



Agricultural Sector Development

Guidelines for Aid & Trade Support in Dutch PSD-partner countries

Discussion paper, December 2017

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Colofon

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Views and opinions expressed in this paper are those of the authors and may not fully reflect those of the Government of the Netherlands.

Please cite as:

Geert Westenbrink, George Beers, Frank Joosten, Youri Dijkxhoorn, Joep van den Broek, Jan van der Lee, Nico de Groot (2017); Agricultural Sector Development. Guidelines for Aid & Trade Support in Dutch PSD-partner countries. Ministries of Agriculture, Nature & Food Quality and Foreign Affairs in the Hague, the Netherlands.

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Published by the Ministry of Agriculture, Nature and Food Quality of the Netherlands.

Design: ImpactReporters / Studio 10

Foreword

The combination of population and income growth, further compounded by rapid urbanization, will create a large increase in the demand for agricultural products in the coming decades; both in developing countries and emerging economies. Meeting this increased demand requires a transformation of the agriculture sector towards a much more productive, resilient and market-oriented sector. It thereby offers a unique opportunity for broad-based economic growth, job creation and entrepreneurship, while at the same time realizing food and nutrition security for all.

Through our aid and trade policy we aim to contribute to inclusive and sustainable growth in which we involve, where possible, the Netherlands private sector and knowledge institutes. The policy has proven to offer particular good prospects for the two sectors of agriculture and water management. Not surprisingly two sectors where the Netherlands is considered a leading country. Given the opportunities and challenges in the agriculture sector of developing countries and emerging economies, it is important to continuously look for ways and means to further improve our contribution.

We therefore warmly welcome these guidelines on agricultural sector development. They are a practical knowledge product based on experience accumulated over the last years of food security policy implementation. They provide a valuable contribution to an effective design and operationalization of our trade and aid policy. The authors of the guidelines advocate a subsector approach; as it is at the level of the subsector that trade and development policy instruments can be combined, and public, private, civic and knowledge organizations can be effectively brought together. These guidelines support cross programme learning and are a step in moving from 'knowledge for development' to 'knowledge in development'. The document aims to inspire policy makers, researchers and development practitioners to jointly address the complex development opportunities and challenges of the agri-food sector.

We hope and expect that these guidelines will be helpful in development practice and will also further advance our discussions on how to best implement the Netherlands trade and development policy.



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Preface

With this document we hope to make a contribution to the enhanced effectiveness and consistency in the design and implementation of aid and trade projects in the international agri-food sector. We purposely refer to it as a 'discussion paper'. There is no silver bullet for realising the Dutch trade and aid agenda. Therefore the paper should not be read as an instruction manual, but as a guideline that provides suggestions on a structured approach towards the design and implementation of support projects and programmes. We have used the approach ourselves in different contexts and countries and for us it has proven to be useful and robust. We therefore feel confident enough to present it also to you and trust that it will inspire and give guidance.

Central in our guidelines is the identification of agri-food subsectors with competitiveness and growth potential. Furthermore we have built in guidelines on inclusiveness and finding a niche for the Dutch commercial interests. The guidelines present a phased approach and put activities in a logical sequence. In practice the process of development and building commitment for partnerships hardly ever follows a nicely streamlined sequence of activities. Most often it is an iterative process in which simultaneously the content is developed and agreed upon, commitment is built up and partnerships are formed. The art of probing and using policy windows and commercial opportunities are key.

The guidelines have a general character and are not designed only for a single type of project or programme funding. The guidelines can be used both in partner and non-partner countries. We realise that non-partner countries usually have limited budgets to work with, which implies that the scope in terms of ambitions and activities has also limitations. This makes it in our view necessary to develop 'smart strategies' that have significant 'trade & aid leverage'. We trust that one of the strengths of the guidelines is that they systematically lead you towards smart strategies and project designs that can be linked to the available instruments for Private Sector Development (PSD).

We would like to thank all colleagues who have provided us with feedback and suggestions on earlier drafts during the meetings and workshops conducted over the past few months.

We hope you enjoy reading and using the guidelines and that they contribute to the further streamlining and development of trade & aid approaches for the international agri-food sector.

The authors

1. Introduction and objectives

The Dutch policy on foreign trade and development cooperation^[4] combines three important aims. First, to eradicate extreme poverty ('getting to zero') in a single generation; second; to pursue sustainable, inclusive growth all over the world; and third, success for Dutch companies abroad. The importance of cooperation between government, private sector, knowledge institutes and development NGOs is stressed. Combining the different policy objectives and interests of public and private partners can be a practical challenge. Sustainable, inclusive growth is the main guiding principle in the Dutch policy, but economic growth and equitable distribution do not go automatically hand in hand.

In practice we see that public and private stakeholders are developing different forms of cooperation. They are searching for effective approaches aimed at combining sustainable development and success for Dutch companies or Private Sector Development (PSD). Important questions are: *'How to strike the right balance between public and private objectives?'* and also *'How to realise synergies between contributions from government agencies, development organisations and companies?'*

This is particularly true in the field of agriculture and food security. The guidelines presented in this paper may provide a reference to all working on the development and implementation of PSD related projects and programmes in Dutch partner countries¹. The authors realise there is no 'single best way' and each approach has pros and cons. Our aim is to present an approach that facilitates the identification of the sustainable and inclusive growth potentials of the agri-food sector in a particular country or region and matching these potentials with the comparative strengths of Dutch companies. We framed this discussion paper around the following question:

How to establish, for a particular country/region, a 'best fit' in the design and implementation of agri-food related PSD projects and programme between:

- a) food and nutrition security through sustainable and inclusive economic growth, and**
- b) viable investment and private sector growth involving Dutch companies?**

The search, development and realisation of the 'best fit' can be achieved more effectively and efficiently when the most promising agricultural subsectors² are selected as a basis for further programme development. Both government services and the private sector activities are often organised along subsector lines (e.g. a Dairy Development Board, Livestock Department, a Horticulture Producers and Exporters Association or a Seed Association). These institutional arrangements provide a natural entry point for public-private dialogue and opportunities for shared objectives aimed at subsector growth and development. Furthermore, an agricultural subsector includes primary production as well as processing, logistics and marketing. As such it is easier to incorporate a market-focussed development process.

At subsector level different types of programmes and interventions can be linked and integrated

¹ Private Sector Development (PSD) Partner Countries are the list with 67 countries for which non-delegated Dutch funding support is available; among these countries are also the so-called partner countries where the embassies have developed and managed food security programmes.

² The word „sector“ refers to the agricultural sector. Horticulture, dairy, floriculture, piggy, poultry, etc. are considered as agricultural „subsectors“ and comprise the primary production as well as the related supply industry, trade and processing activities. A sub-subsector can be either a certain column within a certain sector (e.g. broilers within poultry or vegetables within horticulture) or a segment within a subsector (e.g. seed industry in horticulture, feed industry in a livestock sector or milk collection and processing in the dairy sector).

to enhance the overall impact in terms of sector growth, poverty reduction, employment generation and food security. For example, projects aimed at creating a more enabling environment (e.g. with support from PSD-G2G, IFC, FMO, NUFFIC, WB) can be combined with projects funded through financial instruments like FDOV, FDW, DHI, Impact Cluster, DGGF and/or delegated funds in partner countries (Embassy projects).

A sector approach can also help the embassy to position itself as 'the preferred partner' for one or more subsectors where the Netherlands have a comparative advantage. A clear focus on specific subsectors is a requirement to establish and strengthen 'high profile' relations within the government and other development partners. This also helps in maintaining a constructive policy dialogue, including support for improving the enabling environment and solving issues faced by Dutch companies. Or, to say it differently: a sector approach can be an important component in the strategic positioning of the Netherlands in a country.

An essential element of the sector approach is a sector analysis that reveals :

- The economic and agronomic growth potentials of a number of agricultural subsectors in the country
- The national policies and ambitions and the key issues to be addressed according to the PSD partner government
- The agricultural subsectors with most relevance and the interest of the Dutch private sector to co-invest, participate and to do business
- The 'best fit': the match between local ambitions, societal and environmental challenges and Dutch policy priorities
- The driving forces behind development; the trends and emerging developments that can be used as stepping stones for support to programmes and projects
- The barriers hampering development in the specific subsector and potential solutions to overcome these
- Social and power analysis including an overview of the interested stakeholders, their roles, interests and influence on the development process.

For most subsectors (e.g. vegetables, dairy) it is key to focus not only on approaches aimed at farming systems and value chain development, but also on the enabling environment (e.g. banking, inspection services, logistic infrastructure, education, research etc.). The broad picture provided by a subsector analysis is, in our opinion, a prerequisite for designing agricultural support programmes with a balance between public and private sector contributions that best fit the local circumstances. In that way the guidelines presented in this paper are compatible with the food systems³ approach.

The guidelines for agricultural subsector development are presented from a 'green-field' perspective. It is understood, that in many countries and regions Dutch-supported programmes are already ongoing. Even in such cases these guidelines can be relevant and may be used as a quick reference for ascertaining the overall relevance and effectiveness of the programme. For example when a possible extension of the agricultural subsector programme is considered.

³ A food system¹⁸⁾ gathers all the elements (environment, people, processes, infrastructures, institutions, etc.) and activities that relate to the producing, processing, distribution, preparation and consumption of food and the outputs of these activities, including socio-economic and environmental outputs.

2. Why agricultural sector development?

2.1 Relevance and importance of the agricultural sector

The agricultural sector is widely considered to be the economic backbone of most developing countries and to be of considerable importance in emerging economies. Agriculture provides the means of livelihood for the rural population as well as food and nutrition security for urban populations. Sustainable agricultural sector growth is critical for uplifting the living standards of poor people as well as generating broad-based economic growth.

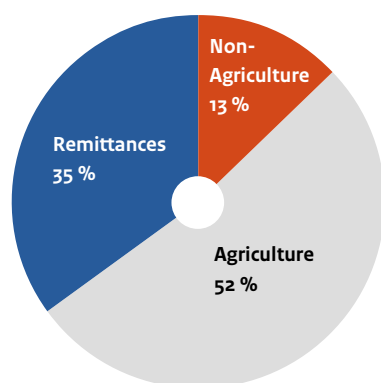


Figure 1:
Average contribution to poverty reduction in developing countries, by income source

An OECD study^[1] of 25 developing countries, that successfully reduced extreme poverty, confirms the direct correlation between agricultural sector growth and poverty reduction. Agriculture dominates non-agricultural activities by its potential to reduce poverty. Over half of the reduction in poverty achieved in the selected countries can be attributed to growth in agricultural production, in turn contributing to improved incomes (see Figure 1).

