

WORLD EXPORT DEVELOPMENT FORUM 2007
Bringing Down the Barriers –
Creating a Dynamic Export Development Agenda

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Bringing the Poor into the Market: Expansion and Replication
Parallel Working Sessions: From Agenda to Action

Abera Deresa, State Minister, Ministry of Agriculture and Rural Development, Ethiopia
Solomon Assefa, Deputy Director General, Ethiopian Institute of Agricultural Research, Ethiopia
Steve Caiger, CEO, High Value Horticulture, UK

Moderator: Edward Brown, First Secretary, Permanent Mission of the United Kingdom of Great Britain and Northern Ireland to the United Nations Office and other International Organizations in Geneva, Switzerland

Moderator Edward Brown launched the session by defining the key terms of the debate: expansion and replication – two different forms of escalating anti-poverty efforts through business development and trade. “Expansion is to broaden the outreach by increasing the number of people involved in a particular sector,” he said. “Replication means to take the model to another sector.”

Tewodros Yilma Tekeleab of Ethiopia described an ITC-backed pilot project for paprika production in his country. The effort dates to 2004, when the government approached ITC for assistance. That engendered an opportunity study to identify potential products and a geographic focus.

Once the participants were selected, they formed an organization which was charged with implementing the scheme. “That way they have a sense of ownership,” he said. “We know that their union did not have the capacity to do the implementation, but it was possible to build the capacity.”

As the project progressed, the agricultural ministry and other institutions also made contributions. Irrigation was introduced to allow for two yearly harvest cycles, and a fair deal was struck to sell the output to an extraction factory.

Preliminary results demonstrate that farmers can earn US \$220 per cycle in a country where the average yearly income is US \$300. “This demonstrates that it is possible to bring the poor into the market,” he said.

Steve Caiger of High Value Horticulture, UK, discussed a petuli production project in Rwanda. Petuli is a fixative for perfumes that enjoys strong demand from fragrance manufacturers in Europe. Indeed the multinational customers were keen to break a virtual cartel on production held by Indonesian producers. “It all depends on identifying markets. You have to find some anomaly,” he said. “Places like Rwanda have high export costs, so you have to choose a product with enough value to carry that cost.”

Another key factor for success of a pilot project is the creation of a business structure. “There has to be entrepreneurship at the heart of it,” he said.

Overall productivity, rather than merely low wages, is another main element. “The key issue is the unit cost of production,” said Caiger. “Otherwise you will be a high-cost, low-margin producer.”

Support from agricultural ministries, notably in the form of agricultural extension services, is essential, especially for non-traditional crops. This is an area where donors can often chip in, he said. “It is difficult for these businesses to pay for these things.”

In terms of replication, Caiger advised caution. “We need to be careful not to create immediate competition for the project that was just started,” he said. “Replication is fine when somebody looks over the fence and decides to do something similar, and replication is fine when you take the business model and apply it to a different product or situation. People like to give aid equally, what you give to one you give to another. But we should not create competition.”

“The sense I seem to be getting,” said Brown in closing the session, “is that you should think before you jump. Just because you have a good pilot doesn’t mean you can expand or replicate.”