



## Agribusiness and Development

Poverty reduction remains a principal goal of German development co-operation after the federal elections in September. In its action programme 2015, BMZ, the responsible German Ministry, advances ten approaches aimed at halving extreme poverty by 2015. First in this list is the participation of poor people in productive activities, the self-organisation of farmers and access to export markets following next in priority. Market integration and commercial success is seen as a key to poverty alleviation.

As 70% of the World's poor still live in rural areas, the focus is certainly on agro-based business opportunities. Poverty reduction strategies need to tap the growth potential of agribusiness beyond the farm gate - from the provision of farm inputs to the food sector and the agricultural processing industry at large and use it for the benefit of the rural poor. This is not an easy task, however. If development planners fail to choose the right partners and commodities, they can easily miss the chance to foster sustainable development. Commercial activities always need to be balanced with social and ecological values – the central theme of the lead article on “agribusiness and development”.

Why is agribusiness an issue in the agriservice forum? We think, that the connection between agribusiness and service provision is obvious: The increasing differentiation of product markets clearly calls for new types of services, an advanced technology supply, better marketing and quality certification. Institutional arrangements have to be created enabling

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participation. In short, success in agribusiness can hardly be thought of without an investment in service provision.

There is also another consideration that makes agribusiness attractive for us - the linkage of agribusiness and knowledge needs. It may seem less obvious at first sight, but besides the greater demand on technical and managerial skills, social learning is crucial for empowering poverty groups to defend themselves in the business arena. In fact, agribusiness is among the most important application areas of knowledge. New knowledge is worth as much as it enables people to earn their livelihood. Agribusiness as a part of the knowledge cycle is the topic in the article on "the role of knowledge and information in commercial agriculture".

This edition has a record-breaking size, which also confirms the general interest in the subject. We would like to express our deep-felt gratitude to the many contributors. It is to their credit, that "services for rural development" remains a lively forum of exchange.

*The Editors*



## **Shortcuts & Messages**

*News, Questions & Answers Concerning Service Provision in Rural Development*

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### **News of the sector project**

#### **Cooperation with ECORAE in Ecuador**

The sector project "Knowledge Systems in Rural Areas" and the GTZ-INIAP-project (Estrategias de Investigacion Agropecuaria) have concluded an agreement with ECORAE (Instituto para el Ecodesarrollo Regional Amazónico). ECORAE is a national NGO working on the eco-development of the Amazonian region in Ecuador. The strategy of ECORAE consists in institutional cooperation to strengthen the Amazonian municipal administration. The cooperation with our sector project will emphasize on the creation and promotion of production chains and the formation of networks between the public and private actors in the region to optimize the access of knowledge exchange.

#### **Qualification in rural areas**

A working group on qualification in rural areas was formed between the GTZ divisions 41 (Economy and Employment Promotion), 43 (Health, Education, Nutrition, Emergency Assistance) and 45 (Rural Development), as well as external resources.

Rural populations are outnumbering urban populations and they are likely to outnumber them for the next 20 years.

Poverty is largely rural. Knowledge and individual competences allow people in rural areas to secure their livelihoods. Qualification is understood as an increase in lasting and relevant personal options for improving the livelihoods of individuals or

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groups and as a determining factor for labour productivity.

The objective of the working group is to provide concepts for rural qualification that can be integrated in programmes of rural economic development and that contribute significantly to improve (self-) employment. The results of the working group will be available through the website of the alliance.

### **Bahati – LISSA Farmers Association, Kenya**

The sector project "Knowledge Systems in Rural Areas" will cooperate with Bahati Lissa Farmers Association to achieve hygienic meat processing and production which add value to meat production in response to market demand. The group has established a slaughterhouse. The cooperation will focus on product diversification and skill development. (See also the article page 52).

### **Past Events**

#### **Workshop on Funding Mechanisms for Agricultural Services in Africa August 19-23, Nairobi, Kenya**

The SNRD (Sector Network Rural Development in Sub-Saharan Africa) workgroup on "Innovation and Extension Systems had decided during its steering group meeting in Kampala, Uganda, in February to organise a workshop on the topic of funding mechanisms, especially for African practitioners. The event was initiated by the very positive reactions of the participants on the a three day workshop on the issue of funding rural services last December in Feldafing, Germany, organised by the sector project "Knowledge Systems in Rural Areas" (KSIRA) and DSE (German Foundation for Development (see Newsletter Issue No. 7).

The workshop facilitated peer exchange of advisors and counterparts on the sustainable funding of extension and related

services and provided an overview of the range of funding options taking in account that in many developing nations, public funding for agricultural research, extension and other services is getting scarcer than ever. More and more advisors and their partner institutions are faced with the challenge of engaging in new funding mechanisms with the need to raise money independent of conventional budget allocations.

One of the workshop's most important outcomes: All participants have planned activities which they want to implement in their countries.

### **Forthcoming events**

#### **The International Dimension of the European Research Area. A regional approach**

From 11-13 November the European Commission will hold a major conference to mark the launch of the EU's Sixth Framework Programme for Research, which will cover the period from 2002 to 2006. The event takes place in Brussels. The final programme can be downloaded from the International Co-operation website: [www.europa.eu.int/comm/research/inco/](http://www.europa.eu.int/comm/research/inco/)

#### **International Conference: Responding to the Increasing Global Demand for Animal Products**

The conference will be held from November 12-15, 2002 in Merida, Mexico and is a joint effort by the British Society of Animal Science, the American Society of Animal Science, the Mexican Society of Animal Production and of course the host institution - The University of Yucatan. Up-to-date information including costs can be found at [www.bsas.org.uk](http://www.bsas.org.uk). Contact Person: Mike Steel: [bsas@sac.ac.uk](mailto:bsas@sac.ac.uk)

**Fostering Rural Economic Development through agriculture based enterprises and services**

GTZ, World Bank, IFAD, CTA and DFID are preparing the workshop on the non-farm rural economy that will be held on November 20-22 in Berlin. The workshop aims to explore the promotion of non-farm income generation and rural livelihood diversification through activities that are linked to agricultural production. Based on available country-level experiences, intervention priorities for various stakeholders in the framework of poverty reduction strategies shall be identified.

Please contact Dr. Rainer Neidhardt from GTZ: [rainer.neidhardt@gtz.de](mailto:rainer.neidhardt@gtz.de). For more information and registration take a look at GTZ website <http://www.gtz.de/agro-based-development/>

**Fostering Rural Economic Development through agriculture based enterprises and services**

Poverty in developing countries is primarily a rural phenomenon. GTZ, DFID, IFAD and the World Bank will between 20 and 22 November in Berlin explore the role of fostering Rural Economic Development through agriculture based enterprises and services. Further details: [www.gtz.de/agro-based-development/](http://www.gtz.de/agro-based-development/)

**Sustainable Utilisation and Management of Land and Water resources – Mekong Delta, Vietnam**

The Sub-National Institute for Agricultural Planning and Projection, Ho Chi Minh City, Vietnam and the Department of Geography of the University Mainz, Germany are organising from December 17-19 in Ho Chi Minh City the seminar to evaluate and to assess the conditions of geo-ecological and socio-economic conditions in the Mekong Delta aiming also to investigate the sustainable utilisation, management and development of the land and water

resources of the Mekong Delta. Further information you can find on the website [www.geo.uni-mainz.de/mekongdelta/](http://www.geo.uni-mainz.de/mekongdelta/) For registration please contact [physische.geographie@geo.uni-mainz.de](mailto:physische.geographie@geo.uni-mainz.de) or [magsud@2-med.klinik.uni-mainz.de](mailto:magsud@2-med.klinik.uni-mainz.de)

**2nd International Conference on Sustainable Agriculture, Water Resources Development and Earth Care Policies**

The Bhoovigyan Vikas Foundation organizes the Conference from December 18-20, 2002 in New Delhi, India. Information is available on the website: [www.bhoovikas.nic.in](http://www.bhoovikas.nic.in)

**Production Chains for Rural Development and the Sustainable Use of Bio-Diversity**

From March 17-21, 2003 GTZ and BFN (Federal German Agency for Conservation of Nature) will organize the workshop on production chains in Granada, Nicaragua. The concept of production chains is one strategy to cope with local economic development and bio-diversity conservation. The workshop will review cases of products in Latin America and promote exchange among the various countries and projects in the region.

For more information please take a look at our website: [www.gtz.de/agriservice](http://www.gtz.de/agriservice)

**Conference on Global Food Security and the Role of Sustainable Fertilization**

The International Fertilizer Industry Association (IFA) and the Food and Agriculture Organization of the United Nations (FAO) will host the conference from March 26-28, 2003 in Rome, Italy. The high-level symposium will explore how the responsible use of fertilizers can best contribute to achieving global food security within the framework of sustainable

agriculture and rural development. Registration will begin in late November 2002. Information updates will be posted on the IFA web site [www.fertilizer.org](http://www.fertilizer.org) as they become available.

#### **Generating benefits through the conservation and sustainable use of animal genetic Resources in the SAD region**

The workshop will contribute to the understanding of legal aspects relevant to farm animal genetic resources management. It will discuss the need to develop a legal framework for access and benefit sharing for farm animal genetic resources at the national and international level and work out recommendations to policy makers, NGOs and other relevant actors of the SADC region. It will take place in the first quarter in 2003 in the SADC region.

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#### **Dryland agriculture in Sub-Saharan Africa (WCT)**

The symposium and workshop scheduled for April 8-11, 2003 in Bloemfontein, South Africa, is organised by the International Water Management Institute (IWMI), the Water Research Commission of South Africa (WRC), South Africa's National Department of Agriculture (NDA) and the ARC-Institute for Soil, Climate and Water (ISCW). Contact persons are Mara de Vielliers and Adri Laas in Pretoria, South Africa:  
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#### **First International Conference on Food Systems**

The Conference will be organised by the College of Food Systems, United Arab Emirate University on April 20-22, 2003 at Al-Ain City, United Arab Emirates. Information is available on the website [www.cfs.uaeu.ac/conferences/foodsyst/ficis.htm](http://www.cfs.uaeu.ac/conferences/foodsyst/ficis.htm). Contact: Prof. Ahmed Al-Badawy: [foodsyst.conf@uaeu.ac.ae](mailto:foodsyst.conf@uaeu.ac.ae)



## **Agribusiness and development Promoting sustainable agriculture through agribusiness**

### **1. The case for small-scale agribusiness**

Smallholder agriculture in the developing world is caught in a trap. Trade liberalisation brings agricultural prices down and places many small-scale producers at a disadvantage as they are often unable to compete on the world markets for basic grains and other major agricultural commodities. In most cases, the traditional cropping patterns and marketing channels cannot provide for more than a most rudimentary livelihood. At the same time, public support for extension services is declining. The reduced coverage deprives many smallholders of the access to technology, information and organisational support.

In an era of liberalisation and scarce public funds there are few other political options to break the deadlock of smallholder agriculture than private investment in agro-based commercial enterprises. The private sector is needed to buy from small farmers and provide the necessary inputs. This is also true for agricultural extension and other support services which will remain unavailable unless commercial activities generate the financial basis - either through direct payment by rural service customers or, indirectly, through greater public income from taxes or levies. The recent debate on agricultural development therefore shows a renewed interest in commercial agriculture and assigns great importance to the role of the private sector (individual firms or

farmers associations) for agricultural growth. Small-scale producers have a competitive advantage in labour-intensive types of production systems. Their growth potential is rather in value adding enterprises, in diversified niche markets and in high-value agricultural products. The focus of attention thus increasingly turns to processing and marketing activities, and the services needed to improve quality and gain access to export markets. In such a setting, primary agricultural production necessarily has to be complemented by off-farm investment.

All this points to agribusiness as the new strategic focus. Agribusiness is a comprehensive concept that concentrates on the backward and forward linkages of primary production (that is production stages supplying to and buying from farmers) creating an agro-based rural economy. It involves an increasing specialization and division of labour among farmers and entrepreneurs in the agricultural sector, paralleled by a greater integration and concentration of enterprises along the production chain. At the extreme, agribusiness means contract agriculture and goes as far as to a vertical integration of all production stages under the leadership of big businesses operating on a global scale.

#### **Agribusiness – A Definition:**

*Agribusiness includes all market and business-oriented entities involved in the production, storage, processing and distribution of agro-based products, in the supply of production inputs and the provision of the related information, financial, technological and quality control services.*

### **2. Balancing public concerns with private interests**

In the development debate, the term "agribusiness" traditionally evokes rather negative connotations. A number of authors have observed negative social and ecological consequences of the rise in

agribusiness, especially in Latin America (see Ernest Feder's prominent book "Strawberry Imperialism", The Hague 1977). In essence, the argument is that agribusiness firms tend to discriminate against small producers, exploit cheap farm labour or drive farmers out of business, and often use imported standard technology at the expense of local varieties and ecological stability. Benefits tend to be concentrated in the hands of a few wealthy investors, while the risks of sometimes highly volatile markets remain with smallholders (see Lori Ann Thrupp, Gilles Bergeron and William F. Waters: "Bittersweet Harvests for Global Supermarkets: Challenges in Latin America's Agricultural Export Boom". World Resources Institute, 1995).

Agribusiness promotion thus is not without risks. Not all products, business models and technologies are acceptable from the point of view of sustainable development. The challenge for development cooperation is to establish an agribusiness strategy that ensures participation of small farms and firms in the food sector, with a view to alleviate poverty and preserving natural resources. As a principle, public money should only be invested where the pursuit of private profit also yields a development benefit. Development policy has to seek opportunities in which the concern for development coincides with private interests, and both ends are served. We can distinguish the following situations in which this may be the case:

- **Responding to the challenges of globalization**

Trade liberalisation offers opportunities for utilising the potential of high-value food markets. "Non-traditional" agricultural products, such as organic tropical food and exotic products promise a good export potential for investors. A development benefit can be expected in the growth and income generated (the positive economic "externalities") if small-scale producers are enabled to participate in the emerging high-value market chains. Pursuing such

opportunities also has the task to protect the economic competitiveness of small commercial farmers whose market access is increasingly being determined by phytosanitary standards imposed by importers and who have to face sharp price declines as in the case of the coffee market. Public investment supporting the shift to alternative products is clearly justified to mitigate the negative consequences of liberalisation and price decline.

- **Capitalizing on opportunities for local economic growth**

Smallholders are likely to benefit from local market development as well. Even in low-income countries, the demand for quality food is on the rise. Economic development leads to the modernisation of food production and marketing systems (e.g. through urban supermarkets) with higher demands on quality control, grading and packaging. Comparing the situation in many urban centres of the South to the food systems in Europe, it becomes clear how great the development potential is. Smallholders have a real chance to occupy niche markets or find jobs in the related industries. Another desired effect of agribusiness is the increase in domestic market supply.

- **Taking advantage of the evolving ethical trade and business**

Fair trade principles and organic production are gaining ground in the U.S. and European markets. Consumers are critical of food quality and more and more interested in the origin and the conditions under which agricultural production takes place. Increasingly, the food industry accepts their corporate responsibility and responds by committing itself to ethical guidelines. Many of the values refer to sustainable development, including

- food safety and quality,
- social responsibility for workers and local people
- sustainable agriculture and responsibility for the environment,

- contribution to sustainable development and consumer protection

Development planners should take businesses at their word. Already the critical attention to current business behaviour helps to promote the idea. Through public private partnerships, governments can motivate business firms to put their ethical standards into practice and can farmers benefit from the business link.

In all situations, the development success is in the number of smallholders who are finally included in the agribusiness relations. The crucial indicator is the inclusiveness of agribusiness, the balance of livelihoods created or preserved. The literature on the effect of agribusiness is ambiguous in this respect. It appears to be inevitable that the development is inequitable. Only limited numbers of farmers will benefit directly from participating in the commercial venture. However, secondary economic effects can also be expected, especially in the creation of additional employment for labourers. Agribusiness promotion can thus be a direct as well as an indirect strategy of partial poverty alleviation.

### **3. Identifying development potentials of agribusiness – Criteria**

To maximise the development benefit from activities promoting agribusiness, careful analysis is required. The desired development impact can only be achieved if the strategy considers the many critical factors impeding the participation of smallholders in agribusiness.

This section summarises the most critical considerations in developing an agribusiness promotion strategy. Detailed analyses of the issues can be found in numerous documents that are available on the internet, especially from USAID, which has supported many projects in this field (e.g. “Innovative Approaches to Agrobusiness Development in Sub-Saharan Africa”, see <http://www.afr->

[sd.org/publications/82vol5.pdf](http://sd.org/publications/82vol5.pdf)). An interesting “guide to developing agricultural markets & agro-enterprises”, edited by Daniele Giovanucci, can also be found on the net: ([http://wbln0018.worldbank.org/essd/essd.nsf/Agroenterprise/agro\\_guide](http://wbln0018.worldbank.org/essd/essd.nsf/Agroenterprise/agro_guide))

The first consideration in agribusiness analysis is the market potential for a particular product. This is the pivotal criterion determining whether an investment in a commodity is economically justified or not, and what kind of development benefits may be gained. Any such analysis has to take a commodity perspective, i.e. focus on the particular commodity in question and the respective agrifood chain. In the analysis of economic potentials, the agrifood chain is a key analytical concept (for definitions, see box, Page 6).

Chain analysis also provides the framework for the second point, the provision of public good and services. Here, a wide range of problems needs to be looked at, blocking the investment in agricultural products. Many of the issues extend beyond individual agrifood chains.

#### **3.1 Recognising the potential: Products and markets**

Any strategy seeking a sustainable development impact has to build on a real growth potential enabling people to generate at least part of the funds to pay for the necessary services. Without this basic condition being fulfilled, services benefiting poor farmers can not be maintained and support programmes will collapse sooner or later.

The problem is to identify a promising new potential. After all, the only way of proving the existence of a market potential is by trying and realising it. Therefore, we can only give general criteria and guidelines for product diversification:

- *Utilize the comparative advantages of smallholders:* Generally speaking, the

comparative advantage of smallholders is rather in niche products that serve small markets and are less competitive than the major commodity markets. Cases are spices or organic tropical products such as organic coffee. Secondly, rural poverty groups maintain an edge in products requiring additional labor close to where the raw product originates, e.g. for harvesting, grading, processing and packaging. Typical items include dry fruits, cut flowers, honey, silk, or meat and dairy products.

Based on this first criterion, the search for potentials may use any of the following strategies:

- *Target the fair trade and organic markets:* The fair trade market is the most obvious outlet for small producers, trade fairness and development benefits being sales arguments for critical consumers in rich countries. To a lesser extent, the same applies to the organic market selling the idea of sustainable development.. Increasingly, international traders set up special product lines along these lines (also see the article on the "Corporate responsibility of agribusiness for sustainable development" in this issue.

- *Promote product differentiation within established markets:* Rather than establishing new products in a tough food market, strategies should first look for product differentiation in already established markets, such as organic variants of coffee, cocoa or bananas.

- *Add value:* Another strategy that builds on existing market links is to explore the possibilities for adding value through cottage industries. This includes the development of non-traditional products from conventional raw materials such as, e.g., coconuts. A potential also is in the transport, packaging and marketing services related to agriculture.

- *Screen innovative local products:* Smallholders sometimes have a natural lead

in local specialties, being the only ones knowing about a marketable natural substance or interesting new plant. Examples are ornamental leaves, ethnic foods, oils and essences for cosmetic uses, non-synthetic pesticides or chemicals (e.g. neem tree products) and exotic plants and fruits. An rather special, yet commercially promising case is the tropical tree fruit Borojó which has a reputation of increasing human libido.

- *Domesticate and regularly produce marketable wild species:* Shifting from collecting and hunting to breeding not only avoids ecological damage but also creates jobs. The domestication of the West African grass cutter (Thryonomis) provides an excellent case of an emerging industry with breeders and craftsmen making cages. Crocodiles, butterflies and, in future, seahorses all have a potential

- *Target local high-value market segments:* The retailing structure changes, especially in Latin America and Asia with increasing numbers of supermarkets and hotels offering new outlets for high-value local fresh products.

Each product suggested for agribusiness development should not only be commercially viable but also offer prospects for meeting poverty alleviation and environmental objectives. Agribusiness strategies need to support those products which provide an additional social and/or ecological benefit. Organic agriculture markets and trade in environmentally and socially responsible products hence are preferred partners. Fortunately, the comparative advantage criterion quoted above appears to partially coincide with development goals.

Probably, public agencies are not best placed to identify and develop the business opportunities, private firms normally having a better feel for markets. However, they can assist in market surveys, (see <http://www.fintrac.com/gain/>). Sector

information on individual crops can be found on the internet, e.g. on fruits and vegetables (<http://www.pfid.msu.edu>). A list of such links can be found further ahead in this issue (page 65).

### 3.2 Removing constraints: Public good issues in agribusiness

In spite of existing market potentials, rural smallholders experience many constraints impeding their progress. The persistence of the rural poverty problem indicates deep-seated structural problems and market failure that are at the root of economic stagnation. Agribusiness will not move ahead, or at least not generate any development benefit, unless the most obstructive public problems are tackled.

The range of typical problems found in low-income countries is large:

- Overall, public infrastructure in many rural areas is poor, posing great difficulties for transport and post-harvest handling.
- The institutional set-up and organisation of markets is insufficient, leading to high transaction costs for small producers and unfair trade practices.
- Economic regulations are often burdensome for entrepreneurs and may include abusive practices.
- Lack of technology, market information and business knowledge

The shortcomings in the supply of the indispensable public goods (institutions, information and infrastructure) are aggravated by the conditions of poverty under which small-sized farms and entrepreneurs operate: They are significantly disadvantaged in competition because of their lack of capital, insecure tenure status and hence lack of collaterals for obtaining loans, and the resulting difficulty in procuring essential inputs and services.

Besides these general problems, each sector poses specific collective good issues. The following criteria focus on three important concerns that any strategy for agribusiness development in the interest of smallholders needs to address. They are of great relevance in the work of development agencies, including GTZ.

