

A Value Chain Approach for Improving the Enabling Environment for Food Security in Africa

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Overview

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- Opportunity and Challenge
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About the New Markets Lab

- Use law and regulation to open markets, drive equitable economic opportunity, and enhance development and food security in emerging markets
- Work with institutions and entrepreneurs from the market up, linking opportunity in value chains to larger markets, and addressing constraints through local, regional, and international legal and regulatory systems
- House a global network of lawyers, law schools, and law students equipped with the tools to solve commercial legal and regulatory challenges in developing markets

Opportunity and Challenge

- Food systems are increasingly global, and markets are more interconnected and cross-cutting
- Trade trends showing shift to more dynamic growth rates in lower- and middle-income countries
- Opportunity and challenge for Africa, where markets tend to be fragmented
- Gaps in value chain and supporting hard and soft infrastructure can limit opportunities, especially for small companies and farmers

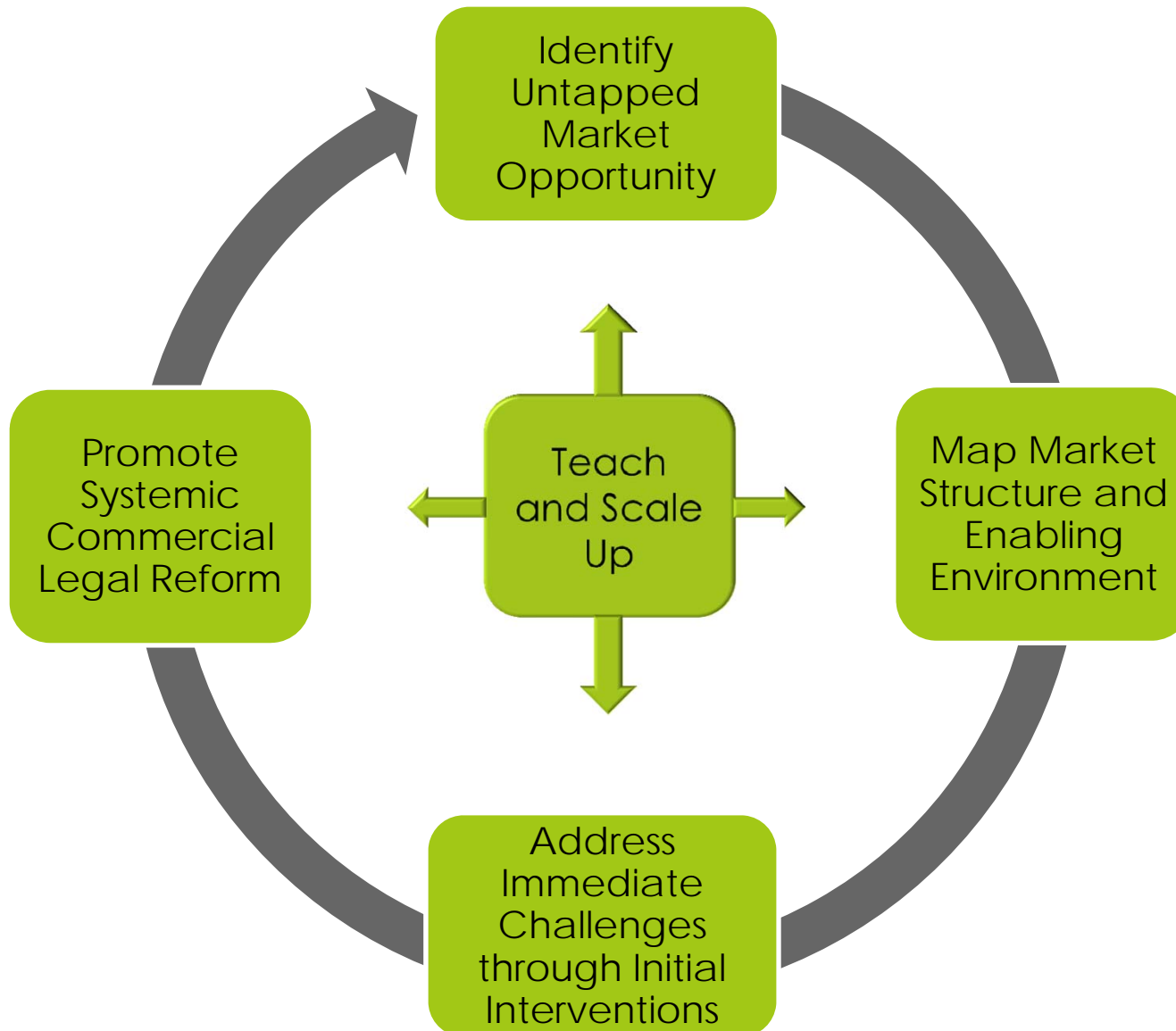
New Markets Lab: Value Chain Approach to Developing Markets

