

# Trade and Agriculture

Workshop on AidforTrade

December 2008

# Theme 1

## Value Chain

**Inputs – Production – Storage – Collection – Processing – Marketing**

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**Supply**

**Demand**

# Introduction of new cash crops

Case: A rural Private Sector Development in  
Moçambique, Danida

Objective: “*Sustainable and increased  
smallholders’ income from marketing  
agricultural production*”

# Introduction of new cash crops

## Intervention areas:

- Development of farmers' marketing societies
- Agro-business development
- Rural finance

# Introduction of new cash crops

- Demand driven approach failed in the first phase due to weak business environment
- Redesigned in second phase => focus on few value chains, e.g:
  - Sesame
  - Soybeans
  - Irish potatoes
  - Vegetables

# Introduction of new cash crops

Where to intervene? Where to start?

- Market demand => Market information
- Inputs => Seed supply and multiplication
- Knowledge => Extension and crop protection
- Capital => Financial services
- Collection system => Storage, access to market
- Market actors => Traders, processing industry, exporters

# Introduction of new cash crops

Priorities:

Small-scale farmers: Risk minimizers

Entrepreneurs: Profit optimizers

# Theme 2

## Farmer Associations' Financial Performance



# Farmer Associations' Performance

## Case: Support to Cooperatives in Nicaragua, Danida

**Rationale:** *Channelling support to small-scale farmers through their organisation reduces transaction costs*

**Objective:** *Producer organisations to become ordinary bank clients*

*Support:*

- Funds, administered by two regional private banks, and
- Business Development Support

# Farmer Associations' Performance

- “Multiple-purpose” coffee cooperatives providing:
  - Extension
  - Purchase and processing
  - Marketing/export
  - Input supply and financial services

# Farmer Associations' Performance

- **Business Development Support includes:**
  - Improved accounting systems and auditing
  - Management
  - Monitoring of results
  - Traditional training of board members and officials

# Farmer Associations' Performance

**Banks need to know about the client:**

- Governance of the cooperatives
- Management's understanding of the market
- Business strategies and planning
- Quality of operative manuals and MIS
- Profitability and cost-efficiency

# Farmer Associations' Performance

**WANTED**

A rating system for farmer organisations!

**\$1000  
CASH REWARD**

# Theme 3

The roles of the public and the  
private sectors

# Roles of the Public and Private Sectors

Case: WB and IADB loan to Guatemala for Rural Economic Development (USD 60 M)

## Dual Objectives:

- *Improve the competitiveness of productive rural supply chains, and*
- *Establish a territorial planning and management model*

# Roles of the Public and Private Sectors

## Component 1: Investments in Supply Chains:

- Links to market actors
- TA to producers and market actors
- Seed capital and bank loans, and
- Infrastructure investments



# Roles of the Public and Private Sectors

## Component 2: Strengthening territorial planning and management:

- Develop a model for Territorial Planning and Management
- Establish the institutional and operational basis for implementation

# Roles of the Public and Private Sectors

## Component 1

*Private actors under*

**MINECO**

- Farmer Organisations and federations
- Traders and Exporters
- Service Providers
- Banks/Financial Institutions

## Component 2

*Public actors under*

**SEGEPLAN**

Investment Funds:

- FONDETEL and
- FONDEPAZ
- Local and Regional Development committees

# Roles of the Public and Private Sectors

*Design weaknesses caused by assumptions that:*

- Bureaucracy and business processes are compatible
- Synergy between private and public actors can only be achieved through integration
- A public entity has capacity to lead business operations

# Roles of the Public and Private Sectors

## *Design weaknesses (cont'd)*

### Too many chiefs:

- Two donor institutions (WB and IADB)
- Two coordinating ministries (SEGEPLAN and MINECO)
- Two independent public sector actors (FONDEPAZ and FONDETEL)
- Regional and local development committees
- Private sector actors

# Roles of the Public and Private Sectors

*To conclude:*

The primary role of the public sector is to regulate and enable trade and business

The primary role of the private sector:

- To stay in business?

# The Trade SWAp in Cambodia

*Case: Support to the Private Sector in Cambodia*

# The Trade SWAp in Cambodia

*A number of policies and strategies have been adapted by government:*

- Poverty Reduction Strategy Paper
- National Strategic Development Plan
- SME Development Framework
- Cambodia National Export Strategy
- Strategy for Agriculture and Water

# The Trade SWAp in Cambodia

*A number of donors are providing Trade related assistance:*

- The European Commission
- The United Nations Development Programme
- United Nations Conference on Trade and Development
- United Nations Industrial Development Organisation
- Asian Development Bank
- Japan (JICA) and the Japan Bank for International Cooperation,
- World Bank Group – IFC and IDA
- United States Agency for International Development
- Bilateral assistance: France, Germany, and Australia



# The Trade SWAp in Cambodia

## *Weaknesses:*

- Resources from donors overlapping and uncoordinated
- No dialogue between stakeholders
- Each donor agency pursuing its own development agenda for Cambodia
- No uniform operating procedures
- No common message sent to investors
- No space for high level dialogue between ministries

# The Trade SWAp in Cambodia

*The Royal Government of Cambodia decided to introduce a Trade SWAp*

*Features:*

- Lead by Ministry of Commerce
- A common Trade Development Support Programme
- Harmonising national and international efforts
- Coordination between line Ministries, national trade actors, and donor agencies

# The Trade SWAp in Cambodia

## *Trade Development Support Programme:*

- *Pillar one:* Cross-cutting legal reforms to facilitate trade
- *Pillar two:* Value chain approach for 19 priority products with export potential
- *Pillar three:* Capacity building and training

# The Trade SWAp in Cambodia

It is a simple form of SWAp for harmonising national actors and donor agencies under

- A Common programme
- A Memorandum of Understanding

Flexible attitude to financial administration

Most donor agencies maintain their project financing,  
but four donors have a common Fund