These conclusions are echoed by a comprehensive study of the International Food Policy Research Institute (IFPRI) into the potential of agriculture to contribute to national growth and poverty reduction^[2]. This study concludes that any effort to substantially reduce poverty in Africa will have to incorporate agriculture sector development. Not only does African agriculture have growth potential, but growth in the sector is also better at reducing poverty than growth in non-agriculture sectors. In Africa the heads of state have responded by adopting the Comprehensive Africa Agriculture Development Programme (CAADP). This is an African-owned initiative to stimulate agriculture sector development on the continent and accelerate agriculture-led growth and poverty reduction under the framework of the New Partnership for Africa's Development (NEPAD), now under the auspices of the African Union (AU).

In 2015, the Netherlands, together with the other UN member states, adopted the Sustainable Development Goals^[3]. These are aimed at ending poverty, protecting the planet, dealing with climate change and ensuring prosperity for all as part of a sustainable development agenda. Agricultural development is an integral part of the SDG agenda.

The Dutch food security objectives are fully aligned with the SDGs, in that these are aimed at:

- (a) eradicating hunger and malnutrition,
- (b) promoting income and growth among smallholders and
- (c) creating ecologically sustainable food systems.

This calls for an integrated approach and the mobilisation of public and private stakeholders. A major challenge for Dutch policy makers and managers of delegated and non-delegated funds is to select those agricultural subsectors that have high growth potential and to assess which

strategies and approaches towards growth and poverty reduction are expected to be most effective. A precondition for value sharing between supply chain partners in an agricultural sub-sector is that value is created. Strong business cases are therefore important and will form the starting point for an agricultural subsector development programme.

2.2 Combining aid and trade

The Dutch Government pursues poverty reduction through a model of inclusive growth and development^[4, 5]. Part of this agenda is to combine international trade and economic cooperation with poverty reduction and to address these challenges simultaneously.

Inclusive growth focusses both on the pace and the pattern of economic growth. Economic growth is a necessary and crucial condition for poverty reduction. Inclusive growth implies that growth is broad-based and offers substantial benefits for specific groups, e.g. poor people, women and youth^[6].

Hence, the policy objectives of the aid and trade agenda are combined and are equally important. The objectives of building up future trade relations and developing successful business for Dutch private sector is included specifically in the Aid and Trade policy brief.^[4] However, it is also mentioned that in case of tension between these two objectives, sustainable and inclusive growth will be the guiding principle.

Combining the trade and aid objectives in an inclusive agricultural subsector programme requires a variety of orientations and approaches. For the economic growth and development agenda the theories and approaches related to competitiveness, clusters and value chains are available. For the poverty reduction agenda a rich tool box of participatory stakeholder assessment methods, appraisal techniques, and capacity building approaches has been developed by aid workers, development practitioners and academics.

The Aid and Trade agenda is not meant to work in a static environment but targets a development in which aid gradually is complemented and eventually replaced by trade, as represented in Figure 2. The underlying assumption is that when a support programme can evolve aid into trade, the resulting impact will not depend on public funds but will be driven by economic incentives for parties involved and hence will be more sustainable.

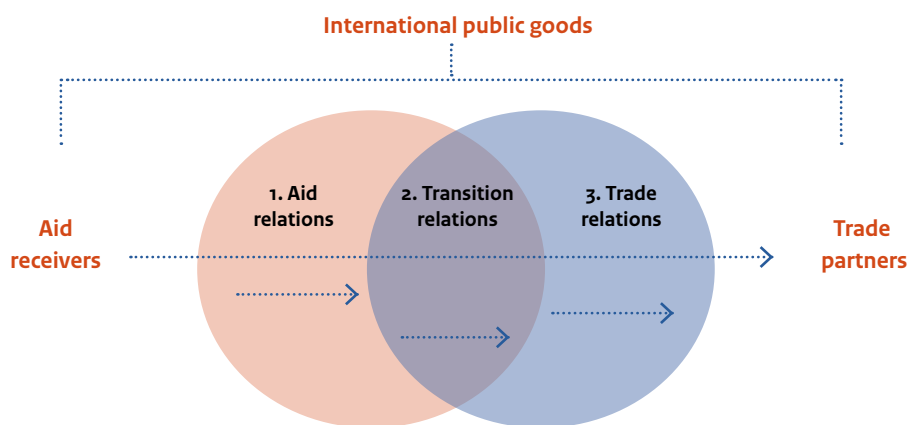


Figure 2: Transition from Aid to Trade Relations

Successful agricultural subsector development does not imply that everybody wins. For example, more efficient value chain development can imply that middlemen lose their job and some farmers are left behind because they cannot meet the new market demands. Therefore it is necessary to look at possible negative consequences and mitigation options as well.

2.3 Phased approach - subsector development step by step

During the design and implementation process of an agricultural subsector programme different dilemmas may arise and many choices need to be made, For example:

- Which subsector provides better impact opportunities: horticulture, dairy or poultry?
- Should we opt for large-scale commercial agricultural production and rural job creation or target smallholder (female/young) farmers?
- Are inclusive growth opportunities greater in domestic or in export-oriented subsectors?
- When and how do we mobilise Dutch companies and knowledge organisations? Or should we start working with local companies and NGOs?
- Can we expect companies to co-invest in inclusive agricultural development initiatives?
- How can companies, NGOs and knowledge organisations work together effectively?

Addressing these and other questions linked to the development and implementation of inclusive agricultural programmes requires a phased approach. As mentioned also in chapter 1, an approach centred on developing an agricultural subsector provides easy entry points for aid and trade projects and programmes. The recommended approach comprises four different phases as summarised in Table 1 on page 11.

In the next chapters useful approaches and tools for the four phases are described. On the basis of needs and interests the reader may decide to focus on one, several or all phases and desired outcomes.

Table 1: Phases in agricultural development

Phase	Outcomes
<p>1. Selecting subsector (chapter 3)</p>	<ul style="list-style-type: none"> ■ Long list of potential subsectors from an agronomic point of view (climate, available land, soil quality, water) ■ The agricultural subsector(s) with potential for inclusive economic growth is identified ■ Agricultural subsector(s) with potential Dutch private sector interest is identified
<p>2. Analysis & strategy (chapter 4)</p>	<ul style="list-style-type: none"> ■ The opportunities for growth and development are analysed ■ The relevant value chains are analysed and quantified ■ The overall inclusive development strategy is defined ■ Pioneering business cases are identified including a support strategy for them. ■ Momentum among national key public and private stakeholders is assessed ■ Business opportunities for Dutch companies are identified and linked to specific companies ■ Relevance for and added value provided by Dutch organizations for enhancement of the enabling environment has been identified and linked to specific organisations; regulatory bodies (such as the NVWA and NAK), knowledge institutes and NGOs ■ Inventory on potential access to finance is made ■ Potential negative consequences are identified
<p>3. Planning & funding (chapter 5)</p>	<ul style="list-style-type: none"> ■ Agreement and commitment among key national public and private stakeholders and (when relevant) Dutch public and private stakeholders on specific interventions (projects), management structure and (co-)funding arrangements ■ Mitigation plan for dealing with possible negative effects ■ Funding (usually a combination of public and private contributions) for the projects and programmes is committed. Generally subsector development programmes can have three distinct funding categories: <ul style="list-style-type: none"> - G2G: for improving government performance and public services; - Public-private for funding pre-competitive projects (e.g. introducing GAP or R&D/innovative pilot projects); - Grants and loans for pioneering business cases.
<p>4. Managing for Impact (chapter 6)</p>	<ul style="list-style-type: none"> ■ The planned interventions are effectively and efficiently implemented by committed public and private stakeholders ■ Results are effectively monitored, evaluated and reported upon in terms of pre-determined indicators. ■ Lessons learnt are shared and used in other projects and programmes

3. Selection of subsectors

3.1 Criteria and guiding principles

Before embarking on an in-depth subsector analysis and the mobilisation of stakeholders for the design of specific programmes, it is important to develop a shortlist of the agricultural subsectors with a high potential for inclusive growth. Based on our experience the competitiveness of the different agricultural subsectors and the underlying business cases should be leading. Tools for this phase are further elaborated on in paragraph 3.2.

An overview of the different factors, that can be interpreted as concepts to consider in subsector assessment, is presented in Figure 3.

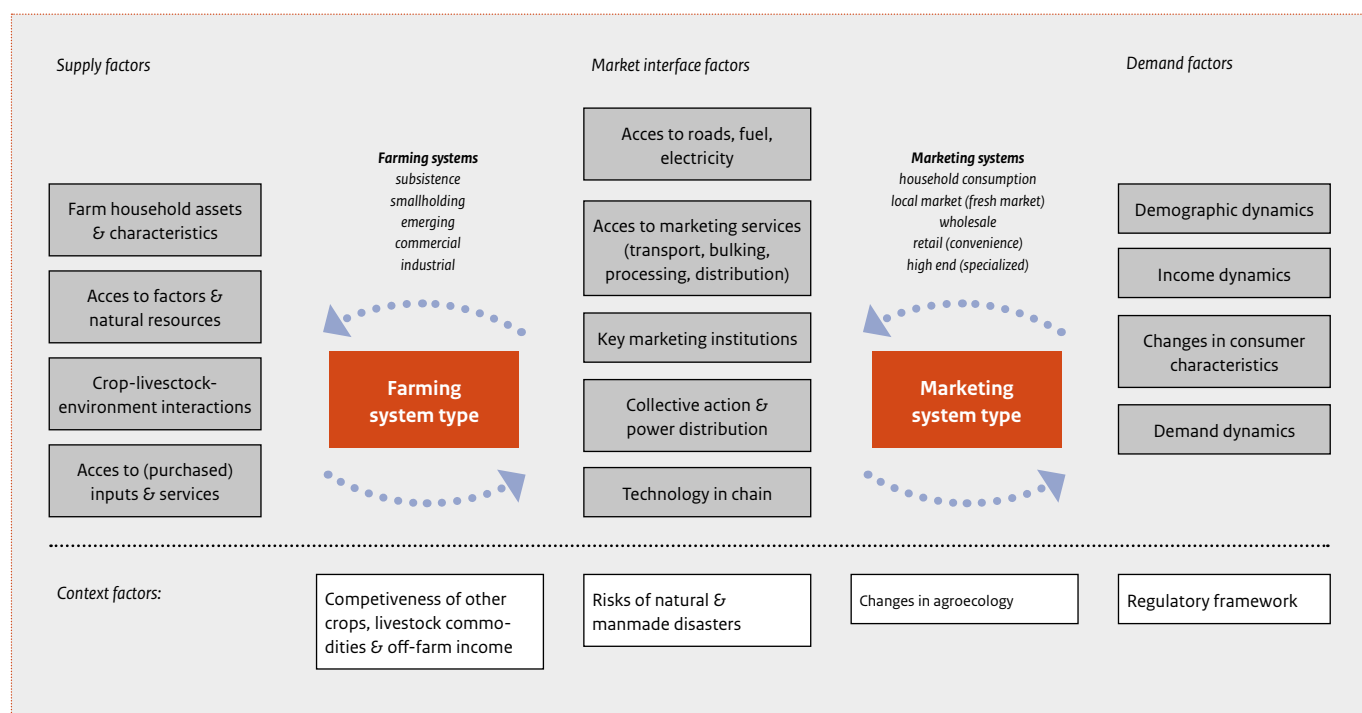


Figure 3: Generic factors in transitions of farming systems and marketing systems^[9]

Criteria for subsector selection and elimination could include:

a) Current economic importance, potential growth / investment levels and main market trends.

