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Trade and development

I. Clearing obstacles, promoting inclusion

Photo: Jörg Böhling

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Editorial

Dear Reader,

In December 2005, the Aid for Trade initiative was launched at the World Trade Organization Ministerial Conference. It was to enable developing countries to draw optimum benefits from global trade by assisting them in overcoming trade-related constraints.

Today, just over a decade later, the success of the initiative is given a sometimes very mixed assessment. However, this has not been the case regarding its basic notion that trade can make an important contribution to sustainable economic development and poverty reduction provided that it can be made fair and inclusive. This is also reflected in the Sustainable Development Goals, in which the community of nations resolves to "correct and prevent trade restrictions and distortions in world agricultural markets" (SDG target 2.b), to "increase Aid for Trade support for developing countries" (SDG target 8a) and to "significantly increase the exports of developing countries" (SDG 17, target 11). But it is also borne testimony to in the latest changes in development co-operation policy, which is increasingly focusing on trade and markets. The approaches and instruments applied in the context of agriculture and rural development are presented in this edition of Rural 21.

First of all, there is the Aid for Trade initiative itself. In times of a slowing pace of global trade and growing public scepticism over globalisation and free trade, the strengths of the initiative could be made use of to raise the potential of intra-regional trade (p. 9–11). This would be particularly important for Africa, for so far, the continent's extra-regional export flows, driven primarily by natural resources and primary commodities, have led neither to inclusive economic growth nor to food security. The African Development Bank estimates that its net food imports will increase to more than 110 billion US dollars by 2025. To counter this, in their Malabo Declaration of 2014, the African Heads of State committed to triple the volume of intra-regional agricultural trade (p. 36–37). Here, high hopes have been set on the Comprehensive African Agriculture Development Programme (CAADP) (p. 15–17).

However, implementation faces a number of obstacles, including traditional tariff barriers as well as non-tariff barriers like excessive regulation, poor infrastructure or inefficient border procedures. Getting rid of the latter is a goal that the initiative TradeMark East Africa has set itself, and here, it can boast remarkable success (p. 18–19). However, formal trade is just one side of African reality. Around 60 per cent of trade in agricultural produce is unrecorded. Moreover, the vast majority of small-scale agricultural traders are women, who face a considerable number of specific constraints in their work. If these constraints are not overcome and the informal trade networks that have grown over decades are not integrated and improved, it will not be possible to achieve the goal of food security and inclusive growth on the continent, our authors maintain (p. 12–14).

One important pillar of the "new" development focus on trade and markets is to mobilise financial resources via private sector engagement. This is often viewed critically by civil society organisations. They fear that small producers will be put at a disadvantage e.g. if they are integrated in agricultural value chains. Is this concern justified? It depends entirely on the product, the target market and the design of the value chain (p. 20–22). For instance, in its projects, the International Fund for Agricultural Development has opted for the "4Ps" – public-private-producer partnerships – in order to ensure that co-operation with the private sector really does have a development impact (p. 23–25).

Our examples from the Philippines and Bangladesh show how important it is not only to fully understand market requirements in order to improve the marketing options for small farmers (p. 26–29), but also to change the way that markets work, so that root causes for market failure are addressed and even very poor farmers are included in the benefits of growth and economic development (p. 30–32). This does not refer solely to the classic "wet" markets. Opportunities arising from the "supermarketisation" of the developing world should not be frowned upon by donors and governments, our author states (p. 33–35).

With this edition's focus, we have concentrated on the paradigm shift in development co-operation and the development co-operation approaches it entails while taking a look at regional and local markets in particular. However, addressing trade-related development is impossible without considering the global perspective. Therefore, the next Rural 21 edition is going to take up the topic of "trade and development" once again, dealing, among other issues, with the role of quality and sustainability standards and the field of tension between international trade and food security.

Addressing one topic in two consecutive issues is not the only novelty in Rural 21. We have given our website a new design, too. Now it will also be easy for you to read the contents on your tablet and your smartphone. Just drop in at www.rural21.com – we look forward to hearing from you.

Enjoy Reading!

Silvia Richter

Partner institutions of Rural 21:

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Why is Africa not feeding itself?

The panellists (left to right): Regina Birner, University of Hohenheim; Thomas Allen, SWAC; Francesco Rampa, ECDPM and Philipp Heinrigs, SWAC.
Photo: ILR/Maximilian Meyer

"Africa has all options to feed itself! – The continent can feed itself! This is not a phrase but a political target." With these words, via video message, Commissioner for Rural Economy and Agriculture at the African Union Commission (AUC) Tumusiime Rhoda Peace greeted the participants of a workshop in Bonn, Germany, that was organised by Deutsche Gesellschaft für Internationale Zusammenarbeit in late September 2016. The Commissioner stressed that one of the priority goals that the African Union had set itself was to eliminate hunger on the continent by 2025. In concrete terms, this meant that the agricultural sector and agribusiness were focal issues in the AU's future strategies. Peace added that a modern agricultural sector held the greatest potential to offer the growing number of young people employment. She maintained that one of the keys to the development of the agricultural sector was regional integration. The AU was seeking closer co-operation with the private sector in order to make the value chains competitive and put a transformation of the agricultural sector into practice. "Africa needs knowledge support to transform its agriculture," she told the participants of the meeting.

The challenges

Africa's rapidly growing population and the massive expansion of cities is probably the biggest challenge it is currently facing. In addition, the eating habits of the city dwellers are different from those of their sisters and brothers in the rural areas. Philipp Heinrigs of the Sahel and West Africa Club (SWAC), Paris, France maintains that this is both a challenge and an opportunity for regional and local markets. Heinrigs estimates that the demand for processed food und higher value food in the cities is at around 39 per cent of overall food demand, making an adaptation of value chains absolutely essential. He maintains that technologies along the food chain such as further processing and packaging methods need to be modernised as quickly as possible in order to meet the demand from the conurbations. Moreover, he says, quality standards have to be raised. This, he believes, is not only up to the agricultural politicians in the developing countries of Africa. Rather, they have to make a concerted effort with industrial and trade politicians.

Henrigs regards pricing policy as the second big challenge. At the moment, he maintains, urban dwellers in the countries of the Sahel are spending around 50 per cent of their income on food. Henrigs calls for regional food-trade flows and a political focus on a growing food economy that can also provide more and better-paid jobs.

Francesco Rampa of the European Centre for Development Policy Management – ECDPM, Maastricht, Netherlands was critical of the development of food markets in Africa, maintaining that they were too fragmented due to a lack of infrastructure, tariff barriers and overlapping economic agreements. Rampa fears that because of this, economies in Africa are losing billions of dollars. He maintains that, among others, those responsible for the stagnation in regional trade are national elites who are more keen to finance infrastructure for commodity export than to invest this money in the integration of regional trade links.

Food trade can be extremely risky, particularly for trade women, Rampa warns. For poor and unguarded routes to the market frequently lead to acts of violence and sexual harassment along the numerous borders. "They are happening every day," Rampa stressed.

Ways out of the dilemma – corridors

Rampa and the discussion round following the presentations emphasised that the biggest bottlenecks in regional trade in Africa were the large number of national borders, poor infrastructure for cross-country traffic and too many economic and other agreements and non-tariff barriers. They called for a strengthening of all stakeholders. This had to start with the introduction of improved technologies on farms, go on with the introduction of so-called corridors for trade routes along which food transports could be brought from the producer to the end-consumer as quickly as possible and without obstacles and ultimately include public-private partnership initiatives to promote investment in regional trade. One example the panel members referred to was TradeMark East Africa (TMEA), a multi-donor funded trade facilitation agency that has created a corridor from the landlocked Central African states to the port of Dar Es Salaam by setting up a Transport Observatory Platform following negotiations with Kenya's neighbours. The Observatory continuously monitors the performance along the Central Corridor by identifying total time delays from all possible causes as a means towards establishing an evidence-based regional platform that can be used by the stakeholders as an operational tool as well as by the region's policy-makers.

Creating corridors also facilitated a formalisation of the market prices, the panel members stressed. Nowadays, market information systems via smartphone were well-established in Africa. All that still had to be done was to "regionalise" them. Digital information dissemination could also contribute to disclosing widespread bribes at borders, Rampa maintained in the discussion. He referred to a joint initiative by CAADP (the Comprehensive Africa Agriculture Development Programme) and COMESA (the West African Economic Union) to set up a Regional Investment Programme in Agriculture with the main objective to remove barriers to agricultural trade and better link farmers to markets and regional value chains as a further example of how regional trade could be made more efficient. *Angelika Wilcke*

Corporate responsibility and Agenda 2030

The year 2000 saw the launch of the United Nations Global Compact. In this voluntary initiative, corporations commit to implement universal sustainability principles and to take steps to support UN goals. Just how effective is the initiative, and what must corporate efforts look like for it to have a sustainable impact promoting fairness and development? KfW Development Bank had a look at these issues at its Berlin Expert Talks on Globalisation in mid-November 2016.

"We are a guide dog, not a watchdog," Executive Director Lise Kingo explained, describing the purpose of the Global Compact. Today, the initiative, which was launched by UN Secretary-General Kofi Annan in 2000 "to give globalisation a more trusted face," comprises 9,148 businesses and more than 4,000 organisations from a total of 168 countries. By participating, companies commit themselves to observing ten principles anchored in the UN on the environment, labour rights, anti-corruption and human rights. They are obliged to report on compliance with the principles in their activities in an annual Communication on Progress (COP). If they fail to do this, they are thrown out. "More than 5,000 businesses have already been delisted," Kingo told the meeting.

The Sekem Group has participated in the Global Compact since 2004. The guiding notion of the initiative, which was founded in Egypt in 1977 (Sekem is Old Egyptian for "vitality"), is to link up economic, social and cultural development. In concrete terms, this means that Sekem turns desert areas into fertile land to practise biodynamic agriculture, generates upstream and downstream jobs and erects schools. The Medical Centre, opened in 1996, cares for staff, school pupils and the rural population in the neighbourhood. A university has also been founded.

Under the Slogan "Plug in the world", the Berlin-based company Mobisol provides low-income customers in Africa with solar home systems. These systems can be installed in just 1.5 hours and can power LED lamps and radios, televisions and refrigerators. They can also be used to charge mobile phones, giving households the opportunity to run small businesses at the same time. "We have estimated that around 30 per cent of our customers are generating an income with our appliances," says Chief Operation Officer Joachim Hauschopp. "On average, this amounts to 35 US dollars a month." So far, 50,000 solar home systems from Mobisol have been supplying just below 300,000 people with environmentally friendly power. Payment is via SMS, and there is a 36-month hire purchase option. The company's own academies provide local training, while its repair shops create jobs and local value added.

So is everything hunky-dory with corporate responsibility? "With our firm, and we are talking about 100 staff in Berlin und 500 in Africa, we are in good control of developments," says Hauschopp. However, the supply chains are complex. Even though it is familiar with many of its Asian suppliers, this medium-sized company has difficulty ascertaining whether the high environmental and social standards are complied with right at the end of the chain, the COO explains. Sekem's Sustainable Development Officer, Maximilian Abouleish-Boes, is above all worried about bureaucratic hurdles when it comes to gaining access to new areas to create fertile land in the desert. "We are asking ourselves why the government isn't offering more support for this important task," Abouleish-Boes says.

The question remains whether the Sustainable Development Goals are helping the companies to implement their ambitious goals. "I can't really see any major support," Abouleish-Boes maintains. But he adds that topics that one has long been campaigning for, such as reducing carbon dioxide emissions in agriculture and promoting land restoration instead of land degradation, are now being highlighted by the SDGs. "Our activities relate to a number of the SDGs, such as access to affordable renewable energy and promoting education," Hauschopp explains. "I think that the SDGs do help. For example, many countries in Africa are now pursuing an entirely different approach in electrification by opting for off-grid in rural areas and only pursuing 'big' strategies where large amounts of electricity are really needed." *(sri)*

Trade and development – growing closer for sustainable rural transformation

Development paradigms are changing rapidly. Today, increasing attention is given to trade and the role of the private sector in tackling rural poverty and reaching sustainable rural development. What are the strategic trends in support of these links between trade, agri-business and sustainable rural transformation? And how does theory relate to practice?

The role of trade as a driver of economic development is undisputed. But are the poor and vulnerable groups going to benefit from its advantages as well?
Photo: Jörg Böthling

Trade and inclusive agri-business for job creation and sustainable economic growth have a new impetus in the context of rural poverty, high rural unemployment in developing countries and growing concerns about economic migration. Value-chain development and value addition of agricultural produce are of increasing importance in meeting the rapidly growing demand of the urban population. Africa is focusing on a return to self-sufficiency in food supply which the continent lost in 2000 due to decreasing food prices in the nineties and failing investments into agricultural transformation by the farming community, international finance institutions and governments. Along with Africa, Asia and Latin America find greater opportunities in supplying local, national and regional markets with all products along the value chain than in investing more heavily into export or cash crops like coffee or soy beans. But do international consensus and trade agreements support local and national trade agendas?

Many Sustainable Development Goals (SDGs) and their targets and indicators call for an end of trade restrictions and distortions, agree on special and differential treatment of the trade regime for developing and least-developed countries and advocate poverty reduction through inclusive value chains and trade. However, the World Trade Organization (WTO) Doha round and numerous current free-trade agreements such as the mega-regional European Partnership Agreements (EPA) between European Union and ACP countries find profound difficulties in agreeing on terms of trade in agricultural produce like phyto-sanitary standards as well as protective measures to overcome the lack of competitiveness in agricultural production in developing countries.

The "Nairobi Package" on agriculture at the WTO's 10th Ministerial Conference in December 2015 ultimately included a special safeguard mechanism on export subsidies and other export competition elements (particularly in cotton trade) for developing countries to become more competitive – the most significant outcome on agriculture for 20 years, many negotiators found. Progress in making international agreements beneficial to rural communities is slow.

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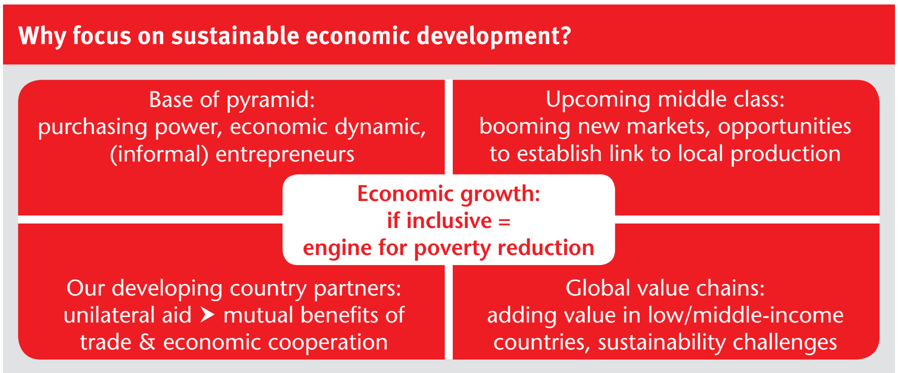
What role does trade play in poverty reduction?

The logic of applying a markets and trade paradigm to agriculture is hard to fault. Ultimately, the livelihoods of three or four billion people at the bottom of the economic pyramid depend on the farming business. Agriculture is largely a private sector activity (even poor small-scale farming can be a business beyond subsistence), and the growth in demand for food in urban centres is creating substantial new market opportunities. While there is a clear rationale for mobilising trade, private sector investments and innovative financing for economic growth, the development objective of tackling poverty remains fully valid for the international community. However, it is yet to be shown how effective the trade-based approach is in providing benefits for vulnerable groups like subsistence farmers at the bottom of the economic pyramid or for redressing growing inequality of the rural-urban divide.

The critics, of whom there are plenty, argue that such approaches bear a high risk of exacerbating rather than overcoming exploitation of the poor. This behoves those advocating for a new development paradigm based on markets, trade and the private sector to be rigorously explicit about their "theories of change"or development cooperation strategies, formally based strongly on poverty reduction. An interesting policy analysis by the World Bank and the WTO suggests in *The role of trade in ending poverty* that careful crafting of balanced policies will bring the inclusive benefit sharing of trade and value-chain development closer to the bottom of the economic pyramid. But the devil is in the detail. What does "inclusive" really mean for the agriculture sector? And what is the long-term vision for a sustainable food system and the economic transformation of small-scale agriculture? These are not simply technical questions, they are deeply political and are often approached with strong ideological positions that have significant implications for national, regional and global trade policy.

What changes are already on the way?

Official development assistance (ODA) or development financing is increasingly small compared to other financial flows like foreign direct investments, domestic investments, remittances, etc. This has led many donors to focus more on how they can partner with international trade institutions under the "Aid for Trade" initiative and catalyse private sector investment and consequently increase ODA impact on economic growth. They want to articulate more openly that ODA can – *inter alia* – bring mutual benefit through improved trading relations between developing countries as well as between donor and developing countries.



While the International Trade Center (ITC) provides Market Analysis Services with a wide range of data, WTO offers its mandated support services and hosts a number of instruments like the WTO "Bali Package" on trade facilitation of border controls and customs services, the phyto-sanitary standard setting/application for improved value-chain development through the Standards and Trade Development Facility (STDF) as well as trade coordination of all relevant sectors and their productions by the Enhanced Integrated Framework (EIF). Many more support mechanisms, programmes and initiatives of bilateral donors and international finance institutions (IFI) exist, but regional economic communities (REC) with a trade mandate are also improving their services significantly in order to link agricultural production more effectively to markets.

The governments of Australia, the Netherlands and Canada were the first to "amalgamate" foreign affairs, trade and development. Australia has a Department of Foreign Affairs and Trade that includes the development co-operation portfolio, Canada has created a Department of Foreign Affairs, Trade and Development, and the Netherlands has established a ministerial office on trade and development in the Ministry of Foreign Affairs. These are clear institutional signs of a profound change in policies of development co-operation. The Graph above gives four reasons to focus development co-operation and ODA on economic development. It neatly summarises the paradigm shift among some donor agencies, with an increasing number of donors following suit.

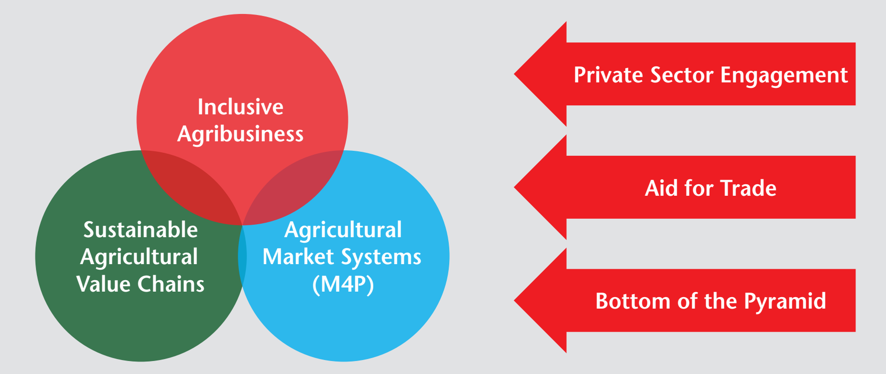
Inclusive agri-business – translating trade into benefits for rural communities?

Based on the new focus on trade and markets of the international development community, the concept of inclusive business in general has gained much traction for sustainable development – the promise of a win-win situation through profitable business activities that also meets the needs of the poor and helps to lift them out of poverty. In order to frame the term, an inclusive (agri-) business benefits poor producers and consumers by providing access to markets, services and products in ways that improve their livelihoods, while at the same time being a profitable commercial venture. Inclusive agribusiness offers a perspective that can contribute to a deeper understanding of how to align public and private interests and investments in pursuit of the Sustainable Development Goals (SDGs). The inclusive agribusiness concept is highly relevant to the agricultural sector because of the vast number of small-scale producers and micro-enterprises and the potential for off-farm rural employment in value adding and upstream agri-food enterprises. Finding ways to ensure that agri-businesses help create fair economic opportunities for those lower down the economic pyramid is a key to ensuring trade impacts on poverty and inequality. Inclusive agribusiness is not just about the big end of town and global markets – it involves the interactions of micro, small, medium and large-scale business operating across domestic, regional and global markets, which from a trade perspective is critical to realise.