- *Knowledge: Availability of technology, information, extension and training.* Developing an agribusiness potential always requires new knowledge: First, all organic and speciality products involve the use of relatively knowledge-intensive technology and the respect for quality standards and grades. At the same time, high-value products regularly imply close co-ordination with others operating in the sector, and hence a more intensive information exchange with customers and partners. Finally, entrepreneurs need to observe the evolution of market demand and prices. In any case, the information needs to be widely available. These requirements are hardly met, especially in African countries.
- *Agribusiness* places high entry barriers on farmers in terms of capital requirements and qualification that are difficult to overcome for individuals. Small-scale producers are unable to reach the appropriate scale of operations on their own. This applies to bulk investments, the regular delivery of the quality and quantity of produce needed as well as the control of transaction costs.

- *Trade policy and governance:* A third topic, every agribusiness strategy has to face, is the regulatory framework of food production. Export hinges on the compliance with the global regulation of agricultural trade according to the WTO protocol and related agreements, e.g. food safety standards. The specialised markets that are of particular interest to smallholders are regulated by quality standards for organic food. Yet, in many countries the

capacity to deal with these requirements at the national level is still insufficient.

All these issues are key factors determining the success of an agribusiness strategy for the benefit of small producers. They indicate implicit market failures that need to be addressed by a joint effort of governments and international assistance agencies.

#### **4. Addressing the constraints and utilising the potential**

German development cooperation aims at sustainable agriculture that provides smallholders with new income and employment opportunities. Commercial agriculture is a possibility to achieve this goal, but the analysis shows no single strategy to link smallholders to agribusiness. There are as many useful contributions to progress as there are deficiencies in the supply of public goods. Provided, the allows to derive some principles for agribusiness promotion, development planners should adhere to.

##### **4.1 Some Principles**

- *Start at the market end:* Any approach to promote agribusiness needs to build on an existing market or at least an identified potential outlet. Here, the private sector plays the decisive role, while development cooperation can only support market analyses and provide information.

- *Concentrate on public functions:* The principal means of development agencies to achieve the objective is to provide or strengthen public services. These include the improvement of capacities for support services such as training, extension advice, technology and information supply, and the strengthening of producer associations and professional organisations. Regulatory services, i.e. the introduction and application of norms for ecologically sound production can improve the conditions under which farmers work and may improve their competitive stance.

- *Partnerships:* No public agency can develop agribusiness on its own. Development needs partnerships, between different actors in the agrifood sector and between public agencies and private firms.

- *Target the agrifood chain as a whole:* In any case, the analysis of agrifood chains provides the conceptual framework. It is only by tracing the whole chain linking producers and markets that the specific constraints and potentials of a commodity become obvious, and that stakeholders can be identified. Measures for agribusiness support can only be successful when the functioning of the chain is kept in view.

##### **4.2 Action areas of GTZ**

GTZ has been supporting commercial agriculture all along, though not necessarily under the "agribusiness" heading. In the past three years, the rural development division of GTZ has made efforts to systematize the action areas of GTZ in this field (see the report on the International Symposium "Linking farmers to markets" to be found on the internet under [http://www.fao.org/inpho/VLIBRARY/move\\_rep/x5696e/x5696e00.pdf](http://www.fao.org/inpho/VLIBRARY/move_rep/x5696e/x5696e00.pdf)). Intensive work on effective approaches and instruments is currently being invested by the GTZ sector projects on "Knowledge systems in rural areas" on "improving the quality of agricultural produce" and on the development of "organic agriculture" (see below). Following the principle to derive support measures from the analysis of agrifood chains, we can distinguish interventions to improve the efficiency of agri-food systems as a whole from the support to individual stages and components of the agrifood-chain.

- *Advice on the design and the introduction of regulatory frameworks:* This includes to adapt the international agreements into national legislation (e.g. WTO Agreement on Agriculture (AoA), Agreement on the Application of Sanitary and Phytosanitary Measures (SPS) and Codex Alimentarius), to strengthen the negotiation position of

countries and to give advice on agricultural policies. (see the website of the project on international agricultural trade (<http://www.gtz.de/agrarhandel/>, in German).

- *Support for product quality improvement:* GTZ supports the introduction of quality control and certification systems to achieve and protect competitiveness of agricultural producers. to introduce ecological and fair trade standards and the respective certification systems (e.g. eco-labelling See the work of the sector project on food quality <http://www.gtz.de/foodquality/english/index.html>. GTZ also maintains an "Office for Social and Ecological Standards" (<http://www.gtz.de/social-ecological-standards/english/index.html>) providing the technical and organisational know-how.

- *Capacity-building for public support services:* This implies a series of activities to advance reforms in extension, training and research to serve the qualification and information needs of rural people. (see the website [www.gtz.de/agriservice/](http://www.gtz.de/agriservice/)). The knowledge issues in commercial agriculture are given particular consideration in a separate article, below.

- *Support to the cooperation of producers:* In order to overcome the entry barriers into the market, small farmers are forced to cooperate in production and marketing. GTZ supports a number of projects in which farmers voluntarily cooperate in producer associations, e.g. in Eastern Europe and in North Africa.

- *Management of market channels and co-operation in the food chain:* Capital investment and the management of entire agrifood chains are typical tasks of private firms or producer organisations. Public agencies such as GTZ can and should only come in connecting people and providing initial support to starting off a new venture. This includes the support to contract farming, in the public interest (see the FAO experience. This includes the support to

contract farming, in the public interest (see the FAO experience <http://www.fao.org/ag/magazine/0107sp.htm>

- *Public-private partnerships (PPP):* Public support in terms of training, technical advice and social organisation can mobilise private capital and know-how for the benefit of small farmers. This has been shown in around 50 (of a total of 150) PPP projects that have invested in agribusiness development, mainly in high value products such as coffee, tea, cocoa, spices, flowers and fruits. PPP promises a great future, as international businesses increasingly commit themselves to ethical standards (for the principles of PPP, see <http://www.gtz.de/ppp/english/>)

As can be seen from the list, developing agribusiness with development in mind, can take quite diverse approaches. In a sense, the reference to private agribusiness just adds another dimension to the idea of sustainable agricultural development, transforming it into a socially and ecologically responsible agribusiness development.

*Andreas Springer-Heinze*

Country / Project Title	Type of commodity and Markets	Stage(s) of the commodity chain at which the project intervenes	Project strategy and types of intervention	Public and private partners of GTZ	Type of development Impact intended
	<p>0 Name of commodity</p> <p>1 internal markets</p> <p>2 export markets</p> <p>3 other</p>	<p>1 pre-production services</p> <p>2 input supply</p> <p>3 primary agricultural production,</p> <p>4 processing,</p> <p>5 marketing,</p> <p>7 quality control</p> <p>8 other</p>	<p>1 technical assistance , infrastructure and investment goods</p> <p>2 support of services and service capacity including privatization</p> <p>3 Support of producer organisations</p> <p>4 introduction of quality control/certification system</p> <p>5 research and technology</p> <p>6 training / advice</p> <p>7 information (markets, sector data, legal frame etc.)</p> <p>8 brokerage, networking, coordination, contracting</p> <p>9 Management of PPP</p> <p>10 Policy advice</p> <p>11 other</p>	<p>1 International private companies</p> <p>2 Local companies</p> <p>3 Farmers and producer groups</p> <p>4 Farmer organisations / cooperatives</p> <p>5 Chambers, boards and other sector organisations</p> <p>6 NGOs and projects</p> <p>7 Public administration (at local, regional or national level)</p> <p>8 other</p>	<p>1 impact on employment</p> <p>2 poverty reduction, income increases for smallholders and poverty groups</p> <p>3 sustainable use of local natural resources</p> <p>4 protection of soil and water</p> <p>5 other</p>
Azerbaijan / Private Sector Development	<p>0 Cotton / Textile, Silk, Fruits / Vegetables / canning, Tea, Tobacco</p> <p>1 internal markets</p> <p>2 export markets</p>	<p>4 processing,</p> <p>5 marketing,</p> <p>7 quality control</p>	<p>2 support of services and service capacity including privatization</p> <p>7 information (markets, sector data, legal frame etc.)</p> <p>10 Policy advice</p>	<p>2 Local companies</p> <p>7 Public administration (at local, regional or national level)</p>	<p>1 impact on employment</p> <p>5 economic growth</p>
Kirgystan / Support for Selfhelp Organisations	<p>0 Cotton, Silk, Cashmere</p> <p>2 export markets</p>	<p>2 input supply</p> <p>3 primary agricultural production,</p> <p>4 processing,</p> <p>5 marketing,</p> <p>7 quality control</p>	<p>2 support of services and service capacity including privatization</p> <p>3 Support of producer organisations</p> <p>6 training / advice</p> <p>7 information (markets, sector data, legal frame etc.)</p>	<p>2 Local companies</p> <p>3 Farmers and producer groups</p> <p>4 Farmer organisations / cooperatives</p> <p>6 NGOs and projects</p>	<p>1 impact on employment</p> <p>2 poverty reduction, income increases for smallholders and poverty groups</p>
Central Asia Regional Seed Programme	<p>0 Cereals</p> <p>1 internal markets</p> <p>2 export markets</p>	<p>1 pre-production services</p>	<p>2 support of services and service capacity including privatization</p> <p>3 Support of producer organisations</p> <p>4 introduction of quality /certification system</p>	<p>2 Local companies</p> <p>3 Farmers and producer groups</p>	<p>1 impact on employment</p> <p>2 poverty reduction, income increases for smallholders and poverty groups</p> <p>5 economic growth</p>

Country / Project Title	Type of commodity and Markets	Stage(s) of the commodity chain at which the project intervenes	Project strategy and types of intervention	Public and private partners of GTZ	Type of development Impact intended
			5 research and technology 6 training / advice		
Ivory Coast/ Support to Farmers to Produce Quality Cocoa	0. Cocoa 2 export markets	On-going project since 1999	1.Product quality and trade; 3. organization of quality production 7.setting up of parallel marketing channels	1. Chocolate company Mars 3.small-scale farmers	3.Implementation of environmental friendly production systems, 5.Setting up parallel marketing channels 5.Maintain the supply of quality cocoa
Peru/ Improvement of Coffee Quality	0. Coffee 2 export markets	On-going project since 2000	1.Product quality and trade; 4. Introduction and management of a quality certification system managed by Cámara Peruana de Café, 4. Setting up of quality control system, 6. Advice to small farmers in meeting rising quality requirements	1.Food Company Kraft, Jacobs, Suchard 3. Small-scale farmers 5. Cámara Peruana de Café	2.High quality standards of Peruvian coffee out of small-scale production system to reach Columbian quality level
Jordan/ Integrated Pest Management in Horticultural Crops	0.Biological pest control vectors 1 internal markets	On-going project since 1996	1. Product quality and trade; 3. Introduction of biological pest control vectors in greenhouses 7. Setting up of parallel marketing channels 8. Formation of producer association	3.IPM-horticultural farms 7. Ministry of Agriculture	3. A significant reduction of residuals in fresh fruits and vegetables
Macedonia/ Support to the Modernization of Macedonian Agriculture	0. Selected agricultural commodities 1 internal markets	On-going project since 2000	1. Product quality and trade 2. Promotion of new agricultural products destined to EU markets 4. Introduction of quality management for selected agricultural commodities 8. Partnerships between EU/German and Macedonian associations 8. Information exchange	3. Producer associations in Macedonia and Germany/Europe 7. Ministry of Agriculture 7. Ministry of Trade	21.Speedy adjustment of the agricultural sector and integration into regional markets 2. The entire agricultural sector is involved in a modernization adjustment process towards more effective market integration through supply of market conform products
Mali/ Production and marketing of Dried Mangos out of Bio-production	On-going project	0. Mango 2. export markets	1. Product quality and trade 1. Introduction of harvesting, drying and preserving technologies	1.Import Company "Mister Mango-Südfrucht" 3.Producer/villager groups	2.Setting up of parallel marketing channels 3.Access to clean, non-perishable products with a low level of residuals 5.Organization of quality production
Tanzania/ Production and marketing of Bio-cotton	On-going project since 2000	0. Bio-cotton 2. export markets	1. Product quality and trade 2. Support in setting up local processing facilities	1. Cotton Processor Unionmatex Germany	2.Production of bio-cotton at competitive world market prices

Country / Project Title	Type of commodity and Markets	Stage(s) of the commodity chain at which the project Intervenes	Project strategy and types of intervention	Public and private partners of GTZ	Type of development Impact intended
			3.Organizing farmers' groups 4. Certification of cotton fields 6. Training of farmers 7.Setting up of a private extension service	3. Approx. 200-300 traditional cotton farmers	2. Diversification of traditional cotton production in Tanzania 5. Improvement of export performance
Malawi/ Promotion of Horticulture	On-going project since 1997	0. Horticultural products Tobacco 1. internal markets 2. export markets	1. Introduction of new production technologies 2. Management of services in rural areas 3. Support of self-help marketing groups 7. Provision of market information services 7. Opening of new marketing channels	3. Small-scale farmers 4. Exporters association 5. Horticultural Support Board 5. Export Promotion Board 5. Municipal market authorities 7.Ministry of Agriculture	2.Increase of rural income out of horticultural business activities 5. Diversification of Malawi's agricultural sector based on tobacco
Albania/ Promotion of private Initiatives in Rural Areas	On-going project since 2000	0. Agricultural products 1. internal markets	2. Management of services in rural areas 2. Support of income generation 3. Strengthening private service providers 6. Advising agro-industries 11. Activities for women and youth	2. Rural agro-based processing companies 8. Private service providers 8. Self-help organizations	1. Creation of non-farm job opportunities and participation in the formulation of rural development policies 2. Improvement of living conditions in rural areas to reduce migration of rural population
Bulgaria/ Support to the Food Processing Industry	On-going project	0. Food 1. internal markets	1. Capacity assessment of a substantial number of companies 2. Management of services in rural areas 2. Provision of intensive advisory services 6. Training of national advisors/consultants 8. Setting up a network of service providers 8. Development of a strategy for the entire food processing sector	2. Approx. 25 food processing companies 8. National consultants 8. Network of national service providers	5. Improvement of the competitiveness of the food processing sector
Tanzania/ Provision of Agricultural Machinery Services	On-going project	0. Agricultural machinery 1. internal markets	2. Management of services in rural areas 2.Setting up of a formerly government-owned private machinery service centre	1. German machinery suppliers 2.Tanzania farmers' service centre in Arusha	5. Sale of agricultural machinery services to commercial farmers in the Arusha area 5. Replacement of former governmental and farmers' union services

Country / Project Title	Type of commodity and Markets	Stage(s) of the commodity chain at which the project intervenes	Project strategy and types of intervention	Public and private partners of GTZ	Type of development Impact intended
Romania/ Management Support for Market Infrastructure	On-going project since 1995	0. Horticultural products 1. internal markets	1. Development and management of newly constructed market infrastructure 1. Support in setting up new infrastructure 2. Support to marketing associations to manage producers markets	2. Private wholesale market management companies 4. Producer associations	5. Creation of a new market system for horticultural products in a reform country 5. Managed infrastructure should provide the required incentive for the wholesale trade
China/ Setting up and Managing a Pilot-controlled Atmosphere Storage Facility for Apples and Vegetables		0. Apples and vegetables 1. internal markets 2. export markets	1. Construction of cold store facilities 1. Organize marketing of produce 3. Formation of farmers' groups to manage facilities	1. Manufacturer of cold store equipment Henzler 3. Farmer groups in the province of Shandong	2. All-year-round marketing of fruits and vegetables out of small-scale production 5. Opening new markets in China
Turkey/ Quality Improvement of Dried Fruits	Project completed in 1999	0. Apricot, Fig, Raisin, Hazelnut 2. export markets	1. Introduction of new drying technologies and procedures avoiding residual hazards 2. Management of vertical product chains 4. Defining and introducing a quality assurance system from farmer level to import side 8. Opening new marketing channels	1.Importers of dried fruit and nuts 3. Selected farmers About 20 medium-sized, export-oriented processors and packers of dried fruit 4. Exporters association	2. Improving the quality of fruits during drying, storing and marketing to avoid dumping of low-priced inferior qualities 3. Establishment of "clean" products as a new brand in the market, quality improvement efforts are paid through higher prices
Sri Lanka/ Production and Marketing of Bio-products	On-going project since 1999	0. Tropical bio-products 2. export markets	2. Management of vertical product chains 3. Setting up of producers groups 4. Certification of production according to EU-bio-standards Organization of production supported by importers' know-how	1. Rapunzel company 2. National buying agents 3.Farmers' groups	2. Creation of a new marketing chance for a group of farmers in Sri Lanka 5. Establishing a production and marketing system for tropical bio-products
Macedonia/ Support to the Private Sector	On-going project since 2000	0. Food 2. export markets	2. Support to all vertical levels of the selected private sectors, including food and beverage, from the level of, e.g. food processing to service providers and to regional cooperation and export	1. International partners 2. Selected food processing companies 2. Service providers 4. Associations	2.,1. Improvement of competitiveness 5. Integration of selected Macedonian sectors into regional and EU markets

Country / Project Title	Type of commodity and Markets	Stage(s) of the commodity chain at which the project intervenes	Project strategy and types of intervention	Public and private partners of GTZ	Type of development Impact intended
El Salvador/ Integration of Agricultural Production into the Processing and Marketing Chains	On-going project since 2000	0. Dried fruits, bio-coffee, natural indigo and cashew 2. export markets	2. Identification of market opportunities 3. Setting up of contract agreement between farmers' groups and processing industries 3. Support in the formation of farmers' groups and coordination between processing industries	21. Processing industries 3. Farmers' groups and associations 4. Chamber of Commerce and Agriculture 7. National Programme for Improvement and Competitiveness	2. Opening up new business opportunities in rural areas by venturing into new but promising markets 2. Creation of rural income 3. Strengthening the modernization of rural areas
Bulgaria/ Support to Agricultural Village Credit Cooperative		0. Agricultural products 1. internal markets	1. Support of accountability 2. Financial services to clients of village cooperatives 2. Formation of village credit cooperatives for agricultural loans 7. Training of staff	1. Raiffeisen associations of Germany 4. Credit cooperatives in Bulgaria	5. Provision of seasonal loans to promote agricultural production by setting up parallel banking/credit facilities 5. Each village credit cooperative is offering approx. 100.000 € in loans every year
Uzbekistan/ Voluntary Organization and Cooperation in Producing and Marketing		0. Livestock (cattle) 1. internal markets	1. Organizational support 1. Cattle breeding 1. Herd improvement 1. Herd book 1. Sales	4. Cattle Breeder Association Uzbekistan and Saxony-Anhalt, Germany	2. Opening up of new markets in Central Asia 5. Provision of services to member farmers of associations
Bosnia/ Support to the Agricultural Sector in Bosnia and Herzegovina, Republic Srpska	On- going project since 1998	0. Agricultural products 1. internal markets	1. Support to agro-industries 2. Promotion of and support to various self-help-organizations 2. Strengthening of service providers 10. Improvement of legal and political frame conditions	3. Self-help-organizations representing various agricultural subsectors, e.g. processing, trade, agricultural production	2. Restructuring the agricultural sector 5. Strengthening of non-governmental service providers in rural areas



## Topic in Focus

### The IAMA Forum 2002: Corporate responsibility of agribusiness for sustainable development

#### ***IAMA – the world association for agribusiness***

IAMA stands for „International Food and Agribusiness Management Association“ ([www.ifama.org](http://www.ifama.org)). This association unites multinational agribusiness firms and academic institutions from all over the world in a knowledge network for „strategic thinking across the food chain“ and is „dedicated to an efficient food system, sensitive to the needs of consumers, safe, and environmentally responsive...“. Once a year members meet in a big conference event, the IAMA forum. In June 2002, the venue was Noordwijk in Holland. GTZ was represented for the first time (by the author of this report). The next meeting will take place in Cancún, México.

#### ***Moral obligations of the food sector***

The title of the 2002 Forum was „Connecting (*economic*) values to (*social and ecological*) values“ (terms in brackets added by the author). Participants from the private sector as well as from academia presented themselves as highly aware of and committed to the cause of sustainable development. A much quoted article of faith was "people, profit, planet" denoting the combination of business returns with social and environmental goals. On the side of big agribusiness (from Syngenta and Nestlé to Ahold) at least a verbal commitment for ecological and social values could be noted. International agribusiness firms show their accountability to consumers and the public

assuming "corporate responsibility" for a number of "values", such as

- food safety and quality,
- sustainable agriculture and responsibility for the environment, no hazardous wastes,
- social responsibility for staff and suppliers, no child labour,
- responsibility for local culture, equal rights, no corruption.

The value orientation materialises in practical initiatives undertaken by Syngenta, Rabobank, Nestlé, Carrefour and others in the form of public-private partnership projects. Increasingly, companies invest in foundations. Examples are the Syngenta Foundation for Sustainable Agriculture (<http://www.syngentafoundation.com/>), the „Sustainable Agriculture Initiative of the Food Industry“ (SAI) von Danone, Nestlé and Unilever (<http://www.saiplatform.org/index.shtml>), the „Sustainability and Social Innovation“ division of the Rabobank (Rabobank Foundation), and the „High Quality Supply Chain“ segment of Carrefour's portfolio covering products such as organic coffee.

IAMA tries to enlarge its membership to include more representatives of civil society such as NGOs, producer and consumer associations and public agencies.

#### ***What is the value of agribusiness values?***

What is the significance of the new corporate responsibility?

First, we can note, that the objectives of development agencies and of business concur to the extent that food production implies ecological and safety risks, which to avoid is both in the public as well as in the private interest. Both sides are equally interested in supporting standards for organic production and assisting with the introduction of food safety norms, claimed by WTO agreements. This will be the case

- in organic production
- with high-value export products
- in some products requiring paid labour.

In all these cases, agribusiness firms can show their commitment and prevent negative criticism, while there is a benefit for sustainable development, food quality and even social issues in plantations and the food industry.

When it comes to linking smallholders to the market, there is much less convergence of objectives between GTZ and agribusiness. The discussions at the IAMA forum showed that the private sector is not seriously interested in the rural poverty problem. Increased income and employment for smallholders may only be expected as side effects of economic development by choosing those products where smallholders have a comparative advantage. It is only fair trade companies, who make the poverty issue a core concern. However, so far fair trade companies are hardly represented in IAMA.