Sharing of value is only possible if value is created. The economic importance and potential for subsector growth are therefore important indicators for selection. Simple indicators to assess whether there is economic growth potential include the investment levels (FDI and domestic) in a particular subsector, how much employment is generated (and at what costs), the main trends in subsector demand, present output levels and consumption of key outputs, and (emerging) production clusters.

b) Requirements and challenges for subsector growth

At this stage, the main requirements and/or challenges for accelerating subsector growth need to be listed. In other words, what will make the respective subsector more competitive? It is by no means the idea to implement a full competitiveness analysis. Next to pursuing the building of a rough picture of the situation, it is also important to list the perceptions of the key actors on

these issues. It is noteworthy that by interviewing a number of subsector specialists and/or experienced entrepreneurs in the respective subsector, it usually is possible to identify one or two main factors influencing investment decisions as well as the pace of growth and development. In addition, available documents and other references (such as websites and statistics) can form an important source of information. The factors determining the pace and direction of the subsector's growth can be very diverse (see Figure 3).

Knowing the main preconditions and challenges for further subsector growth will give an indication whether there are genuine opportunities for inclusive growth. If there are requirements for subsector growth that are difficult to address, it may be better to eliminate the subsector from the list.

c) Current or potential involvement of relevant target groups such as smallholders

For those subsectors that appeared to have potential in the first two stages, it is important to ascertain whether or not specific target groups such as (male and female) smallholders, SMEs and (unemployed) youth can play a prominent role in the production and supply processes. In addition it is important to check which segments of the markets are supplied by smallholder farmers or other specific target groups. Are these also the markets where there is growth and development?

The required impact at target group level is usually measured in terms of employment and income opportunities, so it is important that future growth and development of the subsector is linked to job creation and the inclusion of smallholder and SME suppliers. As this may not always be the case, it is important to get an indication that it is (or can be) economically viable to work with rural poor, unemployed youth, women and other important target groups which are poor or vulnerable. The opportunities for employment creation (at different qualification levels) and income generation may differ between subsectors (see box for an example^[7]). The growth pattern in an agricultural subsector is as important as the pace of economic growth itself. Mechanisation and computerisation may make a subsector more competitive, create new jobs and spur growth, but may not lead to more employment or income opportunities for the rural poor. It may thus result in limited poverty reduction effects.

Smallholder inclusion in the horticulture sector

Due to increasingly stringent quality and safety standards in the EU retail, the East African vegetable export sector sources less from smallholder producers. The related transaction costs and risks are becoming too high for exporters. Furthermore, the growth rates in the EU fresh produce markets are limited.

The domestic demand for vegetables in East Africa is, however, growing. Urbanisation and rising income levels are leading to increasing consumption of vegetables and other fresh produce. Entry barriers for small scale vegetable producers are lower.

Hence, inclusive growth potentials are generally better in the horticultural subsector supplying the domestic markets, rather than the high-value export markets.

d) Opportunities for Dutch agri-food companies and other organisations

The match between opportunities and the interests of Dutch agri-food companies should be explored in the subsector selection process from two angles: (a) what value can Dutch companies (and knowledge institutes and other sector organisations) add in terms of specific know-how, expertise and market access? (b) what new market opportunities may arise that attract co-investments and commercial growth for local and Dutch agri-food companies? The Netherlands has a competitive advantage in a number of agri-food subsectors. It is one of the world's leading agricultural importers (and re-exporters) of tropical commodities such as citrus, oilseeds, flowers, coffee and cacao. As such many developing and emerging economies wish to collaborate with the Netherlands. Furthermore, the Dutch supply industry related to dairy, horticulture, poultry, aquaculture, vegetable seeds, and potatoes provides state-of-the art products, processes and services. In addition, the Netherlands has advanced expertise in agri-food logistics and supply chain efficiency, food processing and storage, quality and safety procedures, and phytosanitary services. In the context of the trade & aid policy favourable subsectors are those subsectors where the Netherlands can be a preferred partner for the host government and can play the role of facilitator, bringing together public, private and NGO interests.

e) Public funding levels and availability from other donor agencies and investors

A final check during the initial selection phase is to see whether existing public funding from the host government and/or other donor agencies, banks and impact investment funds is adequate to cover the main inclusive development needs. What could be the niche for Dutch funding? Dutch funding can make a difference in a subsector if the interventions are sufficiently innovative (within local standards) and add value. Dutch funding may have a catalytic effect on change and innovation, while larger donor agencies and programmes (e.g. European Commission, World Bank, Asian and African Development Bank) may bring scale to the development.

3.2 Selection process

The initial subsector selection is based on a 'quick scan', using a limited number of key indicators that can be assessed in a short time without extensive analysis or research; see Table 2 for an example. For efficient use of time and resources, the main objective of this first phase is to eliminate the less potential subsectors and to identify a limited number of subsectors for in-depth analyses and design of strategic interventions in the second phase. Available tools and resources for this selection process include:

- **Available data and information**, including (a) existing publications by national organisations and international agencies with programmes in the country; (b) databases with statistics from national and international agencies (like the World Bank, Economist Intelligence Unit, World Economic Forum, FAO, International Trade Centre and OECD). National data and statistics are not always the most reliable, because actual and (sometimes biased) estimated figures may be mixed. In annex A suggestions are given for data that are useful in getting an impression of the growth and competitiveness potential of subsectors, as well as the societal and environmental issues of a subsector. However, at this stage in the process, spending much time on 'getting the right data' is not advised. The main aim is to get a first good impression and to be able to compare subsectors.
- **Informal interviews and meetings** with managers of Dutch and local companies, subsector specialists and researchers. Consultations with officials of relevant ministries, local subsector

organisations and consultancy firms can be highly informative as well. In addition to scoping opportunities and main trends, these discussions are also important for checking whether there is a positive momentum and investment drive.

- **Informal meeting with colleagues of other embassies and international organisations** to assess whether they already have or intend to have cooperation programmes in sectors and/or issues you consider. This will enable you to assess and weigh options for cooperation or creating a niche for the Dutch contributions.
- **Round-table meetings and short workshops** can serve as an expert forum where representatives from public and private organisations share information and jointly assess needs and opportunities. If time and resources allow, a short introductory paper by an independent expert can serve as a start for the meeting or workshop. It is important to invite representatives of other international missions and projects so as to explore what other initiatives are ongoing.
- **Short exploratory studies and missions** by leading Dutch businesses and experts can be used to finalise the subsector selection and to ascertain whether there is a realistic potential for co-investments in inclusive economic development.

Table 2 provides an example of an overview of a quick scan of different agricultural subsectors in Myanmar. This overview illustrates the level of detail and the range of information to be collected. Important background data and information on the high-potential subsectors can be added as references for the actual selection. Based on this quick scan of different subsectors a short decision memo can be made with conclusions on 'best fit' subsectors and recommendations for the subsectors for which a more thorough process could be started, with the aim of developing a concrete development programme. Annex A provides additional guidelines and a similar format for subsector selection.

On page 15 Table 2.

Overview of indicators for a quick scan, with an example of qualitative data and information on various agricultural subsectors in Myanmar (2014)

Indicator	Horticulture	Potato	Dairy	Seeds & Starting material	Aquaculture	Poultry	Oil seeds
Present economic importance	++	+	+	+++	++	++	+++
Main opportunities	Demand will grow and export opportunities	Demand will grow both 'fresh' and processed	Demand will grow and call for import substitution	Excellent growing conditions	Growing demand and excellent conditions	Growth of 10-20% per year	Nr 1 in Sesame, Excellent export opp.
Main challenges	High relative cost prize as result of low productivity and long informal value chain	No potato seed production. No formal processing	High cost price as result of low productivity and informal chain	Institutions not in place, infant industry, no tradition in farmers organisations	Low productivity, hardly any formal chains, food safety	Monopoly	Productivity and not capable to capture high value market
Employment and income generation	+++	++	+	+++	+++	++	+++
Strengthening economic position	+++	+	++	+++	+++	++	+++
Potential top sector	++			+++	+++		+++
Contribution to Food Security Policy	++	++	++	+++	+++	+	+++
Opportunities for Dutch companies	++	++	++	++	++	++	+
Comparative advantage The Netherlands	+++	+++	++	+++	+	+	+
Presence other countries/ actors	GIZ, USAID, AUSAID		New Zealand		EU, Denmark, USAID		ITC
Funding	Already \$ 5M. by	USAID shows interest	LIFT interested	LIFT highly interested	EU invests € 20 M.	Limited opportunities	LIFT
Overall ranking							

4. Analysis and strategic design: Towards public-private collaboration

4.1 In-depth analysis

A more detailed assessment of the competitiveness and inclusive growth potential of the selected subsector(s) is the main activity during the second phase. By doing this together with main subsector stakeholders, momentum for collaboration can be established and the specific opportunities for Dutch companies and support organisations can be further explored.