There are thousands of value-chain and market development projects that have inclusive elements. Many agribusiness firms have initiated inclusive practices. There are active business platforms, such as the World Economic Forum with its Grow Africa and Grow Asia initiatives, the Sustainable Agriculture Initiative (SAI) Platform or the various commodity round tables (palm oil, soy, sugar, cotton, fisheries, etc.). National political leaders are taking up the importance of agriculture for inclusive growth and the need for new forms of partnership with business. Behind all this is much support of bilateral donors, multi-lateral agencies, development banks and philanthropic contributions with a very diverse range of multi-donor financing mechanisms and strategies such as the Global Agriculture and Food Security Program (GAFSP) and the African Enterprise Challenge Fund. The Graph above presents the impacting factors like private sector engagement of any scale, ODA interventions like Aid for Trade and the poverty dimension on the market and agri-business interface.

In the development sector, there has often been much attention in the past for social and environmental concern and related farming systems and only more recently for value-chain development within the broader trade agenda for economic growth. Inclusive agri-business strategies and policies offer ample opportunities for the donor community and IFIs to engage with small and medium-sized enterprises as well as multi-national companies in an operational way without losing sight of a sustainable rural transformation agenda with its social and environmental safeguards.

Impacting factors on market and agri-business interface



Paradigm shift or just changing policy priorities in development?

It is argued that the new development focus on trade and value-chain development as a primary means for economic development stands for a general shift in development paradigm with new roles of business, governments and the international community. This is in part a reaction of the international community to development trends in partner countries. Almost 30 per cent of ODA is currently spent on operations under "Aid for Trade". However, to date, the potential for economic growth through agriculture is not sufficiently explored and used in developing countries despite cash crop exports like palm oil, coffee and tea or an increasing urban demand for food. Agriculture and rural development has not yet become a permanent top priority in development co-operation and national development programming.

The nexus of rural development and trade is therefore undernourished despite all the opportunities – much co-operation and mutually supportive policy work is still ahead for all actors to make full use of the trade potential for sustainable rural livelihoods. Trade in agricultural produce is a very complicated domain, and the rural development community needs to make careful and good use of the trade-related instruments, programmes and strategies to enhance inclusive rural transformation.

For a list of references and related literature, see online version of this article at ➤ www.rural21.com

Policy coherence – bringing the communities together

In order to address the new focus of development co-operation on economic growth, attention should be concentrated on balancing economic development and social and environmental sustainability. The concept of policy coherence has been debated broadly to address the emerging rural development-trade interface. To fill such a concept with operational life, partner countries and donor agencies have to compare notes on enabling farmers and rural entrepreneurs to enter competitive markets and on the other hand focus on poverty reduction and local development priorities. Beyond the policy debate, institutional arrangements like inter-ministerial dialogues etc. need to be put in place for joint strategies and programmes of the trade and agriculture & rural development (ARD) community.

The Global Donor Platform for Rural Development (GDPRD) was asking "Agricultural trade and rural development: Duet of Solo playing?" at its Annual General Assembly 2016 and is continuing the discussion on aligning ARD and trade policies. The Platform's objective is to determine future donor programmes as well as multi-sectoral co-ordination within the respective donor agencies themselves in order to increase the development impact through new forms of ODA programming. Not only does this mean profound changes in co-operation and co-ordination in developing countries, but it also calls on donor agencies and IFIs to improve their own in-house co-ordination and inter-sectoral policy coherence. All development partners still have quite a long way to go to effectively support inclusive and sustainable rural transformation.

Participants at the latest Global Review of Aid for Trade. The initiative's next review is in 2017.
Photo: WTO/Studio Casagrande

Revitalise the Aid for Trade initiative

The Aid for Trade initiative was originally launched to mobilise resources for addressing trade-related constraints in developing countries and to thus contribute to sustainable development. Scientists are at odds over the extent to which this has met with success. Our author nevertheless believes that the initiative should be continued – especially with a view to tapping the potential of regional trade.

Aid for Trade (AfT) was conceived as a joint effort by the World Trade Organization (WTO) and donors to engage developing countries during the Doha Development Round (the current trade-negotiation round of the WTO which commenced in November 2001), in an attempt to increase their confidence in the availability of trade-related adjustment support stemming from further trade liberalisation. Since its inception, the AfT initiative has recorded a significant increase in financial commitments and disbursements totalling approximately 393 billion US dollars in commitments since 2006. It constitutes about a third of all Official Development Assistance (ODA) annually. However, the trend in commitments is levelling off (see Figure).

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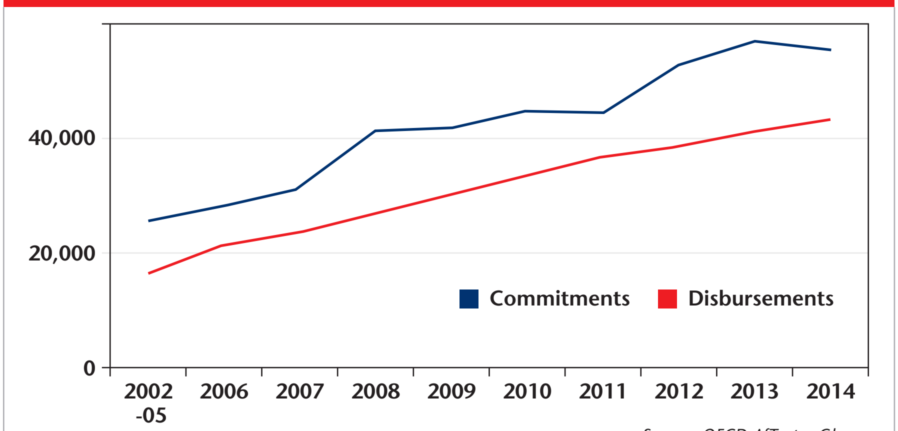
Eroding confidence in AfT?

The question is whether both developed and developing countries still have confidence in the Aid for Trade initiative. This may no longer be the case. Just as AfT was a response to the crisis in multilateral trade negotiations and donor expediencies ten years ago (see Box on page 10), there is a need for its reassessment on the basis of shifts in the global trading environment, pressures on donor governments and needs of developing countries. The global trade slowdown since 2015 and growing scepticism over the value of trade need to be factored into an upgrade of the AfT initiative. The

Trend in AfT commitments and payments (constant 2013 USD millions)



Source: OECD AfT at a Glance

United Kingdom's departure from the European Union – the so-called Brexit – is symptomatic of a broader popular disillusionment with globalisation and free trade. Spurred on by these sentiments, developing countries are also emboldened to criticise on-going liberalisation efforts, with for example Tanzania recently walking out of the Economic Partnership Agreement (EPA). At the same time, the AfT initiative is more important than ever to retain momentum towards opening up the global marketplace. At its most recent meeting, the G20 called for advancing and sharpening the AfT initiative. Many donors, such as the European Union, Germany and Australia, are also in the process of reassessing their trade and AfT efforts, not least the United Kingdom after the Brexit decision. However, the weaknesses of the Initiative are hard to conceal.

Vague definitions and unclear financing

One of the main weaknesses of AfT has been definitional. According to the Organisation for Economic Co-operation and Development (OECD) and the WTO, "projects and programmes should be considered as AfT, if these activities have been identified as trade-related development priorities in the recipient country's national development strategies". In practice, the exact definition is left to members of the OECD Development Assistance Committee (DAC), and different organisations apply different definitions for AfT.

AfT investments support recipient countries' efforts in five different categories: 1) trade policy and regulations, 2) trade development, 3) trade-related infrastructure, 4) building productive capacity and 5) trade-related adjustments (direct contributions to a government budget to adapt to a changing trade environment, e.g. assistance to manage shortfalls in the balance of payments). Categories 1 and 2 constitute trade-related assistance (TRA), which is AfT in its narrower sense. Existing ODA flows are "labelled" as AfT based on these categories and are likewise coded in the OECD development co-operation statistical databases. At the same time, it is a struggle not to conflate funds labelled as AfT with resources for broader development.

Therefore, even senior academics question if these resources have been truly additional, as originally envisioned, with many donors struggling to meet their 0.7 per cent of GDP annual commitment to development aid. According to economist Joseph E. Stiglitz, "AfT has failed to live up to its promise of additional, predictable and effective finance to support developing countries' integration into the global economy."

There is also deep frustration among developing countries about AfT flows. Tanzania's former President Benjamin Mkapa justified the country's exit from the Economic Partnership Agreement (EPA) on grounds of the meagre donor commitment made to date, while Tanzania is recorded as one of the largest and most consistent recipients of AfT resources. Partly, his reaction reflects the confusion over stricter and broader definitions of AfT.

Disputed impact of AfT on trade, growth and development

The history of the AfT initiative was rooted in the desire to improve development impacts through increased trade. At the same time, its parameters were not very precisely delineated, nor was it sufficiently resourced with monitoring and evaluation capacity to explore these linkages. According to Gamberoni and Newfarmer, "impact evaluation was conspicuous for its absence in the AfT debate". Generally, there is limited and at times contested evidence of the link between AfT, trade, economic growth and sustainable development.

The global trade agenda is characterised by assumptions relating to the positive relationship between tariff reduction, trade flows, growth and development. However, with the demonstrated asymmetry of the Uruguay Round (the 8th round of multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT), spanning from 1986 to 1994), against the interests of developing countries, increasingly, evidence of the linkage between trade liberalisation, growth in trade and welfare benefits is also more disputed and differentiated. Results vary significantly depending upon the category and sector of AfT support, as well as the location and income level of the recipient, with Least Developed Countries (LDCs) being particularly disadvantaged.

On the one hand, evidence suggests that AfT support, especially trade facilitation, trade policy and infrastructure support, has a significant impact on reducing trade costs and increasing trade and welfare benefits globally. The costs of logistics and poor trade facilitation are much higher than tariff costs. According to the World Economic Forum, reducing these non-tariff barriers could increase world gross domestic product (GDP) over six times more than would be the case if all tariffs were removed.

Based on a literature review, Martuscelli and Winters conclude that greater trade liberalisation increases income and ultimately improves welfare. According to the OECD, one additional dollar invested in AfT gener-

The Aid for Trade initiative

The AfT initiative was officially launched at the Hong Kong Ministerial Conference in December 2005 to recognise the role of trade in sustainable development and to mobilise resources for addressing trade-related constraints in developing countries. For donors, it was also an effective way to increase the scale and effectiveness of development aid through an alternative, trade-related mechanism. The Initiative was accompanied by a joint WTO–OECD monitoring effort, which recorded a consistent increase in annual AfT support since 2006 and collated evidence of the impact of AfT on reducing trade costs, increasing trade and ultimately contributing to sustainable development.

ates around eight dollars of exports from all developing countries and up to 20 dollars from LDCs. Reviewing aggregate, global data, Helble et al. suggest that a one per cent increase in assistance to trade facilitation increases global trade by about USD 415 million. A one per cent increase in trade policy support could increase global trade by USD 818 million. Ivanic et al. conclude that efforts in three categories of AfT (as per the OECD categorisation of ODA) result in the worldwide reduction of trade costs by 0.2 per cent and generate a welfare gain of USD 18.5 billion. Vijil and Wagner argue that a ten per cent increase in infrastructure investments leads to an average increase of export to GDP ratio of 2.34 per cent for developing countries. Hallaert nevertheless warns that improving infrastructure will not have a significant impact on trade and, through trade, on economic growth, unless it is accompanied by services and regulatory reforms.

Cali and te Velde find the impact of trade policy reform on the cost of trading more mixed. Vijil and Wagner concur, suggesting that trade policy interventions have limited impact. The most sobering conclusions are by Busse et al., who conclude that actually, none of the types of AfT considered are effective in reducing the costs of trading specifically in LDCs.

At the same time, from the regional experience of TradeMark East Africa (an organisation funded by development organisations to grow prosperity in East Africa through trade; see also article on pages 18–19), infrastructure and trade facilitation support have resulted in significant time and cost savings to traders and ultimately increased both intra-regional and global exports. According to the OECD/WTO, the sheer quantity of activities described in the case stories submitted to the review process demonstrate the turning of trade opportunities into trade flow and helping men and women make a more decent living. However, Hallaert calls to attention that none of the case studies explore failures and their value for learning may therefore be compromised.

Originally introduced to promote global exports from developing countries, the Aid-for-Trade instruments are also increasingly being applied to stimulate intra-regional trade.
Photo: FAO/Marco Longari

Incremental progress through regional trade, e-commerce and broader stakeholder engagement

Just like when the AfT initiative emerged ten years ago, there is a need to review and revisit it based on new global opportunities and challenges. With the slowing pace of global trade and the growing wave of public scepticism over globalisation and free trade agreements in particular, the importance of AfT for addressing the trade adjustment costs and challenges of developing countries is even more important. With the failure of the Doha Development Round, dynamic regional initiatives provide a useful framework for making incremental progress. Supporting regional AfT efforts can be particularly fruitful in targeting regional trade flows and LDCs. Lammersen suggests that regional organisations can be honest brokers in helping developing countries find common ground, offering financial incentives, building human and institutional capacities, and harmonising regulations. This has been already reflected in the growing financial commitment among donors to support regional initiatives as per OECD data.

There is also clear willingness among WTO members to deepen co-operation in specific areas, such as trade in services, e-commerce, even fisheries, as made evident at the recent WTO Public Forum discussions. Great opportunities present themselves in deeper engagement with the private sector and non-DAC donors, also for the identification of alternative, sustainable sources of AfT finance. At the same time, alternative financing should not be confused with aid allocations, just as the new emphasis on promoting donors' trade interests should not be confused with AfT. Even the Brexit decision could be harnessed to champion the case of trade and development, as suggested by the Overseas Development Institute.

With the signature of the Paris Climate Agreement, there is both the imperative to mainstream climate issues into the AfT agenda and an opportunity for climate finance to learn from the AfT experience; especially relating to the crucial principle of additionality and lessons from mainstreaming AfT into ODA flows. Sustainable Development Goal 8, on Decent Work and Economic Growth, as well as the WTO Trade Facilitation Agreement provide the requisite global political context and impetus for the continued role of AfT in the promotion of inclusive and sustainable economic growth. The new global trade environment therefore creates both opportunities and challenges for the AfT agenda, but most clearly, it demonstrates a need for its revitalisation.

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Women trading fresh fish in the town of Aguégués, Benin.
Photo: ACMA

Supporting women and informal networks

Intra-regional trade can significantly contribute to food security and inclusive and sustainable economic growth in Africa. However, numerous barriers to cross-border trade exist which not only slow down the development of the agricultural sector but also negatively affect consumer prices and profits in value chains. In order to realise the potentials to improve food security, existing networks of informal trade need to be recognised and improved. Moreover, more attention should be paid to the constraints women traders face, our authors maintain.

In Africa, decades of neglect of the agricultural sector as a growth sector and inefficient distribution systems have resulted in food demand exceeding food supply. Low productivity, post-harvest losses, high transport costs and poor infrastructure are major obstacles to achieving the goal of Africa feeding itself. These problems are exacerbated by the population in Africa growing faster than its production of food crops. According to the United Nations, over half of the global population growth between now and 2050 will occur in Africa. The combination of predominantly urban population growth, changing dietary patterns and low productivity of African smallholder farmers is one of the reasons why the continent's food imports are increasing rapidly. But the present situation is also a result of trade policies and restrictions which limit access to markets. Promoting regional trade could enhance food security for the region as a whole.

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Clearing obstacles

Regional economic communities in Africa have adopted far-reaching commitments to foster intra-regional trade. However, implementation of these regional commitments at national levels is lagging behind. Many (non-) tariff barriers to intra-regional trade, such as complex domestic regulations and inefficient border procedures, remain in place. These barriers and poor infrastructure affect the incomes of producers and traders, lead to high levels of post-harvest losses and make intra-regional trade expensive. As a result, Africa has the lowest level of intra-regional trade world-wide: over the past decade, the average level of intra-African trade has fluctuated around 15 per cent of Africa's total trade. However, there is clear evidence that much of the continent's intra-regional trade is not recorded in statistics. Therefore, policy-makers cannot fully capture its impact on food security and economic growth. Formal extra-regional trade of Africa has been driven primarily by natural resources and primary commodities. These export flows have had a limited impact on employment and have not led to inclusive economic growth. To feed their burgeoning populations, countries depended heavily on food imports. Africa spent over 35 billion US dollars (USD) on food imports in 2015, and it is projected that its net imports will increase to more than 110 billion USD by 2025. To curb this trend, in 2014, the African Heads of State adopted a resolution in the context of the Malabo Declaration to triple the volume of intra-regional agricultural trade (see also articles on pages 15–17 and 36–37).

Multiple benefits of intra-regional trade

Addressing (non-) tariff barriers and poor infrastructure would mean that countries can reap benefits of their economies' complementarities, further specialise and take advantage of economies of scale. This would make them less dependent on global agricultural value chains and price changes on global markets. African countries could further develop cross-border value chains by leveraging each other's comparative advantages, adding value and exporting the finished product outside the region. Different studies have already pointed out how Africa can enhance services and manufacturing. Easier intra-regional trade would allow investors to profit from a larger consumer market with rising middle classes. Finally, more intra-regional trade would lead to increased competition for inefficient domestic firms, leading to a net welfare gain for consumers. To unlock these opportunities, intra-regional trade needs to be facilitated. Landlocked countries have a special interest in measures to enhance intra-regional trade, because they face higher trade costs than coastal countries.

Food security and the importance of informal trade

Agriculture is the main source of income for hundreds of millions of people – predominantly small-scale farmers, entrepreneurs and traders in Africa. Feeding a rapidly growing and urbanised population will require major efforts, not only to grow more food but also to make sure it reaches low-income consumers at affordable prices. In Africa, 60 per cent of trade in agricultural produce is unrecorded. In Nigeria, for example, unrecorded or informal activity is estimated to account for as much as 64 per cent of GDP. Informal trade between Benin and Nigeria is significant. Importers take advantage of Nigeria's extensive borders and high tariff charges to export unrecorded poultry, rice and other food and agricultural products to Nigeria, of which an estimated 85 per cent is informal.

Informal trade cannot be captured in a single definition. The fact that it is unrecorded in statistics is the lowest common denominator describing a process that involves multiple actors in the value chain who may or may not be operating formally within existing legal frameworks or informally bypassing regulatory frameworks. There are many reasons why small-scale traders in particular do not adhere to formal rules and regulations: lack of information, high compliance costs, and customs officials and other agencies at border posts that condone informal border crossing for personal gain. The challenge is to ensure that traders in the informal sector can access services and benefits, not to impose even more restrictions and costs that undermine food security.

Combining modern value chains with long-standing traditions

A study on borderland economies where both formal and informal traders operate by the Emerging Futures Lab for TradeMark East Africa notes that informal trade in East Africa is a web of interlinked networks that connects people and products region-wide. It is viewed as resilient and persistent since it is held together by community relationships, kinship and trust. This network is flexible and robust enough to survive the social and economic upheavals and natural disasters of the last decades. A similar conclusion could be drawn with respect to other regions. In West Africa, for example, centuries old livestock trading relations between the Sahelian countries and the coastal countries contribute towards food security in rapidly growing urban centres concentrated on the coast of West Africa. Rapid urbanisation and increased demand for high quality dietary proteins as well as desertification in the Sahel may however render some of the old traditions obsolete. Feeding the burgeoning urban conglomerates requires new, more efficient value chains and efficient crop and livestock trade. This should build on these existing networks and add value to generate higher incomes for producers and traders and lower the cost of food for consumers. Although formalisation of some aspects may be necessary, for

The Communal Approach for Agrifood Markets programme

The Communal Approach for Agrifood Markets programme (*Approche Communale pour le Marché Agricole* – ACMA) in Benin is an intervention that – with support of the government of the Netherlands – has successfully addressed specific institutional constraints that small-scale farmers/traders face in cross-border trade. It facilitates cross-border trade of agricultural products from Benin for processing industries in Lagos, Ogun and Oyo States in Nigeria through matching Nigerian buyers with small-scale farmers, processors or traders in Benin 48 per cent of whom are women.

