Three: Market Entry

● Nature of the Good

- Agriculture as a business
- Market transactions with some ag surplus
- CSR to shared value & core business

● Goals

- Connect farmers to markets
- End perpetual poverty
- Create stable employment
- Build support industries
- Development outcomes sustainable
- Create basis for an ag economy

Market Entry

Stage Three: Market Entry

● Challenges

- Making farmers market-ready
- Value-chain & input use
- Infrastructure & fragmentation
- Government policy

● Actors

- Private sector-led, for profit firms
- Regional firms and cooperatives
- Food processors
- Regional/national governments
- USDA, Ex-Im Bank, USTDA

Market Entry

Stage Three: Market Entry

- Activities

- Transportation and storage
 - Market information
 - Distribution and inputs
 - Building post-harvest and trade infrastructure
 - Catalytic and for profit investments
- Public Private Partnerships can connect several links in the chain



Market Entry

Stage Three: Market Entry

- Example: Uganda's Eastern Dairies
 - Land O'Lakes using Food for Progress to provide technical assistance to Uganda's dairy industry to increase productivity and competitiveness



Photo: USDA

Market Entry

Stage Four: Globalization

● Nature of the Good

- Agriculture is a business
- Market transaction with large ag surpluses
- Creating shared value (CSV)
- Higher value products

● Goals

- Link farmers to world/regional markets
- Create integrated ag economy
- Create stable employment
- Deepen support industries
- Development outcomes sustainable

Globalization

Stage Four: Globalization

● Challenges

- Infrastructure
- Trade capacity building
- Building up scale and quality to meet demand
- Capital constraints
- Government policy

● Actors

- Private sector-led, for profit firms
- Multinational ag and retail firms
- Food processors
- Trade capacity building

Globalization

Stage Four: Globalization

● Activities

- Exports - Retail - Global Agbusiness
 - Processing & transport
 - Reducing import/export barriers
 - Increased investment in agriculture
- Globalization can be a key anchor in making value-chain investments economically feasible