The in-depth analysis is best executed by a small team of subsector specialists and facilitators. Whilst this analysis is an important step in the formulation phase, leading to the strategic design of a support programme, the process of stakeholder mobilisation and consultation is equally important. Both are recommended to be implemented in parallel and are used for: (a) collecting data and information from supply chain partners; (b) checking the interim-outcomes of detailed subsector analysis; and (c) mobilising ideas and support for possible strategic interventions.

A useful overview of the main areas of attention for a detailed assessment of the subsector's potential for competitiveness and inclusive growth, is provided in the conceptual framework for a Food System as described in the UNEP report "Food Systems and Natural Resources" ^[18].

It is important to note that within a subsector different types of value-chains can be identified. Figure 4 highlights this for the dairy subsector, presenting four distinct value chains that may operate in parallel. Understanding the main value chain configurations and dynamics is vital for coming to grips with the subsector. For each of the value chains different interventions can be

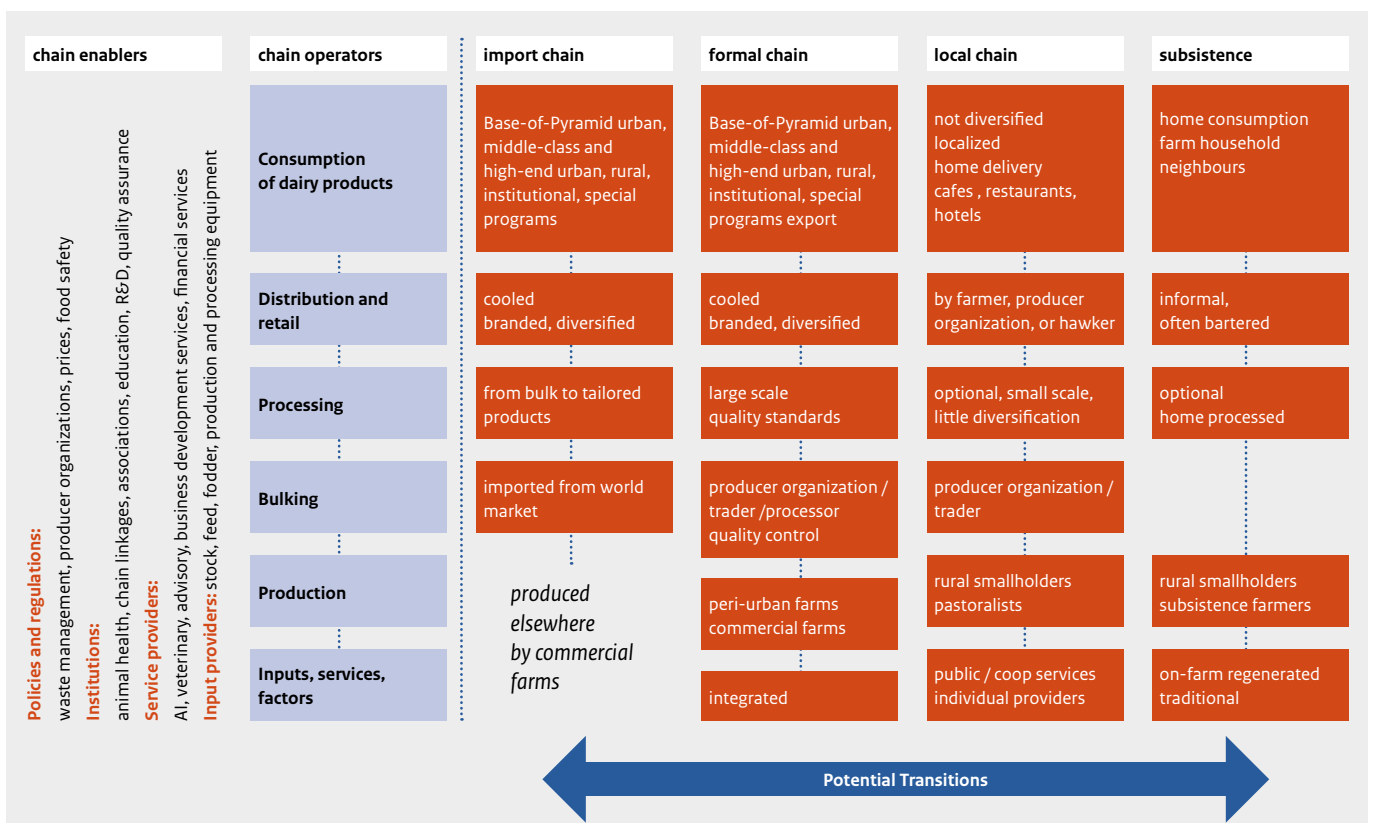


Figure 4: Main dairy value chain types^[9]

designed that increase their competitiveness, and together these may increase the performance of the entire subsector. The in-depth analysis should not exclusively look at opportunities, but also keep a keen eye on the potential downsides of the interventions. In most cases there will be both winners and losers; changes in agriculture can result in new environmental problems or in exclusion of specific social groups.

In practice the in-depth analysis is usually outsourced to consultants who are familiar with the selected subsector and that are neutral, in the sense that they do not have an interest in the subsector in the targeted country. To facilitate the outsourcing and example of Terms of Reference for a subsector analysis with links to the subsector study reports are included in the annex.

4.2 Strategic choices and design

The strategic design of an agri-food subsector development programme is an iterative process to be carried out together with the main stakeholders from the public and private sector, civil society and knowledge institutes. The results from the in-depth subsector assessment form essential inputs for the dialogue and decision making processes on the strategic design. In turn the dialogue can also offer valuable input for the in-depth analysis. Figure 5 provides an overview of the main steps in the process^[8]. The outcomes of the in-depth assessment can be validated during steps 1 to 3 and will be used as inputs for the stakeholder discussions in steps 4 to 6.

The six main activities or steps^[8] to be covered during the multi-stakeholder process are:

- 1. Mapping the relevant value chains** and identifying the main chain actors, chain enablers as well as the flows of products, money and information. It is important to establish a common understanding where along the chain most value is created and how profit is made by different actors. An important aspect is the position of the farmer in the value chain and whether farmer organisations (can) play a role in reducing transaction costs and come to fair pricing mechanisms.
- 2. Mapping key policies and institutions** that influence the functioning of the value-chain – negatively or positively.
- 3. Establishing agreement on the key drivers, barriers, trends and issues** affecting the value-chain performance and pace and direction of the subsector development.
- 4. Exploring future scenarios** to reveal uncertainties about drivers and trends and understanding the future implications for the value chain and rate of growth. Mitigation of negative consequences should be included as part of the scenario analysis.
- 5. Identifying available options for better inclusion** of key target groups and checking the requirements and willingness of relevant public agencies, access to public funding, potential investors and other business partners (local and Dutch) to co-invest in inclusive subsector development.¹

¹ Inclusiveness is seen as a vital component in development, but it is used by many different organisations in different contexts. See The World Bank paper on defining inclusive growth^[17].

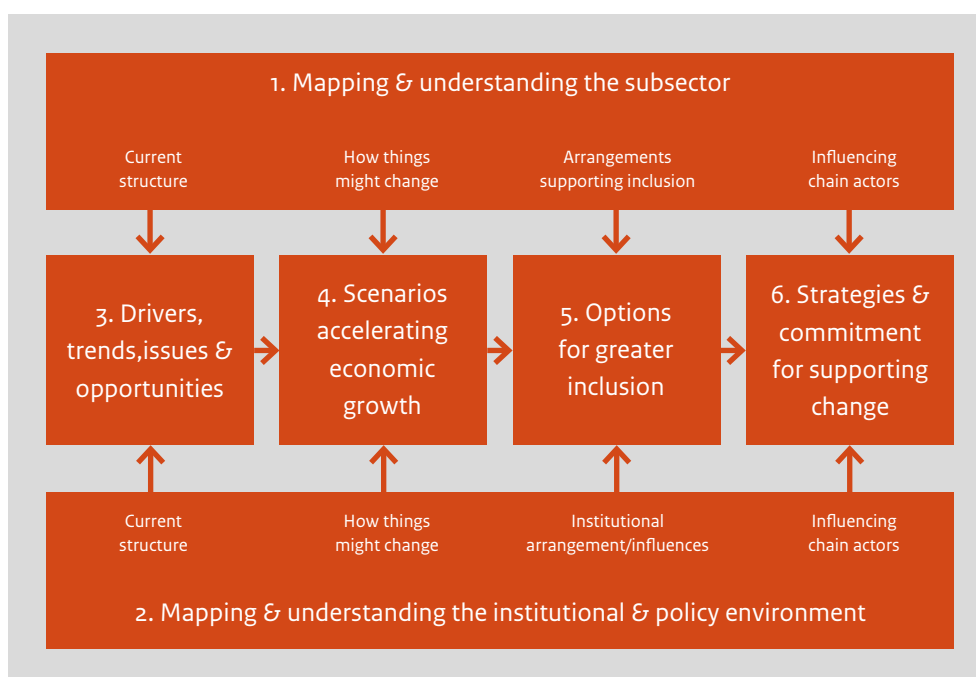


Figure 5: Sector strategy development process

6. Finalising the strategies and seeking a clear ownership and commitment for supporting change and inclusive development within the public, private and civil society sectors.

Improved value chains can contribute to inclusive growth, poverty reduction and Dutch business success. Generally speaking there are five main areas of intervention for upgrading the performance of value chains:

- **End-market opportunities** – determine a clear market focus and maximise the market opportunities, for example by reducing institutional market barriers, establishing market information services and promotional activities.
- **Enabling environment** – create a business environment that favours investment and growth; examples include the development of vocational or higher education; investments in new infrastructure such as roads, terminals and (dry) ports; improvement of phytosanitary and food safety regulations, and inspection capacities; effective breeders’ rights protection and intellectual property laws; establishing investment funds for innovation and development; creating market transparency, and easing (foreign) investment requirements². Here we would like to note that the Netherlands is well recognized for the high quality of its ‘agro-food regulatory framework’ and the control and service arrangements for providing guarantees on quality standards. Partner countries generally welcome support in capacity building by the Netherlands on regulatory issues. Support projects on regulatory issues can also be an important enabler for a wider policy dialogue on the development of agriculture in general and/or specific subsector.
- **Farm- and firm-level upgrading** – optimise production systems so that productivity levels and/or value addition of the main produce are realised; find sustainable and climate resilient

² [General information on the enabling environment can be found in doing business index](#) for African countries also in the [Africa Competitiveness Report](#) and more specific on agriculture in the [Enabling the Business of Agriculture](#)

solutions for existing farming systems; this can include a wide range of capacity building activities like business coaching, technical training and agronomic advice.

