



Internal publication of
Ministry of Foreign Affairs and
Ministry of Economic Affairs

This is #3 of a series of 3

Focusing
on Aid & Trade
in FNS Programmes

This brochure contains insights developed by a group of staff from nine Dutch embassies and The Hague, travelling in a bus through Ethiopia in October 2014.

They reflected on Food & Nutrition Security programmes in their countries, shared experiences, and interacted with partners of EKN Addis Ababa.

*What are we
learning in
practice about
the Aid and
Trade agenda?*

On Aid & Trade in FNS Programmes

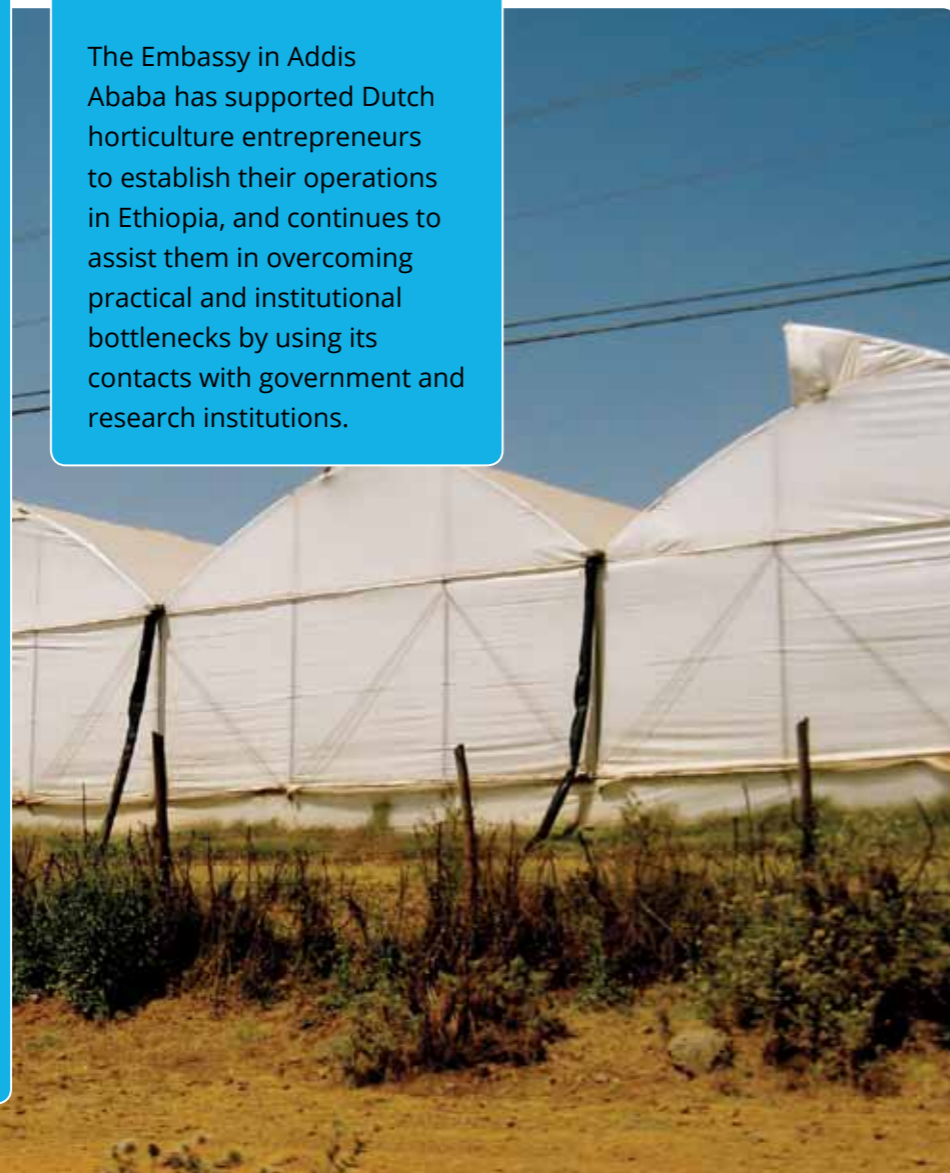
Floriculture in Ethiopia

We visited Frank Ammerlaan, owner/manager at [AQ Roses PLC](#), a rose farm in Ziway, Ethiopia. Currently AQ Roses employs 1250 people and exports 100 mln roses per year on an area of 40ha. AQ Roses PLC could clearly explain why they voluntarily invested in attaining high environmental and social standards for their production process. Integrated pest management and trained and healthy workers not only contribute to an efficient operation. Being recognised by workers, the community and other stakeholders like the local government and international markets for improving the local social and environmental conditions of production, also helps to maintain good working and trade relations. AQ Roses also invested in a clinic, hospital, nursery school at the site, and regularly Health & Safety training is given to the workers.