Globalization

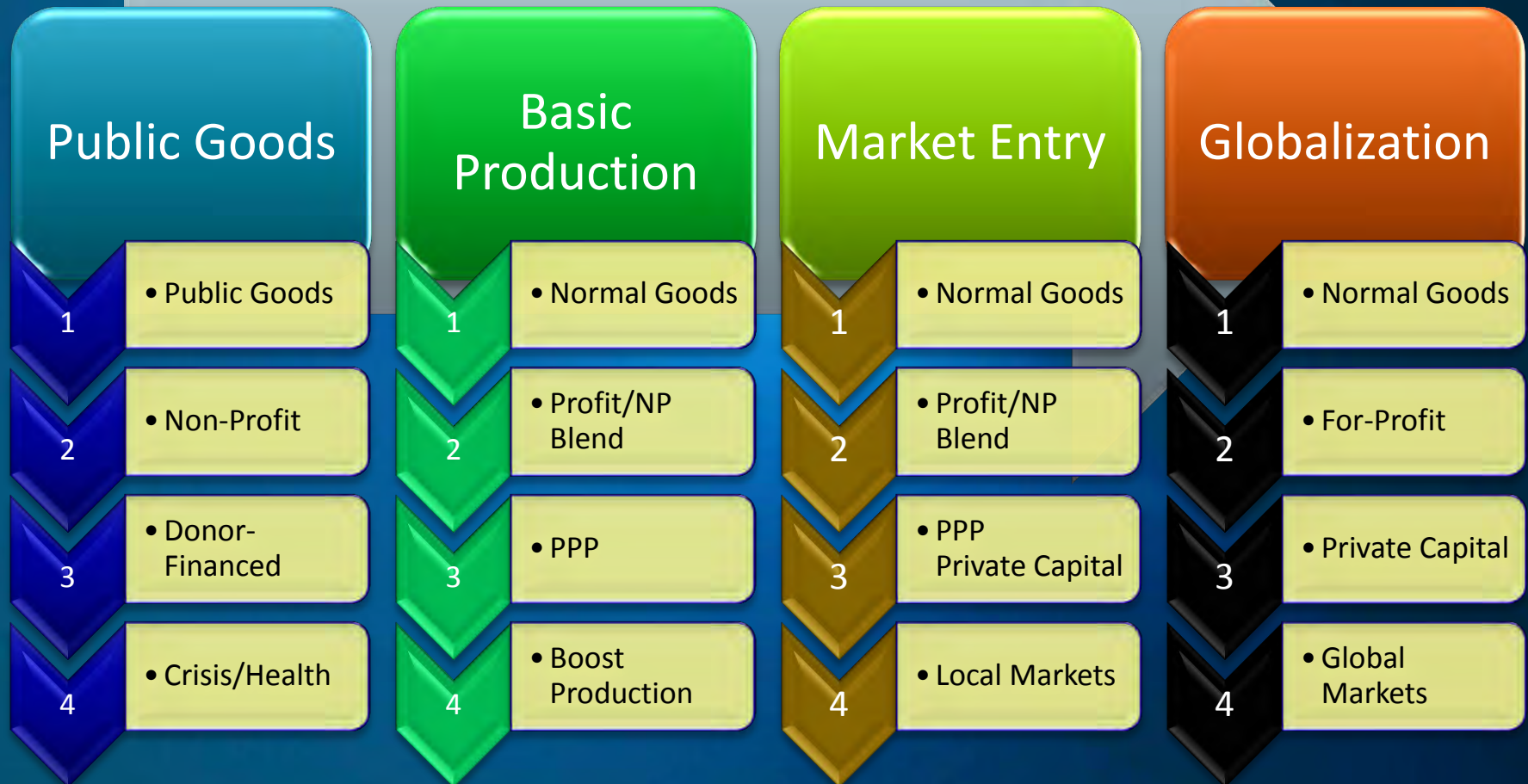
Stage Four: Globalization

- Example: Tanzania Horticultural Association (TAHA)
 - Connecting horticultural farmers to the world