- **Inter-firm cooperation** – realise benefits from working with chain partners and improving chain governance; reduction of transaction costs often is a key element of creating better opportunities for inclusive growth and development; establishing producer organisations such as cooperatives and farmer-owned companies are not a panacea, but can be part of the strategy in specific stages of supply chain and farming system development.
- **Supporting markets** – developing the input supplies, technical services, transport and logistics, financial services as well as services required for inclusive growth and development; supporting markets can include service and product delivery by actors in the chain (the so-called ‘embedded services’) or they can be provided by specialised service providers; Table 3 (page 21) summarises the main ‘supporting markets’ required for agricultural sector development^[7], which can be used as a checklist when designing a subsector development programme with a focus on improving the supporting markets.

We would like to mention that in general the Dutch private sector gives high priority to the improvement of the enabling environment. This concerns issues around regulation, investment climate (e.g. requirement for joint ventures), vocational education, registration procedures for new plant varieties, protecting breeder’s rights, phytosanitary or veterinary requirements and procedures.

4.3 Strategic design in practice

One of the approaches that can be used to facilitate evidence-based discussions is to work together with a group of core stakeholders on the basis of a so called ‘living document’ that includes their ‘endorsed’ findings, the major gaps identified for subsector growth as well as options for development pathways and strategies. The document can also indicate what further analytical work and discussions are required.

For building consensus a more concise policy discussion paper with different development scenarios can be developed. This can be used in more formal and policy oriented consultations and endorsement trajectory. Examples of such policy papers are the [White Paper for Vegetable Sector Development](#) and the [Seed Sector Road Map](#) ^[15], both developed for Myanmar. These documents provide a conceptual framework for understanding the subsector (in terms of systems and value-chains), and typically formulate a joint vision of where the subsector should stand in five to ten years. Ideally the document also provides the core strategies, activities and working arrangements on how to get there.

Making prudent use of the political dynamics and/or economic opportunities in a specific sub-sector can greatly facilitate the strategy design process. Particularly in sub-sectors where the Netherlands has a strong commercial position as a trade partner or technology provider, it is often not very difficult to mobilise the necessary support and buy-in of the relevant ministries, sector organisations and/or local knowledge partners. Testing whether the commitment and interests of the local partners is genuine is advised. Probing and soliciting active support and contributions from the local partners at an early stage can be a good indication whether there is indeed sufficient basis of cooperation and the partnership formation.

Working towards a Public-Private Partnership (PPP) for subsector development is not a ‘must’. It is good to realise that, due to the size and complexity, PPPs require substantial resources in terms of Embassy staff and funding. However, in any case we think that it is a good investment to conduct an analysis along the steps as described above, as it enables Embassy staff and others to communicate in a well-informed manner on the business opportunities and challenges in a certain subsector.

Table 3. Main supporting markets required for agricultural sector development

Supporting market	Agricultural subsector requirements
Seed and planting material	High yielding varieties with good levels of pest and disease resistance, adapted to prevailing soil and climate conditions; in line with market demands for flavour, storability, size, etc.; accessible and protected under the UPOV framework; specialised nurseries supply horticultural growers.
Fertilizers and plant protection products	Organic and inorganic fertilizers, and crop protection products (including biological control agents); to be combined with increasing levels of know-how on pest and disease, and soil fertility management.
Feed and fodder, AI & veterinary supplies	Livestock production systems require access to reliable and constant supplies of quality feed (fodder, by-products, minerals, concentrates) as well as Artificial Insemination (AI) inputs, stock, vaccines & drugs, and veterinary health services.
Transport and logistics	Conditioned transport and logistics; dedicated services for fresh produce; specialised storage to reduce post-harvest losses and lengthen the market season.
Technical advice and training	Growers and others need access to state-of-the art technology on production, handling, etc.; the competitiveness of a country’s subsector hinges on innovation and a continuous drive towards effectiveness and efficiency; this includes good agricultural practises like GLOBALG.A.P. standards.
Market information	Up-to-date information on demand (qualitative, quantitative) and price developments is required; can be developed as an embedded service or as stand-alone ICT service.
Equipment	Equipment and technical services for primary production (e.g. greenhouses, barns, farm machinery, maintenance & repair services, irrigation) and post-harvest (e.g. sorting & grading lines, milk chilling tanks, storage facilities, processing lines); adapted to different conditions and types of agri-food businesses; farmer-owned or supplied as contracted services.
Financial services	Short and medium term loans for working capital, respectively capital investments, as well as insurance.

5. Planning, process and funding arrangements

5.1 Defining roles for public, private and other actors

Based on a Road Map or other agreed agenda (in the form of a Memorandum of Understanding, Letter of Intent or a mutually agreed minute of a meeting with counterparts / stakeholders in a subsector) a more detailed implementation plan needs to be developed. This definition of the implementation plan requires the translation of the overarching objectives and strategies into a practical set of activities, working arrangements, budget and funding agreements. This should come about in close collaboration with the core committed stakeholders.

It usually requires the involvement of public sector organisations, businesses and not-for-profit actors, both in the partner country and in the Netherlands. PPPs are increasingly seen as an attractive proposition for involving the private sector in international development cooperation. PPPs are generically defined as *'a form of cooperation between government and business (in many cases also involving development partners, industry associations, sector organisations and/or knowledge institutions) in which they agree to work together to reach a common goal or carry out a specific task, jointly assuming the risks and responsibility and sharing their resources and competences'* ^[10]. In terms of roles and responsibilities the government organisations organise the regulatory frameworks and funding, and provide enforcement of official rules and regulations. The businesses provide investments and the necessary entrepreneurship. Civil society organisations (NGOs), industry associations (annex D provides an overview) and/or knowledge institutions are added to the partnership to provide specific know how, awareness and capacity building support.

Bringing the private sector into the development domain brings numerous potential benefits. From the perspective of donors^[11], the appeal of partnerships seems to be threefold:

- The political objective of coupling development cooperation with economic benefits for the business community at home;
- The appeal of achieving 'value for money' by combining public money with private resources, capacities and outreach to achieve more impact, while keeping overhead costs relatively low; and
- The expectation – more purely from an aid effectiveness point of view - of achieving sustainable and scalable results through businesses that continue their work after completion of donor support, or other companies that may copy business models supported by the programme.

Companies, on the other hand, are typically interested in one or several of the following aspects:

- Accessing initial funding for activities that do not have an adequate business case upfront or that they cannot afford normally, but which can be of strategic relevance in the exploration of new markets and products;
- Benefitting from the knowledge or technology used by more advanced partner businesses in donor countries;
- Harnessing the development expertise of donors and/or their implementing partners in specific subsectors or supply chain segments (e.g. increasing farmer productivity, training approaches);
- Using existing structures and networks of aid agencies in the field to help them operate more efficiently in new markets (e.g. through introductions to rural services, other companies and research programmes).

Experience indicates that for a successful PPP-arrangement 'the quality of the cooperation' among the stakeholders is a critical success factor. Therefore, the genuine involvement of key

actors in the development of the PPP-programme and an effective and efficient governance structure that addresses the division of roles, responsibilities and risks are key elements.

Another critical success factor is that public and private interests are adequately reflected and balanced in the project or programme design and implementation process. PPP arrangements will be more robust if public-sector development objectives and business interests and financing strategies of the participating businesses are given explicit attention during PPP formation and management. The outputs and impact of inclusive programmes need to be expressed in terms of improved increased income, employment and well-being of specific target groups, such as small-scale producers, rural youth and SME workers. The private sector interests and objectives need to be given the same weight. These can be measured in terms of new investments, new service provisions, return on investment, turnover in new business, etc.

5.2 Process

Converting the Road Map or ‘agreed agenda’ into a feasible plan of action with specific responsibilities, timeframes, a budget and funding arrangements is best executed by one of the lead organisations in the respective subsector. For the development of a detailed project or programme this organisation may hire an experienced consultant or organise it in-house if the expertise is available. The development process is done in consultation and with inputs from the other partners.

Equally important is the development of a coordination structure that oversees the future project(s) and programme(s) in the subsector. Coordination and supervision is required to make the stakeholders accountable and keep them together in achieving the joint objective. A coordination body (see figure 6) monitors progress and makes adjustments where necessary.

The coordination body may be a network organisation or platform that brings together a larger group of public and private stakeholders and development partners. A looser approach typically fits well in conditions where the government is very dominant and/or the private sector is poorly organised. In situations where more advanced subsector associations are present and government allows for a more balanced public-private dialogue, relationships and coordination can be more formalized. This can take the form of a Board or Council in which policy ambitions can be jointly discussed and specific public-private arrangements can be codified (e.g. in the form of covenants or public-private partnerships).

In many cases the quality of the secretariat of either the network / platform or of the board / council determines to a large extent the success of the subsector partnership. Other key success factors are:

- High-level representation and ownership
- Quick results; preventing that it becomes a ‘talk-shop’
- A sound balance between public and private representation
- A certain level of pragmatism to hands-on solve immediate problems
- Flexibility in the partnership’s priorities; allowing room for new topics
- Sufficient resources to implement the partnership’s objectives.