### ***Potential areas of cooperation with private businesses***

Wherever the objectives go together, co-operation can take the form of public-private partnerships (PPP), into which both sides invest. GTZ can offer to back up business firms with respect to their „corporate responsibility“, while the private sector ensures the economic viability. The PPP approach has been confirmed by the new policy, that GTZ should regularly include PPP into development projects (14% of the financial volume to be raised from private sources as of 2003).

In those cases, where development objectives may not be reached through PPP, it is a condition for success that the commodity chain provides the basis for obtaining a development impact (technically speaking, that “positive externalities” are being generated). The greatest potential ecological and social benefit is in niche

products and specialities that allow to protect rain forests, local biodiversity and marginal locations by utilising them commercially. The key is to identify an appropriate commodity and strengthening the commercial chain from a public perspective via producer associations, local government and public service providers.

### ***Some links to agribusiness partnerships***

The relationship between agribusiness and development objectives is an issue in several institutions and initiatives. Here is a list of some contacts and potential entry points:

*KLICT (Ketennetwerken, Clusters & ICT) and ACC (Agri Chain Competence Centre):* Based in s’Hertogenbosch, Netherlands, these two institutes engage in studies and consultancy services. They are an offspring of the „Management Studies Group“ of the Wageningen University. KLICT pursues the objective to arrange public private partnerships. (see <http://www.klict.org/> and <http://www.kc-acc.org/>).

### *IAMA Committee for Economic and Social Development:*

This is the IAMA group working on development issues. It has several development agencies as members and is led by Prof. Elisabeth Farina of Sao Paulo University, Brazil.

### *Agribusiness foundations*

See the internet links provided in the second section, above.

### *GTZ - Rural Development Division*

Contact persons at GTZ are Petra Schill, Ulrich Sabel-Koschella, Rainer Neidhardt, Doris Günter, Paul Schütz and Andreas Springer-Heinze.

GTZ - PPP office:  
 The GTZ office for public-private partnership is located at <http://www.gtz.de/ppp/english/>

World Bank – Agribusiness and Markets Thematic Group  
 Not particularly concentrating on PPP or large-scale agribusiness, this site is nevertheless a must: [http://wbln0018.worldbank.org/essd/essd.nsf/Agroenterprise/agro\\_guide](http://wbln0018.worldbank.org/essd/essd.nsf/Agroenterprise/agro_guide).

PhAction – The global post-harvest forum:  
 PhAction is a global network of development agencies and research institutes, hosted at FAO and mainly dedicated to preventing post-harvest losses. They are increasingly interested in questions of agribusiness development (see <http://www.fao.org/inpho/en/>).

Andreas Springer-Heinze



### The Idea of "Private-Private Partnerships"

Today, the role of TA agencies has changed towards new types of development partnerships, e.g. public-private partnerships, PPP. The success of PPP projects supported by GTZ has shown the interest of private firms in development cooperation. Given this positive experience another model of cooperation may hold great promise as well: "Private-private partnerships".

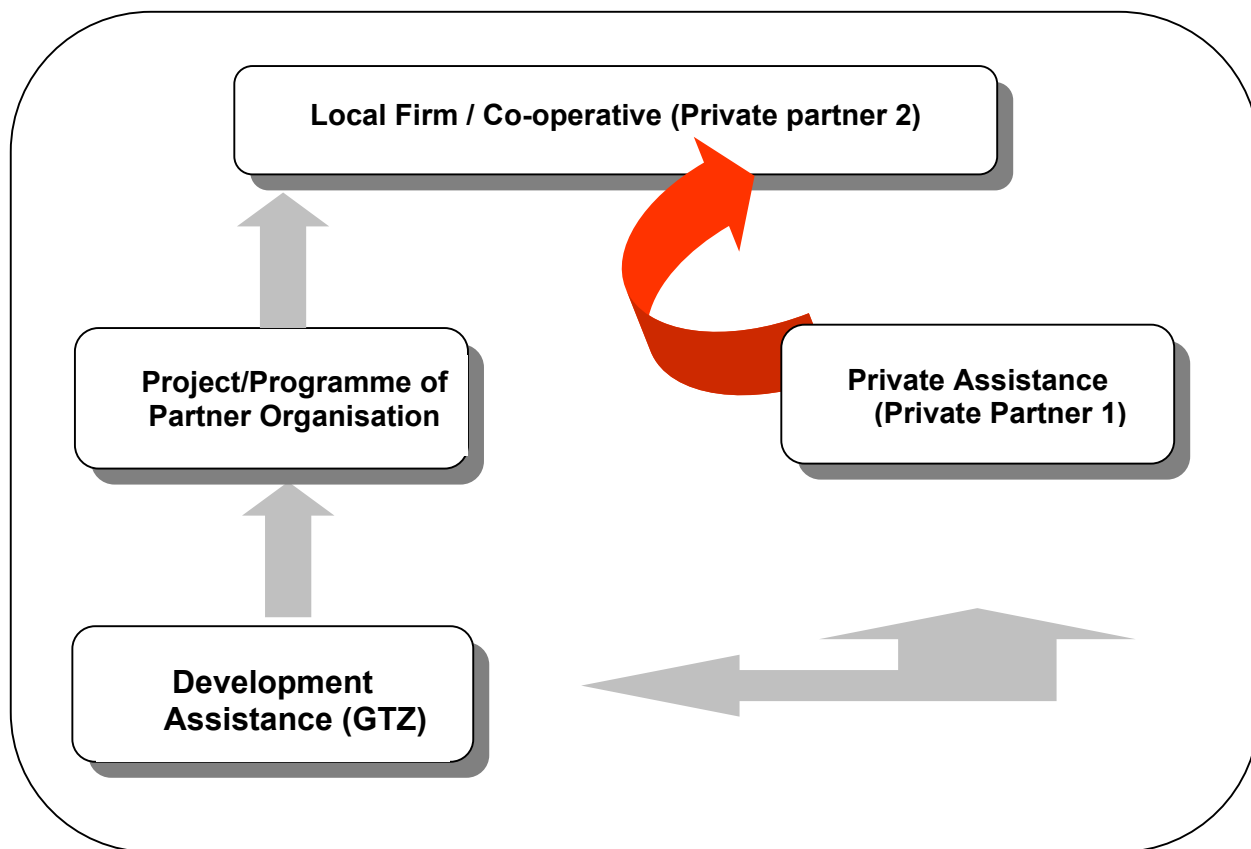


Figure 1: Private-Private Partnerships in Development Co-operations

The idea of private-private partnership is based on the observations that private actors in the German economy (companies, foundations or associations) are often willing to assist professional colleagues in developing countries by granting some support, e.g. used equipment or even know-how. We know of hospitals donating equipment, opticians sending used glasses or animal breeder associations sharing quality semen. Development projects in agribusiness could make use of this ethically motivated cooperativeness.. The idea is that development projects provide a link to German firms who may be able to solve practical problems of fellow entrepreneurs of the same economic sector in a poor country, at low cost to them. Equipment that is already written off, an excess in stocks, material that is available at low opportunity cost – these are physical resources that can make a great difference for smallholders trying to set up a business venture. Getting access to these resources may provide a way out of a fundamental resource constraint and strengthen the economic viability and sustainability of small-scale investment. Institutionally, this model fits into the conceptual framework of development cooperation (see figure 1, page 20).

Figure 1 illustrates the principle of private-private partnerships. A GTZ-supported development programme co-operates with a private cooperative or small agribusiness firm in a developing country. The task of the development agency, is to identify a private partner 1 in Germany, who is willing and able to lend a helping hand to that local firm, private partner 2. Contrary to the public-private partnership, the main relationship is created between the two firms, while the role of the development agency is restricted to the initial contact. This private-private partnership is indicated by the curved arrow. Although it is not directly a part of the development project, it contributes to the same development goals. So far, GTZ participation in this type of partnerships is

still exceptional, although there are successful cases.

#### **Donating a fruit-processing plant to a smallholder cooperative in Colombia:**

Small farmers in the Cauca province, one of the poorest in Colombia, receive assistance from the German NGO “Werkhof e.V.” and public development agencies, such as the European Union, to improve their livelihoods and start new income-generating activities outside the flourishing drug business. The production of organically grown fruits has available to absorb large quantities of the production. In order to set up the necessary processing and marketing functions, several small-scale cooperatives and groups, now uniting 450 poor families, have created their own producer organisation (ASPROME).

Far from being able to generate enough own funds to realise an agroindustrial investment, ASPROME had to seek external resources. With the assistance of the NGO it was possible to identify a pharmaceutical firm in Germany, about to modernise its installations and willing to donate part of its equipment. Several containers full of used but functioning machinery were sent to Colombia and two small processing plants could be built near Cali, which are now producing fruit pulp, canned and dried fruits. Certainly, the donation as such did only cover part of the investment cost, but the private contribution helped to raise more public money thus enabling the business to go ahead.

This example is not the only case of private-to-private development assistance. Werkhof e.V. has good links to a number of firms in Germany, who might be able to make similar offers to promising rural business ventures.

(The ASPROME Project will be presented as a case study in the International Workshop “Production Chains for Rural Development and the Sustainable Use of

Bio-Diversity” in Granada, Nicaragua, March 17-21, 2003.)

Contact: Alfred Hensel, Werkhof e.V. , Rundeturmstrasse 16, 64283 Darmstadt, Germany

Telefon: +49 (6151) 26664, mail: WHD@compuserve.com

Website (in German): <http://www.werkhof-darmstadt.de/index.php>

We are very grateful to Helma Zeh-Gasser (GTZ PPP-Office) who furnished us with the example of ASPROME. For further information you may contact her personally:

[Helma.Zeh-Gasser@gtz.de](mailto:Helma.Zeh-Gasser@gtz.de)

Telefon: +49(6196) 792373

GTZ-contact person of the ASPROME-project in Colombia is Matthias Jaeger: [asprome@emcali.net.co](mailto:asprome@emcali.net.co)

**The objective of German private actors**

The German partners are usually interested in the specific sector that is linked with their own economic activities. Their objective is humanitarian and may or may not be related to an interest in polishing up their image. Sometimes, the donating private partner wants to demonstrate its social commitment and thus seeks the transparency of the resource use. Some firms, however, prefer to remain incognito.

**The benefit of the partner in the development**

The private partners (2) benefit from the net transfer of resources. They can continue their work at better quality, efficiency or even expand their activities thus multiplying the development effects. Despite the obvious win-win situation of private-private partnerships, there are a number of risks involved:

**Possible Positive and Negative Impacts of Private-Private Partnerships**

(+)	(-)
Positive Image of German development cooperation.	Danger to misuse development cooperation as a PR-Gag or to establish unknown goods in a market.
Giving socially motivated entrepreneurs in Germany a monitored possibility to engage in development cooperation.	Danger to distort local market outlets by granting goods and thus, to create negative incentives among local partners.
If successful, a private-private partnership can lead to a potential PPP investment	Danger to transfer inappropriate technology.
Creating a broader public awareness of development cooperation in Germany.	Danger to destroy first efforts in the partner country not to rely / to count on external resources, but to mobilise own resources for the self-help process.

In conclusion, we can state that private-private partnerships are a promising model for development co-operation. Nevertheless, it is important to check the compatibility of private-private partnerships with development goals. . To make use of the positive aspects of such partnerships, a good knowledge about the donating company’s background, and the appropriateness of the material is vital. Notwithstanding the potential risks and drawbacks, this new form of partnership can be of great value to the development cause.

*Heike Höffler, Andreas Springer-Heinze*



## Topic in Focus

### The role of knowledge and information in commercial agriculture

#### *Making a difference*

“We used to think of capital as the scarce factor in production and of transfer of capital as the key instrument for growth. Knowledge is now as, if not more, important a factor in development, and this trend is to intensify” (Wolfenson, 1997).

In the developed world the difference between rich and poor is created by an increased use of knowledge in production. Production technology and products have a vast knowledge embedded. Examples related to agricultural production are genetically modified crops that are resistant to diseases or which guarantee a long shelf life. Another example is weed control by sprayers on the basis of precision agriculture which spray very little herbicide only to restricted areas where an optical recognition system detects weeds that need to be eliminated, or cereal yields on large fields are measured on combined harvesters through board computers in combination with a global positioning system. Thus yields can easily be attributed to different owners and future fertiliser application can be dosed according to yield deficiencies. An example which offers potential also in tropical countries is dressing of seeds with a special chemical that inhibits the germination and development of striga, a parasitical weed that creates yield loss in maize and sorghum.

Van den Ban in two of his recent articles

points out that the difference between advanced and knowledge intensive production of the richer countries and poor developing countries has widened in the last forty years. In 1960 the average Gross Domestic Product per capita in the twenty richest countries was 18 times higher than in the twenty poorest countries. In 1995 the gap had widened to 37 times. Van den Ban hints also to a second issue that can be seen as a major reason for such drastic differences, productivity. Usually we differentiate between land productivity which is yield per hectare, capital productivity which is the productivity per 100 € invested, and labour productivity. Extension and research have in the past focused on land productivity and banks giving credit have looked at capital productivity. The development of labour productivity had been neglected but is essential. World Bank statistics show that there are large differences between countries in relation to labour productivity. In the most productive countries the added value per worker in agriculture is over 100 times that of the least productive countries. Of course the difference includes also the effects of capital investment but the human and social capital play a key role in generating the productivity (A.W. van den Ban: Increasing the Ability of Farmers to compete in the market, Journal for Agricultural Education and Extension, 2002, 8, 2, pp101-106 and Poverty alleviation among farmers – The role of knowledge in Cees Leeuwis and Rhinannon Pyburn (eds.): Wheelbarrows full of frogs – Social learning in rural resource management, 2002). A large portion of the labour productivity is generated by knowledge. What do we mean when we say knowledge and how is knowledge generated?

#### **Knowledge and Information**

Generally in discussions about knowledge and information three categories are distinguished. The first category are data. Data are observations and figures. An example could be the price of coffee on

October 3, 2002, was for Colombian mild Arabicas 63 Cent per pound.

As an information the observation and figures are put in an order and a context like coffee prices decreased over the past years and will remain low despite increased demand.

Knowledge would then be the capability to produce information and use it for decisions. For an extension agent this could mean that he would have to sort out alternative crops or new ways of marketing the produce e.g. as an organic coffee and what the change in crop husbandry would mean for farmers and how certification may take place. For a farmer it may mean that he first has to decide whether the prices are so low that harvesting is not worthwhile because the price would not cover production cost and not harvesting would at least save the cost of casual labour. In a second step he would have to generate information on alternative options. Therefore we would like to define knowledge as the ability to produce information that can be used for one's own decisions.

In developing countries and especially in rural areas the capability to generate knowledge, to demand knowledge or to disseminate knowledge and apply it to solve problems seems to be underdeveloped. Knowledge, local knowledge, empirical or indigenous knowledge or even technical innovation and knowledge are not considered as a very important factor in production and thus not used efficiently. The offer on information and knowledge does not meet the demand of users who take important decisions on rural development and the management of natural resources. Specific groups like rural women and poor people are in many cases cut off from knowledge and information. Knowledge service organisations like agricultural research and extension are not able to satisfy the knowledge needs in rural areas and private service organisations are not yet very common in many countries.

### ***Knowledge Generation***

The generation of knowledge and its use is visualised in the chart 1 (page 25).

The chart shows the main functions in the knowledge system. Here the cooperation and exchange of persons and institutions with the objective to promote mutual learning, to generate knowledge, to share knowledge and to apply knowledge takes place. Knowledge is created through mutual exchange and reflection. Each person in this process fulfils all four functions even the small scale producer who can not read nor write.

### ***What does the knowledge cycle mean for the project Knowledge Systems in Rural Areas?***

The sector project focuses all results and activities on the knowledge cycle and the functions in the cycle. The five results of the project relate in some cases to several functions in the cycle. Result 1 - Concepts for the reform of agricultural research and extension are available (funding, impact orientation, core functions) - aims at knowledge generation, adaptation and distribution through concepts for the reform of knowledge organisations like research and extension. Result 2 - possibilities and limitations for the joint use of digital information are assessed - looks at the knowledge distribution. Shaping the information flow and the practical use of knowledge by the various actors in agricultural production chains looks under result 3 at the various functions of the knowledge cycle. The importance of learning and knowledge for employment in rural areas is at the centre of result 4. The exchange of knowledge and networking of communities of practice and learning is in the focus of result 5. This context is again visualised in chart 1.

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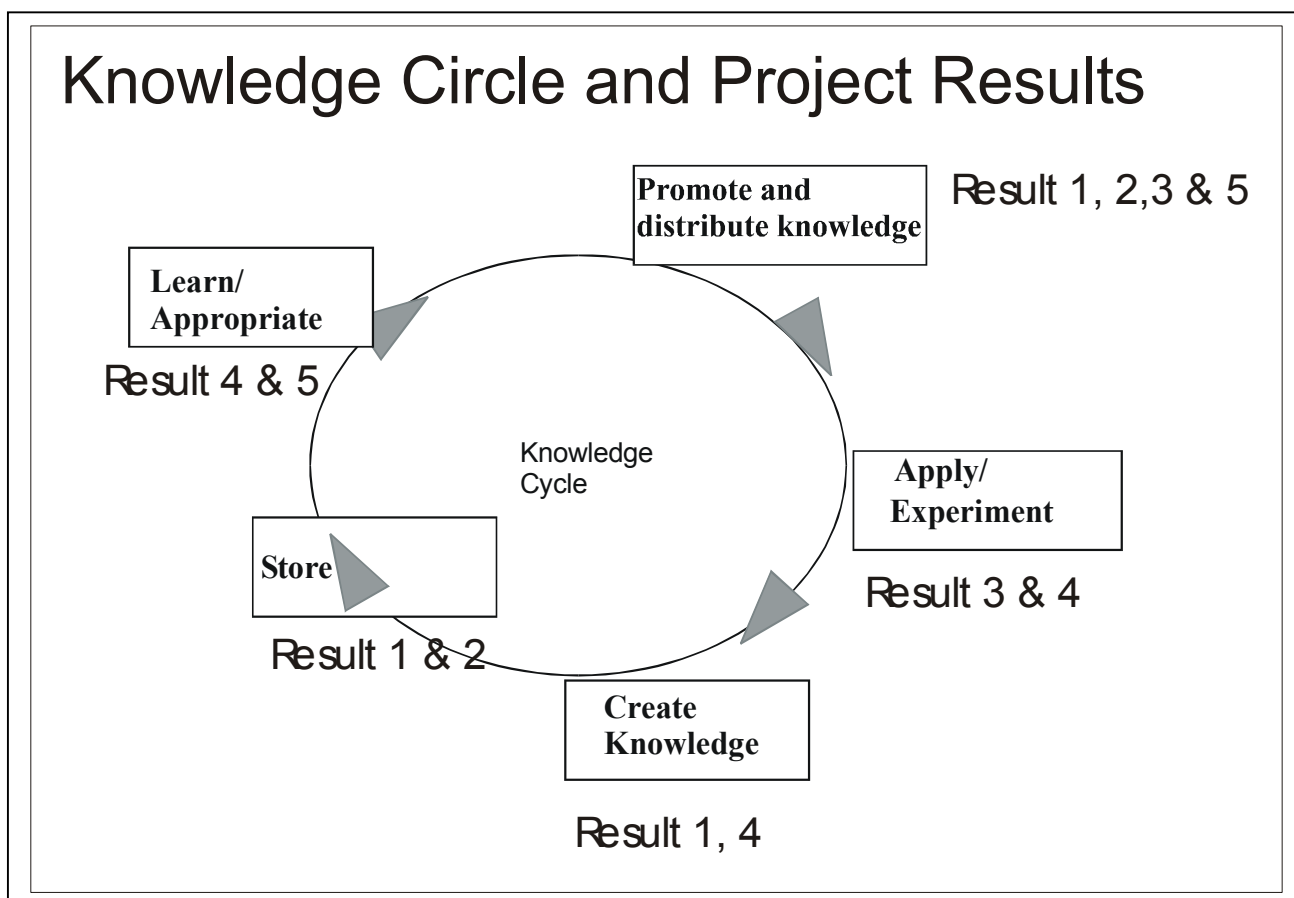


Chart 1

In the process of institutionalising the knowledge cycle, that is the embedding of the knowledge functions, a division of tasks takes place. In chart 2 (page 26) this is visualised. The creation of knowledge is in many societies done by scientific institutions like research organisations with researchers and scientists. The dissemination and promotion of knowledge is done through agricultural schools, universities and extension organisations, here we find lecturers, extension agents and trainer. Applying the knowledge is mainly done by practitioners like farmers and entrepreneurs in rural areas.