In 2015, dialogues between mayors in Benin and private sector operators led to the identification of key issues that needed to be addressed: inadequate infrastructure, frequent harassment of traders, the power of cartels of Nigerian transporters and traders and multiple local taxes to be paid by traders. These issues have a negative impact on the competitiveness of agricultural products. An intercommunal public-private sector dialogue for facilitating cross-border trade was set up to facilitate informal regional trade. One focal area is the organisation of corridors for specific local agricultural products, which is mainly a women's activity.


Fulani women engaging in milk trade, Nigeria.
Photo: Monique Calon


Micro franchises for women trading in milk products in Ethiopia.
Photo: IFDC-2SCALE

example to reduce the risk of diseases spreading, such measures should also take into account the need to increase incomes and food security of low income segments of the population while generating resources for governments to maintain high standards of food safety and service provision for the agricultural sector.

Breaking down gender-related barriers

Around 75 per cent of the cross-border trade within Africa is informal trade. The vast majority of small-scale informal agricultural traders are women. Studies do show some important differences between, for example, East Africa, where women seem to be less prominent as traders but do participate actively as producers, and West Africa, where women traders are more active. In both cases however women are key actors in regional value chains. It is only recently that governments, donors and others involved in promoting regional trade have started to respond to the specific gender-related constraints that women traders face.

A study in the Great Lakes region in Central Africa noted that more than 50 per cent of the women interviewed said they were subjected to harassment and abuse during attempts to cross borders. UN Women has been supporting women in informal cross-border trade since 2005. The organisation lists numerous gender-related constraints that women traders face: lack of access to credit facilities and other services, restrictions on the free flow of agricultural food products across borders and a high rate of illiteracy. Moreover, data on women's informal trading activities is scarce, making it difficult to understand the dynamics at play to inform trade policies. If women continue to face these challenges, they will not be able to fully realise their potential as traders nor contribute effectively towards improving food security.

With support of the government of the Netherlands, TradeMark East Africa launched a Women and Trade programme in 2015. It seeks to increase incomes and improve livelihoods for women traders and women-owned enterprises through capacity building, addressing trade barriers and advocacy for policies that create an enabling environment for women involved in trade. The programme aims towards a 30 per cent increase in the use of formal trade channels and systems by women traders, so that they have more income, more access to information and benefits of services and protection against abuses at border posts. The first ever UN High-Level Panel for Women's Economic Empowerment in March 2016 focused on increasing opportunities for women who work informally as one of its major issues.

Conclusion

Regional economic communities in Africa have long recognised the need for regional integration. The low levels of formal recorded agricultural trade do not reflect the realities of how people sell and access basic foodstuffs. They are in fact misleading and risk leading to policies and programmes that undermine food security and the positions of small-scale – mainly women – traders. The results are evident: a poorly developed agricultural sector, food security challenges and a massive food import bill. A concerted effort is needed to define trade regimes which build on existing formal and informal trade networks, including full recognition of the roles of women in agricultural production and trade, and to harness the full scale of options to improve food security, create jobs and foster inclusive and sustainable economic growth.

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The Dutch aid, trade and investment agenda aims at reducing extreme poverty within a generation, achieving inclusive and sustainable economic growth and promoting success for Dutch businesses and knowledge institutions in developing countries. The Netherlands supports regional market development in East Africa through TradeMark East Africa, and together with Denmark, other donors and regional institutions, it develops a regional trade facilitation initiative in West Africa.

Heads of state and government at the opening of the 23rd AU Ordinary Session in Malabo.
Photo: African Union Commission

Fostering intra-regional agricultural trade in Africa

What could the role of CAADP be?

In 2014, in Equatorial Guinea's capital of Malabo, the African Union relaunched the continental African Agriculture Transformation agenda, the Comprehensive African Agriculture Development Programme (CAADP). Trade has become one of the new focus areas. What can we expect from the Malabo agenda for fostering intra-African agricultural trade? And what can we learn from CAADP implementation so far?

In 2003, African leaders took a first step towards reversing decades of neglect with a strong commitment to investing in agriculture. Through the Maputo Declaration at the second African Union (AU) summit, held in Maputo, the capital of Mozambique, African heads of state and government made a bold promise: to allocate ten per cent of national budgets to agriculture and seek a six per cent annual agricultural growth rate. They also adopted a lead document that structured the programme into four thematic pillars. Regional agricultural trade was not a target as such, but it was conceptually covered by Pillar 2: "Rural Infrastructure and Trade-Related Capacities for Market Access". This Pillar was supposed to promote all kinds of trade, from local to international.

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In the 2014 Malabo Declaration on "CAADP and commitment to accelerate agricultural growth and transformation for shared prosperity and improved livelihoods", regional agricultural trade is now one of the seven key commitments (see Box on page 17). It has two clear targets:

- Triple intra-Africa trade in agricultural commodities.
- Fast-track continental free trade area & transition to a continental common external tariff scheme.

What can we expect from the Malabo agenda for fostering intra-African agricultural trade? What can we learn from 13 years of previous CAADP implementation?

Rationale and targets of CAADP: moving from compact to impact?

The first decade of CAADP, 2003–2013, put a lot of emphasis on organising stakeholder consultations, undertaking evidence-based analysis (stocktaking and identification of sources of growth), developing compacts (short strategy documents with key priority intervention areas signed by representatives of key groups of stakeholders: private sector, government, civil society organisations, farmer organisations and development partners) and National Agricultural Investment Plans – NAIP (also called National Agricultural and Food Security Investment Plans – NAFSIP in some countries) or Regional Agricultural Investment Plans (RAIP), and organising business meetings for resource mobilisation. These efforts certainly added value in the way programmes and plans used to be conceptualised in CAADP and contributed to the improvement of the quality of the investment plans.

CAADP made a tremendous move forward between 2009 and 2014. While only Rwanda had signed a compact before 2007, a total of 43 CAADP Compacts were agreed and 39 Investment plans developed in the following five years. But in the end, none of these efforts clearly translated into better implementation on the ground. Less than ten countries allocated at least ten per cent of domestic resources to agriculture in 2014, and only few countries achieved the six per cent growth target. In fact, according to a study by the International Food Policy Research Institute (IFPRI), the impact of CAADP on agriculture expenditure has even been negative in general! In contrast, the estimated impact on agricultural value-added was positive, while the impact on land and labour productivity was mixed and that on income and nutrition insignificant.

Why was this the case? What hadn't worked? Learning from the experiences of the first decade can help to avoid errors in the future and make CAADP more relevant. This is by no means an easy task, because the Malabo Declaration has widened the scope of the CAADP agenda: While the "Maputo CAADP" was more or less restricted to agriculture-related sectors – crop production, livestock, fisheries, environment – (as well as – in theory – to food security, although in practice this was rarely practised and declarations tended to focus on the Ministries of Agriculture and their typical mandates), the new "Malabo CAADP" has a much more explicit multi-sector focus. This may be more realistic and appropriate when it comes to bringing together the actors and conclude coherent policies relevant to agricultural growth and food security, but it makes it even more difficult to come to binding commitments from this increased number of actors, and to negotiate the required policies and plans.

One thing has definitely changed already: there is now much more emphasis and focus on implementation, results and impact. The Malabo Declaration went even further and includes a specific decision to report on this at the AU summit on a biennial basis. This commitment to transparency and accountability goes even beyond the once highly commended African Peer Review Mechanism (APRM) which also reported to the summit, but mainly on implementation and only in qualitative terms. This change stems from the acknowledgement that the CAADP process has come a long way and there is no more excuse not to deliver. "The baby has become an adult and with it comes responsibility, in this case responsibility to show result and impact." While the design and planning process is well established and the desire for results on the ground is higher than ever, this does not automatically mean that targets will be (better) achieved this time. After 13 years of CAADP implementation, it is necessary to critically look back and learn from past experiences and errors to improve future implementation of the more complex Malabo CAADP. There are a few good examples like Rwanda, where the architecture and institutional arrangement necessary to support the implementation and the roll out of CAADP seems to be producing tangible results. The other African countries need to learn from this and other positive examples and adjust the success factors to their own situation. Peer review is a key principle of CAADP.

For our reflection on overall CAADP experience, we reviewed various impact assessments and reflections as well as seven years of experience of one of the authors in supporting CAADP from within. Of course, this is still not sufficient for an exhaustive analysis of a continental programme encompassing 54 countries, but the basic findings converge across sources of information.

Looking back – lessons from Maputo CAADP

The key sin of the Maputo CAADP was to consider that the technical analysis (stocktaking), the development of agricultural investment plans and the mobilisation of donor money were sufficient to transform the agricultural sectors in African countries. Obviously, these assumptions were wrong!

To start with, agriculture and its bottlenecks are governed not only by ministries of agriculture, but also by those of finance, planning, trade, livestock, fisheries, environment, etc. In Africa, it is often not enough to change only within the agricultural sector. The related policies must also be addressed, synergies need to be carefully planned, and gaps have to be avoided. In the Maputo CAADP, agriculture was defined too narrow to the responsibility of the agricultural ministries. The related pillar concept failed to deliver the expected results and was finally dropped. Where it did tackle inter-sectoral co-ordination, the efforts required were under-estimated and not thought through in the conception phase of the management of the CAADP process at country level. The countries generally lack capacities to manage complex processes and to plan better, this being combined with the lack of incentives for inter-sectoral coordination. Thus, the reforms required to position the NAIPs as the main medium-term agriculture development plan, with enough backing from other sectors at critical junctions, did not take place.

The NAIPs have played an ambiguous role in CAADP. Although it is often assumed that the NAIP is the only national medium-term agriculture development plan, this is not always the case. A study conducted jointly by the GIZ-CAADP Support Programme and the sector project Agriculture Policy and Food Security in six countries in 2015 showed that in countries like Rwanda, where the NAIP is the national budget framework, it has ensured a much more reliable fund flow, easing its implementation. In most other countries, like Niger, Burkina Faso or Togo, NAIPs are planning frameworks co-ordinating a host of programmes and projects in the agricultural sector, but not the (entire) national (agricultural) budget.

In Cameroon, the NAIP is meant to co-ordinate the activities of four ministries; in Malawi it is the programme of implementation for the ministry of agriculture only. Where the NAIP is a programme of activities co-existing with several other programmes, this tends to lead to confusion in the sector. In Tanzania, the NAIP used to be a planning framework guiding public expenditure and private investment, but it has now become a public sector programme of implementation and has to compete for funds with the Agriculture Sector Development Programme, an agricultural sector-wide programme that pre-dates CAADP. The study came to the conclusion that there was no blueprint for the role of a NAIP and that it depended on what is the existing architecture in the sector. But whatever form the NAIP takes, be it a strategy, a plan, a budget or a programme, it must be part of a bigger cycle that effectively translates planning into budget, and budget into co-ordinated implementation of activities. The fact that the NAIPs are not firmly anchored in core national processes of planning, budgeting and accounting explains their often weak role for medium-term expenditure frameworks, for domestic accountability, for cross-sectoral co-ordination and monitoring, and for creating the prerequisite institutional conditions for NAIP implementation such as appropriate legislative frameworks.

IFPRI explains the negative relation between CAADP and agriculture expenditure by the substitution effect between governments' own funding and external sources of funding for the sector. This confirms the assumption that in most cases, the CAADP process was used to mobilise donor funding, most of which tends to be off-budget. According to IFPRI, countries which have shown a higher level of political will, where governments have implementation capacities and have faced peer pressures from neighbouring countries, have made a good progress in implementing CAADP.

Finally, the institutional challenges of the NEPAD Agency, the African Union Commission and the Regional Economic Communities (RECs) and, to some extent, the ambiguity in the division of roles and responsibilities did not serve CAADP. Their dependency on donor funding has been a major weakness of these institutions (the only exception being the Economic Community of West African States (ECOWAS), who funded the CAADP process in its 15 member states with its own resources; each member state received 400,000 USD to support the CAADP roundtable process), even if donor money in some cases may have contributed to increase their capacities. The African ownership and leadership of the CAADP process suffered from this situation. This situation was to some extent exacerbated by a number of donors.

Conclusions for implementing the new Malabo trade agenda

At the dawn of the Malabo CAADP, it is imperative that the national CAADP processes be firmly embedded in country processes and systems. In order to achieve this, the following issues are needed:

- Inclusive policy and planning processes following clear, domesticated rules, even if these are not optimal or perfect.
- Consideration of the political economy of each country.
- High-quality public planning, institutional and expenditures frameworks which create an enabling environment for private-sector investment.
- Inter-ministerial co-operation with strong leadership by Ministry of Finance/Planning or higher level.
- Linkage of the NAIPs to the country Medium Term Expenditure Frameworks (MTEF), which automatically means that they are going through the normal national policy formulation processes and co-ordination and financing mechanisms.
- Effective donor alignment and co-ordination.
- Backstopping support from an effective NEPAD Agency to country implementation.
- Thorough and honest peer reviewing by independent bodies and reporting back at the AU summits.

For the trade agenda in particular, the following issues must be tackled – many of them are less heavy in expenditures but regulatory in nature:

- Linking the agricultural community to the trade community, in order to feed its particular interests and knowledge into the trade agendas. CAADP, through its participatory approach at national level as well as its firm relation with RECs, is well suited to orchestrate this co-ordination.
- Harmonise state regulations in agriculture and food issues such as seed registration, technical and health norms for inputs, food and other outputs, accreditation of economic agents, etc., across countries, at least at RECs level, but preferably at continental level.
- Harmonise rules of origin in particular for processed agriculture-based goods for intra-regional, continental and international trade as far as possible (this will also depend on trade partners).
- Use part of the RAIPs to support these policies and institutional measures.
- Develop agricultural growth corridors along transnational transport corridors to foster local development made possible by the lower transport costs.

These measures must complement the general trade agreements and trade-facilitating measures such as infrastructure, tariffs, border control measures, inter-state payment systems, etc. After all, the trade ambitions of the African Union are high, being focused on achieving a continental unity and integration for sustained growth, trade, exchanges of goods, services and free movement of people, and without agricultural trade they cannot be met.

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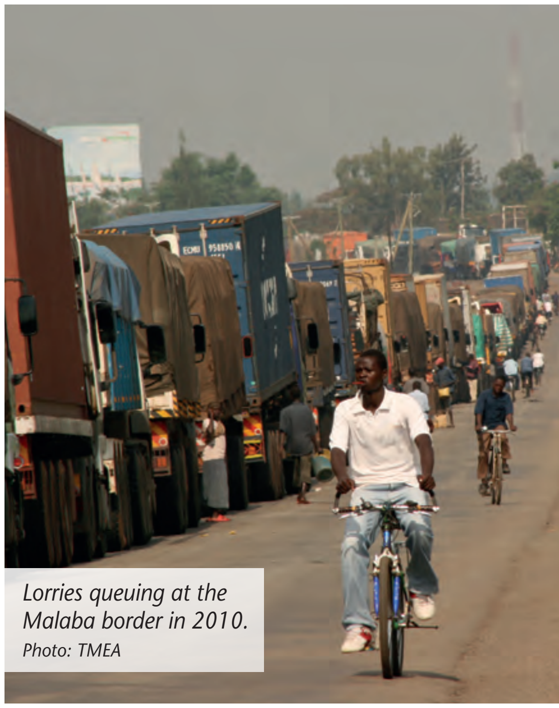
Commitments of the Malabo Declaration on CAADP

1. Recommitment to the principles and values of the CAADP process
2. Recommitment to enhance investment finance in agriculture
3. Commitment to Zero hunger – ending hunger by 2025
4. Commitment to halving poverty by 2025 through inclusive agricultural growth and transformation
5. Commitment to boosting intra-African trade in agricultural commodities & services
6. Commitment to enhancing resilience of livelihoods & production systems to climate variability and other shocks
7. Commitment to mutual accountability to actions and results

Boosting trade with better border infrastructure

East Africa is a region severely affected by extreme poverty. Enhancing trade could help tackle the problem, although a number of obstacles need to be cleared. TradeMark East Africa, acting in the context of the Aid for Trade (AfT) Initiative, seeks to boost international trade by interventions in trade-related infrastructure.



Lorries queuing at the Malaba border in 2010.
Photo: TMEA

Extreme poverty remains a major impediment to economic growth in sub-Saharan Africa. Seventy-two per cent of the population, an estimated 585 million people, lack the bare necessities of life. According to the United Nations Development Programme (UNDP), the region remains one of the most unequal in the world. One of the key strategies in tackling extreme poverty in sub-Saharan Africa, and especially in the East African Community (EAC), is to enhance the trade environment and increase the region's ability to trade.

Globally, the international trade environment has been improving since the 2005 launch of the Aid for Trade Initiative (AfT), by the World Trade Organization (WTO). The initiative helps developing countries to trade by tackling and eliminating trade related infrastructure and policy obstacles that stifle their ability to engage in international trade. AfT provides assistance to developing countries to build their physical infrastructure and human and institutional capacity to trade. This includes overcoming constraints such as a lack of productive capacity, excessive red tape or poor infrastructure *(see also article on pages 9–11)*. Since the launch of this initiative, there has been an increase in domestic and foreign investments towards enabling developing countries trade.

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In East Africa, special-purpose AfT vehicles are fast-tracking the process. One of these vehicles is TradeMark East Africa – TMEA *(see box at the end of the article)*.

How TMEA works

Approximately 38 per cent of TMEA's budget supports improving regional and national co-ordination by developing the capacities of the EAC organs, institutions and ministries of EAC in each partner State while around 45 per cent of the budget focuses on supporting infrastructural projects that enhance access to markets. The initiative facilitates interventions in Information and Communications Technology (ICT) for Trade at revenue authorities and related trade agencies, infrastructural development at the ports and key border points. This has not only led to the removal of barriers along key trading corridors but also to a reduction of time taken to clear exports and imports.

As an example, TMEA has partnered with the EAC governments to improve port infrastructure at Dar Es Salaam and Mombasa ports in order to increase efficiency and speed up exiting the ports for imports and exports. Further, the establishment supported construction and operationalisation of 13 One Stop Border posts across key EAC border points. An OSBP is a "one stop" border crossing point jointly managed by neighbouring countries. This allows people or cargo to stop only once at the country of destination, where officials of both countries, seated side by side, stamp immigration or other documents exit (from country of origin official) and entry (by country of destination official) at the same point, thus the "One Stop". These border posts are contributing to a remarkable reduction of the time it takes to cross the border. For instance, cargo trucks now need just 1.5 hours to exit the newly operational Taveta/Holili Border (between Kenya and Tanzania), compared to a former 6.5 hours. Studies suggest that in sub-Saharan Africa, an average five per cent reduction in time spent at the border could achieve a ten per cent increase in intra-regional exports. In some African countries, revenue losses from inefficient border procedures even exceed five per cent of GDP.

Another example is the facilitation of ICT for Trade. It has enabled regional trade agencies to simplify business procedures, cutting red tape, simplifying rules and documents and making business activities predictable and cheaper. In Uganda, the TMEA supported Uganda Revenue Authority Customs modernisation programme has contributed to slashing transit cost from 3,390 US dollars (USD) to 1,176 USD and reduced time from 34 days in 2010 to 13 days in 2016. Further, these custom reforms have led to a 48 per cent increase in customs revenue from 2.9 trillion Ugandan Shillings (UGX) in 2011 to 4.3 trillion UGX in 2015. In Kenya, improvement of physical infrastructure at the port of Mombasa has contributed to cutting time taken to clear goods through the port from 11 to 7 days. This investment has catalysed over 500 million USD from multilateral donors to fund berth upgrades so that the port handles larger vessels. In Burundi, the support to the country's Revenue Authority led to an increase in revenue collection resulting to government investing in social services like hospitals and dams, prior to the recent conflict.