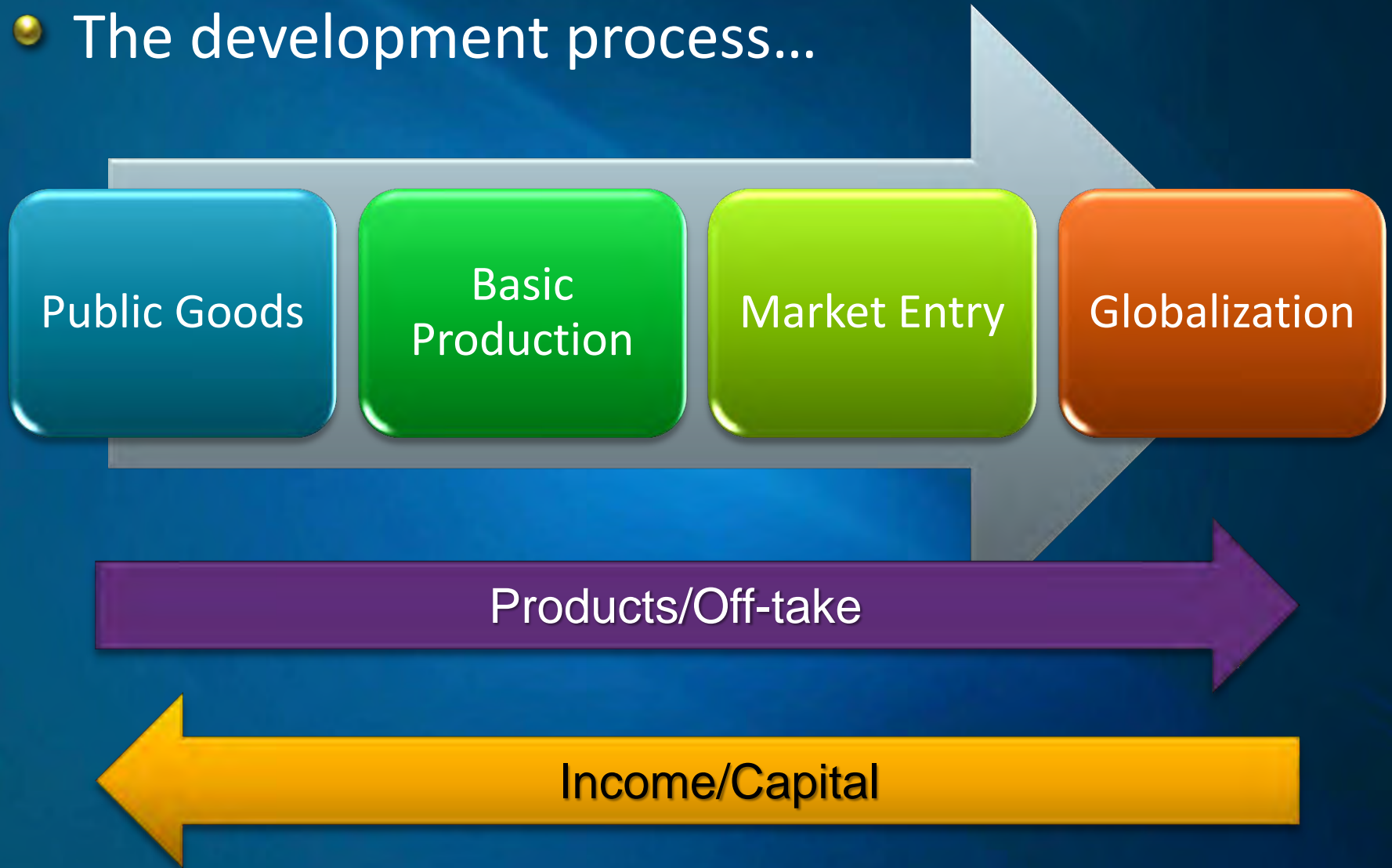
Globalization

The Big Picture