The representation of the interests of the

community of users of knowledge and the articulation of their demand for knowledge is only more recently an issue in the knowledge system. Scientists used to orient their research strategies more on their own interests than on the needs and necessities of the rural population. For the articulation of the demand a variety of organisations like producer organisations, cooperatives, community based organisations and NGOs can voice this demand for knowledge. In commercial agriculture the knowledge cycle with the necessary feed-back loop needs to become institutionalised over the full production chain and within each segments of the chain. For this purpose platforms need to be established for the exchange of

# Divison of Tasks in the Knowledge System

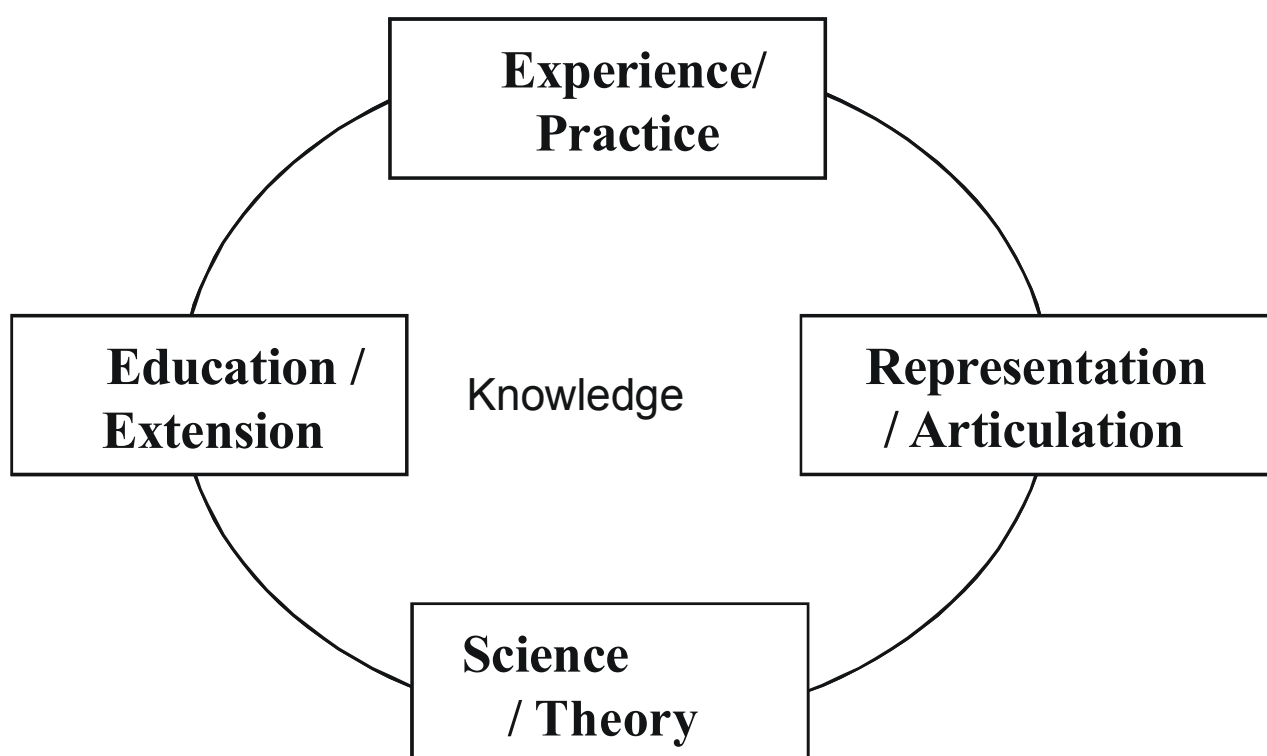


Chart 2

knowledge among the different actors of the chain.

### **Changing knowledge requirements**

In the development from mainly subsistence agriculture towards market oriented and then fully commercial agriculture different types of knowledge and learning can be observed. For the purpose of this article I

would like to differentiate basically three development cycles of knowledge.

### **First Cycle**

In the first cycle towards commercial agriculture we find the adoption of external inputs like mineral fertilizer, pesticides and increased levels of mechanisation of the production process. The knowledge on

production is provided by research and extension organisations. This modern technology is still combined with local and indigenous knowledge on production locations and the experiences with rainfall pattern and the like. Market links are not very systematic and only surplus production is being marketed. The traditional division of labour in production and marketing is more or less still maintained. In West Africa e.g. field preparation is done by the men, planting is done together as is harvesting. The marketing of surplus is done by women. Box 1 gives an interesting example from Ethiopia on this level.

#### **Box 1: Cereal Production in Ethiopia**

*In the Policy Brief 1 by Vision 2020 Network for East Africa an interesting example of Ethiopia is documented. During the decade of 1990 increased use of external inputs (seeds, fertiliser, pesticides, credits), improved production technology like mechanised field preparation and stable weather conditions lead to an increased production in teff and maize. In 1995 farmers experienced a bumper harvest. The effect of the bumper harvest were declining prices. The price decline continued throughout the second half of the decade. The price decline differed from primary to tertiary markets but the general trend was valid for all market types. As a consequence farmers reduced the use of external inputs with subsequent effects on the overall system of input supply, credit and marketing. Here the use new but more or less uniform knowledge in the production by a broad number of agricultural producers was successful and led to the breakdown of the market oriented production system.*

The emphasis in knowledge is on production technology. Production is in

many cases concentrated on major staples where only surplus is marketed. The market position of the agricultural producer is rather weak against the middlemen and a vertical integration of further steps of the production chain can not be observed. The general mindset is not yet entrepreneurial but already oriented towards market production.

#### **Second Cycle**

In the second stage the general orientation becomes entrepreneurial and market driven. More and more non staple crops are produced for the market, be it national or international markets. Here a systematic integration of agricultural producers into the production chain takes place. Also for small-scale producers one can observe considerable welfare effects when production switches from surplus production of staples towards pure market or export crops. There are different options for small-scale producers. One option could be the integration into out-grower schemes, as is shortly described in Box 2 on pineapple production in Ghana (see page 28). As a second range of options small-scale producers have to use at this stage their comparative advantage and resort especially to labour intensive production if possible based on specific local knowledge and complement primary production with additional value added activities.

A third path of more market integration can be the introduction of organic production for export niche markets or the production of conventional niche products. An example for the latter is given in Box 3 for artichoke production in Peru (see page 28).

The emphasis in knowledge here goes far beyond primary production and production technology.

**Box 2: Out-grower scheme for pineapple**

*Pineapple production in Ghana takes place in the coastal areas near the capital. The majority of small-scale farmers were excluded from the production for export because they did not dispose of the necessary knowledge for quality primary production and crop management. Through the out-grower schemes that were promoted by the Ministry of Food and Agriculture the private entrepreneurs were encouraged to cooperate with small-scale farmers to increase their export volume and share a bit of the wealth generated.*

*The system consists of a nucleus farmer and out-growers. The nucleus farmer is in most cases a large-scale, successful farmer. The nucleus farmer disposes about the full production know-how and established market channels. The nucleus farmer provides inputs, prepares the land and provides pest control for the out-grower. Harvesting is also done with the nucleus farmer's machinery. The harvest from the out-grower's fields is stored with that of the nucleus farmer who sells the produce when commodity prices are high and refunds the agreed price to the out-grower after subtracting his service cost, risk and profit margin. In the case of pineapple the treatment of the crop for a sequenced maturing for continuous supply among other management features is very important. Small-scale farmers that did not have the knowledge to produce for export get a dependable market link through the out-grower scheme and provide part of their farm for market production and welfare effects become visible.*

requirements, processing knowledge, packaging, market prices (wholesale & retail), negotiation skills, self marketing, certification requirements, transition production from conventional to organic, economic aspects of production like crop budgets, etc.. In respect to developing entrepreneurial skills the CEFE approach can be used. More information on the CEFE approach and its applicability to a rural setting is discussed in another article in this issue (see page 42).

**Box 3: Artichoke Production in the Peruvian Andes**

*Based on the initiative of the National Institute for Agricultural Research (INIA) a cooperation was started with a group of farmers in a valley near Huaraz. About 200 ha were cropped with artichokes. The planting material, the full range of production technology was provided by the research programme. The researches accompanied the farmers through the production cycle and facilitated marketing of the produce by establishing links to Peruvian hotels that were in need of fresh artichoke vegetables for their restaurant. Through the ready market the production has become demand-driven and has generated additional income for the participating farmers who have dedicated part of the production area to artichoke production. In this case the farmer group depended very much on the assistance by research but they have experienced success by trying out something new and this experience may lead to more experimenting and entrepreneurship.*

The first step is already entrepreneurial, the choice of product. Here new characteristics become important like quality of products from primary production, market

**Third Cycle**

In a subsequent step agricultural producers have to move from individualism and associate with other producers in order to get beyond a critical scale in the production

**Box 4: Promoting associative rural enterprises<sup>1</sup>**

*Since 1990 the government of Chile has made a major effort to support the participation of small-scale farmers in competitive markets. The Ministry of Agriculture has spent US \$ 1,5 billion on technical assistance and investment through the agricultural development institute (INDAP). Thus government wanted to enhance the ability of smallholders to compete in more dynamic and profitable markets. A key focus has been the creation of associative peasant business firms. Such organisations carry out marketing or value adding activities based on their members primary production with the intention to improve their members market transactions. Promoting market-driven small-scale farming means mainly diversifying into non-traditional enterprises and value adding.*

*An example here is the production of olives. The INDAP approach means that a group of producers is supported in their economic organisation. In a second step they receive technical assistance for primary production like integrated pest control, quality management, processing and marketing of the oil. In the third stage of support the associative peasant firms receive support in aspects of organisational development, administration, accounting and management of an enterprise.*

*During the 1990 about 780 firms (with 58.000 farmer members) have been established and their gross sale amounted to US \$ 100 million. Nevertheless Berdegué estimates that only 20% of the associative enterprises would survive without public funds.*

chain. Here a kind of social learning has to take place. The process of associating means institutional development, the creation of new sets of rules for joint

learning, negotiating contracts and joint decision making.

Joint learning means an intensive exchange of experiences and developing together new forms of improved production. It also means improved communication skills. Between associations networks for exchange develop. Associating and networking among associations allows to articulate the need for further services from private and public service organisations. The level of knowledge and knowledge development allows also the formation of an appropriate learning environment for continuous learning and knowledge generation. Specific types of knowledge in this stage are administration and management of the association, strategic planning, business plans and investment plans. The three cycles are visualised in chart 3 (page 30).

The analysis of very dynamic markets and the appearance of new actors in the arena seem to make another cycle in the knowledge development necessary. The experiences of small-scale producers supplying large supermarket chains in Latin America has shown that often through the concentration process of supermarket chain that even associations that have successfully started successfully marketing fresh fruits and vegetables may encounter new problems and challenges. The dealing with such strong partners presents on one hand a big opportunity and on the other hand a great risk as well. The big opportunity is the sheer size of domestic market compared to export markets. For Latin America the domestic market is estimated at US \$ 24 billion against US \$ 8.2 billion (without banana). The risk lies in the rejection of quality and the delay in payment which in some cases exceeds 90 days.

These developments in Latin America pose also new challenges to development

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- <sup>1</sup> Julio Berdegué: Cooperating to compete – Associative Peasant Business Firms in Chile; PhD. Thesis, Wageningen 2001

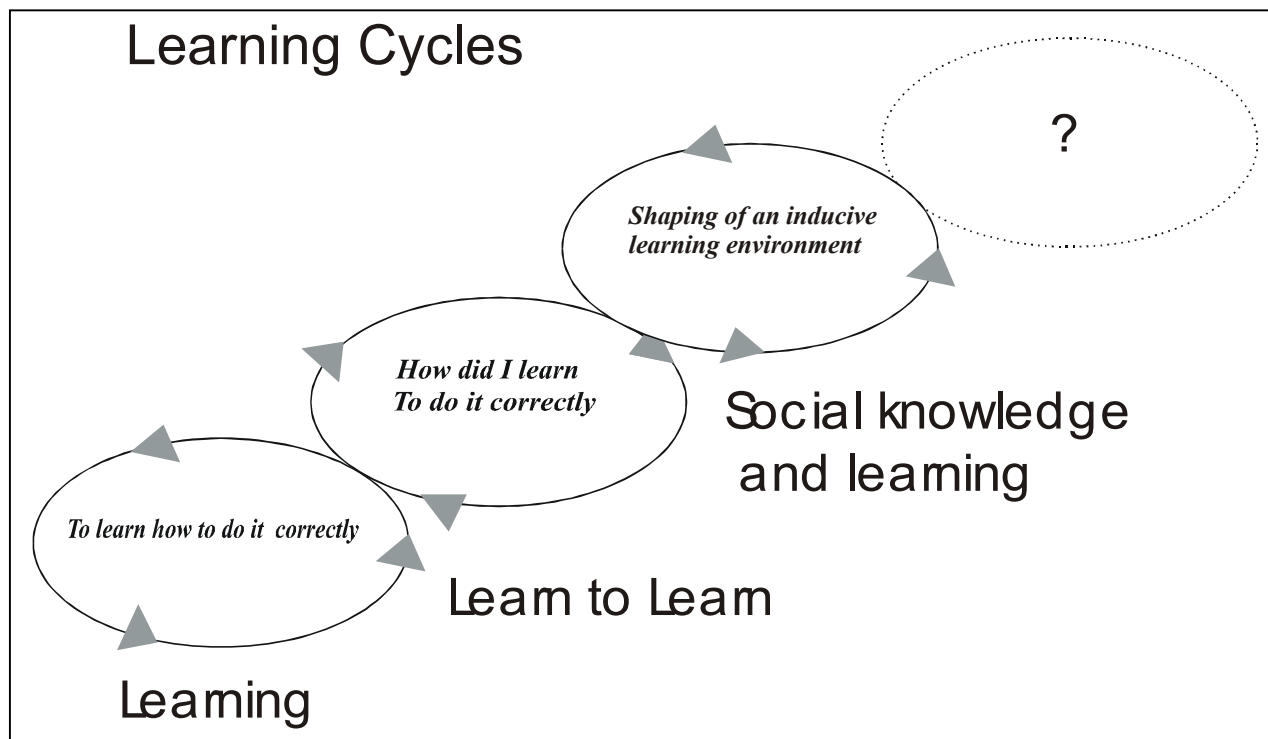


Chart 3

agencies. According to Reardon and Berdegúe<sup>2</sup> "First, development agencies and projects must internalise the fact that, increasingly, 'product markets' will mean 'supermarkets'. Thus, 'market-oriented programmes and policies' will in fact be 'supermarket-oriented'. If one adds that in each country three or four chains can command up to 50% or more of the supermarket sector, the conclusion is that development programmes and policies will need to learn how to deal with just a handful of giant companies. This is an enormous challenge, and demands an urgent review and revision of current ideas, strategies and practices.

Moreover, development agencies need to take into account that small farmers and entrepreneurs have to gear up quickly to compete in the new markets that are spreading over most of the food economy. The local market niches with low standards are disappearing under the pressure of this wave, and the distinction between the global/export market and the local/domestic market is disappearing."

In terms of knowledge and learning this development means a new challenge and problem where new solutions are not visible. In terms of the three cycles it may mean that a fourth one will have to be developed.

*Paul Schütz*

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- <sup>2</sup> Thomas Reardon and Julio A. Berdegúe :The Rapid Rise of Supermarkets in Latin America: Challenges and Opportunities for Development, in: *Development Policy Review*, 2002, 20 (4): 371-388



## Topic in Focus

### **Production Chains for Rural Development and the Sustainable Use of Bio-Diversity** *International Workshop, Granada, Nicaragua, March 17-21, 2003*

#### ***Context of the Workshop***

Sustainable rural development requires economic growth and at the same time natural resource conservation. The workshop "Production Chains for Rural Development and the Sustainable Use of Bio-Diversity" focuses on the concept of production chains as one strategy to cope with local economic development and bio-diversity conservation. Linking these two objectives demands examining the economic aspects of sustainable rural development from a new perspective.

The concept of 'production chains' offers a framework for analyzing commercial potential and the range of tasks needed to develop a given product. The perspective includes services, inputs and how producers become organized, to comply with quality certification and consumer marketing. Given that economic potential is mainly found in the processing and marketing areas, new insight on the sub-sector as a whole is required. That is the entire production chain, the institutional and political settings involved and all relevant public and private services have to be thoroughly considered.

The principle of production chains is particularly applicable to agro bio-diversity products. The Convention on Biological Diversity (Rio de Janeiro 1992) officially recognizes that biological diversity is one of the most basic natural resources in any

society, whether it is industrialized or not. This does not necessarily prevent the way in which biological diversity is used from often threatening its very existence. Until now, the traditional 'solution' has been creating protected areas where economic development is banned, on the one hand, while, on the other hand, unleashing unregulated and non-sustainable economic development elsewhere. The Convention on Bio-Diversity acknowledges that humanity and its economic expectations form an integral part of ecosystems. Protected areas and above all biosphere reserves – the products of UNESCO's MAB Programme – integrate natural resource conservation and economic activities via suitable management. The challenge is to develop sustainable systems for using biological diversity, combining human economic activity and the conservation of nature as a goal.

The products to be promoted should benefit small-scale farmers and have a high potential to generate employment. Production needs to be ecologically adapted. Typically, it is organic and niche-based production that displays these characteristics: for example, cacao or organic coffee, fruit, vegetables, medicinal plants and spices, ornamental products and plants, wood or non-wood forest products and handicrafts. For the most part, such products are labor-intensive, requiring and using a great deal of specialized know-how and manual labor. They also tend to have a high commercial value.

A key aspect for success in this kind of development is to facilitate interaction between public agencies and the private sector. Taking into account commercial interests and gaining entry into the market are obviously pre-fixed and indispensable conditions to be met. The public sector's intervention is needed, however, in order to promote commercial development and balance this development with other public or collective objectives; that is, equitable economic development, employment

generation in rural areas, and the sustainable use of natural resources, including the sustainable use and conservation of bio-diversity.

### ***Objectives of the Workshop***

The workshop will concentrate on Latin America and its initial aim will be to review cases of products that already achieved success or partial success in the market. It aims to promote exchange among the various countries and projects in the region, systematizing existing experience. The workshop is expected to allow conclusions to be drawn on strategic priorities and the most common technical assistance tools.

Objectives of the workshop are summarized by the following topics:

- to line up principles of commercial development of rural products (chains, producer organizations, quality certification) in general
- to fix strategies for developing production chains and creation of origin and quality certificates and
- to find concepts for their application for economic development in protected areas and biosphere reserves.

At the same time, protected areas are depicted as an adequate basis for promoting rural and regional development, taking into account the need to conserve the region's resources. In this manner, the workshop will endeavor to demonstrate how the goals of promoting rural development and conserving bio-diversity may well coincide.

The workshop will consist of two main parts:

- General information and conceptual contributions on the commercial development of rural products (chains, producer organizations, quality certification) through a series of

presentations carried out by international experts. It will put forward four or five case studies on farming or natural products (including organic ones), or highly valuable products, such as those from biosphere reserves

- An in-depth analysis of protected areas and biosphere reserves, including a presentation geared to protected areas specifically. discussion on critical aspects of commercial product development, using the tools involved, should lead to conclusions as well as to proposals for new activities.

Chief organizers are GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) and BFN (Federal German Agency for Conservation of Nature), together with their counterparts in various Latin American countries. Co-operation from UNESCO will be sought.

Approximately 30-40 experts active in these fields are expected to attend, among them Latin American and international experts from regional rural development projects, and representatives of public agencies involved in the management of protected areas, biosphere reserves and the development of rural and farming production; for example, research and extension services, quality control, promotion of local economic and agricultural development or the promotion of exports. Two international sector projects will take part in the workshop on behalf of GTZ: "Knowledge Systems in Rural Areas" (GTZ Head Office in Germany) and "Agro-Biodiversity" (GTZ Head Office in Germany). In addition participants are to include experts from the UNESCO MAB Programme, too.

Workshop-conclusions and –recommendations will be documented in the "Manual for the Creation of Markets for Bio-Diversity via Product Chains. Origin and Quality Certificates for Protected Areas and Biosphere Reserves".

For more detailed information on the workshop programme please contact the Alliance Team. Within a short time you can find information on our website, too: [www.gtz.de/agriservice](http://www.gtz.de/agriservice)

Andreas Springer-Heinze, Annette von Lossau and Lucie Bosotti



## Topic in Focus

### Agri Supply Chains for Ecuadorian Organic Products – Challenges for the GTZ project

#### “Sustainable agricultural production and marketing”

##### 1. Facing new topics: marketing organic products

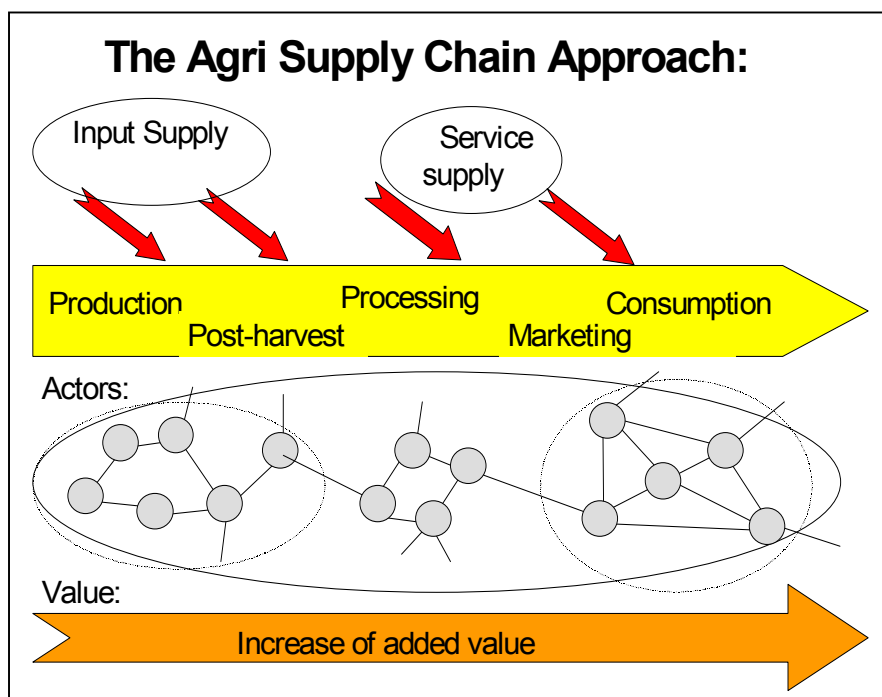
The project “User-oriented Strategies of Agricultural Research” (Instituto Nacional de Investigación Agropecuaria/INIAP-GTZ) in its second phase (12/99 – 12/02) concentrated on (a) the improvement and increase of technologies and strategies, which facilitate the sustainable use of natural resources and income-increase of small and medium sized farmers, (b) the development of pilot experiences in the agroindustrial field, (c) linking

the actors of the Nacional Agricultural Innovation System (SNIA) and (d) connecting them with international research partners.

Due to high demands on international markets and the need to value sustainable resource management economically, the Ecuadorian and German Government agreed at 2001 upon a new component “Certification and marketing of organic products”. Together with the a.m. project INIAP-GTZ it will form the new project “Sustainable agricultural production and marketing”. Its objective is:

*“Small and medium sized organic farmers will take advantage of both an improved offer of INIAP, cooperating organizations and farmers network within the framework of an applied, user-oriented agricultural research, as well as of promoted marketing and certification.”*

Three areas of activities have been identified for the new component of certification and marketing of organic products.



**Political level:** the elaboration of a regulatory framework for production, certification and marketing of organic products.