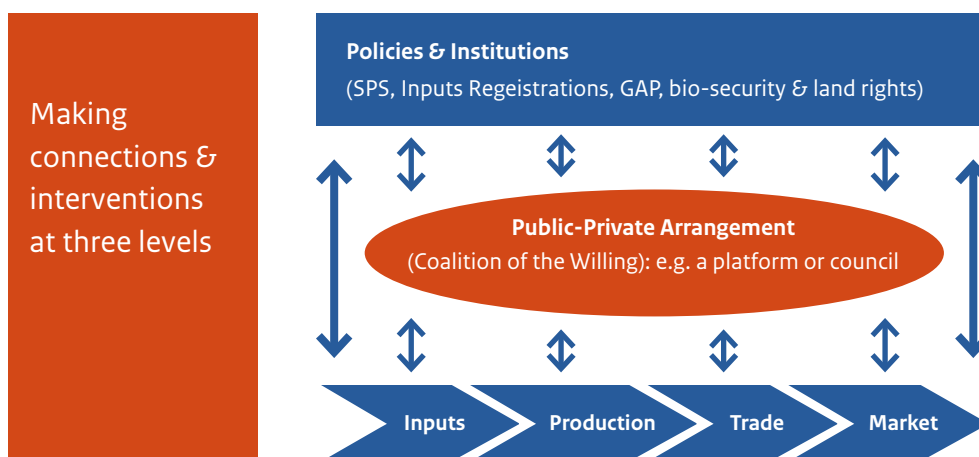


Figure 6: Policies and institutions, value chains and public-private collaboration

Examples of subsector development programmes are the Embassy-funded [programmes GhanaVeg](#) and [Kenya Market-led Dairy Project \(KMDP\)](#);

PSD-countries, not being a partner country can only make use of central instruments like Impact Cluster or PIB (Partners in Business) for developing a PPP. This implies that the potential funding from the side of the Netherlands Government is limited. Therefore it is important to develop 'a PPP-niche with leverage', in which e.g. relevant new business cases are piloted, possibly combined with a platform for networking and policy dialogue, and target activities on improving enabling environment and skills (see figure 6). In such a way impact can be realised and a spring board for Dutch business can be created. [VegImpact and VegCAP projects in Myanmar](#) are project examples where leverage and impact is created with limited funding from Netherlands government.

5.3 Funding arrangements

The funding arrangements can vary greatly in terms of size, conditions and complexity. In this section the arrangements are discussed in more general terms. We present some general considerations on financing modalities (Table 4). For specific information on the current Dutch

Table 4. Forms of public-private engagement in the context of development ^[12]

	Private Sector Development	Private Sector for Development	
		Private Sector Investment for Development	Private Sector Finance for Development
Predominant Focus	Domestic businesses	Domestic / international businesses	International businesses
Role of donors	Support for the development of an improved domestic business climate.	Encouraging private sector actors to invest in developing countries by off-setting certain risks	Leveraging private sector to provide finance to development efforts
Types of instruments	Funding of technical assistance, credit guarantee funds, etc.	Challenge funds for (foreign) direct investments, development related grants and subsidies	Public-Private Partnerships, portfolio investment, private equity, private infrastructure funds, etc.

Government support and grant funding facilities we refer to the subsidy guide at the [RVO website](#).

The focus on ‘private sector development’ in the context of international agricultural development cooperation is not new. The more traditional policy area of ‘(private) sector development’ is about helping governments of emerging economies to design and implement policies and programmes that encourage economic transformation through investment, productivity growth, business expansion and employment. The focus here mostly used to be on the domestic economy of the developing country concerned. However, the increasing focus of the Dutch Government as well as other international donor agencies on engaging the ‘private sector for development’ is a more recent development^[12] and has become a leading principle within the context of agricultural sector development and food security. This can be further broken down into: (a) engaging with the private sector (local and Dutch) for development through encouraging *investments* in productive activities; and (b) using public funding Official Development Aid (ODA) to leverage private sector *finance* (including options for blending).

Both forms of engagement with the private sector for development are relevant and can be effective, but each brings a different set of issues. The main issue in looking at how Dutch financial support can be combined with private sector investments is that of how to define development and ‘additionality’. Additionality is defined here as *‘the net positive difference that is expected to result from a donor-business partnership; the extent to which activities (and the associated results) are larger in scale, of a higher quality, take place quicker, take place at a different location, or take place at all as a result of a donor-supported intervention’*.^[13] In other words, it is important to establish the likelihood whether a particular inclusive development intervention would happen anyway and in the same way in case public financial support would be lacking. If that would be the case, the Dutch funding support would not be adding any value and should not be allocated. During the programme application phase the proponents of the planned projects have to explicitly demonstrate additionality by:

- Outlining the innovative level of the proposed activities, products or services that will be delivered by the proposed partnership;
- Demonstrating the commercial non-viability of the partnership activities; and/or
- Explaining the added value of the proposed partnership to the activities foreseen under the project.

For projects where leveraging private sector financing is the main focus, there is the added issue of sharing and balancing risks between the public and private sector partners. The financial risks are to be translated into a risk sharing arrangement at project level and will have to be reflected in the partnership agreements that the public and private partners sign at the beginning of the PPP-project implementation phase. In most cases a financial institution would take the lead in facilitating the risk sharing structure.

6. Managing for impact

The design and implementation of individual projects and programmes in the context of agricultural sector development are directly linked to the aid and trade policy implementation cycle. It requires matching objectives and strategies and compatibility in terms of monitoring and evaluation activities. The key performance indicators (KPIs) at project and programme level are to be chosen in such a way that they can be aggregated and compared with other aid and trade projects and programmes aimed at food security and private sector development.

Main indicators at impact level to be monitored include:

- Number of (malnourished / food insecure) people with an improved food and nutrients intake
- Number of small scale farmers and workers (m/f) with increased production, employment and income levels
- Area (ha) brought under sustainable production methods
- Value added for different actors in the value chain.

There are as yet no agreed specific indicators for subsector development and sustainable economic growth. We suggest therefore to also monitor the following indicators:

- Improvement of sector competitiveness in the beneficiary country
- Subsector growth in terms of contribution of the national output
- Increase of trade with beneficiary country by Dutch private sector
- Investment by Dutch private sector in beneficiary country.

Monitoring and evaluation is, in our vision, more than just measuring the effects of policies and projects against a number of KPIs. In order to enhance the overall effectiveness, efficiency, relevance and sustainability of agricultural subsector development projects, it is important to continue to reflect critically on the issues, assumptions and factors that underpin the project design, determine its success and enhance learning for further development.

The Donor Committee for Enterprise Development (DCED) has developed a standard approach^[14] towards monitoring and evaluation that may be useful in this context. The DCED approach facilitates project and programme managers to monitor their progress towards objectives and better measure changes, manage implementation, and demonstrate results. Adoption of the DCED standard also implies that projects and programmes funded by different funding agencies become more comparable.

7. Concluding remarks

It is an impossible task to formulate fully comprehensive guidelines and cover all practical experiences on a large subject such as agricultural sector development in the context of aid and trade. This paper merely provides an overview of the main steps and the general tools and approaches available. The annexes include a format for selecting potential subsectors and several sets of Terms of Reference that can be used as examples for defining support assignments during the programme or project development phases. Together we hope that these will help you to structure and oversee the programme or project design and implementation cycle more effectively and efficiently. Most of all we hope that this paper provides inspiration for further improvements and learning.

We would like to finish with a few critical success factors and practical observations:

- a) The opportunities of the realisation of poverty reduction, inclusive growth and commercial success are to a large extent determined by the different end-market opportunities. Favourable market opportunities and the competitiveness of an agricultural subsector are preconditions for sustainable and inclusive growth. The traditional development approach often started with a beneficiaries' needs assessment and situation analysis. Whereas still relevant, the current aid and trade policy context directs us to assessing first of all whether the market provides sufficient opportunities for subsector growth. We have emphasised therefore several times in this document that the business case should be leading during the design and implementation of the inclusive growth project or programme.
- b) The inclusion of smallholder producers or other SME's implies that the transaction costs in the supply chain can increase substantially. This can have a negative effect on the competitiveness of the sub-sector in general and the farm-gate prices for smallholders in particular. To reduce some of these transaction costs there are different models through which small scale growers can more efficiently participate in commercial production and market supply arrangements, e.g. through contract farming, outgrower schemes or producer organisations. The organisational and institutional implications of these should not be underestimated, but can become part of the Dutch support project or programme. Where these are too difficult and transaction costs cannot be reduced significantly, growth models with larger agricultural enterprises and employment creation seem more feasible.
- c) The ability of smallholders and agri-SME's to invest and take business risks is often limited. Hence, successful inclusive agricultural projects need to include risk reduction strategies through which market and production related risks may be covered. Risk reduction mechanisms can be financial (e.g. crop insurances), production-related (e.g. adoption of better crop rotations or introduction of supplementary irrigation) or organisational (e.g. providing farmers access to improved storage). Often a combination of these risk reduction interventions are most effective.
- d) Public-private partnerships in agricultural sector development are often managed by civil society organisations (e.g. development NGO's, farmer organisations, knowledge institutes). Public agencies often do not have sufficient mandate or capacity to take this coordination and management role and businesses see it as a too far removed from the core business or too cumbersome. Development organisations, private consultants and knowledge institutes can make important contributions as knowledge providers and can act as neutral brokers. However, effectiveness and efficiency and a focus on the public and private partners' interests need

to be safeguarded when the management is outsourced to civil society organisations or consultancy firms.

We welcome comments and feedback on the content of this paper which will help us to improve the next version of this document.

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Annex A: Checklist for initial subsector selection

The main objective of this first step is to identify a limited number of subsectors with growth and competitiveness potential and eliminate less potential subsectors. As mentioned in the main text under 3.2 it is suggested to base the initial subsector selection based on a ‘quick scan’ using a limited number of key indicators that can be assessed in short time without extensive analysis or research.

The table below can be used as a checklist for the collection of initial data and information for the preparation of a short list of most potential subsectors. Some important indicators in the different domains of economy, environment and social aspect of sustainable sector development are included. Reliable and complete sets of statistics are not always available and it is therefore advised to do some cross checking as well. But bear in mind that the objective of the quick scan is merely to identify the subsectors with potential for aid and trade. More in-depth study and analysis of the selected subsectors will be done in the next phase. With only a limited amount of time you should be able to collect most information. It is sufficient to provide estimations and it is not necessary to cover all indicators to the same degree of detail.

Table A1: The indicators explained

Domain	Indicators	Description	Possible sources
Economic	Share in agri GDP	Contribution to the GDP is an important indicator for the importance of a sector to the national economy of a country.	National Bureau of Statistics
	Share in cultivated area or in case of livestock share in livestock (units)	The size of a sector in terms cultivated area or livestock units is an indication of the relative size of a sector.	National or FAO statistics via fao.org/faostat/
	Share in volume	The size of a sector in terms of output. This is another indication of the relative importance of a sector.	National or FAO statistics via fao.org/faostat/
	Share in agri trade (export or imports)	Share in agriculture export total or imports (e.g. quite often the case in dairy)	agrimatie.nl or trademap.org
	Potential for domestic market growth	In almost all the developing and developed countries the market demand for agricultural products will rise substantial due to population growth, growth in income/caput and urbanisation.	agrimatie.nl or trademap.org
	Potential for export in the region or EU (or other) high value markets	Potential for further development of export to generate extra foreign currency, employment and possibilities for sourcing.	agrimatie.nl or trademap.org
	Competitiveness	Is the sector able to compete with competitors in an international playing field compared to main competitors. How is the sector performing?	Trends in trade balance for the respective product; level of market protection assistance, credit guarantee funds, etc.