- Market-driven approach to connect opportunity at the enterprise level with systemic legal and policy change
- Inclusive approach builds enabling environment with strong institutions and clear rules and standards for agricultural development

The Value Chain as a System

- Legal and Regulatory barriers affect development at all stages in the value chain, including:
 - Access to Productive Factors (incl. land, water, and labor)
 - Access to Finance
 - Access to Inputs (incl. seed and fertilizer)
 - Access to Services
 - Access to Markets

- Elements are integrated and cross-cutting; looking at the whole system is critical



Applying Value Chain Approach: Market Level

- Currently applying in number of projects, including financial services in Rwanda, asparagus in Lesotho, and partnerships in Ghana and Nigeria (case study next slide)
- Also develop legal tools for entrepreneurs; currently partnering with Aspen Network of Development Entrepreneurs, Land O'Lakes, and others to create Legal Guide for Women Entrepreneurs

Applying Value Chain Approach: Market Level Case Study

- Identified commercial opportunity in potatoes in Tanzania
- Challenge with navigating rules and regional agreements in order to bring new seed varieties to the market
- Close public-private collaboration with targeted legal and regulatory interventions, resulting in:
 - Four new high-yielding seed potato varieties
 - Creation of new seed potato/potato market
 - Hundreds of jobs in related services and along chain
 - Initial investment grown and diversified to over USD\$5 million
 - Investment one of the largest farms in Tanzania
 - Scaling up response (regional training, harmonization, corridor approach)

Applying Value Chain Approach: Regional Development Corridors

- Regional level particularly critical in sub-Saharan Africa
- It is estimated that as much as \$172Bn could be saved by developing transport infrastructure across Africa
- Transport costs in landlocked African countries account for a “staggering” 70% of the value of exported goods due to the lack of infrastructure
- Development Corridors provide natural framework for infrastructure investment and legal and regulatory reform, based upon natural market pathways
- Potential for increased incomes and improved livelihoods by linking smallholder farmers to regional markets



Source: Transport World Africa. July 2012. <http://www.transportworldafrica.co.za/2012/07/12/africa-could-save-172bn-by-developing-transport-infrastructure/>

Applying Value Chain Approach: Regional Level

- True Development Corridors will allow for clustering of investments and interventions (“densification”) and incorporate all sectors including agriculture
- Necessary to identify and address needs in both hard infrastructure where needed and address enabling environment issues
- World Economic Forum estimates that reducing supply chain barriers to trade, many of which can be traced to law and regulation, could increase world GDP six times more than the removal of all tariffs

Applying Value Chain Approach: Regional Level

- Currently working with partners to increase availability of cold storage
 - Reduces spoilage and post harvest losses
 - Enables farmers to meet safety standards
 - Allows farmers to sell when supply is low and demand is high
 - Facilitates value-add opportunities

- NML also working with Syngenta Foundation for Sustainable Agriculture and other partners to support regional variety release harmonization efforts

Applying Value Chain Approach: International Trade

- ❑ Trade is no longer an arm's length transaction, but rather a multi-layered process
- ❑ Agricultural value chain approach to trade policy will help use trade as a tool for market development and productivity enhancement.
- ❑ Strong enabling environment with strong institutions and clear rules and standards critical
- ❑ Improved data and knowledge sharing empowers farmers with information to support better agricultural decisions, make improvements in post-harvest technology, improve the nutritional and food safety performance of supply chains to meet growing consumer demand

Applying Value Chain Approach: International Trade

- Speed to market is becoming one of most critical factors in global supply chains
- Reductions in supply side constraints to trade lowers cost of trade, reduces clearance times, and allows for increased participation of SMEs
- WTO Agreement on Trade Facilitation signal of shift towards value chain approach
- Includes commitment to accelerate clearance of perishable goods

Conclusion

- Value chain approach holds great potential at local, regional, and international levels
- Goal of enhancing legal, regulatory, and trade policy systems in support of agricultural value chains that can effectively link smallholder farmers to larger markets
- Value Chain Approach works up from untapped market opportunity at the grassroots level and uses the enabling environment as a catalyst to develop long-term market growth, inclusive development, and food security