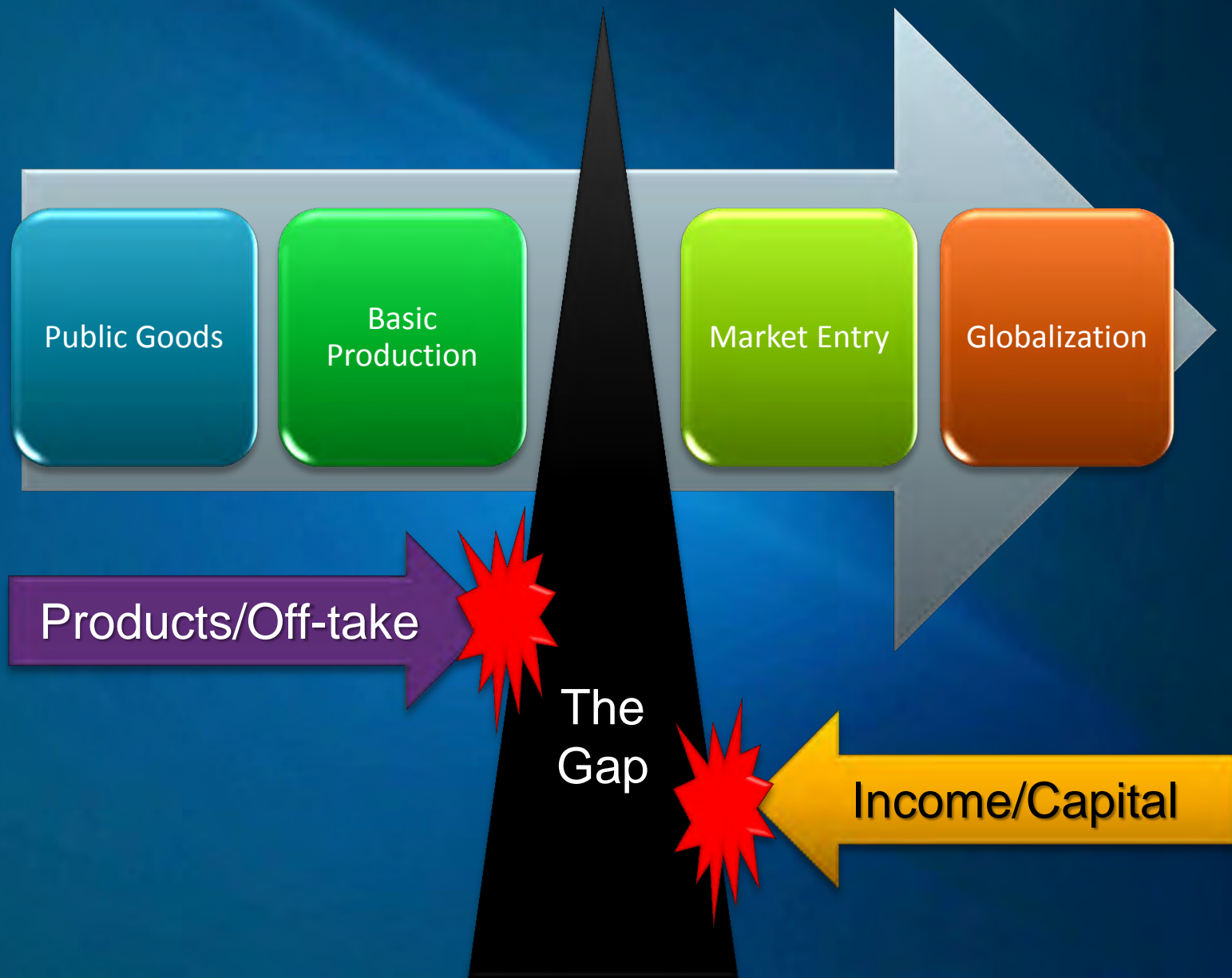


The Big Picture

- The development process...