Whether it is ICT, physical infrastructure development or advocacy at the policy level, all these projects have complemented each other to lower transport costs, improve efficiency at borders and simplify controls and formalities, thus increasing trade opportunities and improving access to markets.

Strategic partnerships

As these examples reveal, Aid for Trade can be a disruptive innovator. Where traditional aid is slow to mobilise and implement, special-purpose outfits like TMEA are faster and continue to deliver results through strategic partnerships. Frank Matsaert, Chief Executive Officer (CEO) of TMEA, says that the organisation will leverage on partnerships to bring down barriers to trade in the region, and, more importantly, to ensure that the environment is attractive to innovation and investments that will create jobs and open up opportunities that will benefit East Africans from all walks of life. During strategy 2 (2017 to 2023), the organisation's flagship goal will be job creation e.g. via increased trade which in turn can be achieved through reducing barriers to trade by infrastructure development, removal of non-tariff barriers, standards improvement and adoption of ICT for Trade. TMEA will also support the private sector in enhancing its productivity and competitiveness.

Agents and drivers having their documents verified at the Gatuna border, Rwanda/Uganda.
Photo: TMEA

Enhancing trade at farmers' level – The TMEA Challenge Fund

The TradeMark East Africa Challenge Fund (TRAC) promotes innovation through investment in projects that will boost trade in the East African Community. It funds commercially viable projects in order to incentivise the private sector to develop products that increase access to markets for the poor. Supported projects should also deliver social welfare gains, increase competitiveness, enhance value chains and promote cross-border trade.

A practical example. The TRAC gave initial funding for a free mobile information service for farmers, called 'iShamba' (the Swahili word, *shamba*, means garden or farm). The idea is to allow farmers to subscribe to mobile information on two crops, or livestock, on which they would receive weekly text messages, with vital facts to assist them in getting the most out of their products. The farmers get up-to-date weather information (straight from aWhere.com, a digital platform offering weather information based on accurate data), farming tips through text messages aligned to the two crops chosen, the season and the region in which they farm as well as market prices supplied by the National Farmers Information Service. iShamba is accompanied by a digital platform allowing farmers to ask a question through a text message, which is translated onto the digital platform where agronomy experts receive and answer it. Equally, farmers can phone straight into the iShamba call centre, manned by specialist staff, with their questions.

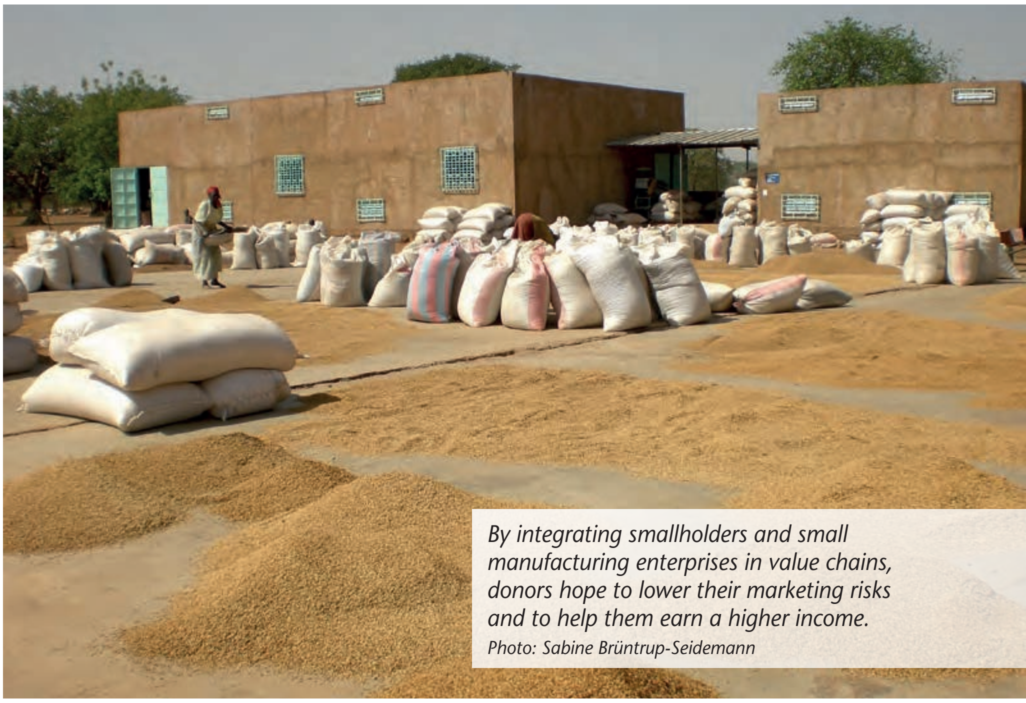
Today iShamba has 350,000 subscribers, each receiving free advice on farming practices, the weather and the markets, with regional variations. It also links up with input suppliers, veterinary companies and agribusinesses to give them the benefit of interacting with thousands of potential customers (with possible discounts for subscribers). Recent research that tracked iShamba subscribers against non-subscribers shows that over a six-month period, iShamba farmers had potato yields 50 per cent greater than non-iShamba farmers. The research further revealed that iShamba farmers are more likely to grow a new crop than non-iShamba farmers and that 65 per cent of iShamba farmers change a farming practice as a result of a message received, with 80 per cent of those increasing their output as a result.

About TradeMark East Africa

TradeMark East Africa (TMEA) was established to strengthen trade and markets (hence TradeMark) in East Africa, with the aim of growing prosperity through increased trade. TMEA operates on a not-for-profit basis and is funded by the development agencies of the following countries: Belgium, Canada, Denmark, Finland, the Netherlands, Sweden, the UK and the USA. TMEA works closely with East African Community (EAC) institutions, national governments, the private sector and civil society organisations. It seeks to increase trade by unlocking economic potential through three strategic objectives: increasing physical access to markets; enhancing trade environment; and improving business competitiveness.
To find out more, please visit the TMEA website at ➤ **www.trademarkea.com**

Agricultural value chains – a motor of inclusive economic development in rural areas?

Promoting agricultural value chains to support rural areas is high on the development agenda among many donors. However, the impacts of this support are discussed controversially. Civil society organisations in particular fear disadvantages for poorer smallholders.


By integrating smallholders and small manufacturing enterprises in value chains, donors hope to lower their marketing risks and to help them earn a higher income.
Photo: Sabine Brüntrup-Seidemann

Above all owing to the steady increase in global trade, but also because of changes in the demand structure in national markets through the growing purchasing power of the burgeoning middle classes there, agricultural value chains (AVC) have attained high significance in the developing countries. The quality demands of consumers have grown, and more and more domestic and foreign manufacturing enterprises, bulk traders or supermarkets are attempting to cover their demand with better organised AVC.

Since the beginning of the new millennium, promoting AVC to develop agriculture and rural regions has gained significance among bilateral and multilateral donors. AVC promotion is to help link smallholders and small manufacturing enterprises to markets so that their marketing risk is lowered and it is worthwhile for them to produce goods for the market demands. As a central element of this approach, links to the market are achieved by strengthening business relations and general improvements in the horizontal and vertical integration within the chain. At the same time, participation in an AVC is expected to enable access to appropriate technical innovations as well as consultancy and financial services. Thus smallholders are also to be put in a position to intensify their activities and raise productivity and production, enhance the quality of their produce and market it better in order to ultimately earn a higher income. Simultaneously, via the creation of wage labour – in particular for low-skilled workers – in primary production, processing or commerce, an additional contribution is expected to be made to poverty alleviation.

However, civil society organisations caution that focusing smallholders on production for the market and in particular on growing cash crops for export is to the disadvantage of their own food production. Especially among initiatives involving large enterprises, they see the danger of the economic interests of these enterprises clashing with development goals. Furthermore, they criticise the all-powerful influence above all of transnational enterprises on the produce grown and the production methods applied, which can lead to a non-sustainable form of agriculture with extensive monocultures and one-sided dependence on the part of the smallholders.

The extent to which AVC has an impact on poverty and the approaches suitable to make AVC have a positive effect on poverty have hardly been examined so far, despite the signifi-

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cance of the approach. The German Institute for Development Evaluation (DEval) recently published a comprehensive evaluation of AVC support through German development co-operation (Kaplan et al. 2016).

Access to resources as a central criterion for an integration in AVC

Depending on the product and the target market, AVC are highly diversified and have different requirements regarding the resources, such as land, input, capital and knowhow. While high-value food crops for exports generally promise larger profit margins, they also require higher input levels and more knowhow, and the demands on the quality of products are higher than they would be in the case of (staple) food for the domestic market. In Ghana, for example, pineapple production for export has to meet higher quality standards, and owing to the more sophisticated variety grown, it requires considerably more input than pineapple production for the domestic market, for which varieties with lower requirements are grown. Supporting (staple) food does not bear the danger of growing produce for export being at the expense of production for a country's own food requirements. Rather, (staple) food AVC raise the availability of qualitatively higher-value (staple) food (e.g. not containing aflatoxines or impurities), which represents an important criterion in food insecure areas.

So the choice of the product to be supported determines which resources are required and how high the entry barriers are, i.e. who can take part in an AVC and will thus benefit from support. In this context, labour also has to be mentioned as a resource. Several surveys confirm that here, it is above all the creation of employment owing to intensification in primary production that plays a significant role. Whether and to what extent jobs are actually created in further processing depends on the degree of mechanisation. Here, conflicts in aims may also arise between the international competitiveness of an enterprise, which often requires technical progress and increasing mechanisation, and the creation of low-skill jobs.

Promoting value chains requiring a high manual labour input can have a positive impact in countries of production. Here, cashew nuts are being processed in Burkina Faso.
Photo: Bambio Yiriyibin

The "Five Rural Worlds" model introduced by the Organisation for Economic Co-operation and Development (OECD) in 2006, which is based on access to resources among different types of enterprises and households in rural areas, provides a helpful analytical frame to classify types of household in terms of the form in which they can participate in AVC. Distinctions are made between

1) large, internationally competitive enterprises that often entertain close links to global value chains;
2) major traditionally managed enterprises engaging both in commercial agriculture and in subsistence agriculture but only maintaining a low level of links, if any, with AVC;
3) the risk-averse, resource-poor agricultural subsistence enterprises, fishers, pastoralists and micro-enterprises that are on the threshold to marketability. They represent the lion's share of the population in rural regions and are a key target group for AVC support. However, their integration as producers in AVC requires large investments in consultancy, financing, the establishment of business relations, structuring, etc.;
4) landless households and micro-enterprises, often headed by women, who earn their income as wage labourers; and
5) chronically poor households lacking any resources, unable to pursue productive labour and relying on social welfare benefits.

The economic development of Rural Worlds 1 and 2 has considerable influence on the employment and income prospects of Rural Worlds 3 and 4.

Creating a poverty impact in value chains

The entry barriers described above show that chronically poor households cannot be directly integrated in AVC or benefit from them. They have to be supported with other measures. In integrating resource-poor smallholder households, it has to be considered that for them, participating in an AVC only represents one activity in the context of their survival strategy. What is invested more in resources in an AVC will be lacking elsewhere. Owing to their limited resources and their vulnerability resulting from this, they are reluctant to take risks such as investing in new cultivating methods, even if these may ultimately promise a greater yield. This group therefore requires special efforts to support it in producing the respective product in the desired quantity and of the desired quality and simultaneously lower its risk. There are usually a large number of bottlenecks, and they range from a lack of business planning through insufficient access to seed and improved means of production to a lack of business relations to ensure marketing.

One way to lower the production and marketing risk for both sides (producers and buying enterprises) is contract farming systems, which have a poverty impact according to a number of studies. Innovative packages consisting of agricultural extension services, input supply and/or harvest purchase agreements have proved to be successful. Usually, they not only support the production and marketing of products but also contain a comprehensive range of agricultural services, including the provision of the necessary production factors (seed, fertiliser, herbicides and pesticides, technical equipment), consultancy, transport infrastructure and credit.

The above-mentioned entry barriers affect not only particularly poor groups in the population but, frequently, women as well. They often have poorer access to productive resources and to organisations, information and business relations. In order to be able to integrate women in AVC, support has to consider this different context and orient activities accordingly.

Implementing a diversified and complex approach

Promoting value chains can be made very flexible and can thus achieve impacts across actors at different levels of the chain. However, owing to its systemic approach, AVC support puts high demands on development co-operation projects and also, in particular, on the government partner organisations in the partner countries that the latter can frequently only meet to a limited degree. This is why integrating private-sector enterprises may offer advantages since these are often in a better position to provide the necessary inputs and knowhow. Also with a view to the sustainability of support, it is important to identify and try out suitable institutional arrangements (government, non-governmental and private-sector organisations) that ensure access to the required resources and services in particular for the development co-operation target groups. In this context, farmers' organisations and associations should also be more strongly integrated. They can play an important role in these institutional arrangements, e.g. to ensure the provision of inputs and organise marketing or to strengthen the negotiation position of smallholders.

Establishing stable business relations is based on developing trust, a process that ought to be supported on a long-term basis, since setbacks also have to be reckoned with here. Other activities and the entire range of bottlenecks to be addressed justify longer periods of support as well. Especially in the case of export-oriented chains that have to respond to a dynamic environment, support has to be conceived in a manner allowing a flexible response to external influences such as global changes in prices or preferences.

In order to make AVC support have an impact on poverty, it is important to know the actors involved as well as their resources, strategies and options for action in order to integrate them in the support concept. Gender-differentiated analyses of actors reflecting the livelihoods of the target groups as well as market and environment analyses are a precondition for support measures tailored to the requirements of the respective actors to be designed and implemented. Improving co-operation between the different groups of actors along a chain (producers, traders and processing enterprises), i.e. horizontal and vertical integration, is a key element in the sustainable functioning of AVC. In this context, it also ought to be noted that risks which support entails, such as possible displacement effects, socially inacceptable working or production conditions, have to be monitored both in the run-up to and during support. Here, civil society organisations can play an important role if they both point to shortcomings and strengthen the negotiating position of disadvantaged groups.

For a list of references, see online version of this article at ➤ www.rural21.com

The entry barriers for small farmers seeking to participate in a value chain vary depending on the product and the target market. In Ghana, for example, pineapples grown for export have to fulfil much higher standards than those destined for local consumption.
Photo: Martin Noltze

Tea pickers working in the field in Rwanda.
Photo: IFAD/Susan Beccio

The four Ps – a market-led development for smallholders

How to sustainably and profitably link smallholders to agribusiness operators and markets? This question has always been central among development practitioners and policy makers. Public-private partnerships – complemented by a fourth "P", the producers – are increasingly seen as a tool to enable smallholder's market access. But how must they be designed to ensure that farmers are more than mere suppliers of raw material depending on the decisions of agribusiness operators? Based on lessons learned from its projects, the International Fund for Agricultural Development (IFAD) identified a number of enabling factors to ensure the development impact of agricultural public-private-producer partnerships (4Ps).

The 4P approach goes beyond conventional public-private partnership (PPP) as it implies considering smallholders as respected partners and not just suppliers of a private company. In fact, a 4P requires truly win-win cooperation between a government, business agents and small-scale producers to reach a common goal by sharing competencies, resources, risks and benefits. For example, in a typical 4P, while producers commit to producing according to market requirements (in terms of quality and volumes), the private partner agrees to pay a fair and transparent price and sometimes to provide technical support, and the public sector ensures complementary investments in infrastructure or public services.

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Success factors

How to set up an effective and successful 4P from a development point of view? An IFAD-commissioned study executed by the Institute of Development Studies (IDS) of the University of Sussex addresses this question. Through the analysis of results and lessons from case studies in Ghana, Indonesia, Rwanda and Uganda (see Box on page 24), IDS was able to identify a number of enabling factors to ensure the development impact of agricultural 4Ps. Below we will refer to some of them.

The first critical factor for the success of a 4P is to correctly **define its rationale and underlying assumption** at the outset. The key questions at this stage are: "What is the main constraint to overcome?" and "How will working with the private sector overcome this constraint?" Equally important is to be explicit about assumptions being made and why these are justified as part of a theory of change of the 4P considering whether the interests of all actors can be aligned towards a shared vision and they have

The IFAD projects

Country	Ghana	Indonesia	Rwanda	Uganda
Region	Northern Ghana	Central Sulawesi	Southern province (Nshili and Mushubi)	Kalangala District, Bugala Island
Commodity	Maize	Cocoa	Tea	Oil palm
4P objective	Improve productivity and quality of maize in Northern Ghana	Improve cocoa productivity and retention of farmers in the cocoa sector	Investment in the tea sector in poor areas of the country	Development of domestic supply of edible vegetable oils
Market	Domestic	International	International	Domestic
Public partners	Ministry of Food and Agriculture	Ministry of Agriculture	National Agriculture Export Board	Ministry of Agriculture, Animal Industry and Fisheries
Private partner	Multiple private actors including Nestlé, SFMC and Akate farms	Mars	Two private sector consortia respectively in Nshili and Mushubi	Bidco Uganda Ltd
IFAD-funded programme	NRGP	READ	PDCRE; PRICE	VODP
Dates	2008–16	2008–14	PDCRE: 2003–11 PRICE: 2011–present	Phase 1: 1997–2012 Phase 2: 2012–18

Source: IDS-IFAD (2015): "Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains"

incentives to contribute to the long-term success of the 4P. The case study in Indonesia shows how different perceptions between the public and the private sector not fully addressed at the 4P initial stage led to different expectations about the reciprocal role in the provision of technical assistance and extension services to target cocoa farmers. The IFAD-funded project partnered with Mars, a major cocoa buyer world-wide and in the region, to establish Cocoa Development Centres (CDCs) and Village Cocoa Centres (VCCs) for training on improved cocoa management techniques based on a model piloted by the company in South Sulawesi. Mars provided the technology package and gave the initial training which was replicated by the project for a number of lead farmers and public extension officers. Unfortunately, extension agents lacked incentives to specialise in cocoa, while the level of training provided was not sufficient to transform farmers into extension agents. As a result, demand for services of Mars agents remained too high for their actual delivery capacity. Ultimately, this resulted in less than optimal results.

Ensuring a clear market pull is the second success factor. This represents a fundamental paradigm shift compared with agricultural development interventions in the '80s and '90s, where the focus was mainly on productivity and production increase. Adopting a value chain approach ensures a comprehensive understanding of market opportunities for smallholders as well as the identification of potential partners at different stages of the chain (inputs provision, post-harvest handling, processing, distribution, etc.). In some cases, the 4P business model promoted is a vertical integration between producers and the lead firm. This was, for example, the case with the Uganda palm oil processing company or the Rwanda tea leaves processing factories. In vertically co-ordinated models, companies exert significant control on supply. This allows them to enforce quality standards and drive efficiency while offering farmers secure markets and, sometimes, funding to meet production targets. Other models are based on more flexible business relationships such as the case of Ghana grains buyers and aggregators. These so-called relationship-based models put emphasis on trust building, involve multiple private sector actors and provide farmers with the flexibility to change crop composition within the system.

Prioritising farmer ownership of the 4P and involvement of all partners is key. For a 4P to be successful, all partners, including smallholders, need to have a strong buy-in and understanding of roles and responsibilities that reflect priorities and interests. To do so, it is vital to involve farmers both in the design of the 4P, checking with them the viability of critical assumptions, projections and expectations which otherwise may risk to be proven wrong, as well as in the 4P governance structure. The poor maintenance of plots in Rwanda, which resulted in yields significantly below the assumptions made at the 4P design stage without consulting farmers, or side-selling of fertiliser in Uganda and maize in Ghana can be seen as indicative of weak farmer commitment and ownership alongside short-term economic pressure. Despite laudable efforts to build ownership by providing farmers with equity shares in the processing factories in Rwanda or by strengthening their voice in the governance structure in Uganda, these problems still arose.