Domain	Indicators	Description	Possible sources
Social	Employment creation	Present employment and potential for employment creation.	Discussions with one or two resource persons from local government, sector organisations, researchers, and/or existing entrepreneurs
	Inclusiveness potential	Prospects for keeping smallholders involved and commercialisation of smallholders, potential for involvement of youth and women.	
	Working conditions	(Possibilities for) decent working condition and living wage are critical societal and CSR issues.	
	Food security	Are the products of the subsector important in the national dish and thereby for the food security and/or political stability?	
Environ-ment	Climate change impact	A first assessment of climate related issues is important both in technical terms and policy terms (e.g. NAPA).	Discussions with one or two resource persons from local government, sector organisations, researchers, and/or existing entrepreneurs
	Natural resources	Depletion of water resources, emission of minerals and pesticides, application of fertilizers and crop protection agents have a large impact on the environment and differ per sector.	
	human health and mitigation	Risk of the high pesticide residues on consumer products and health risks in applying pesticides. Many sectors in developing countries still have a low use of pesticides, but some high and unsafe use is generally an issue, e.g. in case of commercial vegetable production.	
Compa-rative advantage	Comparative advantage of the Dutch	Comparative advantage of the Dutch Agro sector to support a developing sector. Assess the match between the need and the potential of the local sector and what the Netherlands agro-complex can offer.	Overlap with policies on Dutch Top Sectors
	Presence other countries	Generally a number of other foreign counties may have also stakes in a subsector in terms of trade, investments or cooperation programmes or combination of those. Therefore it is relevant to assess our (potential) comparative strength vis-à-vis other (donor) counties.	Discussions and meetings with local government and other embassies and private sector

The table below gives a summary overview of the information above presented in table. The subsectors can be ranked benchmarked from ‘- -’ to ‘+ +’. The last row can give an average score / ranking per subsector. An example for subsector selection in the agriculture sector of Myanmar is included in table 2 (page 12).

Table A2: Benchmarking the different indicators (-, -, +/-, +, +)

Indicator	Horti-culture	Flori-culture	Dairy	Aqua-culture
Share in agri-GDP					
Share in cultivated area					
Share in agri trade					
Potential for growth on national market					
Potential for export in region or internationally development					
Competitiveness					
Employment creation					
Inclusiveness potential					
Working conditions					
Contribution to food and nutrition security					
Climate change adaption and mitigation					
Potential risk for water and soil contamination					
Potential Risk for human health					
Aid potential					
Trade potential					
Comparative advantage for Dutch agri-cluster					
Conclusion					

Annex B: Example of a Terms of Reference for a subsector study

Horticultural sector growth and development in Myanmar

Background

The Union of Myanmar and the Netherlands will enhance their cooperation in the horticulture sector. Public and private partners of both countries will work closely together to upgrade the horticulture sector performance in Myanmar and to achieve sustainable economic development thereby also contributing towards enhanced food security and safety and rural development. In March 2014 the Director General of the Department of Agriculture at the Ministry of Agriculture and Irrigation in Myanmar and the Director General for Agriculture at the Ministry of Economic Affairs in the Netherlands agreed that the bilateral cooperation in the field of horticulture will be stimulated by working together in a partnership. This partnership will contribute to the exchange of information on the development of the horticulture sector in Myanmar. The partnership will also lead to the drafting of promising projects and the annual planning and monitoring of progress.

Both parties also agreed that the Myanmar – Netherlands Horticulture Partnership will comprise the participation of Government agencies, private sector and knowledge institutes of both countries. The joint activities to be developed and implemented may include a variety of support activities related to for example the exchange of experts, horticultural training and education, business-to-business matchmaking, support for farmer organisations, strengthening of plant protection and plant quarantine, etc. Horticulture in this context will include the fruit, vegetable and floriculture sub-sectors.

In this context the Netherlands Embassy in Yangon will field a technical support mission for an assessment of the strategic growth and development potentials in the Myanmar horticulture sector. This mission will produce a guiding document for the Partnership based on which specific support activities, private sector opportunities and other joint initiatives in the horticulture sector can be planned.

Objective and expected outputs of the technical support mission

At the end of the mission a clear strategic and operational plan for the further development of the Myanmar horticulture sector will be produced on the basis of an assessment of the market opportunities, agronomic possibilities, economic and operational feasibility and supply chain and institutional support requirements.

Specific outputs of the assignment will comprise the following:

- an analysis of the current performance in the fruit, vegetable and floriculture sub-sectors in terms of production, markets and supply chain performance;
- a market quick scan for the growth and development of existing and new product-market combinations in the fruit, vegetable and floriculture sub-sectors;
- feasibility assessment of the various growth scenarios (with due attention to agronomic, economic, marketing, logistical, institutional and financial aspects);
- overview of the necessary business support services and institutional reforms to facilitate the implementation of sub-sector growth scenarios;
- indicative overview of priority areas for inclusive growth and subsector development, including

- (a) suggested high potential business opportunities/chains that could be studied more in-depth and promoted as private sector driven initiatives; (b) potential impact (income and/or employment) for smallholder farmers in different selected supply chains; and (c) recommended improvements in the enabling environment for horticultural sector growth;
- summary overview of the opportunities for Dutch agri-businesses to co-invest or trade in the Myanmar horticultural sector

The outputs of the technical support mission will be delivered in the form of succinct report on the strategic growth and development options in Myanmar. This report may have several annexes in which specific background information and data will be included. In addition the technical mission will prepare a summary presentation of the main findings and conclusions.

Required approach

The starting point for the identification of strategic growth potentials will be formed by an assessment of the existing horticultural product-market combinations in the flower, fruit and vegetable sub-sectors and their potentials for expansion. Central to this assessment will be an analysis of the prevailing supply chain arrangements and market potentials in the different sub-sectors. Areas for optimisation in production and supply improvement in terms of quality and efficiency will be identified. Secondly, the identification of new products for existing markets ('product development') and the identification of new markets (domestic and foreign) for the existing products will be assessed ('market development'). The introduction of completely new product-market combinations ('diversification') will be considered only for growth and development in the longer run.

The horticultural growth and development potentials will depend on the opportunities in the different end-markets and the ability of the sector (growers, transporters, traders, input suppliers, etc.) to respond to these opportunities. Private sector organisations (including research, extension, regulatory bodies, etc.) can facilitate and support the horticultural supply chain partners sector in the pre-competitive domain.

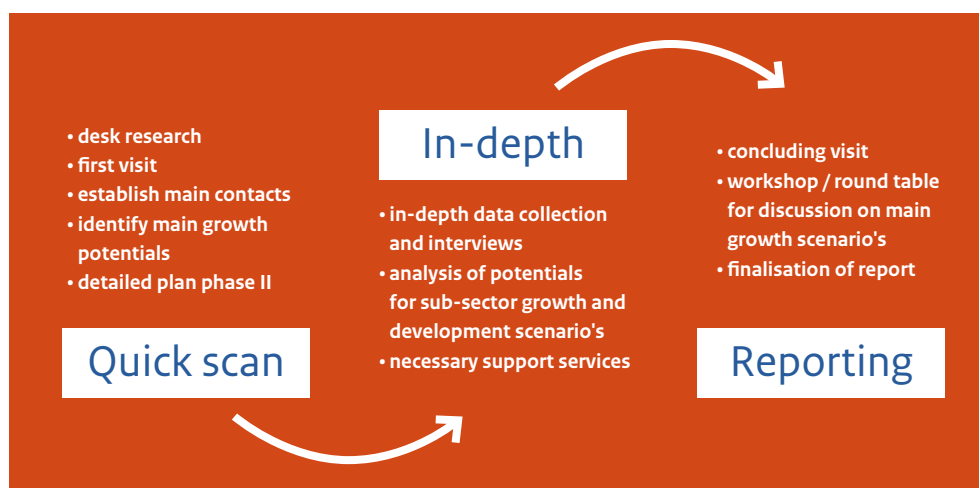
This approach translates into the following main activities:

1. Quick scan of the horticultural sector in Myanmar leading to the identification of the main potentials for inclusive growth and development in the subsector and requirements for further data collection and analysis;
2. More in-depth data collection on the existing and potential product-market combinations; this will include a review of the current supply chain arrangements and an assessment of the comparative advantages of the Myanmar horticulture sectors compared also to several Asian exporters. Due attention will be given also to the assessment of available resources and production conditions in the main horticultural production regions and how these can be put to advantage more effectively. Through data collection and interviews with growers, cultivation experts, traders, policy-makers, etc. the business potentials for production and supply optimisation and/or product and market development will be mapped and analysed. Due attention will be given to for example quality and safety specifications, price levels, seasonal trends (identifying so-called "windows of opportunities or supply windows"), post-harvest handling and logistics, etc.

3. Assessing the additional business support services (R&D, extension, input supplies, etc.) and institutional reforms / developments (e.g. credit, import of new genetic material, knowledge services, protecting breeders rights, phytosanitary, food safety and quality controls, etc.) that will facilitate the successful implementation of the different strategic growth scenarios.
4. Identification of follow-up interventions, financing requirements and funding opportunities for the recommended horticultural growth scenarios; roles and responsibilities of public and private sector stakeholders in both countries will be specified.
5. Advise on the organisation of an investment summit on horticulture in Myanmar

The Dutch experts will work closely together with experts of the Myanmar Department of Agriculture, Yezin Agriculture University and other specialists working in the Myanmar horticultural sector.

The implementation of the activities listed above will have to take place in the following sequence:



Liaison and implementation arrangements:

The technical support team will work closely together with the Dutch Counsellor for Agriculture at the Netherlands Embassy in Yangon and horticultural specialists in the Ministry of Agriculture, Livestock and Irrigation in Naypyidaw.

Local consultancy support may be recruited to assist with the data collection on horticultural production and supply arrangements.