The Big Picture – A Big Problem



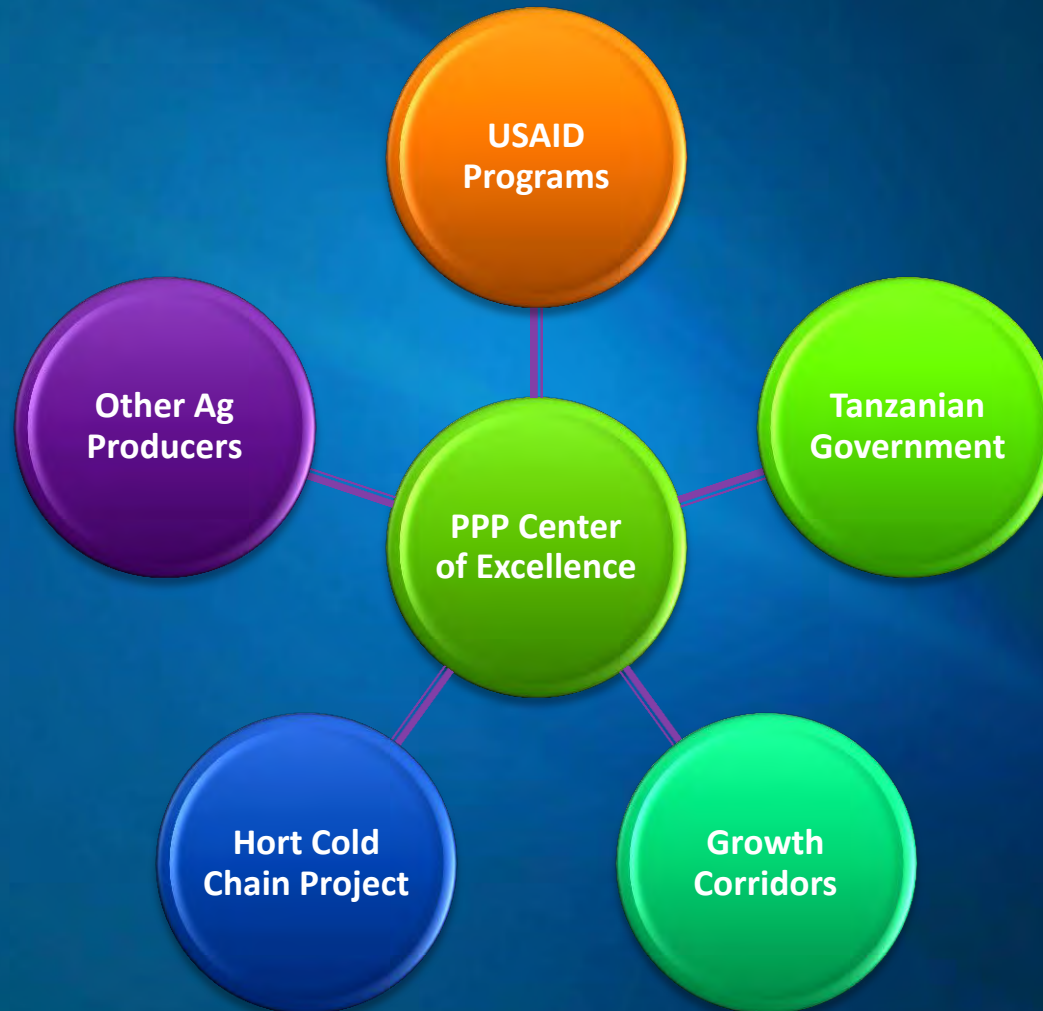
The Big Picture – A Solution

- Complete the connection along the chain
- Expand number of consumers for farmers
- Give large firms new sources of supply without investing in long supply chains
 - Firms can focus on core competencies
- Create anchor market for cash flow & income
- Use new institutions
 - Flexible networks
 - Public Private Partnerships (PPP)



The Big Picture – A Solution

- Institutional linkages...



Public Private Partnerships

- Each actor has contributions to the system
- Need to coordinate from the beginning
- Sustainability brings long-term benefits by being commercially viable
- Need to bridge the gap between the development community and business
- Business needs a solution that is friendly to the bottom line
- PPP need a stronger legal framework & local government support