Aligning incentives and building trust among partners to make them confident to play the expected role in the partnership requires time and efforts, particularly in certain contexts where actors adopt opportunistic behaviours and purely price maximisation strategies. To this end, IFAD has acted as a broker in the Uganda and Indonesia cases, where it was facilitating discussions, negotiations and planning between the private sector partners and the government. In Indonesia, both the government and the private sector partner (Mars) had reservations about working together respectively because of limited experience in PPPs in the agriculture sector and of concerns about bureaucracy. Therefore, IFAD, acting as a neutral broker, worked with both parties and helped them identify common objectives for the 4Ps, build trust and align their interests. Alternatively, in Ghana this brokerage role has been outsourced to an external actor (a supporting NGO) that helped coordinate actors in the value chain and provided training to farmers. A similar arrangement is currently adopted in an IFAD-funded 4P brokerage initiative executed by SNV Netherlands Development Cooperation in five pilot countries (El Salvador, Mozambique, Senegal, Uganda and Vietnam).

Managing risks is simply essential in a business such as agriculture. Unless these risks are properly identified, shared and managed, farmers, i.e. the weakest actor in the value chain, tend to bear a disproportionate share, and this can ultimately undermine their livelihood and the sustainability of the whole 4P arrangement. In the Uganda case, risks related to farmers' ability to repay loans have been partly mitigated by linking their repayments to yields. Conversely, the Rwanda case was built on the assumption that short-term productivity gains would allow for farmers to serve their loan after three years. Predicted yields proved to be unrealistic and raised doubts over farmers' loan repayment capacity. Similar concerns were identified in Ghana where farmers were required to repay loans even in years when production was low or the aggregator failed to purchase their produce.

Building the capacity to respond to changes in complex market systems. Agricultural markets consist of many interdependent parts which are determining the dynamics of the system, leading to foreseen and unforeseen outcomes. That is why it is important to establish mechanisms and indicators to monitor the performance of the 4P as well as spaces for communication and negotiation among partners to identify solutions and adapt to the unexpected circumstances. As a matter of fact, in all four case studies, regular meetings were held between representatives of farmers' co-operatives and the private sector to discuss issues (both internal and external) affecting the functioning of their 4P: e.g. productivity trends, inputs availability and cost, market price variations and transportation.

Key learnings ....

... from Indonesia

- Clear objectives. The 4P had a very clear objective of increasing the productivity and quality of cocoa produced by smallholder farmers. This clarity allowed IFAD to play a key role in identifying a private sector partner with a shared interest and strong technical competency. However, assumptions around how much training would be sufficient led to unfulfilled expectations among the partners.

- Develop incentives for the stakeholders to continue in their new roles. The long-term sustainability of CDCs and VCCs depends on the willingness and ability of stakeholders to carry on new functions. However, extension agents in particular lack incentives to specialise in cocoa, undermining such sustainability.

... from Rwanda

- Promoting shared interests. The 4P were designed to incentivise partners to work together and thus to achieve shared success. The tea factory, which was the private sector partner, needed to secure supplies from the cooperative bloc and the farmers to be profitable. However, unless the cooperatives can significantly increase productivity at each site, for which they need the support of the private sector and the public sector, the viability of the entire 4P will be at stake.

- Consulting smallholder producers. Despite the efforts to build farmer ownership of the 4P by providing them with equity shares in the processing factories, the poor maintenance of plots and low farmer involvement suggests that the 4P arrangements do not sufficiently take into account farmers' needs and capacities. Challenges around production constraints or alternative income sources in the early years could have been addressed through stronger involvement of farmers in 4P planning.

... from Ghana

- Innovative governance mechanisms. The District Value Chain Committee (DVCC) created by the project promoted trust and the sharing of information between value chain actors, facilitated by an external broker (a local NGO called ACDEP). It provided a space to share and access transparent information around input or service prices and supported the 'cashless credit system', giving rural banks greater confidence in working with farmers.

- Risk management. It is vital to identify and quantify the risks facing each stakeholder in 4P arrangements, so that mechanisms for appropriate sharing of risks can be developed. The high exposure to risk on the part of farmers and rural banks in Ghana has threatened programme sustainability.

... from Uganda

- Flexibility to respond to changing circumstances. It is inevitable that in complex and large-scale developments involving numerous partners with different motivations and interests, unanticipated challenges will arise. Good monitoring fostered by IFAD and the Kalangala Oil Palm Growers Trust (KOPGT) has enabled the 4P to continue to move forward, with good communication and negotiation towards joint solutions or adaptations.

- Farmers' sense of ownership. While KOPGT has played a central role in implementing the 4P, the lines of accountability between it and participating smallholder farmers are unclear. The fact that farmers set up the Kalangala Oil Palm Growers Association (KOPGA) to represent their interests a year after KOPGT's inception illustrates the lack of ownership they felt within the Trust.

Source: IDS-IFAD (2015): "Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains"

In conclusion

It is important to acknowledge that the four cases analysed by IDS were not designed from the outset as full-fledge 4Ps, which explains why not all the key enabling factors were always present. In fact, learning from what has not worked completely well has been extremely important in order to identify a set of principles and good practices and feedback to the design of future partnerships adopting a more complete 4P approach. This will hopefully translate into 4Ps with even greater development impact on the lives of the rural poor.

Strengthening local rice markets
The case of smallholder producers in the Philippines

In view of the expected trade liberalisation in the ASEAN countries in 2017, reducing barriers of market access and strengthening the market position of local smallholders represent important interventions. In Iloilo Province in the Philippines, the Centre for Rural Development of Humboldt University Berlin (SLE) and the International Rice Research Institute (IRRI) have analysed how this can be achieved and how the potential held by urban markets can be tapped.

Rice provides the daily food for the more than 100 million Filipinos, who consume about 114 kg each year. The Philippines has been one of the world's major importers of rice, filling its food supply gap mostly from neighbouring countries. After being nearly self-sufficient in the eighties, the share of imports has since grown again. In 2010, rice imports amounted to 2.34 million tons, coming mostly from Vietnam and Thailand, which corresponded to ten per cent of the country's annual consumption requirements.

The rate of growth in rice productivity and the agricultural sector in general has lagged behind much of Asia. Reasons why the country has been unable to meet its demand for rice include the failure of market reforms contributing to the slow growth of rice production. The lack of competitiveness compared to the neighbouring countries is often attributed to the high cost of production, deterioration of irrigation systems, low levels of mechanisation and inefficient marketing. Climate change and vulnerability to drought and heavy rainfall likewise affect crop production.

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Smallholders constitute the vast majority of rice producers in the Philippines.
Photo: SLE

About 45 per cent of the farm households depend on rice-growing. Smallholder rice farmers continue to play a critical role in producing and in supplying local and national markets with the staple food. They constitute the vast majority of rice producers, cultivating a total of 4.2 million ha annually with small-scale farm holdings usually ranging from 0.5 to 4 ha (national average farm size 2 ha). The smallholders find it difficult to compete with the low-priced rice imports – both in terms of cost (affordability) and quality (requirements of the end-market). Moreover, as a result of the country's dependency on rice imports, consumer preferences have become biased towards the characteristics of imported rice (mainly coming from Thailand and Vietnam). This is particularly true for urban consumers in port cities, which are more exposed to the world market. Hence, the optimal strategy for upgrading Philippines' rice value chains will be to strike a balance in investing between cost and quality competitiveness of domestically produced rice.

Increasing cost competitiveness of the value chain ...

A study by the Centre for Rural Development identified four types of market linkages in the Philippine's rice value chain: (1) Sale of rice at the farm-gate; (2) aggregation of un-husked rice; (3) processing / sale of husked rice; (4) distribution and sale of rice to the consumer. The number of actors involved in the chain is significant and typical of "traditional" rice value chains encountered in many South-east and South Asian countries. Aside from individual farmers, this includes farmer groups/co-operatives, agents who link farmers with trading parties, millers, retailers, wholesalers and traders who may sell unhusked (paddy) and/or husked rice. In general, this leads to a significant level of competition and to profits being split among a large number of actors in the value chain. The National Food Authority (NFA) represents a special case since it acts as a public service provider who is at the same time mandated to stabilise the rice market, involving multiple functions in the value chain (buying, storing, milling and selling).

Several strengths of the rice value chain were apparent, such as well-established market linkages at different levels, including linkages between provinces. Individual (midstream) actors exist who operate in a highly integrated manner, and a range of services are available. However, a number of weaknesses were observed, such as high production costs and inefficient marketing, and market linkages tied to financing arrangements, leading to inflexibility, misconduct and mistrust among value chain actors. Capital constraints faced by producers as well as by midstream actors add to the weaknesses. And there is a lack of vertical co-ordination among actors in the value chain.

... and marketing options of small farmers

Analysing market access of rice farmers requires a comprehensive understanding of the market and its requirements. This is reflected in a multi-dimensional definition of market access, taking into account economic, socio-cultural as well as geographical factors (see top Box). Thus smallholders may differ in their market access according to entrepreneurial skills and knowledge about rice markets, access to drying or storage facilities or their ability to conclude favourable market arrangements with midstream and downstream actors such as traders, millers or retailers. In this context, four degrees of market orientation were identified (see Box above).

The findings from Iloilo Province also show that there are several similarities among groups of farmers differing in their market orientation: heavy reliance on hired labour for production, use of informal information channels, importance of social networks, existence of multiple income sources and engagement in rice processing for the purpose of own consumption. However, differences among farmers varying in their degree of market orientation are important to be able to identify bottlenecks and the respective entry points for interventions. These relate to the type of production financing, degree of dependencies and access to post-harvest facilities and farm machinery as well as to the levels of market-related knowledge. The Box on page 28 shows three examples of farmers' different degrees of marketing options. The example of Maria of Sta. Barbara shows that assets like a hand-tractor and a water buffalo, along with options for different loan sources, open up possibilities to choose a buyer based on price considerations, giving Maria an

Factors that determine farmers' access to markets

Retailer Irmina Surmion at her Palay Buying Station in Pototan. Here, farmers can also have samples of their "unprocessed rice" tested and be given a price estimate.
Photo: Anna-Katharina Poppe

- **Product requirements:** quality and quantity standards demanded by midstream (millers, wholesalers) or downstream (retailers) actors
- **Infrastructure:** access to post-harvest facilities (such as drying and storage), farm-to-market distance
- **Market arrangements:** agreements with traders / millers unfavourable to smallholders, (tied) output-credit-relationships
- **Marketing costs:** (high) costs for hauling (from production site to road) and for transportation
- **Access to support services** and their use: access to credit or to extension
- **Farmers' capacity / assets:** human (market knowledge, entrepreneurial skills, available manpower/family labour), natural or financial capital

Characteristics and degrees of market orientation

Farmers grouped by degree of market orientation	Characteristics of farmers' marketing practice
0. Farmers with no market orientation	• Farmers produce for own consumption (subsistence) and do not sell on the market
1. Farmers with severely constrained marketing options	• Single marketing channel • With or without freedom of choice • Selling immediately after harvest (without drying)
2. Farmers with limited marketing options	• Multiple marketing channels • Freedom of choice • Selling immediately after harvest (without drying) or one week after
3. Farmers with multiple marketing options	• Multiple marketing channels • Freedom of choice • Selling when the price is right (with or without drying)

Access to drying facilities is a critical factor for farming communities and rice producers.
Photo: Kristina Riesinger

advantage over Fernando of Pototan, a farmer depending fully on financing production based on loans. Smallholders with severely constrained marketing options are obliged to sell immediately after harvest, often to a predetermined buyer.

As shown by the case of Carlos of Oton, a farmer who owns his farm land and has possibilities of self-financing, drying and storing and dealing with multiple trading partners will be able to determine the selling time of his rice. Selling time has been found to be key to achieving good farm gate prices. Farmers like Carlos, who are able to sell when the price is right, achieve the highest price (avg. 17.8 PHP/kg). Selling one week after harvest already mostly raised the price significantly, whereas selling of rice at harvest resulted in a low price (avg. 16.2 PHP/kg). Farmers with limited marketing options could experience the entire range of selling prices, depending on whether selling takes place immediately after harvest or with a delay.

Smallholder rice producers were found to differ significantly in their asset endowment and capacities as well as in terms of constraints faced and their needs for improving market access. Moreover, farm households were found to pursue different livelihood strategies, leading to differences in their strategies of producing and of marketing rice. A critical factor across farming communities and rice producers is access to drying and, to some extent, to storage facilities. Both are important pre-conditions to strengthen the bargaining power of smallholders. Aside from marketing constraints, the limited availability and distribution of irrigation water, together with increasing uncertainty of rainfall due to climate change, has proven to be a limiting factor for the market position of smallholders.

As a result of analysing the bottlenecks and market-related needs, five intervention areas emerged which are considered important for improving market access of smallholders:

- **Improving access to financial capital:** Weakening of financial dependencies and increasing access to working capital are important steps in breaking the tied output-credit relationships. Inclusion of smallholders can be improved by adapting financial products to the needs of farmers, by information and by strengthening the bankability of farmers through capacity building.
- **Expanding access to post-harvest facilities:** Improving access to drying and storage is particularly important for rice farmers to further their market engagement in downstream value-adding steps and to improve their market position. Here, the service delivery of farmer organisations can play an important role.
- **Improving market linkages of smallholder farmers:** In addition to reducing economic dependencies from rice aside from diversified livelihoods, the strengthening of market linkages, for example by reducing transaction costs or by increasing rice quality via farmer co-operatives, will help farmers to enhance their marketing power, more systematically utilise their market potentials and connect to more profitable and formalised markets. Owing to small farm sizes, rice production is highly fragmented, and in order to achieve economies of scale, millers need to aggregate paddy rice from various sources with varying quality levels and varietal composition. As a result, incentives for the provision of quality – in terms of price premiums – are not transmitted to farmers. Better horizontal co-ordination among farmers – through farmer co-operatives – may help them consolidate production volumes of consistent quality and get rewarded for their efforts.
- **Enhancing access to market information:** Increased transparency and access to timely, accurate and reliable information on prices and demand as well as on weather forecasts will improve decision-making at farm level for example through functional information systems and structured knowledge exchange of

Examples of smallholder rice farmers from Iloilo Province with different marketing options

Farmer with severely constrained marketing options	Farmer with limited marketing options	Farmer with multiple marketing options
Fernando A., 73 yrs., Pototan, 1.5 ha, farm land leased, rents farm machinery, informal loan, tied long-term relationship to single trader/ financer	Maria C., 46 yrs., Sta. Barbara, 2 ha, land leased, various loan sources, owns hand tractor, member in farmer organisation Limited access to processing, storage against fees but no drying	Carlos M., 53 yrs. Oton, 2.5 ha, owns farm, self-financing, entrepreneurial skills, owns tricycle used for paddy delivery, hand tractor Storage facility, depends on sun drying, custom milling via co-operative, member in farmer organisation
Sells to financer only and immediately at harvest (without drying)	Takes samples to various buyers, buyer sets price	Takes sample to various buyers, negotiates for higher price during lean season
Not able to sell to others, weak bargaining power	Biased market information, mistrust of business partners	Limited access to professionalised marketing channel

farmers, and by enhancing their entrepreneurial skills through quality agricultural extension services.

- Strengthening the physical infrastructure: Improving reliable access to irrigation water by rehabilitation of existing and construction of new facilities is an important pre-condition in the Philippines to improve competitiveness of rice producers and to increase national rice production.

Improving quality competitiveness of local rice

Urban consumption zones provide important market opportunities for rice farmers to tap into if they manage to get the quality right. Understanding urban consumer preferences is a pre-condition for improving farmers' access to urban markets. Rice produced in Iloilo province is distributed in the different parts of the country, such as Cebu City, the major urban zone in Visayas, Davao City, the major urban zone in Mindanao, and Metro Manila, the country's capital city. A consumer study was conducted by IRRI in 2013 to look at rice preferences of urban consumers in these cities. With simultaneous exposure to imported rice, consumers in the three cities opt more for fragrant, soft, and white rice – characteristics of imported Jasmine rice. Additionally, the majority of consumers (71 %) in the cities surveyed prefer fragrant rice. These trends indicate a broad market segment for soft and fragrant rice, with shared preference across cities and socio-economic classes (see Boxes).

Thailand, as a market leader in exporting high-quality fragrant Jasmine rice, and Vietnam, as a second-mover, have influenced consumer preferences in importing countries like the Philippines. Across socio-economic classes, preferences reveal some degree of segmentation. Firstly, urban consumers in the upper and middle class tend to seek long to extra-long grains. Secondly, consumers in the middle and lower socio-economic classes go for rice with high volume expansion as it can be seen as an economical way of feeding a large family. High volume expansion is also a characteristic of aged/stored rice (imported rice).

Urban consumers usually buy loose rice from traditional retailers. In the IFPRI study, they opted for fragrant, soft, white rice. *Photo: Neale Paguirigan*

Conclusion

Achieving short-term impact in improving market access of smallholder rice producers will be most promising if the following measures are taken up and implemented simultaneously:

- Enable individual farmers to proactively improve their marketing practices through information and capacity building directed at advancing decision-making and the ability to meet market-specific product requirements.
- Strengthen farmer organisations as a favourable market linkage for smallholders through counselling support directed at enhancing the management structures and marketing practices, in order to better cater to the needs of their members, in particular smallholder rice farmers.
- Enhancing collaborative action of actors within the rice value chain will allow seizing existing potentials through intensified co-ordination and collaboration among actors, resulting in greater efficiency, higher resilience towards challenges and the diversification of products.
- Investments in quality upgrading through breeding for soft, fragrant rice will improve quality competitiveness of local rice vis-à-vis imported rice and enable Philippine rice producers to compete quality-wise against imports in urban markets. However, while consumer demand for quality is increasing, affordability will remain a key feature. For instance, preferences for premium fragrant rice (i.e. Jasmine) in Metro Manila exceed consumption, which can be due to a higher price. This argues for an optimal mix of investments in value chain upgrading between 1) making local rice more affordable, i.e. improving cost competitiveness, and 2) tailoring local rice to urban consumer preferences, i.e. increasing quality competitiveness.

Top 5 rice quality characteristics preferred by urban consumers in three major cities

Metro Manila (capital city)	Cebu (major city in Visayas)	Davao (major city in Mindanao)
Aromatic, soft, white High volume expansion Other texture descriptor: Chewy	Aromatic, soft, white High volume expansion Other texture descriptor: Smooth	Aromatic, soft, white Other texture descriptors: Not sticky, sticky

Top 5 rice quality characteristics preferred by urban consumers among socio-economic classes

Upper class	Middle class	Lower class
Aromatic, soft, white Long to extra-long grains Shiny grains	Aromatic, soft, white Long to extra-long grains High volume expansion	Aromatic, soft, white High volume expansion Other texture descriptor: Chewy

For further information on the studies, references and related articles, see online version of this article at
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Making markets work for the poor – an example from Bangladesh

The Making Markets Work for the Poor (M4P) approach aims to reduce poverty by enhancing the ways that the poor interact with markets. Helvetas Swiss Intercooperation used this approach in their Samriddhi project in Northern Bangladesh, benefiting over 900,000 poor farmers.

The agricultural sector is one of the single largest sectors of the Bangladesh economy and supports more than 75 per cent of the population with direct and indirect sources of livelihoods. The rural markets are dynamic both in agricultural and non-agricultural products. For poor and very poor producers, good potential exists to sell their products on local, regional and national markets. However, access to markets beyond these levels, with better prices, is challenging for them owing to low product quality, less market information, weak organisation of producers, limited marketable surplus, etc. The producers are trapped by these constraints and sell their products more often to middlemen, at the farm gate and with less competitive prices.

