

**IS SOUTH-SOUTH TRADE THE ANSWER
TO BRINGING THE POOR INTO THE EXPORT PROCESS?**

**A paper contributed by
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Introductory remarks

Today, seven out of ten of the world's poor live in rural areas. Agriculture is the mainstay of the rural economy and for many developing countries agricultural exports represent the main source of economic growth and foreign currency earnings. The persistence of poverty and the slow pace of poverty reduction suggest the need for a rethink of the agricultural export development–poverty reduction linkage. In addressing this challenge, two underlining factors need to be highlighted.

First, the rural sector provides income-generating and livelihood opportunities to a diverse set of people: large-, medium- and small-scale farmers, livestock producers and landless labourers. An export-oriented poverty reduction programme must recognize the diversity of the rural sector and design strategies and institutional arrangements to support different categories of rural entrepreneurs, particularly small and medium-sized producers.

Secondly, newer exports such as fresh and processed fruits and vegetables, fish and livestock products and spices now account for more than 50% of total agro-food exports of developing countries, while the share of traditional exports such as coffee, tea, cocoa, sugar, cotton and tobacco continues to decline due to poor price prospects. Stringent product standards, including those set by importing governments and retailers are associated with the newer exports. Meeting these standards pose enormous challenges for developing countries and particularly small- and medium-scale producers. Factoring this new and evolving situation into a pro-poor agricultural export strategy will be quite important.

With these points in mind, let me now provide my views on the questions posed by the moderator.

Question 1: What are the most effective strategies for generating exports, while reducing poverty, in the agricultural sector?

Strategies to promote pro-poor agricultural exports will need to:

- Assess a country's economic environment and agricultural export performance to identify constraints that entrepreneurs, including small and medium-scale producers, face in expanding production and exports.
- Analyse the international market and policy environment to identify constraints that exports from a country face in international markets. In many developing countries, exports are promoted without paying attention to the market requirements and standards in the importing countries.
- Through consultations with stakeholders in the public sector, private sector and NGOs, pick and focus on commodities with good export prospects and in which the poor can contribute to output and export expansion. Develop a plan of action to accomplish the pro-poor export objective.
- Address the most significant constraints to increased agricultural productivity and exports.
- Build on market opportunities
- Determine the distribution of responsibilities between the public sector, private sector and civil society, but build complementary alliances between them to promote pro-poor export growth.
- Monitor and evaluate export development to learn and adapt strategies and assess impact of activities on the poor.

Question 2: What is the role of the public sector, private sector and the NGO community in designing and implementing these strategies?

Public sector role

- Tackle market failures to reduce the transaction costs and risks that inhibit the private sector and restrict access of small and medium-sized enterprises (SMEs) to markets. Where markets are thin or weakly developed, smart subsidies or time-bound grants may be provided to entrepreneurs to get markets to work and encourage private sector participation in market development.
- Invest in core public goods that open market access and build enterprise competitiveness: infrastructure for roads, transport, electricity, water, communications, grades and standards; agricultural R & D and extension; education and skills of rural people to promote their participation in the emerging high-value agricultural export sub-sector.
- Reduce, simplify or remove regulations and costs that create a competitive disadvantage for SMEs.
- Create policies that support pro-poor agriculture. Policies to reduce inequality of access to productive assets (such as land, water and inputs) and to secure property rights.
- Fill the agricultural finance gap. Limited access to commercial finance prevents many poor farmers from investing and innovating. Financial service providers are often reluctant to meet small farmers' credit needs. New approaches promoted and supported by governments are needed to fill the void.
- Public policies to support institutional mechanisms (producer organizations, marketing associations) that will assist to connect rural poor producers to markets.
- Work closely with the private sector to identify emerging challenges and opportunities in export markets, make appropriate policy changes and choose suitable strategies and needed investments.
- Increase the voice of the rural poor in national policy dialogue, including national export strategy

Private sector role

- Hear and see the market. Agricultural export trade requires an entrepreneur to hear and see a market opportunity, elicit production from the farm, process, package and market the product.
- Invest in market expansion and competitiveness enhancing measures, e.g. processing facilities, private laboratories and quality management systems – GAP, GMP, HACCP.
- Work with the public sector to develop policies, regulatory frameworks and conformity assessment procedures that will enhance rather than impede exports.
- Develop linkages with multinationals and large domestic companies. Linkages between enterprises of different sizes provide an effective channel for domestic enterprises to gain access to external markets, financing, skills and know-how. Large-scale export firms can also provide business opportunities for micro enterprises and SMEs.