**Local level:** the development of technologies for production and marketing of organic, certified products and its implementation in 4 agri supply chains of selected products.

**Interorganizational level:** the promotion of networking between the actors in research, production, certification and marketing.

The project forms part of the program "Sustainable Natural Resource Management" - one of two GTZ programs in Ecuador.

## 2. *The agri supply chain approach*

To foster quality and efficiency of marketing the agri supply chain approach will be applied.

Under this concept we understand the whole of actors and activities related to a product in a given space (from primary production, processing, marketing to consumption), allowing buyers and sellers, normally separated in time and space, to add value on a product, while passing from one member to the next (see graph 1, page 33).

The agri supply chain approach is a method to organize information and action, allowing a better understanding among the actors, a constant information flow and improved relationships.

Applying this approach we expect:

- to reduce losses during storage and transport,
- to improve quality and security of food products,
- to improve the commercialisation of the products,

- to generate products with high added value,
- to contribute to equity in the distribution of benefits,
- to increase and exchange information and knowledge about markets and innovative technologies along the chain.

Four steps are basic for developing and improving supply chains:

**(a) Analysis and orientation:** Once - on basis of criteria - selected the chain to work on, in a first step one has to characterize the actors, to analyse the operation of the system and to identify roles, interests and competences of each actor.

**(b) Definition:** Leaving from the analysis' results, one must determine intervention points in the chain, define strategies of intervention in the chain and elaborate a plan of action.

**(c) Implementation:** To initiate work on chain improvement one must establish a good organization of the chain, e.g. through

- a committee of management, conformed by representatives of the actors along the chain,
- a chain leader with the function to coordinate the activities and to integrate the different components.

It is basic to implement mechanisms to strengthen the dialogue and the arrangement among the different actors, to organize and to carry out training referring to the focus of agri supply chains or other specific topics and to involve the actors in the development of innovations.

**(d) Monitoring and evaluation:** Finally but not ultimately one has to establish a monitoring and evaluation system in order to adjust the activities to the reality.

It's important to mention that the agri supply chain approach is process oriented: instead of a linear processing of the single steps, the components in a consecutive improvement process are to be adapted whereby the joint learning has a high priority.

### First steps

The project is still in the initial phase of application of the agri supply chain approach for organic products. Ours first advances are the following:

#### (a) Selection of supply chains:

In a first step criteria of selection for the products or chains were established (see box 1).

According to these criteria 6 products were pre-selected:

1. banana,
2. baby banana,
3. coffee,
4. cacao,
5. quinoa,
6. shrimps.

In a first planning workshop with the main actors of the pre-selected chains (see box 2, page 36) we could (i) value the criteria and pre-selected products and (ii) discuss the potentials and limitations of each product. Main potentials and limitations related to both, the production as well as the marketing of each product, were identified during the discussion; moreover key actors and lines of action to face the problems were defined.

Finally (iii) products with greater expectation of impacts for small-sized farmers, especially for women, were selected - the ones that are cacao, coffee, baby banana and quinoa.

As next steps - based on an analysis of the current production, processing and marketing situation - product workshops are planned. All relevant actors along the supply

#### • **Box 1: Criteria for product selection:**

- initiated process of organic production and certification,
- organized small- and medium-sized farmers,
- possibility to favour productive proposals of women,
- marketing opportunities,
- alliances and contacts in order to facilitate the access to markets and to obtain volumes required in quantity and quality,
- contribution to the conservation of biodiversity.

chain are involved with the objective to identify and implement priority activities. These activities can cover areas as analyses, organization of farmers groups, quality improvement of the products, marketing and commercialisation, etc. The workshops are the starting points for a joint learning process directed towards a continuous improvement of the supply chain.

#### (b) Elaboration of a regulatory framework:

At the same time the project supports the Ecuadorian Service for Agricultural Health, SESA in the elaboration of a regulatory framework for organic production and certification. The elaboration process is involving all relevant actors.

The act for organic agriculture and the specific regulations should pass yet in this legislative period until end of this year.

#### (c) Specific challenges for the incorporation of small sized farmers

The project with its focus on small-sized farmers and gender-equity has to face various challenges to enlarge the production and commercialisation of organic products of its target group.

- Farmers organizations, in many cases dispersed and with small extensions, are still very weak and often without legal status.

**Box 2: Key actors for product selection:**

- certification organisations (BCS, Naturland, Biolatina),
- representatives of organic farmers organisations (ERPE, BIOCON, PROBIO),
- advisors of projects related to organic production and certification (GTZ, IICA, VECO),
- National Agricultural Research Institute (INIAP) as representative of the National Innovation System (SNIA),
- Corporation for Export and Investment Promotion (CORPEI),
- Ecuadorian Service for Agricultural Health (SESA), the responsible governmental unit for the elaboration of organic and certification regulations.

- Pre- and post production logistic (input supply, transport, communication and information, storing centres) is very basic.
- The integration of male and female rural producers in processing and commercialisation to profit from value adding activities is very limited.
- Access to legal and technological information is still limited.
- Many times the lack of liquidity restrains investment.
- Small farmers often need alternatives of income in the transition time to organic production.

Nevertheless there is a number of small-sized farmers and their families with high potential of successful incorporation into the selected supply chains. Some of these groups of small farmers are already producing certified organic food and/or are in the certification process.

Another major future task is the development of new products for the benefits of small farmers. In this context Amazonian fruits are a still under-valued resource. Evaluating the available genetic

material, strengthening local institutional capacities, legalizing farmers groups, distributing plants and seeds in order to increase diversification, training of local technical staff, linking communities/farmers groups with development organizations and private companies, etc. are activities already being implemented with different partners in the frame of this project.

**Literature:**

*Burgeois, R. & D. Herrera: Enfoque participativo para el desarrollo de la competitividad de los sistemas agroalimentarios, IICA, 1999.*

*Van Roekel, J. et al: Building Agri Supply Chains: Issues and Guidelines. In: A Guide to Developing Agricultural Markets and Agro-Enterprises.*

*Beate Weiskopf and Reinhild Bode*



## **Agribusiness and organic agriculture – two partners that fit well together?**

### ***What is Organic Agriculture?***

In agricultural production the development of a fertile soil is of first priority. Legumes provide cultivated plants with nitrogen by symbiotic nitrogen fixation. Additionally, in Organic Agriculture some native minerals and organic fertilizers can be used. An elaborate cropping system shall assure that pathogens and pests remain in a natural balance with their native antagonists. Only selected natural 'pesticides' may be used

under certain circumstances in the case of crisis.

In several countries like the United States, Europe or Japan exist laws that determine organic agriculture and a certification according to the relevant standards open new market opportunities with premium prices for producers.

### ***What is the capacity for the development of marketing organically grown products?***

In the industrialized countries the market for organically grown products is increasing steadily. Concerning the most important markets in the European Union, the USA and Japan, annual rates of increase between 5% and 40% are being predicted for the future. Organically grown products have become an important factor on the international food markets.

Reasons for the increasing acceptance of organic products on the market are as follows:

- the consumers' increasing awareness of environmental and health issues
- the introduction of legal guidelines for production, commercialisation and import of organic products
- the increasing availability of high-quality organic products
- involvement of supermarkets in the sales of organically grown food.

However, in many industrialized countries organically grown products occupy only small niche markets. Their share of the total turnover in food marketing amounts to approximately 1-4%.

In Germany, the new Secretary of Agriculture and Consumer Protection strives for a market share of organic products comprising 20% in the next 10 years. In order to support such marketing, the new

Secretary created a new German organic seal (Biosiegel), based on the EU Regulation 'Organic Production of Agricultural Products'. This seal can also be used for organic products from third countries, and can therefore provide marketing advantages for producers in developing countries.

### ***Why is this interesting for small farmers in developing countries?***

Quite often small-scale farmers in developing countries farm their land only extensively. In traditional coffee cultivation in the Andes of Latin America chemical-synthetic fertilizers or pesticides are hardly ever used. In Southeast Asia tea cultures, which were lying fallow due to the decline of the world market, are now being farmed extensively.

It is being argued that due to the abstention from the use of chemical-synthetic mineral fertilizers and pesticides over years, the land is already organic. Here opportunities are being lost to a lack of information: The modern environmentally-aware production techniques of organic agriculture can lead to a lasting increase in the yield of this land and assure the long-term productivity of the farm land.

Nevertheless, conversion to organic farming is quite easy for small farmers. If they can achieve to get a certification, which is often done for groups by means of internal control systems in order to save costs, the way is open to the international (and sometimes national) interesting organic markets.

### ***The very favourable market situation does not mean that selling organic products is easy. Especially small farmers struggle with the following problems:***

Quite often the special requirements of the target markets for organic products (what products, what quantities, what qualities)

are being analysed insufficiently because of lack of opportunities to acquire information. There are big difficulties in finding and selecting suitable importers to achieve a reliable and stable relationship in marketing.

In contrast to the conventional goods market, the organic market lacks information on world market prices, which can serve as a basis when negotiating prices. Investigations with importers are problematic. One rarely gets from them concrete information about the prices paid, especially because pricing in view of the diverse qualities and quantities is no simple matter anyway. Also the production costs which should serve as one reference point for price negotiations, are in many cases not known in detail. Marketing problems all too frequently arise after the conversion period when organic products are ready for marketing.

### ***What are the main topics of the GTZ-Programme Office for Social and Environmental Standards?***

In order to help farmers in getting know-how about production, certification issues and marketing the Project Organic Agriculture of the Programme Office for Social and Environmental Standards developed an online and offline **Know-how-transfer concept** together with the Global Environmental Fund of the World Bank.

To achieve long-lasting know-how, an economically feasible advisory system must be implemented, given that access to affordable information often represents an insurmountable problem to small farmers.

The GTZ supports the conversion of small-scale farmers and their co-operatives into sustained Organic Agriculture. The goal is to protect natural resources and to achieve a site-related productivity. The higher price for organic products may result in a higher income.

Also the administration of the producers' co-operatives has to be part of the advisory scheme. A main topic here is the advisory

work in farm management, for example the financing of the co-operative's internal advisors and the 'internal quality control system'.

Besides farmers and farm advisors also ministries are part of our target groups. The project consults them in all questions of laws, certification and accreditation systems.

For more details about organic agriculture, certification, marketing and our project activities please contact: [www.gtz.de/organic-agriculture](http://www.gtz.de/organic-agriculture)

*Marion Buley and Daniel Vildoza*



### **Marketing environmental and social services of tree crop production – the example of coffee**

Expanding production and raising yields of crops are a priority in many areas of the developing world, especially where there is a notorious shortage of food. However, other farmers are faced with an increasingly difficult situation on agricultural commodity markets. For example, coffee prices in real terms reached a 100-year low in early 2002. One option to escape the treadmill of overcapacity and subsequent price decline is the production of better quality. It is remarkable that besides the product-related quality characteristics (size, shape, taste etc.) increasingly production process-related criteria play an important role. This is met

with a growing demand that rewards sustainable production practices. This article looks into the potential for small-scale producers to tap the consumers' willingness-to-pay for sustainable agriculture.

### **How does the market reward sustainable production practices?**

Unfortunately, many commodities grown in developing countries are traded as rather homogenous goods with often little or even no price differences for quality. This leads to a vicious cycle of low prices and low quality. However, product and market differentiation should allow producers to capture a higher share of the value-added. This can be achieved by striving for the type of product quality that is desired by the market. Buyers in international markets become increasingly aware that consumers, especially in upscale markets of western countries, want transparency related to the way the product is grown, processed and traded. A growing number of consumers is concerned that their consumption pattern will harm the environment and indirectly promote the disruption of the social fabrics of local communities. They are prepared to reward environmental and social protection by paying moderately higher prices for their daily coffee (Halweil 2002).

All actors in the product chain face the challenge to establish a credible and transparent mechanism that transfers the added consumer value into more income for rural communities. The consumer will ask: How do I know that I get the type of coffee that I am supposed to pay for? So far, the key instrument is certification of the production process on the farm according to a set of environmental and/or social criteria. The most widely recognized standards are Organic, Fair Trade, and Shade-grown (see box 1). In coffee, organic and fair trade achieve already significant market shares. Markets for organic products in Europe

**Organic production** focuses on agronomic practices. The crop is grown without the use of synthetic chemical fertilizers and pesticides using sustainable agriculture methods. While biodiversity aspects are not directly covered, shade trees are important for organic production since the leaf litter fertilizes the production; the trees retain moisture and provide a habitat for the natural enemies of coffee pests. Standards for organic production are issued by the International Federation of Organic Agriculture Movements (IFOAM). However, many developed countries such as the EU and US additionally demand accreditation of the certifying body.

**Fair Trade** coffee provides an alternative trade model that aims to secure small farmers' role in business. Certified fair trade coffee is exchanged at a guaranteed minimum price, which can be almost twice that for conventional coffee. Rules stipulate healthy working conditions and a living wage for farmers, as well as the financing of community-level development activities by farmer organizations.

**Shade-grown** coffee is grown under a canopy of shade trees, which provide habitat for migratory birds and other species, enrich and conserve soil and decrease the need for chemical inputs.

Source: Fleischer (2002)

### **Box 1: Environmental and Social Sustainability Standards**

show annual growth rates of 20 to 30 %. It is estimated that 10 % of the total coffee area of Mexico is under organic production. In the UK and Switzerland, fair trade coffee has about 6 % market share. In the current situation of low prices, premiums for organic and fair trade coffee can be up to 100 %. The organic and fair trade movements tend to converge, as both cover different aspects of genuine sustainability. Additionally, producers find it attractive to add a second

label because additional costs of certification are far lower compared to the first step.

A third type of standard refers to the impact of the conversion of agroforestry systems into sun-grown, "technified" coffee plantations. Following a dramatic drop in the number of migratory birds in the United States during the last 20 years, many consumers are now prepared to pay a premium for "shade-grown coffee", which provides a better habitat for birds than the so-called "sun coffee". The drastic decline of areas with high tree forests in many Central American countries has turned out to be an obstacle for many birds when going south during the winter in the Northern Hemisphere. Several decades ago, coffee growers were encouraged to cut the forest, convert to sun resistant coffee types and use fertilizers and pesticides. Demand for the traditional coffee grown in agroforestry systems emulating primary forest-like vegetation has gained momentum.

### ***Opportunities for small-scale farmers***

In many areas, coffee is grown in a traditional, low-input system under shade. Farmers may ask themselves: If I produce coffee in a traditional agro-forestry system, how can I get the market reward my contributions toward conserving the tropical rain forest tree cover that conserves the soil, protects the global climate and saves bird species? Entering the market for "sustainable coffees" requires some adaptation of the farm management system to meet the standards, especially for organic certification. For example, chemical pesticide use is ruled out in organic production. Small-scale producers have to be organized to reduce the transaction costs for buyers and the costs of certification. As a group, they need to be committed toward jointly establishing a reputation for delivering a consistently high quality of coffee. Direct links between producer groups and importers are often essential to establish a separated commodity chain, to increase

transparency and to assure quality throughout the chain.

### ***How can producers be supported?***

Constraints for producers to enter the market for "sustainable coffee" vary from country to country and from region to region. East Africa for example, has significant potential for expanding high quality sustainable coffee production but faces constraints, perhaps more severe in comparison to Central America or Mexico. Those include the weak infrastructure, the lack of reliable market outlets, and inappropriate governance of state authorities.

Small-scale producers of coffee face a similar set of entry barriers like those in other high-value export markets. They tend to lack enough information on market opportunities, especially in remote areas. Access to modern communication like the internet may help to close the gap, especially since there is an increase in direct links between producer groups and importers. In many areas, small-scale farmers have been marginalized and bypassed when public services such as education, credit, dissemination of technologies were delivered. Those farmers often lack the basic skills to organize themselves in groups, keep records of production and processing, negotiate contracts with buyers etc. The private sector is increasingly interested to assist in upgrading the institutional capacity of producer groups. Partnerships between coffee buyers who know the technical skills required and the market demand pattern, and public sector agencies that provide infrastructure and basic services such as roads, communication, and electricity seem to offer particular advantages. GTZ has initiated several partnership projects with coffee companies in areas of Colombia, Peru and Uganda.

Public institutions and donors may subsidize the certification costs as those costs are a

particular burden for small-scale producers due to economies of scale. However, this instrument should be used carefully since subsidies tend to increase production irrespective of demand patterns. Another area of intervention is the bias in domestic agricultural policies. Those frequently geared toward supporting “technified” coffee, e.g. through input and credit schemes, subsidies and tax breaks for agrochemicals, priorities in research and extension organizations. Governments should no longer support farm practices that harm the environment. Donor and development agencies can help to reverse some of the biases through policy dialogue and support the recognition of the local and global benefits of sustainable coffee for rural development and environmental protection by partner country policy makers.

Beyond niche markets, coffee of lower quality which is demanded due to its blending characteristics can be made more sustainable through the adoption of sustainable sourcing criteria throughout the conventional supply chain. GTZ has recently entered a partnership with the German Coffee Trade Association for developing a code of conduct for minimum environmental and social standards to be adhered to by all actors in the German market. It is expected that the adoption of the code will lead to quality improvements and higher producer prices.

### ***Beyond coffee?***

Producing and marketing “sustainable” commodities is increasingly recognized as a practical way to capture the willingness-to-pay of consumers for environmental and social services of agricultural production through market-based mechanisms (Pagiola and Ruthenberg, 2002). Coffee is at the forefront, but other crops may follow. For example, many multinational companies trading tropical commodities like cocoa and banana depend on long-term and stable sourcing in developing countries and the trust of consumers in their products. They

are increasingly concerned about the degradation of fragile ecosystems and deteriorating social conditions including war and civil strife.<sup>3</sup> While large banana companies may have a certain degree of control over the supply chain through vertical integration from the plantations to the supermarket shelves, cocoa companies depend on millions of small-scale producers in predominately agro-forestry systems. There is already an established market niche for organic and fair trade bananas, but market differentiation for cocoa is only in its infancies.<sup>4</sup> This offers particular opportunities for producers in the traditional cocoa growing areas of West Africa.

*Gerd Fleischer*<sup>5</sup>

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<sup>3</sup> Recently, cocoa and chocolate companies have been concerned about the debate over child labor in West Africa. They established an international foundation that promotes good practices for implementing core labor standards in cocoa production ([http://www.chocolateandcocoa.org/News/press\\_release\\_070102.htm](http://www.chocolateandcocoa.org/News/press_release_070102.htm)).

<sup>4</sup> In partnership with chocolate manufacturers, GTZ supports small-scale production and marketing of organic cocoa in pilot projects in the Dominican Republic and Nicaragua.

<sup>5</sup> GTZ, Division Agriculture and Food Security. Email: [Gerd.Fleischer@gtz.de](mailto:Gerd.Fleischer@gtz.de). I am grateful to Ulrich Sabel-Koschella for his valuable comments.



## Topic in Focus

### **Is there a Potential for Competency-based Economies through the Formation of Enterprise (CEFE) in Rural Areas?**

Our topic in focus in this issue reflects on the increased tendency of commercialising agriculture as one effect of globalisation. The majority of agricultural producers in developing countries have only been partly integrated in the economic cycles. Full integration into agricultural markets, assuming the perspective of production chains and looking at the interaction within segments of the chain like primary production or transformation through value added services and between segments shows a strong need of a variety of new skills and knowledge of the actors from rural areas that are new and trying to find their place. The article on knowledge and information reflects more generally on the different cycles of knowledge going with increased integration into market transactions. In this article the focus is on entrepreneurial skills needed and the applicability of GTZ's CEFE concept.

In the context of development cooperation the promotion of micro and small business has already tradition. For this purpose a comprehensive training concept has been developed over the past twenty years or so. The concept has been called CEFE. Below the concept is shortly presented and its relevance for rural areas discussed. The objective of the article is to trigger that discussion also among readers. In one of the next issue the aspect of rural qualification will be in the focus and then the discussion will be intensified. Interesting

enough right now an electronic conference is going on that discusses the issue of Rural Business Development Services (RBDS). The forum is hosted on Bellanet-Website and initiated by Swiss Development Cooperation, moderated by Ueli Scheuermann from LBL (Landwirtschaftliche Beratung Lindau). For those who would like to join the discussion until early November the link is: <http://www.bellanet.org/sdc/ruraldev>. You have to register to join the debate.

The presentation of the CEFE concept is mainly taken from the CEFE material that is available from the CEFE website and the trainer manual on CD-ROM. In the meantime CEFE International has developed into a broad service package and users have to pay for the services through membership fees and separately for training material. The package consists of a worldwide network, a regular newsletter (Brainstorm), regular news, a website (<http://cefe.gtz.de>) with public and member's only features as well as a wide range of training materials. The project Knowledge Systems in Rural Areas is a member of the CEFE Network.

CEFE has been introduced in more than 100 countries during the last ten years and is practised by an International Network of 1300 Organisations and 2500 People. The activities related to the world-wide dissemination of the CEFE concept are supported and financed by a number of bi- and multi-lateral donor agencies as well as local governments (ADB, IADB, EU, ILO, World Bank, UK, Canada, Austria, Switzerland, USA, Brazil, South Africa, Tunisia). Under German Development Cooperation there are 150 bi-lateral projects and an international project called CEFE International operating with the CEFE method.