To address market failures affecting poor and very poor farmers, Helvetas Swiss Intercooperation launched the Swiss government funded *Samriddhi* project (*Samriddhi* in Bengali means 'prosperity') in the Northwest and Northeast of Bangladesh in August 2010. The goal of the project, which ended in February 2015, was to contribute to sustainable well-being and resilience of poor and very poor households through economic empowerment. The project was designed with the impact logic that (i) if public and private services for business development are available and poor people are empowered and capacitated to access these services, and (ii) if an enabling environment for pro-poor economic growth exists, poor people can generate additional income and overcome their poverty situation in a sustainable manner. This project addressed about 5,700 farming communities (farmers' groups), including around 320,000 farmers/producers who were directly addressed and a further 580,000 farmers and producers who were reached via the Local Service Providers/market actors (who were supported/facilitated by the project).

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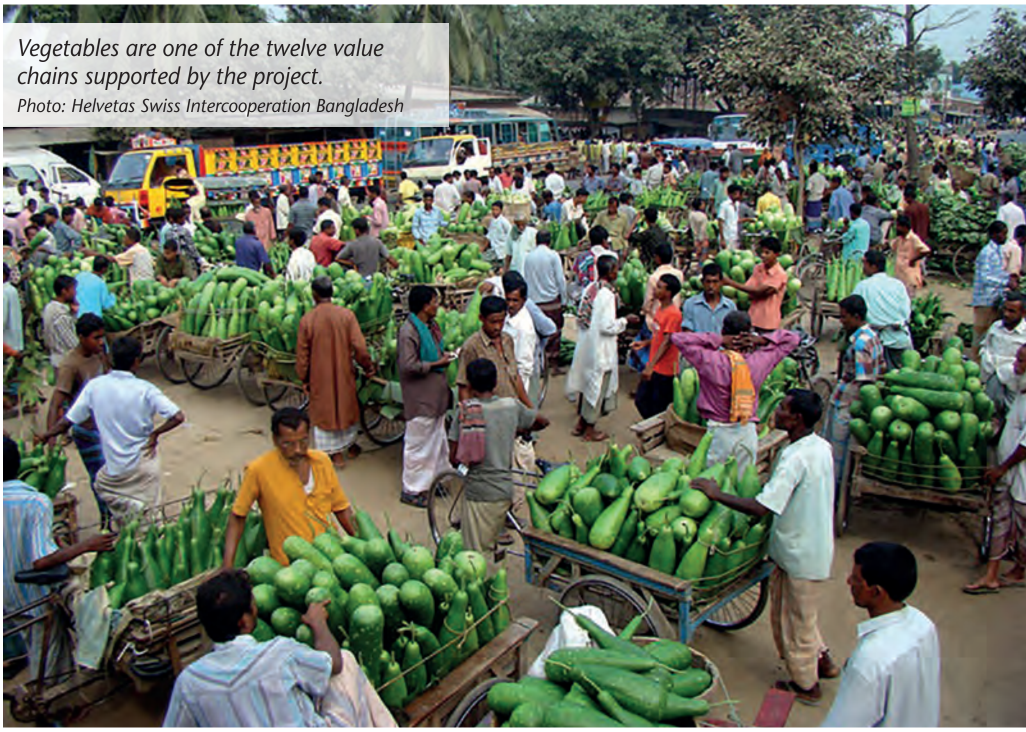


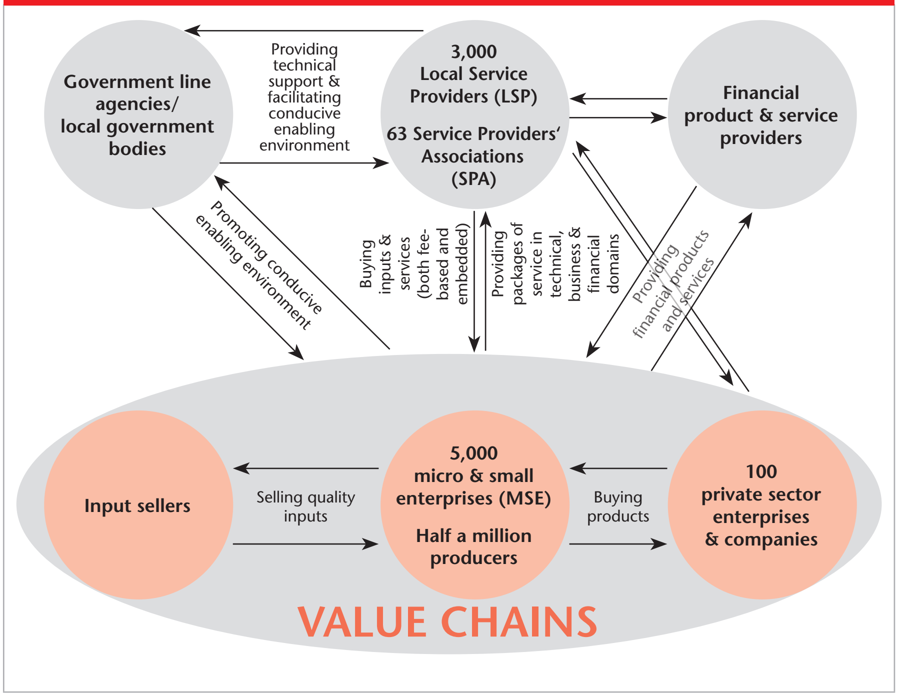
Vegetables are one of the twelve value chains supported by the project.
Photo: Helvetas Swiss Intercooperation Bangladesh

How the M4P approach works

Samriddhi followed the Making Markets Work for the Poor (M4P) approach, which identifies systemic constraints and root causes of market failures and addresses them by aligning incentives and capacities of market actors. Here, the project focused on upgrading twelve agricultural value chains to support the economic empowerment and development of the poor and very poor as entrepreneurs and enhance their skills. The twelve selected value chains/products were: vegetables, fruits, medicinal plants, dairy milk, beef (bull fattening), goat, duck, chicken, fish, cotton craft (including mini garments and hand embroidery), jute crafts (products by jute fibre) and plant craft. The process started with understanding the market systems in which poor producers operate. The project worked with public and private actors (see Figure), and in particular with private sector enterprises, as important players to influence and change the market systems.

Public extension services and market actors were incentivised to engage with local service providers (LSPs), local traders and input and output market service providers with the aim to reduce the high transaction costs of reaching millions of producers. In this model (see Figure), LSPs offer producers a holistic package of embedded services ranging from business planning through technical advice (production technology) and market linkage (access to input and output market) to the facilitation of access to financial services. LSPs charge fees for their services and are entrepreneurial lead-farmers who act as a hinge between producers, local agribusiness enterprises, private companies, and public service agents. They are often organised in service provider associations (SPAs).

Model for Market Systems Development of the Samriddhi Project



Large national agribusiness firms dealing in input and output as well as small enterprises and traders in the local markets buying and selling products and inputs, are a source of finance, both in kind and cash, and together with the government line agencies, they contribute to the capacity building of the LSPs and their SPAs for the delivery of affordable, accessible and quality services.

Producer groups are organised in informal micro and small enterprises (MSE) and connected in MSE networks that are integrated in the different value chains. MSEs are business entities comprising groups of 15 to 20 farmer entrepreneurs and labourers who invest and are involved in production and marketing. LSP support is aimed at changes in the attitudes towards collective action and enhances the capacity of the MSE (networks) in technical knowhow, business management and acquisition of financial capital.

How the market system improved

The targeted rural marked systems changed in many ways. Through the prospect of increasing outreach or area coverage, product penetration and/or market share and reduce transaction cost, the project incentivised more than 100 private companies, local entrepreneurs and relevant public sector entities to build LSP/SPA's capacity, thus empowering poor and very poor producers through their deeper integration in the relevant input and output markets. For example, in the vegetable value chain, poor and very poor producers had less access to quality inputs (seed, fertiliser etc.), as each producer required a small amount of inputs as well as money to cover procuring the inputs from far off. LSPs organised the producers, established input demand among producer groups and made the required inputs available at a fair price at their doorstep. This process reduced transaction costs of both producers and input sellers. LSPs also facilitated producer groups and traders to establish and run a collection centre in the closer proximity of farmers' villages. In the collection centre, the farmers sell their produce at a price similar to that on the distant markets. Here, the incentive for the traders was that they could buy bulk volume in one place according to market demand. On the other hand, the farmers could sell their product at a competitive price. This approach also supported farmers in reducing their post-harvest loss. Moreover, the collection centre ap-

Technical advice is one element of the service package offered by LSPs.
Photo: Helvetas Swiss Intercooperation Bangladesh

Key elements of facilitating inclusive and sustainable market systems

The project's approach was based on the following five main elements:

Setting the strategic framework. Establishing the result and impact chains and the hypothesis linking the project's poverty reduction objective to expected changes in the value chains required specifying the market context of each chain. Samriddhi explicitly stated and defined the rationale for selecting the value chains, and how the positions of the target groups could be enhanced and were expected to change.

Understanding the market system that the poor live and work in. The project did not conduct scientific market research, but facilitated a "diagnostic process" allowing the value chain actors to understand the wider context in terms of the socio-economic and political dimensions of how the related markets function. The assessment produced relevant concrete information, but was not meant to be a one-off exercise; the project staff periodically gathered qualitative and quantitative information for a continuous reassessment of how and why the market systems improved or stalled.

Defining sustainable outcomes. Sustainable value chain development was defined as the broadening and deepening of positive and relevant changes in the market systems beyond the duration of the interventions. The value chain analysis identified obstacles to better performance of the market systems in terms of growth and inclusiveness, and showed what should be done to get them work for all, specifically for poor and very poor men and women. Obstructive factors were found at various levels. In the private sector, the areas of market penetration, product development and outreach with low transaction cost were given special attention. In the public sector, weaknesses were revealed in outreach for sufficient and efficient services due to limited financial and human resources. At enterprise level, there was a lack of quality inputs, market access, finance, technical knowledge and skills, organised production and marketing. Based on this, the following activities were identified to get market systems working for all:

- facilitating competitive value chains for better functioning market systems,
- improving the engagement of private sector enterprises,
- ensuring equitable benefit for poor and very poor,
- enhancing gender inclusive (inclusion of female) value chain development, and
- strengthening advocacy for a better enabling environment.

Facilitating inclusive and sustainable market system changes. Facilitation was defined as the process of building trusted and lasting relationships between and among market actors, without the facilitators becoming part of the market systems, or otherwise creating dependencies of market actors in the project. The process required communication skills to build such relationships when critically analysing complex and interconnected systems. These skills were crucial in identifying key leverage points, unearthing innovative ideas and creating "win-win" situations for the market actors, and the project advisers provided the project staff with training and regular accompaniment support to gain the respective skills. In addition, the project implemented several review and planning workshops with the project staff members.

Assessing changes. The monitoring and result measurement system had to be able to capture several process and system related changes. Outcomes resulting from interventions at market system level needed to be linked to changes at the level of each actor through value chain specific impact chains. The project therefore assessed changes at the level of producer groups, service providers, as well as other market actors. The monitoring system was based on Donor Committee for Enterprise Development (DCED) standards, which enabled the learning and decision-making process as well as the demonstration of the impact.

proach reduced transaction costs of both producers and traders.

A cadre of 3,200 competent LSPs and 63 SPAs was built up. In the initial stage, the farming communities selected the potential LSPs from the villages. Later on, the project, with the involvement of the public extension agencies, selected the LSPs based on the interest and commitment from the provisional list. At the beginning, the project in collaboration with public extension agencies and private companies, organised several capacity building events (training, workshop, learning visit, field based accompaniment, etc.) for the selected LSPs. The project also facilitated LSPs to establish business relationships with public extension agencies and private sector entities. Thanks to the project, the public agencies and private sector organisations now understood the incentives and took responsibility of capacity building of LSPs and SPAs. Today, the LSPs/SPAs offer poor producers a service package comprising both technical service and business development and market access support.

Farmers expressed a high level of satisfaction with the quality and affordability of services for improved and new technologies and inputs. More than 900,000 producers were able to access and use the holistic services provided by the LSPs, which have become the main source of agribusiness support for poor producers in the region. As a consequence, producer groups and their networks have been flourishing, with more than 5,700 groups active across the different value chains today.

The LSPs/SPAs also provided training to producer groups on financial literacy and supported them in developing relevant business plans. The SPAs facilitated producer groups to share their business plans during match-making through workshops with potential Micro Finance Institutions (MFI), banks and traders. Participation in these workshops also increased awareness of traders, MFIs and banks for the needs of poor farmers and producer groups. Thus 2,500 producer groups were able to cover at least half of their financial requirements as per their business plans.

** This article was prepared with the inputs from experience documents of the Samriddhi project.*

For the repective references see online version of this article at
➤ www.rural21.com
There you will also find a Helvetas article on applying the M4P approach in a fragile context (the Philippines).

Small farmers, big retailers

How to link smallholders to supermarkets

The last three decades have shown that the rash diffusion of formal modes of retailing into developing countries has threatened the livelihood of many smallholders who fail to adapt to retailers' standards. Although "supermarketisation" has given rise to a wide range of positive outcomes, the huge number of domestic suppliers who could not adapt to buyers' demands of quantity and quality tend to be left behind. However, adequate support from development co-operation and governments could also enable small-scale farmers to take advantage of the benefits offered by supermarketisation in terms of inclusive economic growth.

Large supermarkets usually bring their own set of private standards and modern management practices when they set up business in another country.
Photo: FAO/Dan White

The modernisation of retailing in developing economies is a young phenomenon. Thomas Reardon of Michigan State University identified four waves of "supermarketisation": beginning in the early 1990s in South America and East Asia, followed by a mid-1990s expansion in most of Southeast Asia and parts of Central America, followed by a third wave in the early 2000s in China, eastern Europe / Russia and, finally, a fourth wave in the late 2000s in South Asia, sub-Saharan Africa and poorer countries of southeast Asia. Reardon identified several reasons behind this phenomenon, including decreasing profits in home markets of international retail chains coupled with the economic boom in emerging economies. Other authors argued that urbanisation and improvements in infrastructure in developing countries, the conglomeration of international tastes and the rise of a middle class with more spending power were among the reasons behind the decision of international retailers to venture into developing economies.

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Retailing in developing countries is usually characterised by traditional "wet" markets commonly supplied to by small-scale farmers. However, the nature of traditional retailing and traditional agricultural value chains means that consumers are left not only with limited produce diversity but also recurring health concerns over food safety and quality. The lack of food safety and quality standards leaves conscious consumers with little to no information on the practices involved in crop production, particularly on chemical use, labour and hiring practices, whether the crop was produced with the least environmental impact, where the crop was grown and whether farmers received a fair price for their produce.

Benefits from retail modernisation ...

Such issues are not uncommon to modern retailers. In fact, large supermarkets usually bring their own set of private standards and modern management practices when they set up business in another country. As such, the host country tends to benefit from retail modernisation in a variety of ways. For smallholders, integration into the supermarkets' value chain, concentration and technological learning tend to lead to higher incomes. Market assurance will encourage farmers to make farm investments that lead to higher and

For many smallholders it is difficult to comply with the high quality standards of modern retailers. *Photos: Aimée Hampel-Milagrosa*

better outputs. The establishment of supermarkets themselves offers formal employment to an extra labour force that could not be absorbed in on-farm activities. While big retailers may have their own standards and management practices in place, what is usually missing when they expand into another country is agrifood supply chains. For this reason, initially, most of the fresh produce offered by retailers is imported from the retailers' home country or from preferred suppliers world-wide. Over time, local sourcing should increase, but until then, smallholder farmers would have to be excluded.

... often only come for the big chains

Large retail chains usually demand very high minimum volumes of produce that comply with the supermarkets' private standards, bought for a pre-agreed price. Many domestic growers are unlikely to meet these demands because of small landholdings, lack of inputs, lack of knowledge on good agricultural practices and low harvest volumes. Owing to weak enforcement mechanisms, contract farming under a pre-agreed price remains risky and unpopular, even for most high-value crops. Survey results from a 2014 German Development Institute (DIE) study on retail liberalisation in Andra Pradesh/India show that large farms were found to be better able to supply retail chains as it appears to be easier for them to change production practices in order to comply with demands. Large retail chains were also found to prefer to buy from large farms because of the reduced transaction costs involved in negotiating with larger units. However, in India, large domestic retailers such as Reliance and Heritage were observed to relax this policy in order to have agrifood in their portfolio by any means, as land is highly fragmented in this country. Both supermarkets had to lower their fresh produce standards into simple "size" and "colour" categorisation in order to be able to purchase fresh produce from local farmers. High transaction costs of dealing with each grower were unwanted but could not be avoided.

Upgrading smallholders' production capacity – a huge challenge

That smallholders are left behind in the retail modernisation process is bad for the host country because it is missing out on an excellent opportunity for inclusive economic growth. Retailers also suffer because dependency on agrifood imports impacts the stability of supplies, creates insecurity due to currency risks, and bears negatively on their local image and credibility. The logical solution would be to upgrade traditional smallholder production capacities such that they could supply to supermarkets. However, evidence shows that the upgrading of production capacities of large numbers of traditional smallholders, even if it is assisted, is extremely difficult. For example, a couple of years ago, Massmart, one of South Africa's biggest wholesale and retail companies, together with Technoserv, a non-profit organisation, attempted to train around 100 poor farmers who had never supplied supermarkets before. By providing loans to finance the purchase of seeds, fertilisers, pesticides, labour, electricity, packaging and transport, the objective is to transform the farmers into Massmart's main suppliers of fresh produce after a three-year period. Farmers benefited from the support they received during the crop growing trials and from Massmart's purchase of their produce. They were taught financial recordkeeping that allowed them to access formal bank loans. The construction of packhouses meant easier market access for all participating smallholders. However, the high quality of fresh produce standards set by Massmart meant that most of the farmers' produce was rejected. As part of the agreement, Massmart paid low prices to farmers, which resulted in many of them going into debt. Some farmers resorted to selling the fresh produce to other buyers, which led to disputes because the production was being subsidised by Massmart. At the end of the project, only four of the original 100 farmers ended up supplying Massmart, and in addition, the company had to write off the debts incurred by most of the participants. The experience of Massmart shows how huge the challenge is to upgrade traditional farmers and integrate them into modern value chains. Post-project evaluation by Technoserv estimates that even with intensive coaching, a minimum of five years is necessary to allow farmers to adapt to and comply with modern retailers' standards.

What development co-operation can do

Supermarkets, however, are not inclined to wait this long and will continue with international expansion whether smallholders are ready or not. Fortunately, developing country governments have a lot of freedom in shaping the supermarketisation process. What are the policy options for developing countries? Altenburg et al. (2016) reviewed several policy options for developing country governments that would allow retail modernisation to be more inclusive for domestic suppliers. A sequenced and assisted approach where retail sectors gradually open while governments assist domestic producers in coping with structural change seems to be promising. Here, governments are encouraged to capture the benefits of the entry of retail chains into the economy while supporting local suppliers in adapting to change. However, since no comprehensive strategy of this type has been found anywhere, development agencies are encouraged to provide support and guidance in this regard. Three possible strategies have been identified for donors and development agencies' engagement in developing countries. These strategies could be used independently or in combination:

1) Create and implement an integrated impact assessment framework for retail modernisation that combines market and profitability assessments with development criteria. This framework is best developed through a multi-stakeholder approach, for example, involving government, research institutions, donors and retailers. 2) Provide evidence of successful and failed retail modernisation policies, specifically of policy options for governments and donors, their impacts, and design of public-private partnerships between governments and international retailers, and 3) Act as facilitators and brokers in multi-stakeholder processes. Pockets of successful examples of donor and private sector engagement in the upgrading of the capacity of smallholders to adapt to and comply with supermarkets' standards are available. In Russia, for example, the United Nations Industrial Development Organisation (UNIDO), in partnership with Metro Cash and Carry, supported local fresh produce suppliers to comply with the requirements of the food safety certification schemes recognised by the Food Safety Global Initiative. In South Africa, USAID, in partnership with Pick n Pay, trained small producers of squash and sweet corn in farming, processing and delivery modes. In Bangladesh, the UK's Department for International Development (DFID), in partnership with Agora Stores, set up a supplier development programme for small and medium-sized fresh produce suppliers. Evidently, such interventions are unique, one-off co-operation projects designed for specific crops, specific farmers, specific value chain nodes or specific supermarkets.

