

Combining AID – FNS - Trade

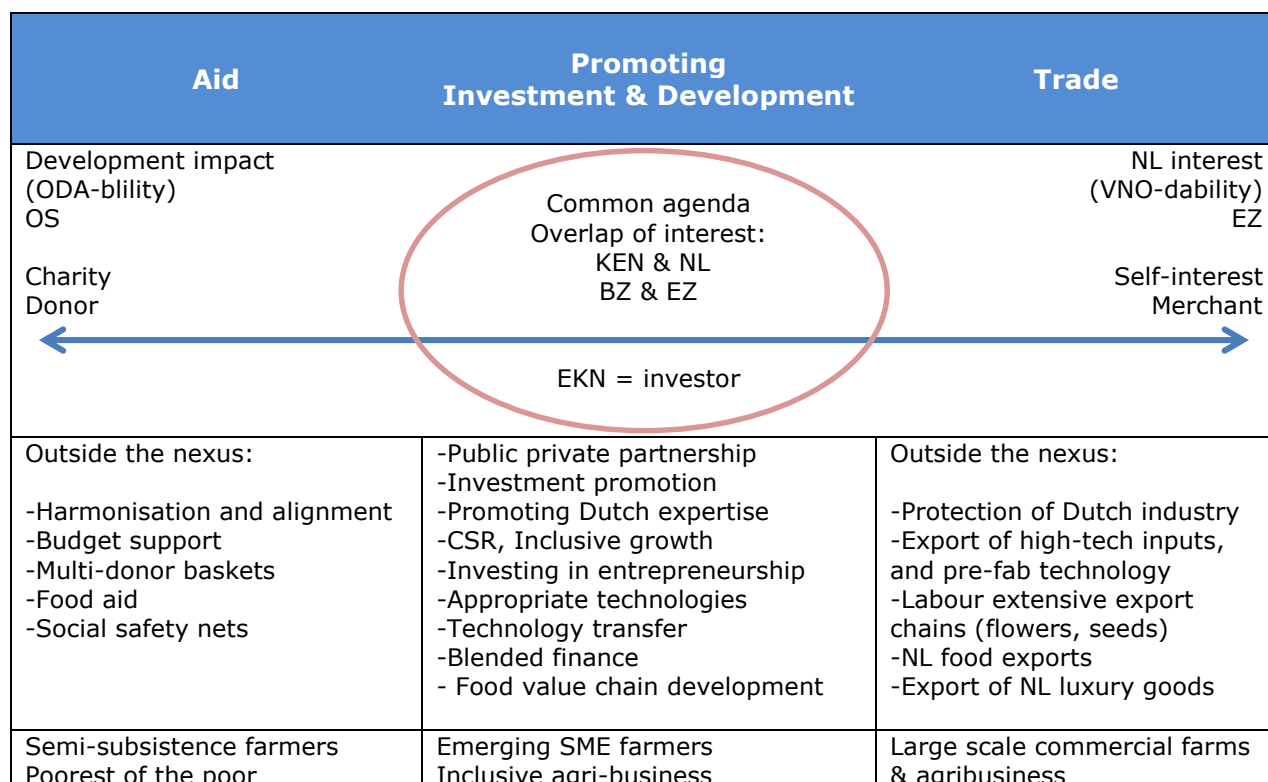
Food Security Exchange
Tuesday, 6 May 2014

A briefing note by EKN Nairobi
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Introduction

In "A World to Gain" the link between trade and development cooperation was brought to the centre of Dutch foreign policy. The priority theme of food and nutrition security is a prime area where the trade and aid agendas can meet and where BZ/OS and EZ/AGRO can combine their respective ambitions and strengths.

This briefing note will focus on the interface or nexus between trade and development, the exiting field in which we can combine development and trade and investment promotion and enjoy the best of both worlds. In order to do so, it is important not to polarise trade versus aid, but to see the interface "Investment and Development" as common agenda for BZ and EZ, for partner countries and the Netherlands.



The Nairobi experience

For EKN Nairobi the trade and development agenda has been central to its agriculture and food security programme, since the programme was developed in 2011. Kenya has long been seen as a transition country: transitioning from aid to trade. The notion of transition is however ambiguous. Before 2011 it meant that the Netherlands was phasing out development cooperation, under the MASP 2012-2015, the embassy was delegated significant ODA funds for its food security and water agendas and under its MASP 2014-2017 a phasing out is again foreseen.

The EKN Nairobi no longer presents itself as a donor, but rather as an investor investing public funds to leverage private sector investment. In principle no government programmes are funded, but government is an important dialogue partner. Donor coordination is primarily used by EKN for information sharing, not for joint programming and co-funding.

The food security programme supports public private partnerships involving Dutch and Kenyan private sector, both for-profit and non-profit. It focusses on value chains where the Netherlands has a competitive advantage: horticulture (including potatoes), dairy and aquaculture. Enabling business

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climate activities focus on access to finance and regulatory issues. A new business climate focus area is agricultural entrepreneurship, in order to invest in a market for Dutch knowledge, technology and expertise.

Concrete examples:

Seed potatoes: From trade to investment and development. Potatoes are Kenya's 2nd food crop, but there was no commercial seed potato sector and no imports. Dutch economic diplomacy created market access and trials were supported by WUR/CDI approving 13 Dutch varieties for import, to date. These are then multiplied by local seed potato farms. At the same time a stakeholder platform brings together value chain players. Complementary investments are taking place by Dutch funded NGOs (IFDC, SNV, Solidaridad) working with farmer groups and private sector to create inclusive business cases. Currently seven NL potato trade houses are seriously looking into investment and PPP opportunities.

Dairy: From aid to investment and development. SNV had dairy sector development activities. In response to EKN's trade and development focus, this lay the basis for the Kenya Market-led Dairy Programme. This invests in an efficient and inclusive value chain by supporting innovative projects and business models to address systemic issues. But more than a collection of projects, it is a hub for integrating various PPPs. SNV collaborates with DSM, CRV, BLGG, the Friesian etc. Most significantly, When FrieslandCampina decided to explore investing in East Africa, they made use of SNV's sector knowledge. Once FrieslandCampina makes an investment decision they will partner with SNV, Agriterre and EKN Nairobi and EKN Kampala for a regional PPP.

Points for discussion

- We need appropriate capacity and expertise:
 - Working on the nexus of trade and development is labour intensive. It is not a capacity cutting measure.
 - After a decade of disinvestment in development related agricultural knowledge we have re-invest in appropriate expertise. Generalism is not enough.
- The Dutch private sector is too high-tech for African agriculture
 - Invest in developing appropriate technologies
 - Invest in agricultural entrepreneurship to bridge the gap
- Working with the private sector means re-evaluating our development paradigms.
 - A PM&E straightjacket does not fit entrepreneurs' realities. Be result oriented, but not framework fetishists
 - Multi-donor programmes are not ideal for creating opportunities for the Dutch private sector
 - The drive towards fewer and larger activities does not allow you to flexibly respond to opportunities.
- Innovate with funding modalities
 - NAI is experimenting with large multi-annual programmes, managed by a PMU, working in close coordination with embassy, able to respond to opportunities and able to invest. This means embassy's take the initiative: tendering and thus more time for programme formulation
 - Partnership between not-for profit development agencies and the for profit private sector has the future
- While inclusive growth is important, we should not confuse social policy and economic policy
 - Let's look beyond semi-subsistent small holders but to emerging commercial farmers.
 - Small holder production is not sustainable and will not succeed in feeding the ever growing urban population
 - To directly target poor and vulnerable groups: use social policy such as cash transfers, social safety nets and cash for work. But that is Aid and not working on the nexus