Frank: "We call our approach 'Trade for Aid', as we are convinced that our business can contribute to help Ethiopia develop. Economically, but also socially. But of course our bottom line is that there must be a solid business case for ourselves".

Recognition in international markets for maintaining high social and environmental standards can also help to fetch a higher price for agricultural products of guaranteed quality, in the long run. A major achievement of AQ Roses in this business-to-business market is that they recently became the first grower in the world selling fair trade flowers, pre-packaged on the production site, in a separate batch under the clock of a small Dutch auction.

The Embassy in Addis Ababa has supported Dutch horticulture entrepreneurs to establish their operations in Ethiopia, and continues to assist them in overcoming practical and institutional bottlenecks by using its contacts with government and research institutions.



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What is it about?

The Ministry is implementing an agenda to integrate aid and trade, as outlined in Minister Ploumensen's 'A World to Gain: A new agenda for aid, trade and investment. This agenda embraces three ambitions: to eradicate extreme poverty within a generation, to promote sustainable and inclusive economic development worldwide, and to facilitate success for Dutch companies doing business abroad.

This agenda provides a much more coherent framework than before to develop sustainable growth and decent jobs in partner countries, and the Netherlands. It also allows BZ and EZ staff at the embassies to work in a more integrated way. However, to give shape to the agenda is not always easy. The envisaged win-wins sometimes seem hard to find in least developed countries with food insecurity. Yet some positive examples of aid combined with investment in regional trade and international market access were shared, particularly from transition countries.

The projects visited in Ethiopia and presented examples showed that aid interventions that help small scale farmers increase yield and quality of their production, can have more economic and social impact when market access is taken into account in the design of projects.

Hans van den Heuvel:

"You can't eat opportunities, so we try and make them digestible"

"I am pragmatic. I try to promote development, but often this is business related"

Melle Leenstra:

"Working with the private sector takes its time, we learned from our experience with FrieslandCampina. They are not moved by your pleas that 'we need to act now otherwise the budget will be gone', because they will do their due diligence, build trust, and get approval from their board."

"It is difficult to plan around those factors, so build flexibility into your programmes"

Ton Negenman:

"Making the market work for the poor: that is aid for trade"

Beira Agricultural Growth Corridor

This partnership of the Mozambican government with private investors and international aid agencies was considered as a good example of how joint commitment and investment in regional trade facilitation can help to increase business opportunities, market access and to reduce transport cost for the benefit of many local enterprises operating along a corridor to the export harbour.

An example of how the Beira corridor also facilitates maize-producing smallholders is ECA (Empresa de Comercialização Agrícola Ltd), a market-based extension, trading and processing programme which aims to boost the incomes of at least 5,000 smallholder farmers in central Mozambique while introducing sustainable farming practices.

The farmers have a substantial ownership stake in ECA (45% of the shares) which means they also share in the benefits of processing and marketing. With AgDevCo support, ECA has secured a three-year off-take agreement with Cervejas de Moçambique (CDM) worth \$3 million in revenues to ECA.

- Trade programmes need to start by investing in the missing middle: agricultural entrepreneurs in between small-scale farmers and plantation owners.
- Know your Dutch business partners: Dutch SMEs need completely different support than multinationals. SMEs can respond faster, but have less time to wait for revenue streams to develop. Multinationals, on the other hand, have longer breath but often take a long time to make an investment decision.
- In Ethiopia, we move away from the sub-sector fragmentation. Instead we organize multi stakeholder dialogue with government on all issues that entrepreneurs face, through the Chamber of Commerce.
- Ingrower schemes are about coaching of farmers to become viable and scalable businesses. An example is the cooperation of Durabilis and IDH in Ethiopia, where smallholders are invited to grow snowpeas within the compound of Durabilis for a salary, until they have proven their skills. Only then they will produce on their own lands with guidance and buying guarantee. This may offer better opportunities for development of entrepreneurs than the well-known outgrower schemes.
- There is a vital role for EKNs to promote higher CSR standards of companies (child labour, living wages, environmental issues). Do we talk to our government partners about the risks that are beyond the company?
- Dilemma: using public funds for trade promotion. Inclusive economic growth always needs to be part of the discussion, otherwise we can't use ODA. ODA is about people, not about the balance sheet of a company.
- Be careful of land grabs and environmental issues when business develops. We see much 'spontaneous' development where proper environmental impact assessments are not conducted. On the other hand, in Ethiopia there are hopeful trends: redistribution of land ('ruilverkaveling'), establishment of buffer zones, and the government reclaiming unproductive land (eg Arab speculators).