How governments can help

Although local sourcing is in the retailers' interest, retailers are unlikely to invest towards inclusive value chain development owing to the threat of failure, as the Massmart example shows. Locally, government agencies have a lot of freedom in supporting farmers in upgrading production and being included in modern value chains through various policies and mechanisms. For example, encouraging farmers to convert or include high value crops in their portfolios complements most labour-intensive traditional agricultural practices. The rise in consciousness among consumers makes it promising for governments to assist farmers in developing organic

Government agencies could encourage small farmers to include high value crops in their portfolio to enable them to benefit from better prices. Photo: Aimée Hampel-Milagrosa

or fair-labelled brands. In both cases, governments could support farmers by financing or training schemes that lead to organic or fair trade or regional labelling. Since retailers tend to avoid negotiating with numerous smallholders, organising farmers into farmer groups and co-operatives would reduce the number of suppliers involved in the discussions. This would lower transaction costs and persuade supermarkets to link up with smallholders. While compliance with retailers' private standards remains a huge challenge, slowly introducing the benefits of good agricultural practices is a first step. Governments could also provide financial and technical support to farmers who are in the process of certification or assist farmers' groups with being jointly certified. Finally, involving farmers in specific stages of the post-harvest process such as washing, sorting, cutting and packaging may help increase their share of profits. Governments could support this by providing necessary capacity building for farmers and by subsidising investments in machinery for communities.

The DIE Discussion paper "Making retail mordernisation in developing countries more inclusive. A development policy perspective" (Altenburg et al., 2016) is available at:
➤ www.die-gdi.de ➤ publications

Let’s move towards the Africa we want

The African Union Heads of State and Government have committed to boosting intra-African trade in agricultural commodities and services. What has already been achieved in this respect, and where is there still a need for further action? A plea for concerted efforts to solidify the integration of the continent.

Trade is recognised as an important driving force of the transformation of African agriculture. Agricultural trade, both intra-African and with the rest of the world, is linked with food security, growth, jobs and higher incomes. However, many African countries face barriers that prevent them from benefiting from this potential. These include non-tariff barriers (NTB), which are becoming ever more important, and traditional tariff barriers. Both categories of barriers exist in export markets. In addition, internal barriers including inimical policies, excessive regulation and bureaucracy, lack of knowledge, inadequate financing and poor infrastructure networks pose great challenges for trade for many African countries. This situation exists, despite efforts over the past decade or so towards greater integration into global and regional markets.

What African leaders have committed to

Against this background, the African Union (AU) Assembly of African Heads of State and Government, at its 23rd Ordinary Session held at Malabo, Equatorial Guinea, in June 2014, adopted the Malabo Declaration. In the declaration, they made a particular commitment on boosting intra-African trade in agricultural commodities and services. This commitment, highly political by nature, includes a resolve to triple such trade by 2025, and to fast-track the establishment of a Continental Free Trade Area (CFTA) and transition to a continental Common External Tariff (CET) scheme, among others. The commitment builds upon earlier decisions of the AU Assembly, including the Addis Ababa resolution of January 2012 to establish a Pan-Africa Continental Free Trade Area (CFTA) by the indicative date of 2017. It also endorsed an Action Plan for Boosting Intra-African Trade (BIAT). The negotiations for the CFTA are currently on-going and will play an important role in boosting intra-African trade in agricultural goods and services. BIAT contains seven major clusters, the implementation of whose programmes and activities is aimed at addressing the key constraints and challenges of intra-African trade and at significantly enhancing the size and benefits of the trade for the attainment of sustainable economic growth and development. The clusters cover: Trade Policy, Trade Facilitation, Productive Capacity, Trade-Related Infrastructure, Trade Finance, Trade Information and Factor Market Integration.


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Implementation of specific actions which address agricultural trade issues in each of the clusters – such as the finalisation and implementation of agriculture-related measures in the draft AU Commodities Strategy; the web-based online portal in COMESA which facilitates efforts to address NTB issues, recording a total of 171 NTBs issues between COMESA member states and resolving about 95 per cent of all the reported cases as at December 2015; COMESA’s Regional Seed Variety Catalogue, which helps farmers access improved seeds and different types of seeds from Member States through simplified customs procedures; measures by ECOWAS on Priority Treatment of Free Movement of Agricultural Products within the Region, including training programmes for customs officers of Member States on the free movement of agriculture products – is expected to significantly contribute to improving the African food trade balance and thereby to improving food security whilst contributing to the achievement of SDG 2 – End hunger, achieve food security and improved nutrition, and promote sustainable agriculture – in Africa, as well as Aspiration 1 of the AU Agenda 2063 – a prosperous Africa based on inclusive growth and sustainable development. Africa currently trades relatively little with itself, with a high net food import bill of some 40 billion US dollars (USD) a year. Fuelled by high population growth, rapid urbanisation and income growth, regional food demand continues to outstrip domestic supply, and formal intra-regional trade amounts to only 13 per cent of total food and agricultural trade in the continent. This remains low even if provisions for informal cross-border flows could almost double this level. The low level of formal intra-African trade applies to all regions/Regional Economic Communities (RECs) and all product categories, and ranges from seven per cent for medium-skill and technology-intensive manufactures to 13 per cent for food and live animals. Nevertheless, there is a positive trend in intra-African agricultural trade. As at 2014, intra-African agricultural trade (both formal and informal) was estimated at about 25 per cent of all African agricultural exports, up from about 16 per cent in 2000. This is helping to reduce dependence on the EU markets as the destination of African agricultural exports, with a decline from about 53 per cent of African agricultural exports in 2000 to around 40 per cent in 2014. Similarly, the share of the US market declined from six per cent to four per cent over the same period.

According to data from the United Nations Economic Commission for Africa (UNECA), there has been strong growth in intra-African agricultural exports in all sub-categories, especially fish and meats, cereals and cereal products, and others such as miscellaneous food preparations, soups and broths, seeds and nuts, gums, cocoa, coffee, tea, spices, agricultural wastes and residues for livestock feed. This registered a total increase in value of 10.8 billion USD over the period 2000 to 2014. This is a trend which must continue, and will be bolstered further by increases in strategic domestic and international investments in African agriculture, including substantial investment and improved capitalisation for agro-processing, increased productivity and competitiveness of the sector through measures such as lowering tariffs and non-tariff barriers, the ratification of harmonised standards and grades, including sanitary and phyto-sanitary standards, the development and maintenance of critical infrastructure such as ports and roads to facilitate movement across borders and the development of regional and continental information systems, among other measures.

The private sector is key in mobilising the required levels of finance and investment into African agriculture. However, the international private sector usually targets medium to large-scale ventures for equity or Foreign Direct Investments. Inclusive financing instruments are therefore needed to target smallholders and small and medium enterprises (SMEs) along the strategic value chains. In this regard private equity combined with a development-financed social-impact investment is one solution to this challenge.

Further opportunities through regional integration

Regional integration offers opportunities for market access and poverty reduction especially for smallholders, rural producers and SMEs. These include improvements in food security using regional trade to alleviate imbalances in food demand and a country's production, especially in circumstances of crop failure and climate change shocks; market diversification to reduce market-dependency risks; and trade in agricultural inputs and service such as seed varieties and seedlings, financing and research and development (R&D).

At the regional level, progress made by the RECs and their member States in this regard ranges from the establishment of free trade areas in Central Africa to that of customs unions in Eastern, Southern and West Africa (Common Market for Eastern and Southern Africa – COMESA; East African Community – EAC; Southern African Development Community – SADC; Economic Community of West African States – ECOWAS). Lessons from these regional dynamics, as well as from BIAT, and establishing a Continental Free Trade Area (CFTA) should help pave the way forward to enhancing agricultural markets and trade within a perspective of broader and deeper regional integration in Africa.

Regional integration through development of regional value chains and trade in strategic agricultural commodities is another important dimension of improving intra-African trade in agricultural commodities and services, helping to create commodities markets without borders in this context and taking into account agro-ecological comparative advantage and the dynamics of the different RECs.

Strengthening Africa in the global trade Arena

Measures to boost intra-African trade in agricultural commodities and services will help deepen integration on the continent, and eventually strengthen Africa's position in the global trade arena. As such, the continent would be better able to deal with some international trade and agricultural policies which work against the African agenda such as the distorting EU agriculture subsidies where Africa has comparative advantage, like sugar, poultry and grains, or the US Farm Bills, whose consequences are felt in some value chains such as cotton. Last year, the International Centre for Trade and Sustainable Development (ICTSD) reported that under the 2014 US Farm Bill, US cotton producers would receive subsidies that would have significant trade-distorting effects, especially in times of very low world market prices for cotton, but also in times of fairly high prices. It went on to suggest that this continued to be particularly problematic for many developing countries which largely rely on cotton production for export, such as the C-4 (the 'Cotton-4' – Benin, Burkina Faso, Chad and Mali) in West Africa. Similarly, improving internal market-related capacities (including investments in cold-chain logistics and storage, farming practices and traceability controls, as well as improvements in quality infrastructure) on the continent will also enhance the ability to comply with some external standards such as SPS (sanitary and phytosanitary standards) which pose a big challenge for smallholders and SMEs.

The transformation of African agriculture, including deeper trade of agricultural commodities and services within Africa, offers immense opportunities for job creation, income growth and poverty reduction. It would help stem the tide of migration of African youth out of the continent in search of dangerous and elusive greener pastures abroad. Such a transformation would help to achieve the aspirations enshrined in the African Union's Agenda 2063, delivering the Africa we want. Let us move forward in partnership towards this goal.

Cambodia: A road to a private farm owned by an ELC manager leads through community forest land.
Photo: Michael Dwyer

Inclusive land governance – Road to a better life

Secure access to land is key to sustainable development. However, in many countries, the existing land governance systems are still far from addressing the interests of all sections of the population, and hence from being inclusive. Nevertheless, despite very different contexts and legal frameworks, shortcomings show astonishing similarities, as was discovered on a learning journey of the Swiss Agency for Development and Cooperation in Cambodia, Mozambique and Brazil.

Land Governance is at the core of sustainable development. While landowners – sometimes the government itself – have an interest in intensive land use to maximise their profit, public interest is geared to maintaining ecosystem services, protecting agricultural production and having functional settlements as well as landscapes. Land governance is an important aspect in solving these conflicts. In practice, however, measures to address these aspects face a wide range of obstacles. To enhance knowledge on the topic among development practitioners and promote a dialogue in order to include the know-how gained in country and programme strategies for inclusive land governance, the SDC set out on a learning journey over the last year. Insights gathered on this journey are briefly summarised in the following.

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One fundamental discrepancy in land governance is the disconnection of the local realities from legislation. Many countries have functioning land governance systems, but they only work for a part of society. In many cases, smallholders, youth, women, forest dwellers and ethnic minorities are excluded because of an asymmetry in information and political influence. This problem was detected at multinational level. As a consequence, the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) were elaborated. They serve as internationally accepted standards for practices for the responsible governance of tenure. The ultimate goal of the VGGTs is to foster a favourable political environment at national level to develop inclusive land governance frameworks. In some cases, the guidelines were used to develop inclusive legislations. However, on the ground, countries are astonishingly similar in the cruxes, as examples from Africa, Asia and Latin America show:

Accessibility and transparency of cadastres. The technical basis for land governance is the collection of data. However, generating evidence can be used to support much more than land claims. It can strengthen community organisation and identity, spatial planning and the management of environmental risks. The country studies in Mozambique, Cambodia and Brazil revealed a fairly large lack of data. Data is imprecise, only collected for certain areas and/or not openly accessible. The studies showed that the production of spatial data can itself be part of the conflict resolution process. Open land registers are also a tool in the fight against corruption, and private appropriation by ruling elites. For example, links to civil society organisations have enabled traditional communities in Brazil to use 'self-demarcation' processes in which boundary walks are guided by the community's own oral historians and spiritual leaders while being recorded with GPS technology. These maps were used in the negotiations with local governments, which have led to a better recognition of land claims by traditional communities.

Common land use. In many countries, collective land use is not foreseen by the legal frameworks. Although the traditional communities in Brazil have benefited from the gradual development of a consistent national policy framework, these communities continue to lack access to a common legal and institutional framework capable of reflecting their collectively-based territorial right claim. In Cambodia, only community forest, and not arable land, is designed for common land use. Legislations need to recognise the need for common land use and enable communities to organise themselves to a certain degree to make it work.

Inclusive land governance in Mozambique: Good law, bad inclusive politics?

Despite having one of Africa's most innovative and progressive land legislations, Mozambique's implementation of its legal framework has faced many challenges. Institutional fragility combined with corruption and the capture of the state and economic resources by the ruling elite pose significant obstacles to implementing the legal framework, particularly with regard to its most progressive elements. The ability to protect the legally acquired land rights of rural communities has been further challenged by the surge in demand for land that has accompanied Mozambique's economic development and, until recently, the large inflows of Foreign Direct Investment attracted to the country. In the context of a fragile governance framework, this has resulted in unlawful land occupation and widespread conflict with the local population.

Community members in Ribaue district, Nampula Province, Mozambique. In many cases, vulnerable groups such as women and youth, smallholders, forest dwellers and ethnic minorities are excluded from land governance systems. Photo: Lídia Cabral

The right to use and benefit from the land is a distinctive element of the Mozambican legislation that has land as the property of the state but recognises land use rights for occupants and users on the basis of a unitary system of tenure. The law may be progressive but government politics are not, as an increasingly hegemonic elite controls Mozambique's political system and resources. Demand for sound land governance and advocacy for the rights of customary occupants and local communities has been growing. Connecting the protection of rights with the promotion of rural development is a major challenge in the current context, where neither government nor the private sector has so far created opportunities for inclusive development. Notwithstanding the potential of community delimitation as an empowering tool for local communities, delimitation should be employed less as an act of ring fencing land and more as an instrument for strategically looking for ways of strengthening people's livelihoods. For that to happen, land tenure security would need to be addressed in conjunction with broader rural development efforts.

There is a need to combine land governance with rural development efforts, and promote a research agenda on land that fills current gaps. Areas that require in-depth analysis include: (i) experiences with community empowerment processes on land (such as delimitation) and implications for local governance and impact at the community level; (ii) the changing dynamics of land conflict over time; and (iii) the competing perspectives on the value of land and how land should be valued (beyond a narrow definition of productive use and market value) as part of an inclusive land governance agenda.

Lídia Cabral and Simon Norfolk

Land titling. In most parts of the world, rural communities are rarely the legal landowners – but governments are. The most striking example of this is sub-Saharan Africa, where up to 90 per cent of the land area is currently untitled. Although land laws usually protect private property, protection is largely limited to lands with registered titles. Without legal owners, these lands fall to the state. Thus, is land titling the key to solving

Uneven developments: Towards inclusive land governance in contemporary Cambodia

With its legacy of enduring post-war conflict and neoliberal development policies, Cambodia has long exemplified a difficult mix of resource wealth and weak land governance. Since 2012 however, the government has undertaken a series of 'deep reforms' aimed at overcoming the enduring poverty, extensive land conflicts, and extreme imbalance in rural landholdings created by the boom decade of the 2000s. With elections on the horizon and the government promising to redistribute this newly reclaimed land to 'the people', many are asking whether these reforms are creating durable and grounded institutional change, or are simply temporary, calculated forms of inclusion aimed at managing an increasingly volatile landscape.

A new agricultural plot in a community forest; the sign reads: "Do not cut community forests". *Photo: Michael B. Dwyer*

Our case studies suggest that community forestry has played an important, if imperfect, role as a de facto tenure institution of tenure enhancement, even as land titling and concession regulation have failed for various reasons. Current efforts to combat 'encroachments' into community forest spaces highlight the rise of concession-induced land scarcity and associated tensions, as indigenous and migrant communities end up competing for arable land. Third-party conflict resolution is a viable option when it can be compelled, but there is also a need to reform statutory conflict resolution institutions such as the Cambodian court system.

We propose four general 'ways forward': (i) donors should continue to support the use and strengthening of institutions that protect land and resource tenure; (ii) continued support as well for broader efforts to create land-related transparency, inquiry and informed debate; (iii) building a series of land-related linkages across donor programming; and (iv) supporting efforts to reform Cambodia's current Land Law (for instance, refining the category of possession rights, as well as using the state land doctrine for socially protective purposes rather than largely as an incentive to attract foreign capital).

Michael B. Dwyer and Young Sokphea

all land governance related problems? The learning journey participants answered "Yes, but..."

1) Land registration must render more advantages than disadvantages for smallholders; in Mozambique, the World Bank is putting pressure on the government to increase tax rates on land to counter speculation, deriving more productive land use and a market-based value for land. However, the capacity to pay taxes within rural communities is often limited, and the formalisation of land rights may discourage people (in particular the poor) from registering their land use rights and lead them to dispose of their land, increasing their vulnerability.

2) The administrative processes must be accessible and affordable for smallholders. In Cambodia for example, it takes a long time to register land for communities. The large number of institutions as well as their co-ordination and lacking independence are additional hurdles for these communities. The judicial system is not accessible for the poor, which makes it almost impossible for the disadvantaged to claim their legitimate rights.

Excellent legislation, but weak implementation at local level. In practice, exemplary land legislation often contrasts with weak government institutions. As a learning journey participant stated "… much has been invested into the capacities of CSOs, but little into the ones who effectively have to do the job, …". In Mozambique for example, a favourable policy towards large land concessions, partial decentralisation and an unclear strategy for rural development and spatial planning from 2008–2012 have put significant pressure on land resources. Local governments and communities were unprepared to handle the situations they were facing. Although the progressive Mozambican legislation foresees consultation with local communities, and doesn't require formal land titles to claim use rights, the local authorities have not had the human and financial resources to guarantee the rule of law. In Cambodia, implementation is complicated by the many interlinked institutions. In the northern part of the country's Stung Treng province, for example, a conflict arose centred around competing state institutions. When a large land concession was reduced from 100 000 ha to less than 10 000 ha, the Ministry of Environment (responsible for conservation) and the local Forest Administration Office (responsible for community forest projects) both sought to claim territorial responsibility. This conflict over jurisdiction represents a type of territorial politics within the state that is hardly unique to Cambodia.

The way forward

What ought to be done to make land governance more inclusive? Eleven recommendations can be derived from experience gathered on the learning journey:

1) Make a very solid context analysis before designing a development intervention
2) Promote an integrated approach towards land governance
3) Empower local level actors and improve links to the national level
4) Stay engaged in national policy dialogue
5) Pursue a multi-stakeholder design of interventions
6) Promote the creation of evidence and access to information
7) Be cautious with promoting formalisation of land titling systems
8) Apply a systemic governance perspective
9) Acquire specific know-how for dealing with conflicts
10) Promote the implementation of the VGGT as well as the Guidelines for Responsible Agricultural investments (RAI)
11) Facilitate regional knowledge networks on land issues

Some years ago, a woman farmer participating in legal literacy training in Senegal said: "We do not eat rights." Good land management practices are one element of a solution to substantially improve peoples' lives. Measures need to establish appropriate institutions and policies, which can deal with the challenges of land governance, which are constantly changing. Land governance is a general governance issue; it comes with daunting issues like bribery, violence, reform of the judicial system, and corruption. Inclusive land governance is therefore certainly a "Road to a better life" because it matters in so many aspects of people's lives.

'Traditional Peoples' and the struggle for inclusive land governance in Brazil

In recent decades, Brazil has attracted international interest both for the intensity of its land conflicts and for the extent of its land governance innovations. These innovations have derived from a land governance model shaped by the country's decentralised political structures and by the nature of the interactions taking place across the boundary between state and civil society actors, including rural social movements. Particularly under the Workers' Party (PT) government, this led to significant gains in recognition of and redistribution to some of the most marginalised of Brazil's rural communities. However, the model's potential to deliver genuinely inclusive land governance has run up against certain limits related to the underlying conceptualisation of land rights embedded in the country's legal framework and to the political economy of law-making and policy implementation in Brazil.