CEFE INTERNATIONAL is specialised in supporting long-term projects, CEFE partner institutions and other donor agencies in the use and implementation of CEFE programmes. It also assists CEFE partners

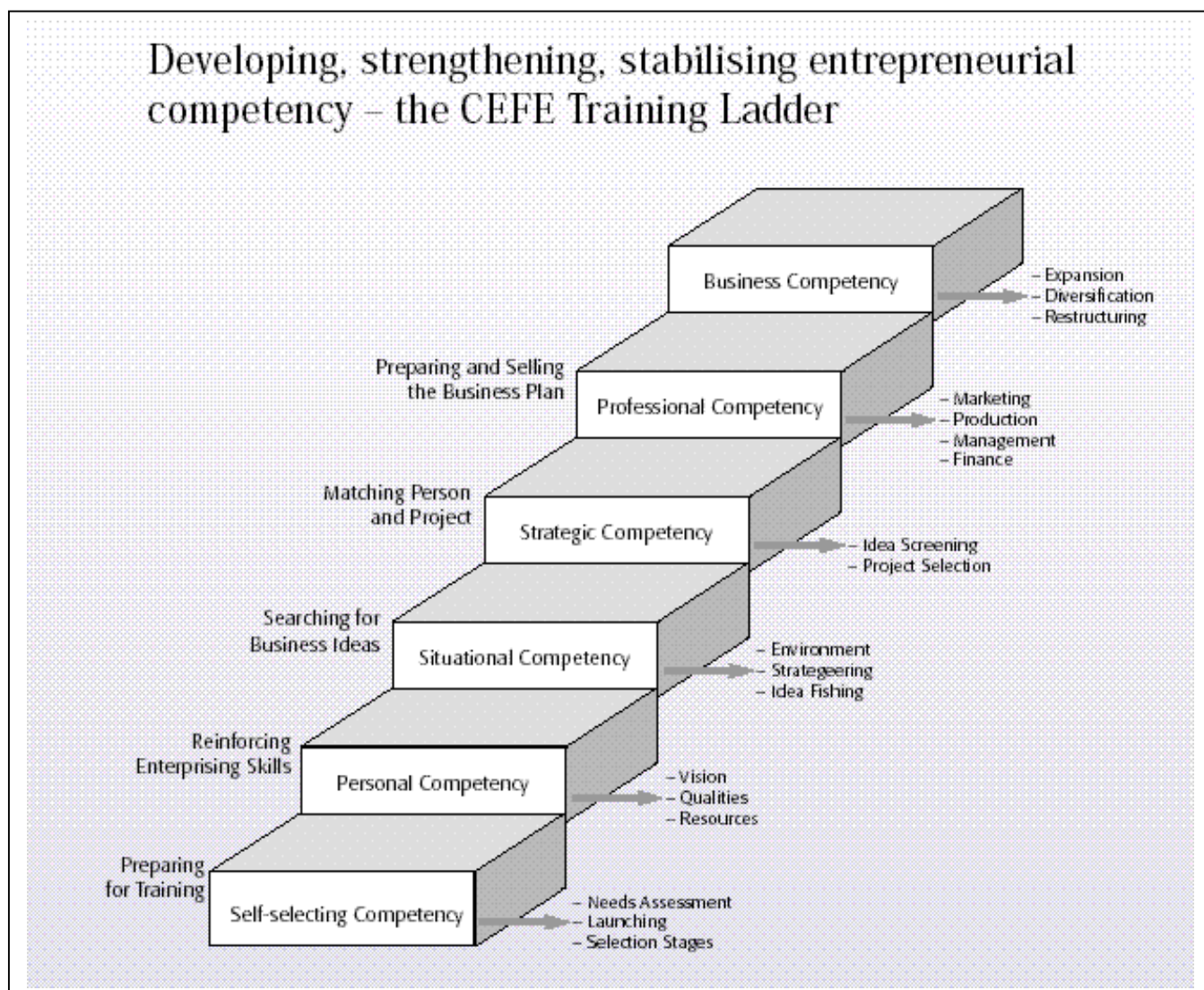


Chart 1

in adapting and implementing CEFE know how according to the specific needs of their respective target groups and the objectives of their project activities.

The CEFE is a comprehensive set of training instruments using an action-oriented approach and experiential learning methods. The objective is to develop and enhance the business management and personal competencies for people in the context of income and employment

generation and economic development. The concept has been developed and adapted by GTZ over past twenty years with an emphasis on creating urban (self-) employment and income.

CEFE, being a training concept is based on the assumption that the enrichment of society is essentially depending on its human resources, and the more productive and accountable these people are, the greater will be the wealth of that nation. It

has evolved over the years from an approach training individuals who want to start their own enterprise to a far-reaching training methodology, designed to evoke enterprising behaviour and competence in a wide variety of situations. The fundamental assumption is that people with a clearer vision of their goals and equipped with the skills to achieve them are far more likely to become productive individuals in society.

CEFE is a highly adaptable concept that has been used to promote a wide range of very different social groups such as demobilised soldiers in Ethiopia, refugees in Mozambique, women in vocational training in Tunisia, ex-prisoners in Chile, favelados in Brazil, university graduates in Vietnam, staff members of privatised enterprises in Uzbekistan, just to name a few.

CEFE has proven to be a very successful approach to the promotion of small and medium enterprises, employment, income and economic growth.

CEFE's training methodology has been applied in a variety of situations, its core focus yet remains the stimulation of growth in the small and medium enterprise development process where the emphasis with entrepreneurs is on improving their business performance while with personnel from enterprise support and regulatory institutions more attention is given to creating a positive enabling environment at the macro and meso level.

There are essentially six stages in a CEFE training programme regardless of the target group. The first stage is awareness, in which participants are encouraged to examine who they are, clarify their own values, and evaluate their own personality, motivations, capabilities and personal resources. The second stage is acceptance or recognition of one's own strengths and weaknesses - not everyone has to be a leader or hero, but being more creative, innovative, and competent is likely to produce rewards in any profession. The

third stage is goal setting, where the emphasis is placed in developing clarity of purpose in one's short and long term goals of life. The fourth stage involves developing strategies or action plans which are oriented to generating growth; this is done after analysing the relevant components of the six factors mentioned above and includes the upgrading of knowledge about economics and entrepreneurial decision-making. The fifth is direct experience where the emphasis is on doing; structured learning experiences and encountering "real life" situations assist in building up this experience in which strategies are tested, evaluated and modified. The last stage is transformation and empowerment where the competencies acquired come together into a pattern which matches personal strengths and weaknesses with goals.

CEFE's overall guiding principle to the training is the ownership of the process which is acquired through the time and energy that participants must invest into the highly demanding schedule of each course. By moving through these stages from awareness to transformation, the participant is given the opportunity to experience personal growth and to develop a more enterprising approach to life. The amount of empowerment that actually takes place is in direct proportion to the investment made by the participant and to the increase of economic opportunities.

CEFE's method of enterprise promotion represents the synthesis of enterprise research, theory and application and links economic growth with more and better qualified employment and higher individual income. Its strength comes from paying particular attention to the practical results of its interventions. The method has been widely used in sectors such as small and medium enterprise development, reconstruction and privatisation, management training, vocational training, education, rural and urban development, refugee and reintegration programmes and in agriculture.

Also CEFE mentions agriculture as a field of application the actual experiences are rather limited. In 1998 the 3<sup>rd</sup> CEFE congress in Belo Horizonte had the rural areas in the focus. The general environment at that time was not yet favourable for the promotion of rural entrepreneurship. An initiative was started in 1999 in Central America (Nicaragua and El Salvador) to promote intensively the use of CEFE in rural areas. Due to a number of factors like phasing out of some projects the efforts were not continued. Looking at the debates of rural economic development and rural non-farm employment and privatisation of service systems there seems to be an increased potential for the successful application of the CEFE set to create more entrepreneurial spirit in rural areas and opportunities for acquiring the necessary skills. Referring to the knowledge cycles in the article on Knowledge and information in commercial agriculture some strategic areas for the application of CEFE seem to evolve:

- Commercial agriculture (farming as a business)
- Associative peasant business firms of small-scale producers
- Private service providers up and downstream of primary production
- Rural business development services (as a separate and special field)

What implications arise from this potential new clientele?

Concerning the first two points, it implies that CEFE should be ready to train illiterates. Many developing countries have still considerable portions of the population that are not able to read and write. The larger part of the illiterates can be found in rural areas and still often enough farm families depend on the labour of the children for farm work and therefore do not school them. Under gender aspects one can say

that schooling rates for girls are still significant lower than for boys.

Being illiterate does not necessarily mean that these people do not have potential for entrepreneurial development.

Judging the potential for entrepreneurial development in rural areas needs to be done with a profound knowledge of agriculture. The state of agricultural development defines the possibilities of the service sector before and after agricultural production. Subsistence farmers e.g. have a very limited need for artificial insemination of cattle or a crop-insurance. Agriculture and its corresponding service system influence each other and also open up new alleys for each other. Services for agriculture include physical inputs like seeds or agro-chemicals, implements but also intangible services such as research, advice or market information. Current development show that the trend to commercial agriculture is not limited to Latin America but also in Kenya, Uganda, Ghana and other African countries an increased interest in entrepreneurial skill among farmers can be observed. Especially American NGOs like ACDI-VOCA or TechnoServe have business initiatives in African countries.

A broad variety of practical examples from the area of non-farm rural economic development will be presented at the multi-donor workshop at the GTZ premises in Berlin (19-22.11.02 see also announcement in this issue). The next issue will report on the workshop.

If the CEFE movement wants to get deeply rooted in rural areas and to contribute to poverty alleviation in the rural areas and work with farmers, CEFE has to meet the farmers where they are. And CEFE needs to link up with other organisations like agricultural extension services, private service providers, farmer organisations, co-operatives and NGO's. These partners transport the message of the CEFE potential and usefulness and help linking up with farmer groups for training and

networking. A special challenge might be the contribution of CEFE to the third learning cycle or the evolving fourth where social learning and social competence becomes more and more important in the context of entrepreneurial collective action.

*Paul Schütz*



## **Agro-linked Rural Economic Development: Relevance in Poverty Reduction Strategies**

***Workshop, Berlin, 20–22 November 2002***

Poverty in developing countries is primarily a rural phenomenon. More than 70 % of the poor live in rural areas. Therefore, development experts are increasingly interested in approaches to enhance income opportunities in rural areas. Recently revised rural development strategies of many organisations stress the importance of a balanced, multisectoral approach to poverty reduction. After a time of benign neglect, rural economic development that is linked to primary agricultural production, is again gaining attention. National governments, international development organisations and the civil society have become increasingly aware that the International Development Goal of halving poverty and hunger by the year 2015 can not be reached without stimulating rural economic development.

The workshop aims at exploring the role of promoting non-farm income generation

through activities that are nevertheless linked to primary agricultural production. Based on available country-level experiences, intervention priorities for various stakeholders in the framework of poverty reduction strategies shall be identified.

### ***Rationale***

Many households in rural areas depend to a significant degree on income from sources outside agricultural production. Due to a lack of productive assets, the poorest segments of the rural population typically derive most of their income from wage labour. Even households primarily engaged in agricultural production depend on non-farm activities for supplementary income and mitigating risks. Studies at district or provincial level in different countries confirm that about 20–60 % of the rural population's income is generated by non-farm activities or stems from transfer payments.

However, many non-farm economic activities are linked to agriculture, e.g. through value-adding and processing of raw material, supply of inputs and services, use of surplus labour. The non-farm economy and agricultural production can have positive growth linkages, but compete also for labour, capital and natural resources. Availability and productivity of labour are often a key factor for the emergence of a viable and sustainable non-farm rural economy. For example, labour demand in peak agricultural seasons can be a constraint for other, non-farm activities. While at an initial stage unskilled, low-wage labour may support the production of low value, locally exchanged items, more skilled expertise will be required at an advanced stage.

Trends in agriculture as a consequence of technological change, globalisation and market integration affect the growth potential of the non-farm part of the rural economy. Growing worldwide competition in the production of agricultural goods

constrains income opportunities from agricultural production and induces modernization processes requiring access to capital and skilled management. This means increasing pressure for parts of the farming community to look for alternative sources of income. A large work force may become redundant due to continuing agricultural modernization and concentration of landholdings. Without alternative sources of income in rural areas, most of these people will migrate to urban areas. Due to the lack of education and skills, their income opportunities in urban areas will be limited, heightening the social and environmental problems there. Migration will also increase the urban bias in political decisions, thus reinforcing the vicious circle of underdevelopment in rural areas.

Poverty reduction strategies of many governments and donor organisations acknowledge the importance of combating rural poverty. Therefore, rural economic development linked to agriculture has a high priority. So far, most research on non-farm income has concentrated on statistical analyses at the macro level. Only a few case studies, e.g. in Latin America, have identified important factors influencing non-farm income in specific rural areas. Yet, little is known about the ingredients of success of interventions that promote rural non-farm economic development. Approaches include among others, small and medium enterprise development, vocational training, investment in basic infrastructure, provision of access to markets and public goods, and preferential access to capital.

### ***Objectives and expected outputs of the workshop***

The workshop aims at reviewing the experiences in promoting agro-linked rural economic development in various regions of the world. The objective is to enhance knowledge sharing among national governments, development agencies and other stakeholders and to promote a

coordinated effort for incorporating Agro-linked Rural Economic Development into national poverty reduction strategies.

Based on a set of case studies, workshop participants will analyse the factors driving successful promotion of Agro-linked Rural Economic Development. The expected outputs include lessons learned from practical experiences and a framework for validation of good practices of policies and project interventions. The outputs are expected to contribute to the development of policy guidelines. In pursuit of a common understanding and a basic consensus, participants from developing countries and development organisations should try

- to specify the contribution of Agro-linked Rural Economic Development to poverty reduction strategies,
- to address the roles of stakeholders and the interaction between them (governments, civil society, private sector, international development partners),
- to identify intervention priorities
- to propose instruments for the improvement of knowledge sharing among the various stakeholders.

The workshop results shall be documented in a high-quality publication. Results are expected to be a starting point from which knowledge-sharing among stakeholders, especially partner countries and development agencies can take place and approaches potentially be harmonised. Participants will include experts from multi- and bilateral development agencies, national governments, civil society organisations and research institutions. The total number of participants will be about 40-50.

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## Topic in Focus

### **Public Private Partnerships in Agroindustrial Research: The project frame of ISNAR's PPP project**

Since Sep. 2001 the International Service for National Agricultural Research (ISNAR) together with partners in Latin America and the Caribbean carries out a project on Public-Private Partnerships for Agroindustrial Research. The 3 year project, administered by GTZ, is part of BMZ's financial support to international agricultural research. Main contributions to funding also come from ISNAR and partners in the region.

In the following we lay out the project's rationale and some of the basic understanding behind the project, some of which originate from the project's methodological framework (Vieira, Hartwich, 2002) and results of discussions on recent workshop at the University of Hohenheim (ISNAR/University of Hohenheim 2002). We will round up with elaborating on some preliminary findings and outputs of the project.

#### ***The PPP: Institutional development for agroindustrial research in Latin America and the Caribbean***

The PPP project fosters institutional innovation in agroindustrial research through the promotion of public-private partnerships. The project's *goal* is to achieve that public agricultural research organisations and their private partners

contribute effectively to agroindustrial innovation in a way that induces the equitable and sustainable socioeconomic development of Latin American countries. The objectives of the project are: (1) define and communicate the potential and constraints of public-private partnerships in agroindustrial research, (2) to deliver tools that allow agroindustrial research to be strengthened through public-private partnerships, and (3) to establish functional public-private agroindustrial research partnerships in three pilot countries.

Under its umbrella public and private sector professionals from the region work together to learn about public-private partnerships in agroindustry research and deliver tools that allow to strengthen them. The work is supported by the regional Cooperative Programs for Agricultural Research (PROCIAs), national agricultural research organizations (INIAs), and the Institute for Agricultural Economics and Social Sciences in the Tropics of the University of Hohenheim. Advice to the project is provided from private sector associations. The project operates from a central node in the ISNAR office at IICA, Costa Rica, and in an interactive and participatory mode uses expertise and experience from the region. The project activities can be summarised under: (1) undertaking research studies on special issues of public-private partnerships, such as governance, finance, legal aspects, and evaluation, (2) sensitization of the public and private sector with regard to the importance of agroindustry research and partnerships and subsequent training; and (3) implementation of public-private partnerships for agroindustrial research in three pilot countries.

#### ***A broad View on Agroindustry***

Agroindustry in the more narrow sense, are those economic entities that process materials from primary agricultural/animal production, forestry and fishery; the processing can include transformation and preservation through physical or chemical

alterations, storage, packing and distribution. However, for a better understanding of the context of agroindustrial development the PPP project applies a wider definition in which agroindustry embraces all the activities of the agri-chain, in other words agribusiness. Agribusiness would be seen as including all markets and private business oriented entities involved in the production, storage, distribution, and processing of agribased products and in the supply of production inputs and the provision of services such as extension, administration, research, etc. In the context of agroindustry agri-chains, or, more general, supply chains: are industrial arrangements that allow buyers and sellers who are separated by time and space to progressively add and accumulate value as (agricultural) products pass from one member of the chain to the next (Hughes 1994).

### ***Why Agroindustry Development?***

Main functions of agroindustry are to reduce seasonality, variance in quality, and expiry of agricultural products. This generates value added (increased national product) to primary agricultural production, which can be of social and economic benefit to a variety of actors. It creates employment in rural or urban areas and provides the primary agricultural production units with income. Meanwhile it generates convenience to consumers who demand reasonably priced and save food of high quality. The introduction of agroindustrial products also gives rise to merchandisers and supermarkets. Indirectly, the agroindustry sector induces a more diversified use of agricultural primary products; this stabilizes prices and markets, an effect that is of high benefit to the primary producer and the consumers.

By now, only few Latin countries such as Argentina, Chile, Brazil, and Mexico have developed a considerable agroindustry; by international standards Latin American agroindustry classifies only as low to

medium developed. But agroindustry is a growing enterprise: Non-food agro-industry and particularly industry related to the use of biotechnology will soon gain importance, be it through the intervention of transnational companies or through local capacities. The use of certification and quality control measures may become preponderant as well as healthy, natural and nutritional products will conquer markets. However, those scenarios involve the risk that some farmers and processors who don't integrate in agri-chains may be excluded from the economic process. Therefore, in order to reach a positive and balanced development in the agroindustry sector, public intervention appears to be necessary. Governments have to adopt policies of training, education and human resource development to the benefit of those actors that could be marginalized by expanding agrichains.

In general, in order to make agroindustry development happen, governments in consultation with the private sector need to define and carry out policies to support agroindustry. Such policies which necessarily have to refer to specificities of certain agri chains, need to embody a clear commitment to develop capacity in science and technology. They also need to provide a regulatory framework, legal security, and incentives for small and medium sized companies.

### ***Why agroindustry research?***

In order to set up activities in agroindustry knowledge and innovation is required. By now, the existing knowledge and innovation systems in Latin America are hardly in the position to provide the necessary information to initiate development of agroindustry. What happens is copy of technology from abroad (US, and Europe) and this in many cases, leads to involvement of transnational companies or joint ventures which only provide the high value consumer products market segment. Development of small to medium rural and

urban agro-processors and enterprises is only achievable with knowledge and technology that responds to local social, economic and cultural needs.

Agroindustry research can contribute to agroindustrial development only when it responds to flexible, competitive, equal and sustainable conditions in the agricultural sector. By now, many innovative local agroindustry companies have anticipated the importance of knowledge to penetrate and maintain competitive markets, many others still have to learn the lesson. New consumer demands create new types of products, which only can be produced when applying new technologies. Research and development generates part of these new technologies and adapts them to local conditions while copying innovations from abroad is a necessary simultaneous strategy.

Agroindustrial research should be embedded in agrichain management, which, among others, has to fulfill the function of setting research priorities. Round tables on sector/agri chain development are promising fora to identify needs for agroindustrial research. In agri chain initiatives representatives of public research need to be proactive using also skills in negotiation and promotion. Researchers need to become knowledgeable on matters of agroindustrial development.

### ***Why Public Private Partnerships?***

Partnering is about creating more value together than can be created alone. The underlying understanding that all partners share is that the partnership represents a better strategy for addressing a specific research issue than each partner could conceive of operating alone. This may be particularly true for agricultural R&D in Latin America, where agriculture is one of the few development options and where financial and human resources for agricultural research are particularly scarce. Public-

private partnerships are a promising alternative to meet agroindustrial research needs as they allow for orientation of research towards demands and improving efficiency through coordination of various research initiatives, and because they potentially can augment investments in research. Consequently, research through public-private partnerships would have higher impact and provide research institutions with a broader justification. Research in partnership would broaden the perspectives of the two sectors and prepare them for a better future.

Partnering, however, is nothing new: public agricultural research linking with farmers' organizations is common in Latin America. But "hands-off" is the prevailing attitude when it comes to linking with private enterprise. Public service agents often argue that private companies react only on profit motivations and are unconcerned with addressing social goals. On the other side, the private sector often criticizes the bureaucracy and inefficiency of the public sector, which is seen as unable to respond to the demands of industrial development. In the current context of dwindling funds for research and heightened pressure from external markets, the two sectors have dropped some resentment and are actively looking for partnering options. In some cases partnerships are already being formed. But lack of knowledge inhibits partnership formation, as actors are unsure of how to build a partnership and how to make it work.

Building partnerships is beyond common sense. Indeed, why would a private company become involved in a partnership with government? The answer is "only when partners clearly see a common interest" (see Figure 1 and also Box 1 for an illustrative example). Discovering the common interest space is difficult, however, and because the common interest space is so well hidden, it often remains undetected.

Figure 1: The Common Interest Space



#### Box 1: Eco-glue for banana packaging

The CIAT-supported Latin American and Caribbean Consortium to Support Cassava Research and Development (CLAYUCA) recently developed a method to transform cassava starch into glue that can be used in ecological packaging, for example, of bananas. The technology is not yet commercial and some further applied and adaptive research needs to be conducted to bring it to the industrial process. A public-private partnership was therefore initiated in which a private starch-processing company in Ecuador provides the operational funds for further development. The work will be carried out by a food chemistry specialist at the National University of Colombia in Bogotá. CLAYUCA provides the institutional framework to determine repartition of staff time and financial inputs and distribution of benefits, such as those accruing from an eventual patent, between the partners.

Research partnerships can only develop in an integrated network of actors in the agri chain, not in an environment where each actor seeks its independence. At the present situation it will still be mostly up to governments to take the initiative for partnering but flexible public research institutes and universities and communicative private entrepreneurs are also motors for partnership development. Partnerships do not always have to become complex formal and bureaucratic constructs.

In the Latin American context, public-private partnerships for agroindustrial research are mechanisms, which bear the potential to facilitate an essential dialogue between public and private actors in agri chains. They allow for a much-needed rationalisation of development efforts and make intelligent use of the national human, financial and physical resources for agroindustrial research. They can catalyse the identification of priorities and application of useful results. Conforming to current economic changes the opportunity rises to use research partnerships as a tool for agroindustrial development. But agroindustrial research partnerships are constrained by the limited human capacity on agroindustrial issues on the continent.

