Development to Trade

Sustainable and Profitable Development

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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
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.

Sources: World Bank, CIA, FAO, McKinsey, USDA
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
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 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...

Public Goods

Basic Production

Market Entry

Globalization

Products/Off-take

Income/Capital
The Big Picture – A Big Problem

Public Goods  Basic Production  Market Entry  Globalization

Products/Off-take  The Gap  Income/Capital
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...

Public Goods → Basic Production → Market Entry → Globalization

Products/Off-take

Income/Capital
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
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
Stage One: Public Goods

Example: USAID - AWARE-RH in Togo and Niger

Improves water and sanitation for 18,000 people

Photo: USAID
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
Stage Two: Basic Production

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

**Activities**
- Training
- Microcredit
- Resource remediation
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*
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
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
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
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*
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
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
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
Stage Four: Globalization

Example: Tanzania Horticultural Association (TAHA)

Connecting horticultural farmers to the world
The Big Picture

- **Public Goods**
  1. Normal Goods
  2. Profit/NP Blend
  3. PPP
  4. Boost Production

- **Basic Production**
  1. Normal Goods
  2. Profit/NP Blend
  3. PPP
  4. Local Markets

- **Market Entry**
  1. Normal Goods
  2. Profit/NP Blend
  3. PPP
  4. Local Markets

- **Globalization**
  1. Normal Goods
  2. For-Profit
  3. Private Capital
  4. Global Markets

- **Non-Profit**
- **Donor-Financed**
- **Crisis/Health**
The Big Picture

The development process...

Public Goods → Basic Production → Market Entry → Globalization

Products/Off-take → Income/Capital
The Big Picture – A Big Problem

Public Goods
Basic Production
Market Entry
Globalization

Products/Off-take

The Gap

Income/Capital
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...

- USAID Programs
- PPP Center of Excellence
- Tanzanian Government
- Hort Cold Chain Project
- Other Ag Producers
- Growth Corridors
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
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...
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
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
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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