A timeline exercise with members of the Vazanteiro communities of Pau de Légua and Pau Preto, municipality of Matias Cardoso on the Rio São Francisco, Brazil.
Photo: Zoe Sullivan and Deyvisson Felipe Batista Rocha

We argue that political mobilisation was an extremely successful strategy for North of Minas communities facing territorial encroachment during the PT period. It helped to secure favourable government policies that have brought recognition for previously invisible communities. However, the gains of the last few years have not included any substantive change in the legal framework to support community ownership of land. As a result, these communities are still forced to choose between accepting state control of their territories via the creation of protected areas or pursuing private land titling mechanisms that may lead to the fragmentation of communities. There has also been little change in the underlying political economy of law-making and policy implementation in Brazil, and in the current less favourable political context, some of the recently achieved gains may be reversed.

In the longer term, making inclusive land governance a reality for all marginalised rural communities in Brazil will require stronger alignment between the legal, institutional and policy frameworks. Despite several setbacks, some of the factors that enabled Brazil's recent progress towards inclusive land governance do remain in place. The North of Minas case shows what can be achieved by helping isolated groups to come together and form larger movements with national and international visibility, especially when these movements are linked up with academic networks that can help to produce an evidence base to support their demands for more inclusive land governance.

Alex Shankland, Zoe Sullivan, Carlos Alberto Dayrell, Anna Crystina Alvarenga and Deyvisson Felipe Batista Rocha

The findings presented in the article arose from the learning journey 2016. Around 100 professionals from SDC's Network for Agriculture and Food Security (A + FS) and the Network for Democratisation, Decentralisation and Local Governance (DDLGN) have joined forces to learn mutually and develop recommendations for future projects. Case studies were conducted in several countries (see boxes for its summaries) to give in-depth insight into the land rights situation.

The studies and more information can be found at: ➤ **www.sdc-foodsecurity.com**
For a more comprehensive version of the recommendations, see online version of this article at: ➤ **www.rural21.com**

Bhungroo – a women's technology brings food and financial security

Water scarcity, waterlogging and soil salinity have long been a major problem in the Western Indian state of Gujarat. To make things worse, the region was hit by a devastating earthquake in 2001. But with a simple technology, farmers have managed to improve their harvests and earn more income. What is more, the new technology is owned exclusively by women.

"My husband asked me to leave the house when I informed him that I was one of the five women chosen to own and manage a *bhungroo*," recalls Leela, a farmer from Mubarakpura village in the Patan district of Gujarat. This reaction was to be expected if a woman announced that she was going to manage the irrigation of her farm. Although equal participants in agricultural activities, women are at the bottom rung of the societal and familial hierarchy in India.

Shanku and Leela walk to their bhungroo through cracked land that had received rains just eight days earlier.
Photo: Jency Samuel

Soil salinity and hostile weather – a double whammy for farmers

Gujarat, a western Indian state, is a semi-arid region. Patan district – like many other districts of the state – suffers from flooding and drought in quick succession. Being close to the desert region, the salinity of the soil is very high, making farming extremely difficult and expensive.

Farmers look forward to the southwest monsoon in the months of July/August, as it is the only time of the year when they get rains. But the monsoon lasts for just about a week. According to Gujarat State Disaster Management Authority, the Sami taluk subdivision of the district in which Leela's village is located received an average rainfall of 435 mm in 2015. It recorded an average of 646 mm over the last decade. Since this entire rainfall occurs over a maximum of ten days, it causes flooding. Salinity makes the topsoil impermeable, preventing the rainwater from seeping into the ground. The pre-monsoon irrigated crop is often lost to this inundation.

When the monsoon recedes, the place experiences dry, hot weather. According to Skymet Weather, a private weather service provider, Gujarat witnesses a second summer in October, after the southwest monsoon, since the temperature then goes up to 40°C. This makes the soil dry and encrusted with salt; with the rainwater not reaching the sub-strata due to impermeability of the topsoil, there will be no water for the next crop.

As 85 per cent of the Mubarakpura village population are small-holding subsistence farmers, many of them had no option but to migrate to other places to work as farmhands. This is a scene played out across many districts and states of India.

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Towards a solution

Biplab Ketan Paul, a social worker who has been active in poverty alleviation in rural areas, learnt about the farmers' problems when he went to Bhadrada village near Mubarakpura in 2001, to help the villagers after the Bhuj earthquake that killed nearly 20,000 people and destroyed almost 400,000 homes. "When the flood water recedes, the scorching sun leaves behind salt deposits on the ground. This brings about all sorts of problems such as soil compaction, crusting and cracking of soil, reduced soil respiration, loss of biodiversity, ultimately leading to soil degradation and desertification," says Biplab. According to the Central Soil Salinity Research Institute, India has 6.75 million hectares affected by salinity, of which Gujarat has the highest share, totalling 2.22 million hectares. A Central Water Commission report says that Gujarat and three other states are experiencing salinity and waterlogging at alarming rates and are at the risk of becoming barren. "This is a problem faced by many African, South Asian and Southeast Asian countries," Biplab adds. According to the UN Food and Agriculture Organization, the world loses three hectares of arable land every minute to soil salinisation.

Biplab started to look for a solution. He came up with the idea that the rainwater could be drained into the ground, as this would address the problem of flooding. Later the water could be drawn for irrigation. A hollow pipe could be used to drain the water and to lift it later. The simple technology was named '*bhungroo*', the term meaning hollow pipe in the vernacular language. After many trials, *bhungroo* was perfected (see Box).

The differences in farmscape can be observed while walking to a *bhungroo* site. One farm still has some puddles of water, while white salt deposits are appearing on another one. A further farm has clayey topsoil that is parched, looking as if the land had suffered a drought and had not received the monsoon a week back. This is contrary to the government data, which classifies the soil as sandy. "Water stays longer in the depressions. That is where you see the salt after the water has evaporated. The soil is sandy. But during rain, the run-off water brings silt, and so it becomes clayey," explains Biplab, pointing out the sandy layer near the bunds. All these variables, including the type of sub-soil strata, have to be taken into consideration while designing a *bhungroo*. In 2011, Biplab's wife Trupti Jain founded Naireeta Services, a social enterprise, which provides site-specific *bhungroo* solutions. The name Naireeta refers to the clouds bringing the southwest monsoon rains.

A women-centric model

Having observed the struggles of rural women, their resilience and their eagerness to adapt to new ideas while working with them, Trupti decided that *bhungroo* would be a women-centric model. For ease of execution, the option chosen was that five women would own and manage one *bhungroo*. Earlier, the women had formed thrift and credit SHGs (self-help groups). All the decisions regarding the ownership of *bhungroos* were left to the SHG, which based ownership on four criteria: The *bhungroo* owner should be the poorest farmer, lacking food security. Her land should have suitable soil conditions for the installation of *bhungroo*, and she should have no other income and no other option but to migrate.

Naireeta required that the land should be in the woman's name if she wished to be a *bhungroo* owner. This was what the men vehemently opposed. But by then, the women had understood the importance of peer support. "An individual can't win a cause. There's unity in strength. We came together," says Shanku, a member of Leela's *bhungroo* group, gesturing with her hand, bunching up her five fingers. As there would be no *bhungroo* if this condition was not fulfilled, the men finally relented. In the 7/12 Record of Rights, which has all the details pertaining to land and is maintained by the local administrative body, each woman was included as the co-owner in her respective family record.

The women supervise the construction of pits and drilling and take care of the maintenance, too. They use their knee and elbow height to measure the volume of water that went into the *bhungroo*, decide on the irrigation cycle depending on the number of irrigations needed and laying of pipes to pump the water for irrigation if the plots are not contiguous. As each landholding is about two acres or less, roughly ten acres are irrigated with one *bhungroo*.

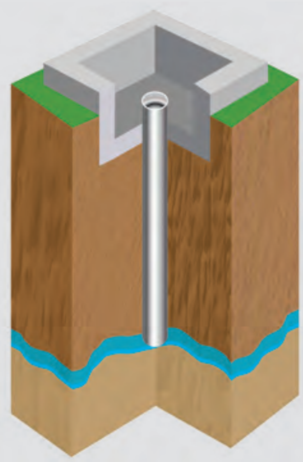
"But each *bhungroo* can irrigate up to 50 acres, the minimum being 25 acres," informs Biplab. As the women also figured this out, they have started inducting more women. Some *bhungroos* now have up to ten women owners. The new entrants pay a fee to join the group as they were not part of the initial agreement.

How the *bhungroo* works

The *bhungroo* consists of a small cemented pit that measures about 1m x 1m.
It is raised roughly 50 cm above the ground, preventing litter from entering the pipe.

The lowest point in the ground is chosen as the *bhungroo* site. The ground is drilled till the strata with good water retention strategy is reached. A pipe of a diameter between 10 cm and 50 cm, depending on the requirement, is lowered through the drilled hole.

In most places, water enters the *bhungroo* because of the natural gradient of the land. If necessary, a slope is made, enabling the water to reach the *bhungroo*. When the field needs to be irrigated, a portable motor pump is used to lift the water.



A contribution to climate resilience and poverty reduction

The *bhungroos* have been installed free of charge so far, with Naireeta paying all the award money the duo received for the innovation of technology and the innovation of its application. To sustain, Naireeta has decided on cross subsidy. A case in point is the Jharkhand State Cricket Association Stadium in Ranchi, where a *bhungroo* was installed and the state government paid four times its actual cost. This helped Naireeta provide *bhungroos* free of charge for the farmers. Through the support of the Indian Government's Department of Science and Technology, *bhungroo* is being implemented in various African and Asian countries. Besides, Naireeta plans to develop the locals' knowledge so that they can co-create *bhungroos* in future. An open source technology, the only condition Naireeta lays is that it should be used by and for the marginalised.

From being fallow, the farms in Patan District and elsewhere in Gujarat have started producing two crops a year. The post-monsoon crop ensures food security for the family and water and fodder for the farm animals. Thus it makes them climate-resilient. The winter crop brings cash income to the farmers as they are able to sell the produce. "We grow cumin, jowar (sorghum) and millets," Dhani, another farmer, explains. While the post-harvest stalks serve as fodder, if necessary, they grow fodder grass additionally. Biplab informs that the farmers are being initiated into intercropping, to maximise returns from their fields.

"Improvement in soil fertility has been an invisible income for these farmers, ever since *bhungroo* was installed," says Biplab. This becomes manifest in the form of increased and better quality of produce. Installation of *bhungroo* helps the local economy as materials and labour are sourced within the village, which also ensures post-installation services.

Shanku and Leela near their bhungroo, explaining that it has been working perfectly for eleven years.
Photos: Jency Samuel

Up to now, the installation of more than 3,500 *bhungroos* has empowered close to 20,000 women and hence about 100,000 individuals who are members of the women's families. About 50,000 acres of land left fallow are being cultivated for monsoon as well as winter crops, which has also helped stem migration in the region.

"We all own a house now," say farmers Godavari, Dhani, Shanku and Leela in unison, commenting on how their lives have changed. Considering that the village was totally flattened during the Bhuj earthquake, this is an incredible achievement. Leela lists the impact of *bhungroo* in her life, ticking off with her fingers. "I own a house. Within three years I cleared the previous farm debts I had incurred, sent my daughter and son to school, bought a tractor, repaid the loan on the tractor and bought a buffalo," she beams. She has achieved all this in a period of eleven years. She hopes that her example will encourage more women to install *bhungroos* in their farms.

Godavari's face clouds when she recalls the kind of demeaning work that she had to do as a maid, for a measly sum of Rs 150 (about 1.50 US dollars then) per month. Her face brightens up as she adds: "But now I work my own farm."

The most dramatic impact has been the change in perception of the women by the others and their own sense of self-esteem. "Earlier, people used to call me Shanku; now they call me Shankuben," says Shanku with pride, 'ben' translating as sister, a form of addressing a woman with respect and affection. The women aver that they have had '*jagruth*', an awakening. Just then a tractor enters the village. Leela's face lights up and she points out that it is hers and that her husband is driving it. "The same man who once asked me to leave the house," she adds with a grin.

A women's technology that benefits the whole community

Bhungroo in Gujarati means a hollow pipe. The small hollow pipe with which women blow into the traditional biomass stove to keep the fire burning is called a *bhungroo*. It is a tool in the woman's hand to prepare food for her family. Men had nothing to do with it. Similarly, the *bhungroo* water management system in the field is owned and operated by women farmers, ensuring food for the family. Men have no role in farm water management. Although the *bhungroo* is managed by women, the agricultural work is shared by men and women, as in the past. And naturally, it benefits everyone.

Local people make charcoal from the remains of the Chinese sawmill.
Photos: Jörg Böthling

The Beira Development Corridor – an upswing or a sell-out?

For decades, the Mozambican port city of Beira was desolate. The civil war and a failed economy left deep wounds. But now a consortium of the government and corporations is promising a new start. The Beira Development Corridor is to bring affluence to the people living in the region. However, smallholders fear for their land.

It is meant to be nothing less than a revolution. For a city in ruins and a region that is desolated. Up to the 1970s, Beira, lying on the east coast of Mozambique, had been a paradise for rich Portuguese and white farmers from the neighbouring country of what is now Zimbabwe, who used to spend their holidays there. The gigantic Grand Hotel bears testimony to this period – but also to its decline. Today, it accommodates up to 3,000 people. The building has turned into a slum, with children playing in the puddles, rubbish piling up in the lift shafts, and men hanging around waiting for better times – which are now, at last, supposed to be just around the corner. For the region has been designated as one of six so-called Development Corridors by the Mozambican government.

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In 2010, Mozambique joined up with a consortium of private investors, international agricultural corporations and donors such as the World Bank in order to step up the development of industrial agriculture. There is certainly enough space available. The Beira Corridor has roughly the same area as Great Britain. From Beira, it leads westwards towards the city of Chimoio. Carrying on straight ahead, you reach Zimbabwe at some point, and turning off to the right, heading northwards, you would get to Malawi and Zambia.

"A huge potential"

"It is the gateway to Southeast Africa," an official image brochure called "Delivering the Potential" tells us. And: "It is also a large area with huge agricultural potential. In Mozambique alone there are ten million hectares of arable land with good soils, climate and access to water. But this potential has not been realised."

Now this is to change – with commercial agriculture on a grand scale. New cultivating methods, different seed and better fertiliser. But how realistic are these plans? Fears are already growing that at the end of the day, it will once again only be the foreigners who are making a profit, leaving nothing for the locals.

There is dense traffic on the relatively new roads, which are used mostly by lorries carrying valuable logs. Their drivers are Chinese. "While the Chinese take the timber, our children must sit on the floor because they haven't even got tables and chairs," says Richard Ujwigowa, describing the ordeal that Mozambique is facing. Born in Congo, Ujwigowa belongs to the Catholic community of African missionaries and is a member of the Catholic Commission for Peace and Justice in Mozambique. Almost every day, people tell him what is happening to them, their villages and their land. "Company representatives come

A guard is sitting on sacks full of Jatropha nuts that nobody wants anymore.

Anoria Vurande and her daughter Tcherti. The farmer points to the workers staking out routes for new roads. She fears that she will lose her land once the new investors come.

to the village and present documents they have received from the government in Maputo or from the district authorities," says Ujwigowa. And with little presents, they persuade the village chieftains to hand over their land to them. "One was pressured by loggers. They gave him a motorbike and new clothes for his wife. Then he approved." The Church tries to inform the people, to explain to them what their rights are and what losing their land could mean for them. But this isn't easy. For they don't all have the same view on the matter. Younger people in particular say: "Surely it's good to have something new. Or do you want to carry on slogging away in the fields with your bare hands and our old tools forever?"

Partnerships with smallholders announced

One of the driving forces behind the Beira Corridor is the fertiliser manufacturer Yara, from Norway. Seeking new markets for its products, the company is campaigning for "partnership with agriculture and food companies" and intends to "embrace subsistence farmers rather than exclude them", as a paper commissioned by Yara announces. This approach, supported by almost 30 countries across the world and by government donors from Norway, Brazil, Japan, the USA and the United Kingdom and financed by the World Bank, is said to be "unusual, but potentially revolutionary".

Vision and reality

Investments are planned for a total of 150 new large-scale farms up to 2030, the Investment Blueprint (2010 – 2030) states. Sugar cane is to be grown on 10,000 hectares of the land and rice on 3,000 hectares. And then reference is made to medium-size farms producing bananas, citrus fruits and mangos or grain such as wheat, soy and maize. A further 3,000 hectares has been earmarked for livestock (cattle and chickens). By 2030, the Beira Corridor "establishes Mozambique and the wider region as a major breadbasket", the vision suggests. And it is stressed again and again that the smallholders are to benefit from these plans as well: for example through better seed, better irrigation for their fields, and new marketing options. However, a number of projects have already failed. For example the plantations in Mozambique that are supposed to supply renewable raw materials for biofuel. Close to Chimoio, long rows of fields with green bushes stretch across the landscape. About ten years ago, Jatropha was seen as a wonder plant, or at least as a serious alternative to the planet's dwindling mineral oil reserves. The oil-bearing nut was meant to yield fuel, and even companies like Deutsche Lufthansa took part in the scheme. Around 2,000 hectares of Jatropha was planted in the Chimoio region. The UK's SunBiofuels made use of fallow tobacco and cotton fields dating back to colonial days. And now the bushes are standing there, just like the old colonial villa and the swimming-pool that the Portuguese plantation founder used to bathe in. Two guards keep an eye on the site. In 2011, SunBiofuels filed for bankruptcy. The Chimoio Jatropha project, which so many had placed their hopes on, had failed. "This is what the people here don't understand," says missionary Ujwigowa. "That plants are grown purely for exports, such as Jatropha, sugar cane or eucalyptus, whereas it is food that they are in need of most of all."

Fears of losing land

Smallholder Anoria Vurande lives next to one of the abandoned planta-

Every day, 100,000 chickens are slaughtered at Abilio Antunes' farm.
Photos: Jörg Boethling

tions. "We have heard that white men are now coming again, with a new project," she says. First her father and other people from her village grew tobacco for the Portuguese. Then they planted Jatropha. "Now it is supposed to be maize," Ms Vurande explains, digging over a small maize field in between the fallow shrubs. Her twelve-year-old daughter is helping her. She lets the maize corns fall to the ground and covers them with the deep-brown soil. "There they are," she says, pointing to a lorry. "They're workers staking out routes for new roads." This has roused excitement among the villagers. "They're saying that a plantation will be coming and that we'll have to hand over our land. But we have protested against this," says Ms Vurande. The authorities seem to have backed down. "They've promised us that there will be a meeting at which the land is to be distributed among us all." But will this really happen? Ms Vurande just shrugs.

Who is benefiting?

The Beira Corridor does indeed offer great prospects for those with an entrepreneurial spirit, good education and, above all, some seed capital. A number of companies can boast success, like poultry breeder Abilio Antunes. At the chicken farm close to Chimoio, the junior manager welcomes his visitors: "We slaughter 100,000 chickens a day and supply markets throughout the country." Alone the abattoir employs 100 men, and the chicken pens and battery cages provide further jobs.

Evening shadows are lengthening in Chimoio. The bulky lorries are still racing each other on the way to Beira. They will get to the port in three hours' time, loaded with timber from the forests that is destined for China, copper from the mines of Zambia, and oil and petrol from the refineries. In the city, smartly dressed people are shopping at Shoprite, a supermarket chain from South Africa. Abilio Antunes' deep-freeze chickens are on sale here too. While the customers are loading their stuffed plastic bags into their cars, a few older women in front of the market are still waiting for people to buy their small bananas with brown spots, grown in their own gardens. One woman is stooping over a little fire. She has heated up a bowl of oil and is frying something for dinner. They are chicken heads that have just been defrozen – the rest of what the others' new affluence has left over for her.

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