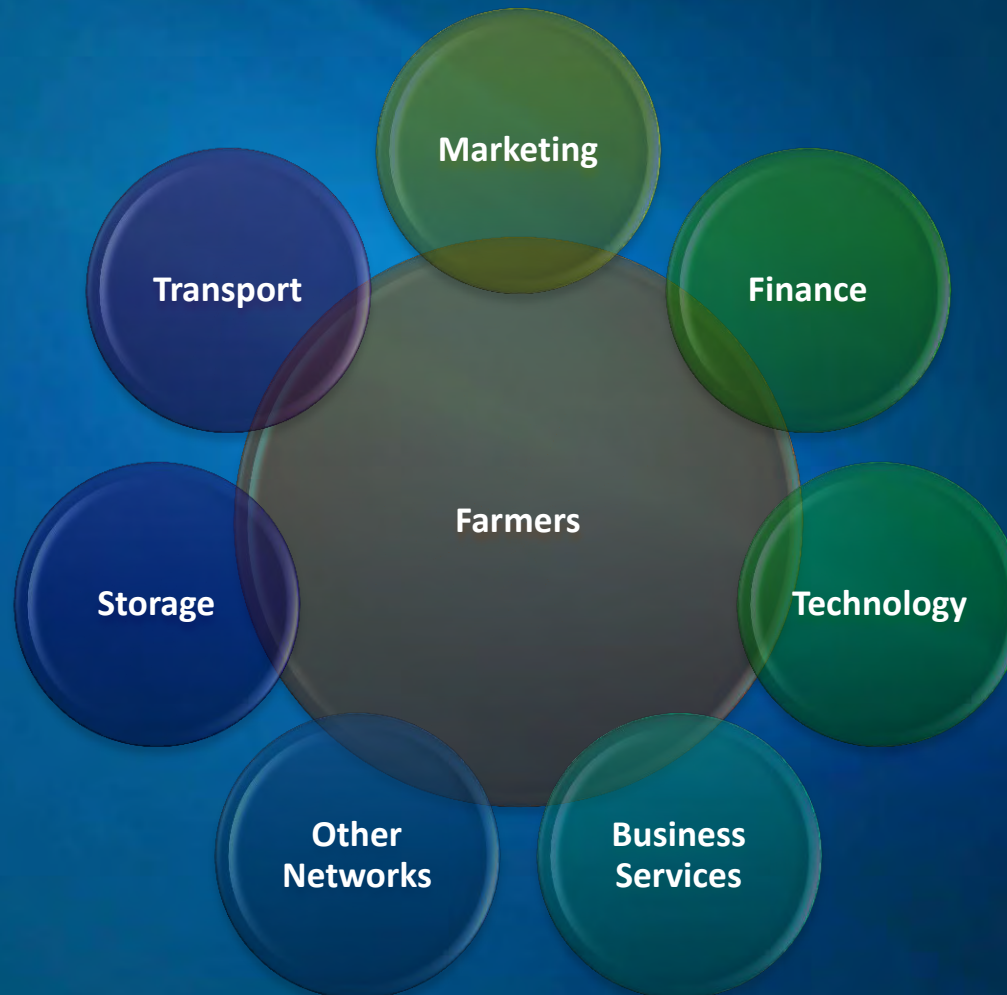
Public Private Partnerships

- Potential partners for development go well beyond governments and NGOs to include:
 - International firms
 - Industry associations
 - International organizations
 - Local companies
 - Local investors
 - Other bodies
 - Comprehensive Africa Agriculture Development Programme (CAADP)
 - New Alliance for Food Security
 - Alliance for a Green Revolution in Africa



Public Private Partnerships

- Functional linkages...



Public Private Partnerships



- Align development goals with private sector profit motives
 - CSR can push firms toward sustainable methods, but profit can make change sustainable
 - Along the way, bridge the languages of business and development (CSV)
 - Goals of each participant must be compatible and clearly laid out from the beginning
 - Examples include national visibility, social responsibility, economic growth, improved public health, market expansion and sourcing new products



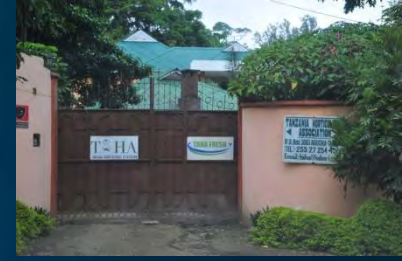
PPP Lessons Learned



- International trade objectives can line up with development goals
 - Agbusiness picks up where aid ends to boost sustainability
- Opportunism is very helpful
 - Favorable change in the external environment
 - Supportive and influential actor
- Useful for sharing risks and resources
- Address civil society/small farmer concerns
- Access to credit, gender & technology



PPP Lessons Learned



- Pilot/smaller scale deliverables play a major role in establishing credibility
- Good will only lasts so long – especially if up against strong vested interests
- Use networks of core competencies
- Failure is an opportunity to learn & try again
- Need strong evaluation system
- Favorable government policy is vital
 - Export bans, taxation, and regulation
 - Corruption & natural resource curse



Thank you!

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