#### Some preliminary findings

Lately characterisation studies on the situation of agroindustry and research have been carried out in Ecuador, Paraguay and Dominican Republic. The lessons from the studies propose that there are many initiatives for agri chain development, few of them supported through initiatives on the generation of agroindustrial innovations and technology.

In general, the different discussions with local experts, visits to countries and studies undertaken in the frame of the project suggest that to date in Latin America partnerships have created spontaneously but without sufficient development of a conceptual and operative framework. To

consolidate agroindustry research partnerships and develop them further the focus should be on involving solid private companies acting on dynamic markets where also political stability can be found. In the meantime public sector research needs to be solid and competent in state of the art science and technology, at reasonable costs and ready to collaborate with other research organisations. Both sides need to contribute sufficient resources to the partnership and should interact in a positive attitude of mutual trust acknowledging the interests of the other side. Making access to competitive funds may help soliciting the necessary resources.

The project has also finished the development of training materials that communicate the message that public private partnerships for agroindustrial development can be used to foster local development of agroindustry. The materials are meant to initiate creation of partnerships for agroindustrial development in national contexts were already tested and adjusted in a workshop attended by representatives of research, development and policy from five Andean countries. Requests from Bolivia, Mexico and Venezuela to hold a workshop in which the developed training materials are used and the Venezuelan request to implement partnerships development tools on their own account give evidence that the project meets local demands. Further activities of the project will need to involve in a follow up on the implementation of partnership initiatives in the countries that participated in the PPP project's training.

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## Tools & Concepts

### **Analysing the beef and meat sector in Kenya – a tool for product chain development**

A chain analysis is the review of the steps through which an agricultural product is generated, from the services delivered to primary producers on to the processing and marketing of the product to the final consumers. It is understood that no service provider or producer can be economically successful without contributing to a product chain that provides the link to markets.

This article presents the results of a “rapid supply chain analysis” that was done for and with the Bahati/ LISSA slaughterhouse association in Kenya. The objective of the exercise was to identify a strategy for product chain development in the beef and meat sector. Besides its technical content, the analysis is also interesting from a methodological point of view. The approach taken may become a general tool for identifying interventions to develop

agricultural product chains that may be applicable in other cases as well.

The approach went through five steps:

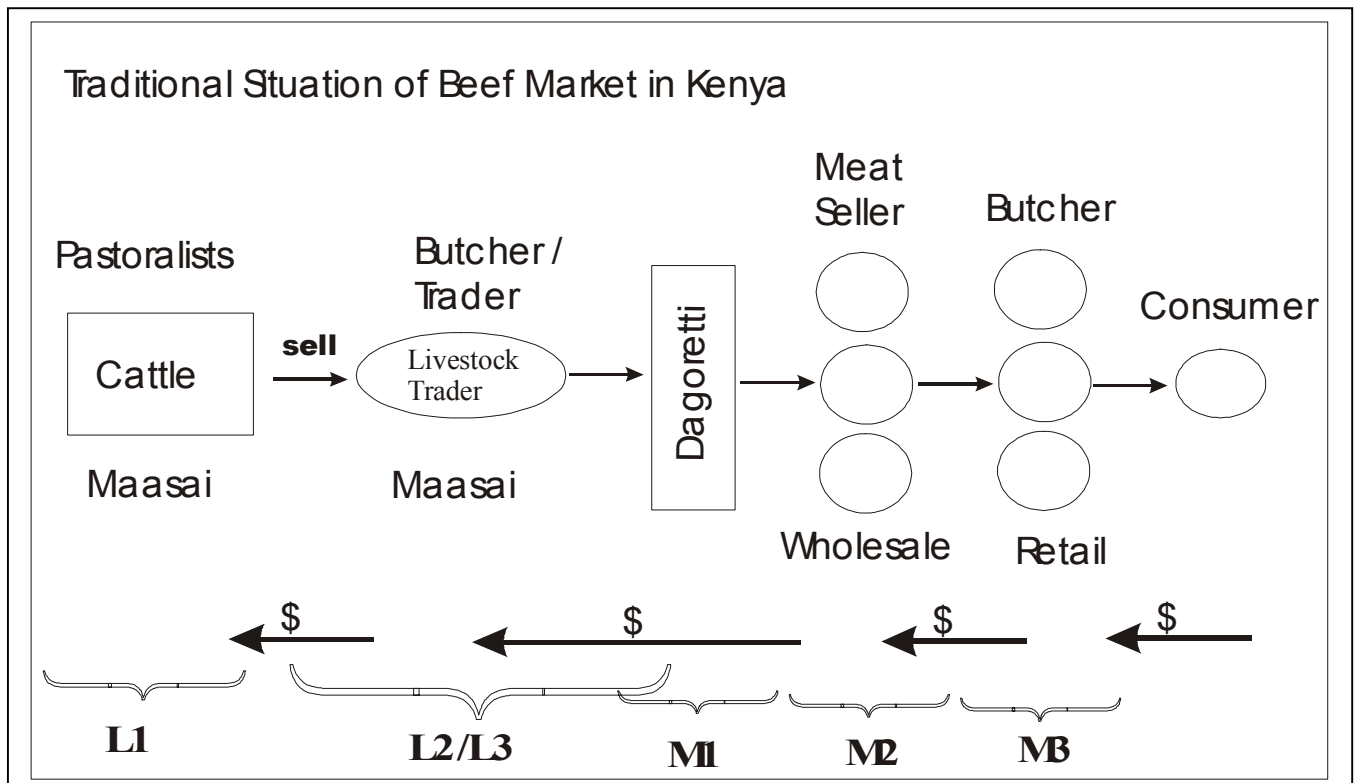
1. Selection of a commercial commodity
2. Description of the product supply chain
3. Analysis of chain problems
4. Identification of intervention points
5. Development of an intervention strategy

**1. Selection of a commercial commodity**

In the case at hand, the commodity was given by the partner Bahati/LISSA, an association dealing with slaughtering cattle, and selling meat. The development interest of this commodity is obvious, as the association includes small-scale entrepreneurs who are already present on the market.

In other cases it may be more difficult to judge the economic potential of a commodity. Development agencies or by producer organisations initiating chain development have to make sure there is a market outlet. The article on “agribusiness and development” presents some of the criteria to be used to judge the potential and select a particular product (see page 8 ff. of this issue). Core criteria are certainly the comparative advantages of small producers (labour intensive or specific local climatic conditions) on different product markets, especially the fair trade, niche and organic markets as well as the local markets for fresh products. The other aspect is the contribution of the new production line to development objectives, i.e. the extent to which poor people participate and the ecology benefits. In the case of beef meat, some of these criteria apply: The meat is produced by low-income people to satisfy a

**Chart 1: Traditional Beef Market**



growing local demand for high-quality fresh products, and the way Bahati LISSA operates the slaughterhouse delivers positive effects for the environment and for public health.

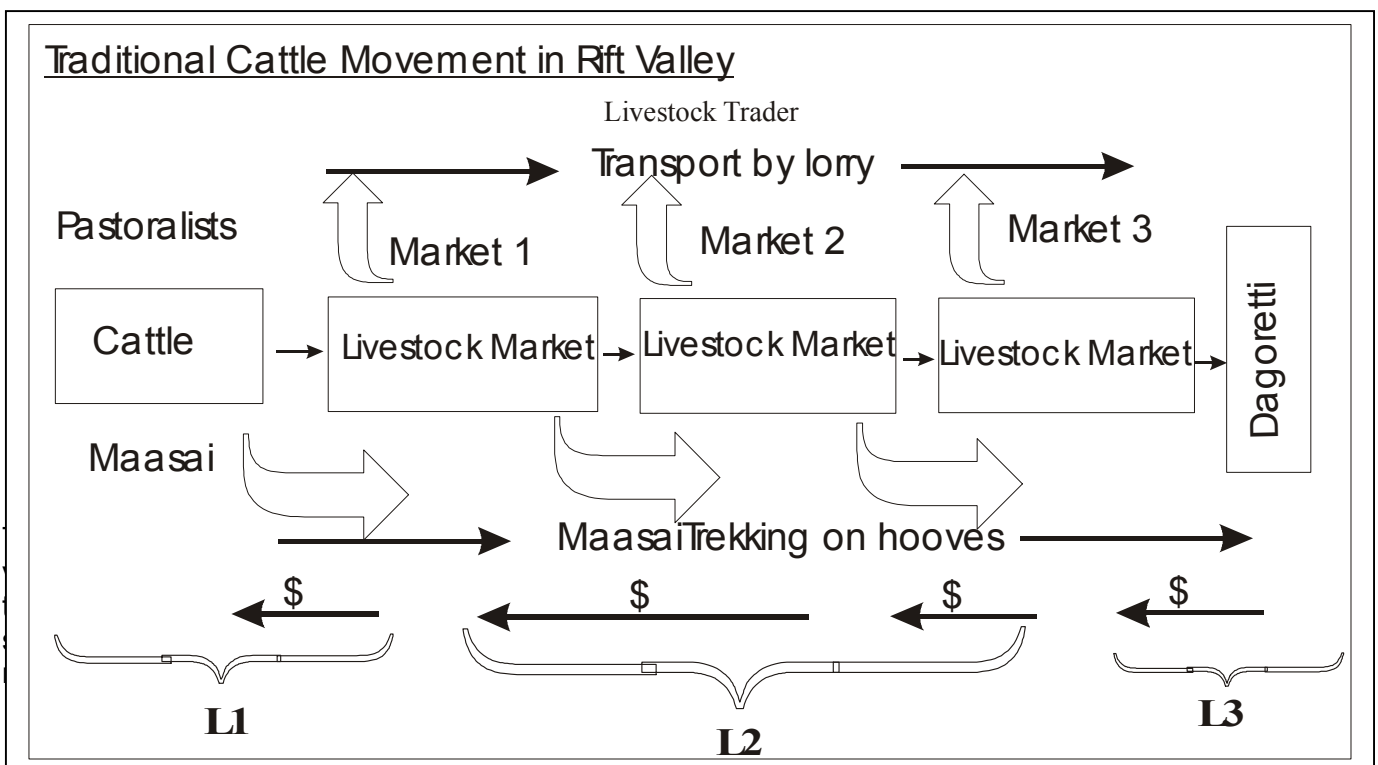
**2. Description of the product supply chain**

After having chosen a commodity we need to look at the whole chain, starting from the inputs for primary production through storage, transport, transformation and sales. The chain is primarily defined by the flow of the product, but also includes all necessary services accompanying the production stages. The following charts give a simplified overview of the traditional livestock to meat chain from the Kenya Rift Valley to the final consumer in Nairobi. Chart 1 ( page 53) provides an overview and chart 2 (page 54) highlights the specific (sub)chain of livestock production and trade.

Those producers that could not sell on the first market move their animals to the second and third market along the transport route to Nairobi. When pastoral livestock owners have decided to sell, they are not moving their animals back to the main flock but try the next market. Usually the decision to sell is based on a cash need. From the third market some dealers trek animals directly to Nairobi slaughterhouses. Thus they also circumvent the need for a moving permit.

The review of the sector reveals two fairly separate chains, the livestock production and the meat production chains (see chart 1). The simplified chain differentiation, two fairly separate chains, the livestock production with three segments and the meat production chains also with three segments. This becomes clear by looking at the tables in the third step which represent the problem analysis.

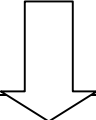
**Chart 2: Traditional Cattle Movements in Rift Valley**



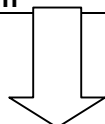
### 3. Analysis of chain problems

The chain of livestock production and supply can be summarised into three major steps, segments. This becomes clear by looking at meat production chains also with three the tables in the third step which represent the problem analysis. livestock production, livestock trade and transport between the production zone and the main Nairobi livestock market (Dagoretti), and the sale of animals at Dagoretti. Although each of the stages includes different functions and can be broken down into smaller steps, it appears that they constitute fairly homogeneous domains of economic interaction. The following tables present a short description of the three major stages in the livestock (L1-L3) and meat (M1-M3) chains.

Besides two descriptive points, the analysis of the stages uses the criteria “efficiency and environmental constraints” and the “assessment of potentials”. Both criteria refer to arguments that are of public interest and from which options for public interventions can be derived to improve the sector.

Stage in the live-stock chain	Short description	Main stakeholders	Efficiency and environmental constraints	Potential development approaches
<p><i>L1. Cattle breeding (focus on the Narok district in the Southern rift valley)</i></p> 	<p>Pastoralist system according to the Maasai tradition, appr. 700.000 stock in Narok district.</p>	<p>Approx. 5000 Maasai herder households,  <i>Very few private service providers for animal health</i>  <i>few public services such as water supply, disease control provided by government and NGOs</i></p>	<ul style="list-style-type: none"> <li>• Tradition is to sell animals according to cash needs and less according to herd management principles, pastoralism regarded as way of living and less as a business enterprise,</li> <li>• most land used as communal pastures with resulting overstocking and overgrazing,</li> <li>• low productivity (nutrition / vet. services)</li> <li>• oversupply</li> <li>• few market incentives as prices are low</li> </ul>	<ul style="list-style-type: none"> <li>• Supply of improved technology has only shown results in the case of private land owners</li> <li>• Long-term investment in education</li> </ul>
<p><i>L2. Cattle marketing / transport</i></p>	<p>Buying of animals in several local stock markets which are aligned along the main</p>	<p><i>Stock traders, partially organised into a stock traders association,</i></p>	<ul style="list-style-type: none"> <li>• Market facilities are insufficient (no water, no holding grounds, few services)</li> <li>• Reduced incentives as cattle owners cannot</li> </ul>	<ul style="list-style-type: none"> <li>• Organisation of markets and provision of services to reduce losses</li> <li>• Improvement</li> </ul>

	road starting from the production centre, 90% of the cattle is trecked on hoof in groups of 30-50 animals	cattle drovers, truck owners offering transport services vet. supervisors	sell readily (buyers' market), <ul style="list-style-type: none"> <li>Losses in weight and quality of the animals trecked on hoof</li> <li>Security problems</li> </ul>	of roads to ease transport
<b>Stage in the live-stock chain</b>	<b>Short description</b>	<b>Main stakeholders</b>	<b>Efficiency and environmental constraints</b>	<b>Potential development approaches</b>



<i>L3. Sales at Nairobi cattle market in Dagoretti</i>	cattle is sold to livestock processors for subsequent slaughtering in private slaughterhouses	<i>Stock traders, partially organised into a stock traders association,</i>  Livestock processors ("meat producers")  Slaughterhouses  Veterinary service with meat inspection  District council (market fees)	<ul style="list-style-type: none"> <li>Market facilities are insufficient (no holding grounds), quality losses</li> <li>Unfair trade practices with buyers in the strong position, frequent defaulting on extended terms of payment and cheating resulting in strong disincentives for the stock trade</li> <li>Lack of capital</li> <li>Part of the trade escapes public supervision, corruption problems</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of market facilities to reduce losses</li> <li>Law enforcement</li> <li>Support to trader associations</li> </ul>
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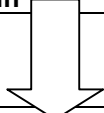
**Traditional beef meat production and marketing**

The next set of tables summarises the major stages of the traditional beef meat chain in Nairobi.

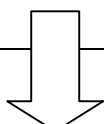
<i>M1. Slaughtering of cattle at Dagoretti</i>	slaughtering of cattle and partition into front and hind quarters, heads, hides, hoofs and intestines.	Livestock processors ("meat producers")  Any of four Slaughterhouses  Veterinary service with meat inspection and inspection of meat transport containers	<ul style="list-style-type: none"> <li>Facilities are insufficient, especially waste disposal and general hygiene</li> <li>Quality of slaughter cattle is often poor</li> <li>No facilities for processing of meat</li> <li>Reduced capacity for cooling/ storage</li> <li>Unknown proportion of animals is slaughtered outside the slaughterhouse</li> </ul>	<ul style="list-style-type: none"> <li>Support to the improvement of facilities</li> <li>Law enforcement</li> </ul>
<i>..at Bahati slaughter-</i>	See above	<i>In addition: Bahati LISSA</i>	<ul style="list-style-type: none"> <li>Capacity is under-utilised</li> </ul>	<ul style="list-style-type: none"> <li>Development of business</li> </ul>

<i>house in Limuru</i>			<ul style="list-style-type: none"> <li>• Quality of slaughter cattle is often poor</li> <li>• No facilities for processing of meat</li> </ul>	opportunities (see below)
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Stage in the live-stock chain	Short description	Main stakeholders	Efficiency and environmental constraints	Potential development approaches
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<i>M2. Wholesale meat trade</i>	<ul style="list-style-type: none"> <li>- Sale of parts to meat traders and butchers at the slaughter-house outlet</li> <li>- transport to wholesale markets (e.g. Burma market) and sale to retail traders</li> </ul>	Livestock processors ("meat producers")  wholesale traders  brokers mediating between livestock processors and traders  transporters  butcheries	<ul style="list-style-type: none"> <li>• Storage facilities are insufficient</li> <li>• General hygiene in the line of transport problematic (no cool chain, meat handling is substandard)</li> <li>• Low level of education and qualification at all stages</li> <li>• No specialised training in meat processing and marketing</li> <li>• Open access to meat business activities</li> <li>• Illegal meat hawking</li> <li>• High market risk as meat degrades quickly due to handling procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Support to the improvement of facilities</li> <li>• Regulation of access to the meat business</li> <li>• Training</li> <li>• Law enforcement</li> </ul>
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<i>M3. Retail meat trade</i>	<ul style="list-style-type: none"> <li>- Sale of meat and meat products to consumers in butcheries</li> <li>- Sale of meat to restaurants</li> </ul>	Wholesale meat traders  transporters  butcheries  restaurants	<ul style="list-style-type: none"> <li>• Storage, processing facilities are insufficient</li> <li>• General hygiene in transport and processing is problematic</li> <li>• Low level of education and qualification</li> <li>• No specialised training in meat processing</li> <li>• Open access to meat business activities</li> <li>• Limited market for the quality of meat offered</li> <li>• Low purchasing power</li> <li>• Low trust of consumers</li> <li>• Display, cutting and packaging does not respond to consumer demand</li> </ul>	<ul style="list-style-type: none"> <li>• Support to the improvement of facilities</li> <li>• Regulation of access to the meat business</li> <li>• Training</li> <li>• Law enforcement</li> <li>• Control of hygiene</li> </ul>
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#### **4. Identification of intervention points**

The principle of interpreting the tables is to go through the last two columns and assess the development approaches individually.

The constraints should be classified according to the severity of the issue and the general possibility of removing the constraint. Stages with intricate constraints, e.g. the strong limitations to enhancing productivity under the conditions of a traditional nomadic system can be put aside.

For the remaining stages, the issue is to judge the likelihood of success in supporting the respective strategies. Secondly, one should analyse to what extent the removal of a constraint might trigger further changes upstream or downstream, that is the repercussions of an intervention at one stage on preceding or subsequent stages. Interventions toward the market end of the chain appear to be more effective as they are likely to translate into market incentives for those active at the earlier stages.

Another distinction has to be made whether the approaches listed require public action or could partially be taken over by private actors. Generally, private initiative should be given preference because it offers greater prospects for a sustainable change.

Another option for preparing a choice is a "SWOT analysis" of the stakeholders at each stage checking on the four dimensions of SWOT (Strengths, weaknesses, opportunities and threats).

Looking at the bottlenecks in the chains, it was decided to concentrate on the meat business and dismiss the livestock chain as intervention point. A second decision was to work with a private partner, in our case Bahati/LISSA. Interventions would support actions of Bahati LISSA that they can take even without a prior change in policies and public services. The alternative strategy to foster the sector by public services and

investments or by targeting nomads or livestock traders was deferred. Nevertheless, we expect positive effects on the further development of the livestock sector.

#### **5. Development of an intervention strategy**

Following the identification of intervention points, the next task is to develop a strategy for the development of the supply chain. In our case, the intervention strategy consists in supporting a private entrepreneur in his business effort. This task has to be done together with Bahati LISSA and is still ongoing. In principle, for this type of strategy the subsequent steps are necessary:

- Choosing (private) partner for cooperation
- Analysis of the market position and current capacity of the enterprise
- Business strategy (including business and investment plan)
- Identify the potential development contribution of the private investment
- Deriving support measures for capacity building.

*Andreas Springer-Heinze and Paul Schütz*



# Tools & Concepts

## Impact Analysis of Completed Development Projects Different Approach - Different Findings

*Acting as reporting coordinator and team leader, the author of this paper was a major collaborator in the GTZ ex-post evaluation of the Cebu-Upland Project (a larger-scale project in rural regional development in the Philippines) completed 3 years ago after a 12-year implementation period. The evaluation was not just innovative for GTZ in terms of objectives, conceptual design and methodology; beyond this, it may well point the way for future impact analyses of projects in government development cooperation in general - at least for the priority area of rural projects geared to target-group needs and conditions. This paper describes the conceptual design and methodology of the evaluation and provides a brief outline of the additional prospective findings afforded by the approach adopted.*

### 1. Conceptual design of evaluation

For GTZ, the evaluation formed part of an effort to improve quality management and was also envisaged as a means of ascertaining ways to develop the future programme of rural development projects in Asia. 'Learning from experience' thus became the key precept in evaluation design. So in terms of objectives alone, the present evaluation differs from most previous evaluations in government development cooperation, which usually serve to demonstrate the rationale for development cooperation (or certain

measures), are designed to assess project success or implementation and/or provide grounds for deciding on the continuation of certain measures. The study did not therefore centre on questions such as *whether the project achieved the objectives set or whether it provided the expected contributions*; instead, of prime interest was whether and how the target groups made use of the project inputs to make sustainable improvements in their social, political, economic and ecological situation. This way of posing the question called for adopting an 'open impact analysis' approach, i.e. ascertaining very generally the changes that occurred at target group level since project start - initially without undue fixation on 'project' activities. Only at a later stage is an attempt made to determine the role the assisted project played in the process of change.<sup>6</sup> Thus the ex-post evaluation encompassed the following analytical steps:

Situation at project start ⇒ Identified changes over time  
⇒ Causes of changes ⇒ Project impacts

Although common practice amongst the larger NGOs, this kind of evaluation approach has still not been adopted by government development cooperation institutions.<sup>7</sup>

The impact analysis did not of course serve as an end in itself; rather, as pointed out above, the primary aim was institutional

<sup>66</sup> On 'open impact analysis' see H. Dolzer et al: Wirkungen und Nebenwirkungen - ein Beitrag von Misereor zur Diskussion über Wirkungsverständnis und Wirkungszusammenhang in der EZ. Aachen 1998.