NGO community role

- Mobilisation and organisation of rural poor producers into community associations, trade associations to give them voice and enhance their ability to access markets.
- Awareness raising to gain stakeholder involvement in export value chain activities. For instance, building broad awareness of the need for SPS measures and facilitating adoption of good agricultural and manufacturing practices.
- Pilot testing of new ideas and projects with rural producers.
- Advocacy – bringing the demands and needs of the poor to the attention of governments and the private sector.

Question 3: What are examples of programmes that effectively combine the export development and poverty-reduction objectives and how can the impact of these programmes on poverty-reduction be verified? What is the key to successful replication of these programmes (nationally and in other countries)?

Examples

- The Commonwealth Secretariat recently provided technical assistance to Nigeria to improve compliance with SPS standards for non-traditional exports such as tuber crops and spices cultivated predominantly by poor smallholder farmers. Small and medium-scale producers and exporters in 4 commodity associations – cassava, yam, ginger and sesame – were exposed to a year long training on SPS requirements and principles of good agricultural and manufacturing practices, HACCP and traceability methods. This has assisted the associations to improve the quality and safety of their products with the result that the cassava association will soon be exporting cassava chips to the Netherlands.
- In India, the Commonwealth Secretariat is providing support to the Kalady Rice Millers Consortium (KRMC, made up of 33 small businesses engaged in rice production and milling) in Kerala State to develop new value added rice products for exports. In addition, the Secretariat solicited and obtained the support of the Export-Import Bank of India to complement its efforts in assisting KRMC to export the new rice products.
- In Eastern and Southern Africa, the Commonwealth Secretariat is working with the FAO to improve supply chain management for horticultural crops to enable smallholder farmers get access to lucrative regional markets. The first phase of this project involved capacity building for trainers working directly with small-scale farmers. The second phase will link Ugandan women small scale sun-dried banana chip producers with Woolworth supermarket chain in South Africa.

Impact Assessment can be verified using:

- Participatory poverty assessment methods
- Value chain mapping to identify key stakeholders and actors and how they have fared
- Poverty and social impact assessment methods using indicators such as number employed, levels of income, skill enhancement, occupational health etc.

Keys to successful replication

- Communities of practice
- Public sector-private sector-civil society partnerships

Question 4: What organizational structures, at the production and marketing levels, are the most effective in ensuring achievement of the export development and poverty reduction objectives?

- Contract farming involving out-growers
- Private sector commodity and marketing associations
- Cross-border agricultural supply chains
- Clusters and networks linked with intellectual property rights

Question 5: Is the concept of agricultural clustering consistent with achievement of the two objectives and if so, what is the role of the public sector in promoting and nurturing clusters?

Yes, agricultural clustering can help SMEs to compete in local and export markets. Cluster development can also help to reduce poverty. It can create employment, generate incomes and reduce vulnerability for small producers, poor workers and SMEs. It is not always automatic that clustering will benefit the poor, so the challenge is how to make cluster development strategies work for the poor.

Role of the public sector in promoting and nurturing agricultural clusters

- Support the emergence and maintenance of innovative clusters. Help SMEs and other local actors (e.g. research institutions) to get together, improve the availability of market

information and strengthen cooperation among SMEs in the cluster in product design, branding, technology and human resource development.

- Identify and promote best practice policies which support SMEs innovation through cluster development. Encourage exchange of experiences at national and international levels, especially regarding governance structures and evaluation of cluster initiatives.
- Facilitate innovative financing for cluster start-up and operating costs.
- Enhance awareness and knowledge of all elements of the intellectual property system. These include patents, trademarks, trade secrets, copyrights, plant varieties, animal breeds and non-original data bases.