- Promoting the Aid and Trade agenda in fragile or unstable environments is still an uphill battle. This goes for South Sudan, Palestinian Territories and the Great Lakes, but even for Mozambique it is hard to attract Dutch business to come. The presented case of an aid project in the Palestine Territories to help small scale growers diversify into strawberries to enhance farmer income, highlighted the crippling impact politically-inspired trade impediments can have on aid projects aiming at food security.

Worku Tessema:
"Is it Aid and Trade; Trade for Aid, or Trade instead of Aid?"

Joep van den Broek:
"We still need PSI. DGGF is nice for countries like India or Indonesia... but not for many African countries"



Dairy Kenya

The embassy in Nairobi supports the Kenya Market Led Dairy Programme. In past, interventions focused on smallholders.

Now we work with 'collection & bulking enterprises': what we call the 'missing middle' of agricultural entrepreneurs. Given the negative experiences with cooperatives in Kenya due to political and economic crises, we now work with anybody who is able and willing to produce milk: transformed cooperatives, politicians-turned-businessmen, foreign investors.

Through involvement of NABC and RVO we try to unlock opportunities for the Dutch dairy sector with Kenyan entrepreneurs. We also revived dairy training centres that can build local capacities, but using a business model based on fees and a milk levy.



How can we better coordinate the centrally funded PSD instruments with country-specific instruments?

How can we make CSR a Dutch selling point in our contacts with government partners, local business networks and other local stakeholders?

How can we ensure that not only aid programs promote inclusive investment and trade, but trade programmes also promote inclusiveness?

What are good mechanisms to attract Dutch business to challenging/fragile partner countries?

Young farmers, young plants and young land: how can the Aid and Trade agenda keep the youth in agribusiness?



The Learning Journey in Ethiopia took place from 29-31 October 2014. Staff responsible for Food Security programmes from nine embassies and the Ministry of Foreign Affairs took part.

During three days, a bus took the group to different places in Ethiopia to interact with partners. The bus itself was used as means of transport, reflection, debate and exchange.

This brochure is part of a series of three on the following topics:

- (1) Approaches to FNS programming,
- (2) Scaling of FNS programmes,
- (3) Aid and Trade agenda.

All these brochures have been written by teams of embassy staff and CDI Wageningen UR, based on discussions and presentations during the Learning Journey.

Travellers:

Laurent Umans (EKN Dhaka), Marcellin Nonfon (EKN Cotounou), Ton Negenman (EKN Maputo), Subna Ghannam and Wijnand Marchal (Dutch Representation Ramallah), Caro Pleysier and Brechtje Klandermans (EKN Kigali), Kadi Warner (EKN Kampala), Rose Makenzi and Melle Leenstra (EKN Nairobi), Martin Koper, Worku Tessema, Jan Willem Nibbering, Hans van den Heuvel and Joep van den Broek (EKN Addis Ababa), Reina Buijs, Wilma van Esch, Wijnand van IJssel, Irma Keijzer and Ferko Bodnar (Ministry Foreign Affairs).

Contributions in absentia: Henny Gerner and Josephat Byaruhanga (EKN Kampala), Mamadou Landouré (EKN Bamako).



Colophon

Prepared by:

Ton Negenman (EKN Maputo), Hans van den Heuvel (Agricultural Councillor, EKN Addis Ababa), Irma Keijzer (DDE), Wijnand van IJssel (DME), Herman Brouwer (CDI, Wageningen UR)

20 November 2014

Organisation and preparation:

Wijnand van IJssel, Joep van den Broek, Herman Snelder and Ingrid Oomes (MDF), Simone van Vugt and Herman Brouwer (CDI, Wageningen UR)

Facilitation:

Simone van Vugt and Herman Snelder

Photos:

Laurent Umans

Design:

*Paulien Hassink, Roger Reuver
www.rogerreuver.com*