<sup>7</sup> Cf. T. Mutter: Evaluieren NROs anders? (Do NGOs evaluate differently?) In: E+Z, Issue 12/2000, p. 351 f.

learning. The findings of the analysis were therefore in answer to the following guiding questions:

1. Why/How did the project achieve the impacts ascertained?
2. Which internal/external factors prevented the project from having greater impacts?
3. Do the impacts identified differ from those expected?
4. What should be done differently in future for project interventions to achieve greater impacts in the right direction?

## **2. Procedure and methods**

As the project activities were already completed and no reliable or comparable baseline data were available, a picture of the situation at the outset (the year 1986) was gained by way of retrospective questions to the target groups with outsiders included in the study as a 'control group'. (This methodological approach is known amongst empirical social scientists as 'pre-test-post-test design'.)

In choosing possible methods, priority was attached to the following yardsticks:

- The methods had to be as cost-effective as possible and yield useful findings for further developing development-policy approaches.
- They had to be conducive to the desired process of self-assessment by all stakeholders.
- Qualitative ('impressionistic') and quantitative (experimental) methods were to complement each other, always keeping in mind that criteria such as relevance of data collected and transparent acquisition of data should be accorded (at least) as much importance

as the scientific 'objectivity' of information.<sup>8</sup>

Based on all these considerations a broad range of different methods was finally applied:

- One-day inter-active workshops each with (a) former (local) project personnel, (b) former members of the project steering committee and (c) officials and elected representatives in the former project area
- Use of (various) questionnaires submitted to (a) ministries and authorities involved in Germany and in the host country and (b) the officials and elected representatives in the former project area
- Village workshops lasting several days using a broad range of participatory survey and discussion methods
- Semi-structured interviews with outside 'observers' (journalists, personnel of local NGOs, politicians) and selected target-group representatives
- Updating of selected case studies (and those already started by the project)
- Interviews of 270 households in the project area on the basis of a master questionnaire developed beforehand in line with administrative, social and ecological criteria. The survey comprised households that had benefited directly from project activities (direct target groups) and those that lived in the project area but were not direct

<sup>8</sup> We recall here the following lesson learnt: "We have learned that the choice of methods (and measures and instruments and data) depends much more on the type of question being asked than on the qualities of any particular method". Cf. Chelimsky, Eleanor: *New Dimensions in Evaluation. Proceedings of the 1994 World Bank Conference on Evaluation and Development.* Washington D.C. (1995)

beneficiaries of project inputs to enable an assessment to be made of the spread and structural effect of the regional development project under investigation.

- Evaluation of files, secondary literature and other documents by the expert consultants.

The evaluation was carried out by a team of 3 expert consultants (an international expert consultant as team leader and two local social scientists), which was supported in the quantitative survey by a local university institute and in part also by other local experts who helped to hold workshops. The field studies lasted about 5 weeks altogether with individual team members bearing responsibility for conducting different components of the study in close mutual consultation (but not always concurrently).

### **3. Major lessons learnt from the evaluation**

The study has come up with a host of interesting findings whose relevance for the future conceptual design and organisation of rural development projects will have to be discussed in a suitable context. We shall just briefly mention a few new basic findings that conventional evaluations to date have been unable to reveal.<sup>9</sup> These new findings are primarily the outcome of having the project under investigation considered and assessed by virtually **all** the relevant actors (but particularly the target groups). In the past, project impacts have largely been assessed by expert consultants 'talking' to representatives of the project executing/implementing organisations, functionaries and experts as well as by

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<sup>9</sup> Cf. for example: Langfristige Wirkungen deutscher Entwicklungszusammenarbeit und ihre Erfolgsbedingungen (Long-term impacts of German development cooperation and the conditions for their success). BMZ Spezial Nr. 19, Bonn, October 2000, page 18, which points out the methodological limitations of conventional evaluations.

means of selective, but always unsystematic 'visits' to individual project activities. For the first time, the procedure presented here placed the motives, perceptions and values of the actual addressees of development cooperation at the centre of the analysis and also enabled these to be compared with the assessments of other actors. The table below (page 62) highlights how important it is to take account of the different perceptions of 'reality' and the different evaluation criteria. It also explains the euphoric reports on the success of development cooperation projects that are repeatedly greeted with consternation by those closely acquainted with the issues: These were mainly based on information from project personnel and statements by government officials, functionaries and selected target group representatives who profited to a special degree from project measures.

In contrast, the ex-post evaluation carried out by GTZ revealed the following:

(1) Actors outside the target group frequently judge a project without exact knowledge of its activities, let alone its impacts; instead, their verdict is strongly coloured by the picture presented by the project management. Their assessment is also guided by interests, values and criteria (gain in prestige, temporary improvement in working conditions, for example) which differ completely from those of the target groups and also often have little to do with German development-policy objectives.

(2) The assessment of the target groups themselves is based on short-term and temporary advantages. Recollections of material benefits conferred by the project (e.g. temporarily subsidized inputs) count for

**Assessment of project impacts by different actors**

Actors/Stakeholders	Assessment of project impacts	Underlying assessment parameters
Former (local) project personnel	Very positive	Enhanced self-esteem through responsible and interesting activity; various learning experiences
Ministries or authorities at regional and national level	Medium to positive	Participation in implementing ambitious development approaches; increased influence and prestige; project image as seen by outsiders
Officials at district or municipal level	Largely positive	Comparison of work situation with and without project; hope of resumption of project activities; impressive (though not replicable) project management by GTZ
Target population (entire population living in project area)	Indifferent to negative	Comparison of the conditions of life before and after implementation of project; extent of (very diverse) participation in project results
Target groups of project (rural households and their organizations)	Diverse but largely positive	Agreeable memories of (largely temporary) benefits such as increased prestige and subsidized inputs; hope of resumption of project activities
External expert consultants (national and international)	Quite negative	Indicators for measuring structural/sustainable improvements in socio-economic conditions of life in former project area

far more in the eyes of the target groups than vigorous efforts to improve their organizational or self-help capabilities, for example.

(3) Including households which had not cooperated directly with the project but live in the project region permitted inferences to be made on the (relatively weak) spread or structural effect of the rural regional development project under investigation. As the study found, from the standpoint of the population excluded from its benefits, a project can have a disintegrating or disruptive (hence adverse) impact.

(4) From the point of view of the intended beneficiaries (target population, target

groups), the actual significance of a project is often far less than donor organisations and government representatives generally imagine. In the long run, even a project of 12 years duration cannot replace the traditional political, economic and social relations that the target groups still view as viable. Advantage is taken of a subsidized small lending programme, for example, but this does not fully sever ties to traditional moneylenders that have existed over generations and these are resumed after the end of the project. The case is similar for middlemen temporarily ousted by marketing assistance or for traditional forms of social and political organization which are supposed to be replaced by 'modern' institutions (cooperatives, for instance).

(5) Constraints on economic and social development, normally described as 'framework conditions' (lack of land use rights, incompetent local bureaucracy, pricing on the procurement and sales markets, etc.) exert a far greater influence on the real conditions of life of the target groups than a single development project, even if it is a larger-scale regional development project. This has been known for some time, but has been reconfirmed by the study and points to the need for centring development cooperation projects more around 'framework conditions' instead of literally ignoring them in the generally far too optimistic wording of planning assumptions.

A major inference from all these findings is the need to assess the prospective impacts of a development project more realistically (i.e. above all more modestly) than has often been done in the past: The exaggerated self-assessment and the sometimes inordinate administrative and representative 'superstructure' of projects often stand in stark contrast to their long-term impacts on the conditions of life of the target groups.

#### **4. Assessment of evaluation approach**

The approach and the 'methods mix' chosen have proved effective in the case described. (Experience with the evaluation approach have been included and evaluated in the evaluation report and are therefore available for developing the methods further). The objection most readily made that such an ex-post evaluation entails too much effort to be replicated is untenable: For one thing, the financial input in this case was at most only very slightly higher than the average costs of a larger-scale individual evaluation using conventional methods, in the same order of the evaluation of selected RRD projects carried out some time ago by BMZ, for example. For another, the broad inclusion of the target-group level in the study has yielded an array of additional and

to some extent verified findings on actual project impacts, with a substantial improvement in the cost-benefit ratio of the study as a consequence. We may conclude from this that it would be presumably more useful in every case to evaluate fewer projects with a better methodology in future than to subject a larger number to a more or less superficial investigation. An impact analysis of this kind can certainly not be conducted by an international expert consultant in a 1-week field mission (as evidently expected in the BMZ study on the long-term impacts of German development cooperation carried out in 1999), but time should not be of paramount importance in an ex-post evaluation in any case.

#### **5. Concluding remarks**

The ex-post evaluation of the Cuba-Upland Project has demonstrated that valid results can already be obtained with the existing set of instruments. The endless discussions about improving evaluation methods are therefore of a largely academic nature (and also serve as an alibi), because in our assessment there is no lack of suitable methods but of the will - and determination - to use them - determination because assessing projects from the target-group viewpoint will yield findings in many cases that may not tally with the successes reported by development institutions. Sometimes, one cannot help suspecting therefore that those responsible would prefer not to have too exact a knowledge of the impacts development cooperation measures actually have. In the case described here, GTZ has deliberately taken the risk and everyone involved within and outside GTZ will hopefully take the opportunity to learn from experience. It would on the other hand be completely counterproductive to 'sweep' the disillusioning findings of the present evaluation 'under the carpet' or equally to level criticism at GTZ and its personnel or even development cooperation as a whole for being unsuccessful: The evaluation has

also shown how to avoid past errors and raise the efficiency of development assistance.

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## Tools & Concepts

### An update on our activities in impact monitoring

Impact monitoring gets ever more important in development cooperation. This is obvious in the increasing number of requests for support and co-operation that the sector project "Knowledge in Rural Areas" has been receiving from different countries and organisations in 2002. Below is an account of the recent and upcoming activities in this field.

The boom of impact assessment has to do with the changes in the way development programmes are administered: Increasingly, entire programmes with cumulated funds replace individual (small) projects, and implementation becomes more flexible and process-oriented. At the same time, contractual arrangements for implementation are on the rise. All the trends point to a greater role of programme evaluation.

Within GTZ, two organisational innovations confirm the need for an intensified impact monitoring, the centralised management of sector-wide country programmes and the introduction of the new and flexible format for project planning, "AURA", which leaves much greater freedom to project managers. Conversely, there is also a greater need for more professional reporting and strategic

guidance on how to assure the desired impact. An example is the new instrument to assess project performance - „e-VAL“ - that will be introduced in early 2003. This is an electronic evaluation procedure based on a series of interviews with at least 3 GTZ staff members, 3 partners and 3 local beneficiaries, designed to capture and compare the subjective views of people who are closely cooperating with a project. However, e-VAL is a performance evaluation tool, and not a method to analyse substantive development impacts. GTZ also needs (and already uses) instruments for internal and external evaluation.

### Important activities and results of the sector project

- The project has made important contributions to the international conference of CIMMYT in Costa Rica. Two papers were given. One presents the methodology of "impact pathways", a qualitative and participatory approach to evaluation. The second contribution was the result of a GTZ working group on criteria to judge the plausibility of impact assessments in international research. Both have been accepted for publication in a special edition of the journal "Agricultural Systems".
- Organisation of the international CORAF/CTA conference on the "Institutionalisation of impact assessment" in West African research organisations, treating issues of organisation and procedures. The contribution also included one of the lead papers.
- Follow-up on the LEAP impact conference in Bonn in 2001. Andreas Springer-Heinze contributes to the development of guidelines for the evaluation of information projects.
- Participation in the second test phase of the new "e-VAL" instrument by assessing the performance of the sector

project "Knowledge Systems in Rural Areas".

- Ex-post evaluation of the GTZ/INRA technology development programme in Morocco: This ex-post evaluation applies pathway analysis and contributes to a revised strategic planning of INRA.
- Upcoming impact monitoring studies: The project helps to set up collaborative studies on programme impacts in Honduras and in Egypt.
- Networking with experts of the German Evaluation Society (Deutsche Gesellschaft für Evaluation, DeGEval). DeGEval is the professional association of evaluators in Germany and works extensively on development issues. Andreas Springer-Heinze represented the sector project during the annual DeGEval meeting in October 2002.

*Andreas Springer-Heinze*

## **Websites on Agribusiness:**

*The following web-sites quoted have free documents that can be downloaded as pdf files or text documents. The Internet links have been checked for accessibility in October 2002.*

### **Support to Producers' Associations**

<http://www.kc-acc.org/frame.html>

ACC (Agri Chain Competence centre) searches to develop and disseminate knowledge on chains and networks through public relations. The homepage provides an overview of their programs and projects already implemented, a toolkit, a list of publications and links to others organisations.

<http://www.ciat.cgiar.org/agroempresas/ingles/index.htm>

The International Centre for Tropical Agriculture (CIAT) is a non-profit-organisation supported by the CGIAR. The address leads directly to the description of the Rural Agroenterprise Development project that aims to link small farmers to expanding markets so they can develop sustainable livelihoods in the rural sector. It includes an interesting list of pdf-documents for download and is available in English and Spanish language.

<http://www.klict.org/default.asp?Lang=EN>

The website features KLICT – Chain Networks, Clusters and Information Communication Technology. KLICT focuses on the supermarket industry and the food industry; on agribusiness; the transport, distribution, logistics sector and the ICT sector. The web presentation includes focus areas of KLICT, projects, results, events, a list of useful links, news and the download possibility of the KLICT newsletter. Available in English and Netherlands.

<http://www.wiram.de/toolkit/>

The homepage of GTZ's sector project WIRAM provides a toolkit on local/regional economic development. A large keyword search programme, an overview of case studies and theoretical perspectives and a list of scenarios have been compiled to give concrete information and help.

<http://www.advice-organics.com/index.html>

ADVICE ServNet is a network of international specialists covering all areas related to organic agriculture, sustainable production and trade. Pdf-download information is available in English, German and Spanish language.

<http://www.traidcraft.co.uk/index3.html>

The website provides a feature of Traidcraft, one of the UK's largest fair trade

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organisations. Traidcraft works to link producers in developing countries with markets and to build their capacity to engage in global trade, for example by developing a network of partner organizations.

<http://lnweb18.worldbank.org/ESSD/essdext.nsf/26ParentDoc/SustainableAgriculture>

The World Bank's website on sustainable agricultural systems features among others thematic pages on agricultural knowledge and information systems, markets and agro enterprises and producers' organisations.

The website includes an article on "Sustainable Coffee" with essential contributions by our GTZ colleagues U. Sabel-Koschella and G. Fleischer (see also "Marketing environmental and social services of tree crop production – the example of coffee", page38).

<http://www.fao.org/tc/tci/sectors/aginmark.htm>

The FAO's website on "Investment Centres" presents an overview of their current activities in support of agro-industries and marketing investment projects with a list of links to publications and other FAO websites relevant in the context.

[http://www.condesan.org/infoandina/Foros/agroindustria\\_rural/air5gar.htm](http://www.condesan.org/infoandina/Foros/agroindustria_rural/air5gar.htm)

The article composed by Hernando Riveros y Maria V. Gottret summarises the efforts to identify and characterise offers and demands of services of institutions with development projects in the Andean countries (Bolivia, Columbia, Ecuador, Peru, Venezuela). Available only in Spanish language.

<http://www.prodar.org/>

PRODAR's (Programa de Desarrollo de la Agroindustria Rural para America Latina y el

Caribe) website offers a wide range of information and services on rural development and agricultural industry in Latin America and the Caribbean countries. Available only in Spanish language.

[http://www.trade2africa.com/index\\_en.php](http://www.trade2africa.com/index_en.php)

Trade2africa defines himself as e-market-place designed for the African continent. It promotes the "Business to Business" trade of goods and services and gives companies efficient solutions to face the specificities of the African markets. Available in English, French and Portuguese language.

<http://www.rimisp.cl/>

RIMISP (Red Internacional de Metodologica de Investigación de Sistemas de Producción) is a network with the mission to support knowledge and information systems for sustainable development of small agriculture in Latin America. It offers services for members in the areas of competence of the network. The website lists up useful links to publications, newsletters, and current events on rural development.

<http://www.plantersnet.com/home/login.asp>

Plantersnet is an Indian web service that aims to assist coffee planters to sell their products at the "best price of the season". The website provides real-time price and market information from around the world, guides through the complex risk transfer mechanisms, and gives access to the various cash management tools. Available in English and Indian language!

### **Frameworks and Standards**

<http://www.codexalimentarius.net/>

FAO and WTO have launched a website on the Codex Alimentarius Commission. The Programme has been created in 1963 with the purpose to protect health of the

consumers, to ensure fair trade practices in the food trade, and to promote coordination of all food standards work undertaken by international governmental and non-governmental organizations. Further activities consist in developing food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Programme. The website is available in English, French and Spanish language.

[http://www.eurepgap.org/sites/index\\_e.html](http://www.eurepgap.org/sites/index_e.html)

EUREPGAP is working on agricultural production standards and verification frameworks for fruits and vegetables. Among the members of EUREPGAP are producer organizations from all continents. The website gives a view of all products and offers the EUREPGAP documents in pdf-version.

<http://www.humboldt.org.co/biocomercio>

The Alexander von Humboldt Institute launched a website on „Biocomercio Sostenible“ dedicated to enterprises, local communities, NGOs, privat persons and others who are interested in information about Colombian biodiversity products with a commercial potential. It provides information on certification, legislation and sostenibility criteria, and on national funding possibilities. The website offers links to regional bio commerce activities and to projects and national and international trade organisations collaborating with „Biocomercio Sostenible“. Available only in Spanish language.

<http://www.pfid.msu.edu/>

The Institute for Food and Agricultural Standards of the Michigan State University has formed the initiative on Partnerships for Food Industry Development - Fruit and Vegetables (PFID-F&V). The initiative has four objectives:

1. Improve produce safety and quality systems and private sector implementation

in developing countries including improvement of standards and enhancement of local capacity to meet obligations under the World Trade Organization.

2. Improve produce supply chains, through training, diagnostic research,

3. Identify fresh produce markets for developing countries,

4. Promote private sector links between developing country suppliers and buyers; emphasizing partnerships with supermarkets, food service operators and processors, as well as with US produce marketing firms and farmers.

### **Commodity-specific Websites**

[www.duerbeck.de/start.htm](http://www.duerbeck.de/start.htm)

Klaus Dürbeck Consulting is an international information centre and consulting agency providing services for natural products industries (medicinal and aromatic plant products, non-wood-forest-products). The consulting offers a unique combination of information and technical support services for the needs of entrepreneurs in developing countries, and combines and coordinates distinct competencies as an association of senior experts in botany, agronomy, processing, quality control, marketing and institutional advisory.

<http://www.heia.org/index.jsp>

HEIA, the Horticultural Export Improvement Association was founded by Egyptian horticultural exporters with the purpose to connect the industry to market information and to facilitate the access to international markets. The website offers information on services, publications, news and further material of the association.

<http://www.genres.de/bambara/>

The International Bambara Groundnut Network (BAMNET) was founded as a result of an International Bambara Groundnut

Workshop, held in 1995 in Harare, Zimbabwe. The activities of BAMNET focus besides crop improvement and breeding on processing and marketing; and on information and communication. The network consists of a long list of members, among them institutions and organisations in Africa, Europe and the United States.

<http://www.ugandavanilla.com/>

The USAID-funded IDEA Project's Agribusiness Development Center is working with Ugandan vanilla farmers and processors to improve production, processing, and marketing of Ugandan vanilla since 1995. One of the results is the official website of the Ugandan vanilla industry. The site includes a virtual tour of the Ugandan vanilla industry, an online-shop, and a site on commercial sales and vanilla recipes.

[http://www.fundacionchile.cl/fc/fc\\_index.cfm?param=1](http://www.fundacionchile.cl/fc/fc_index.cfm?param=1)

The Fundación Chile is a private institution that promotes development of enterprises and clusters in agro industry, ecotourism, aquaculture, forest industry as well as the use and innovation of new information- and communication technologies. Available only in Spanish language.

<http://www.mmjp.or.jp/knc-macadamia/english/company/company.html>

The KNC - a joint venture between Japanese and Kenyan entrepreneurs - is supplied by smallholders, who collectively have 2m macadamia trees under cultivation. The KNC is exploring hybrid cultivation, which it hopes will nearly double yields and boost Kenya's onslaught into the European supermarket trade.

<http://www.fpeak.org/us.html><http://www.fpeak.org/us.html>

The support of Kenyan exporters of horticulture is the mission of the Fresh

Produce Association of Kenya (FPEAK). FPEAK provides market intelligence, export promotion, technical support and training services for exporters and their staff. The Association also negotiates favorable terms for provision of goods and services to the industry. The Website includes a list of the promoted products, the monthly newsletter of FPEAK, the FPEAK Journal and news.

## Webstatistics

The Alliance's website [www.gtz.de/agriservice](http://www.gtz.de/agriservice) is still one of GTZ's most frequented websites. Even during the period of summer holidays the webstatistic shows 7868 visitors in July 2002, that means an average hit of 253 each day. Our page "Areas of Work" was opened 6845 times, (220 hits a day). Having entered "Areas of Work" most people took a look on our topic overview (5772 hits, 186 a day). The most visited pages here were the issues on topic 7 with a number of 1073 hits / 35 a day (Agricultural Extension) and topic 9 - 1023 hits / 33 a day (Services for Market- and Consumer-Oriented Agro-Food Systems). In June 2002 the number of visitors was 8019 and in May even 10283. The most frequented pages each month are always the presentations on topic 1 (Public Sector Service Reform) and topic 7 and 9.

## The Editors

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