The implementation will start on and the final report of the technical mission should be submitted latest by

Annex C: Example of Terms of Reference for a value chain analysis

Introduction

In annex B an example was given of a terms of reference for a strategic sub sector study. This annex complements annex B with an example for a more in depth study of a specific value chain. This can be helpful for a deeper dive in the identified potential of a specific product or specific product-market combination and to compile the basic ingredients for a business case. More background information on value chain analysis and value chain development can be found in the World Bank Report "[Building Competitiveness in Africa's Agriculture, a guide to value chain concepts and applications](#)" ^[19]

Objective

The objective of a Value Chain Analysis (VCA) is to get a profound understanding on the dynamics and performance of a (limited number) of specific value chains and thereby provide a better insight in the opportunities for subsector growth and inclusive development. The outcomes will provide useful recommendations for developing concrete business cases and possible funding arrangements to support the upgrading of value chains. A VCA not only relates to the economic aspects, but also covers social and environmental aspects.

Expected results and activities

This VCA should cover the following activities and provide insights in the following issues for each value chain:

This VCA covers the following activities and provide insights in the following issues for each value chain:

1. Map the main value chain configuration in the subsector and the actors
 - Provide a detailed and updated overview of the identified value chain and visualise all the flows between the different actors in the chain configuration.
2. Functional value chain analysis
 - Conduct a value chain analysis that provides insights in the margin of each actor and that gives a breakdown of the cost structure. Collect key data at each step in the value chain, and graph the unit costs, unit revenue, and unit profit for each step.
 - Analyse the transaction arrangements in the value chain. This must include transactions costs, the role of trust in the chain and the use of contracts.
 - Estimate (or calculate) the post-harvest losses in the chain and identify causes.
 - Market: Describe and quantify the different end-markets in volumes, consumer preferences, required products specifications and map the dynamics and expected growth.
3. Governance
 - An analysis of the institutional arrangements that might influence the performance the value chain (e.g. quality standards etc).
 - An analysis of the power relationships between the different supply chain agents.
4. Competitiveness
 - Analyse the competitiveness of the chain. Use tools like Porter's five forces model

- Benchmark the value chains with competing countries to determine the competitiveness in terms of cost price, margin distance to market, and other relevant factors if data is available
5. Analyse the environmental aspects of the value chain by looking at:
 - Implications of climate change on the functioning of the value chain.
 - Greenhouse gas emission and mitigation strategies.
 - Potential of the subsector in improving robustness of the farming system and risk for water and soil contamination (including erosion) and mitigation
 - Potential risk for human health and mitigation
 6. Analyse the relevant social and institutional aspects of the value chain, including:
 - Working conditions in the value chain
 - Land and water rights related to the value chain
 - Gender and social inclusion in the value chain
 7. Identify opportunities for strategic value chain interventions that will lead to inclusive development impact in terms of smallholder (M/F) integration and income and/or employment generation. Consider the following common value chain upgrading strategies:
 - Access to new end market opportunities;
 - Developing a more conducive enabling environment;
 - Farm- and firm-level upgrading by introducing new technologies;
 - Inter-firm cooperation; and/or
 - Develop supporting markets
 8. Build and test commitment
 - Organise and implement a number of) subsector workshops to validate main findings; and
 - Get a good sense of the commitment of the chain partners on possible development strategy.
 9. Provide an overview of potential contribution of the Netherlands private sector in realising the identified opportunities and access potential interest among Netherlands companies, knowledge institutes and NGO's.

Method

The consultant shall apply both desk- and field research. Together both parts of the research form a single assignment to be conducted by one consultant or team.

Desk study

Collect as much as possible data and information from available sources on the following subjects:

- Overview of the different key value chains in the subsector in terms of end markets, key players, historical developments, etc.
- Trade for the value chain, including the regional trade.
- Overview of employment in the different value chains.
- A map (mapping) of the different value chains in the sector.
- Review of relevant policies documents.
- Review of relevant literature on the subsector.

After the desk study an overview report will be presented that identifies the data gaps. The consultants will provide strategy how the data can be collected (e.g. via interviews or via survey).

Field missions and interviews

After the desk study one or more mission(s) should be organized. The mission(s) should be used to collect additional data on the gaps and to obtain information from key stakeholders in the identified value chains. A local partner is recommended to assist in planning and organising the field mission(s).

In the Netherlands interviews should be planned with different stakeholders (importers, suppliers of inputs, technologies) to discuss opportunities and to assess their potential interest to co-invest in a PPP.

For the value chain different interventions can be designed that increase their competitiveness, and together these may increase the performance of the entire sector. This process is iterative and it is important to be carried out together with the main stakeholders from the public and private sector, civil society and knowledge institutes in the respective subsector. Stakeholders must be willing to invest time and resources to achieve the identified opportunities for upgrading. Their motivation will rest on many factors, including their understanding of the likely returns, the time and level of investment required, perceived risk, and the opinion leaders and champions. It is therefore important to include stakeholders in the process as early as possible and conduct workshops to discuss and validate findings.

Reporting

At the end of the value chain study a comprehensive report should be delivered. It will provide key bottlenecks and opportunities for each value chain and gives an overview of the level of support and commitment among the key stakeholders in the value chains on possible development programmes.

Team

Team leader

Leads the team, communicates with the client and is responsible for timely delivery of the work plan and the final report.

Qualifications:

- Proven experience as team leader;
- At least 10 years of experience in the field of sector and value chain development,
- Proven understanding of the country of assignment;
- Able to make in-depth analysis of issues and opportunities across production and marketing systems, enabling environment, and sector development;
- Understanding of social and environmental issues in the sector;
- A network in the Dutch agriculture sector;
- Has experience with value chain analysis in developing countries context; and has at least; conducted one or more value chain analyses before as lead consultant/researcher.
- Excellent written and oral communication skills.

Team member / local consultant(s)

The team leader can work together with a team member with a specific expertise to complement the team. Also a local expert is highly recommend. This local expert should have a strong network in the selected sector, speak the local language and should be able to plan and facilitate the field mission and workshop.

Timing and deliverables**Timing:**

- The project will start x.
- Kick off and debrief at start and end with agricultural counsellor
- Draft report x month after mission
- Final report x months after mission

Deliverables:

- The assessment will lead to a detailed report on the value chain and provide strategies on inclusive development in selected value chain configurations. Options for developing a concrete business case and funding arrangements for upgrading value chains can be part of the assignment.

Budget: x Euro

Annex D: Overview of organisations in the Dutch Agro-Food sector

Name	Description and sector	Contact
Artemis	Artemis is the branch organization for producers and distributors of biological beneficials and liquids from a natural origin.	www.artemisnatuurlijk.nl
AVAG	AVAG is the association of the Dutch greenhouse construction and technology. We represent the common interests of our members and support them in the areas of quality, innovation and internationalization.	www.avag.nl
Bionext	Bionext aims to connect the Dutch organic sector.	www.bionext.nl
Centrale Organisatie Broedeieren en Kuikens (COBK)	COBK represent the interest of breeders and exporters of fertilized eggs and day old broiler chicks.	www.cobk.nl
Centrale Organisatie voor de Vleessector (COV)	COV represents the common interest of companies in the Dutch meat sector at national and international level.	www.cov.nl
Dutch Dairy Centre (DDC)	DCC is a network of companies who supply a wide range of products and services to the international dairy industry for farmers, farmer co-operatives and milk factories.	www.dutchdairycentre.com
Dutch Poultry Centre (DPC)	DPC present leading Dutch companies and institutes in the poultry sector on the international market.	www.dutchpoultrycentre.com
Dutch Produce Association (DPA)	DPA for producers of fresh fruit and vegetables.	www.dpa.eu
Federatie Nederlandse Levensmiddelen Industrie (FNLI)	FNLI represent the interest of the processing and important in the food industry in the Netherlands.	www.fnli.nl
FME	FME is an employer organisation for the technological industrial sector.	www.fme.nl
Frugi Venta	For traders in fruit and vegetables	www.frugiventa.nl
Groentenfruit Huis	GroentenFruit Huis (or the Fresh Produce Centre) is the organisation that represent the entire fruit and vegetable sector and that efficiently organises activities related to increase fruit and vegetable consumption, food safety, market issues and statistic and logistic and ICT.	www.groentenfruihuis.nl
Holland Horti International (HHI)	HHI was initiated by companies in the horticultural subsector and is a platform to coordinate, stimulate and facilitate international activities.	www.hollandhortiinternational.nl
Margarine, Vetten en Oliën (MVO)	MVO promotes the interests of the oils and fats industry and trade in the Netherlands. We dedicate ourselves to supporting a sustainable and internationally competitive supply and distribution chain.	www.mvo.nl

Nederlandse Aardappel Organisatie (NAO)	NA represents the interests of the Dutch potato sector, including the seed potato industry, the table potato industry and the sector producing potatoes for processing.	www.nao.nl
Nederlandse Pluimveeverwerkende Industrie (NEPLUVI)	NEPLUVI looks after and promote the interests of the Dutch poultry processing industry in general and its members in particular. The members of NEPLUVI are specialised in the production, manufacturing and processing of poultrymeat, and (inter)national trade in life and slaughtered poultry.	www.nepluvi.nl
Nederlandse Vereniging Diervoederindustrie (NEVEDI)	NEVEDI is the branch organization for producers of animal feed	www.nevedi.nl
Nederlandse vereniging van KoelVrieshuizen (NEKOVRI)	NEKOVRI represent companies active in the sector of Cold-Storage logistics and Freezing Warehouses.	www.nekrovi.nl
Nederlandse stichting voor fytofarmacie (Nefyto)	Nefyto is the branch organization for producers of fertilizers and plant protection products	www.nefyto.nl
Nederlandse Zuivel Organisatie (NZO)	NZO is an association of the Dutch dairy industry, representing the interests of thirteen dairy companies.	www.nzo.nl
Plantum	Plantum is the Dutch association for the plant reproduction material sector. The members of Plantum are active in breeding, propagation, production and trade of seeds, bulbs, tubers, cuttings and young plants.	www.plantum.nl
Transport en Logistiek Nederland (TLN)	TLN is the branch organization for transporters and logistical service providers	www.tln.nl
Vee&Logistiek Nederland	Vee&Logistiek Nederland represents the interest of traders in cattle and cattle transportation, cattle collection centre and importers and exporters of cattle.	www.vee-logistiek.nl
Vereniging voor Aardappelverwerkende Industrie (VaVI)	VaVI is represents the interest of 8 companies in the potato processing industry.	www.vavi.nl
Visfederatie	Visfederatie represents the interest of organization and companies active in the wholesale, trade and processing of fish.	www.visfederatie.nl