

**Report of the Basic Study on the
Coherence in Policies on
ODA and Trade of Agricultural Commodities
— Fruit and Vegetables —
(Summary)**

March 2008

Overseas Merchandise Inspection Co., Ltd.

**Report of the Basic Study on the Coherence in Policies on ODA and Trade of
Agricultural Commodities**

Entrusted By

The Ministry of Agriculture, Forestry and Fisheries of Japan

Overseas Merchandise Inspection Co., Ltd.

15-6, Nihonbashi,

Kabuto-cho, Chuo-ku,

Tokyo 103-0026

TEL +81-3-3669-5187

FAX +81-3-3669-2170

Preface

This report compiles the results of “The Basic Study on the Policy coherence on ODA and Trade of Agricultural Commodities” carried out in fiscal year 2007, entrusted by the Ministry of Agriculture, Forestry and Fisheries of Japan (MAFF).

The Official Development Assistance (ODA) Charter of Japan refers to “the systematic linkage of ODA to trade and investment” and “collaboration between ODA policies and other key policies, and compatibility of policies in general” and thus the implementation of ODA in the field of agriculture needs to maintain consistency and coherence with policies concerning the trade of agricultural commodities and agricultural promotion.

In December 2005, Japan proclaimed a “Development Initiatives” at the WTO Hong Kong Ministerial Conference and, consequently, MAFF also is promoting cooperation aimed at “comprehensive support from the production site to the table in export destinations” and “to produce saleable agricultural products” in order to promote the “Development Initiatives”.

In these circumstances, the Study was designed in order to examine the direction of cooperation which would ensure compatibility and consistency between “ensuring policy coherence” and the “promotion of agricultural commodity exports from developing countries” for fruit and vegetables from the Sub-Saharan region.

The objectives of the Study are to identify the direction of cooperation by which the agriculture of Japan and the agriculture of developing countries can mutually cooperate and develop, and which will contribute to improvements in the ability of developing countries to export agricultural commodities. This involves the survey and analysis of the actual conditions of production, distribution and export of fruit and vegetables, along with aid policies and specific cases of assistance in the Study area.

The Study examined the direction of effective and efficient cooperation in agriculture, forestry and fisheries, together with an analysis of specific cases of fruit and vegetable production in the Sub-Saharan region, and compiled the results in this report. Kenya and Ethiopia were selected as examples of exporting/developing countries and the United Kingdom, the Netherlands and the United Arab Emirates were selected as examples of importing/donor countries.

In order to implement the Study, the Study team was organized and conducted a series of surveys in the United Kingdom, the Netherlands, Kenya, Ethiopia and the United Arab Emirates (Dubai) from September to October, 2007. In the exporting/developing countries of Kenya and Ethiopia, the Study team conducted field surveys and interviews with government officials, producers, processors, distributors, exporters, and aid organizations in order to understand the process from production through to the distribution and export of agricultural commodities, as well as the relationship between international cooperation and increased exports. In the importing/donor countries of the United Kingdom, the Netherlands and the United Arab Emirates, the Study team also conducted field surveys and interviews with government officials, producers, market traders and aid organizations in order to clarify the impact of agricultural imports from developing countries, and their response to policy coherence and aid policies.

Moreover, an Advisory Committee consisting of academics and business practitioners was established and held three committee meetings throughout the course of the Study. The committee gave valuable advice and recommendations to the Study team regarding study policy and compilation of the study findings.

The Study team and the Advisory Committee were composed of the following members.

Study team

Team Leader	Mr. Kazumi Ueno	OMIC	General Manager
Agricultural Marketing	Mr. Toshio Watanabe	OMIC	Principal consultant
Agriculture in Africa	Mr. Hiroshi Yoshimura	IDCJ	Senior Researcher
Agricultural Processing	Mr. Takao Akutsu	OMIC	Principal consultant
Organization of Farmers	Mr. Takuji Fukuzawa	OMIC	Consultant

Advisory committee

Dr. Keishiro Itagaki	Professor	Tokyo University of Agriculture
Dr. Yutaka Shinohara	Professor	Chiba University
Mr. Kimiaki Jin	Team director	JICA
Mr. Masahiro Shiota	CEO	Hardnut International Ltd.

I would like to express my utmost gratitude to the International Cooperation Division, International Affairs Department, the Minister's Secretariat, Ministry of Agriculture, Forestry and Fisheries for their guidance. Much assistance with the field surveys in the United Kingdom, the Netherlands, Kenya, Ethiopia and the United Arab Emirates (Dubai) was also received from government organizations, the Embassy of Japan and the offices of the Japan International Cooperation Agency (JICA) in the respective countries, JICA Experts,

overseas offices of the Japan External Trade Organization (JETRO), international aid organizations, producers, distributors and exporters. I would like to express my deep gratitude to all these organizations.

Finally, it must be noted that the Overseas Merchandise Inspection Co., Ltd. is wholly responsible for the compilation of this report, and it should be understood that this does not reflect the official views and policies of the Government of Japan or the Ministry of Agriculture, Forestry and Fisheries.

March 2008

Shinichi Yahagi
President
Overseas Merchandise Inspection Co., Ltd

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Summary

Summary

1. Background and Objectives of the Study

The importance of Policy Coherence has, in recent years, been recognized by the international community and the Official Development Assistance (ODA) Charter of Japan also refers to “the systematic linkage of ODA to trade and investment” and “collaboration between ODA policies and other key policies, and compatibility of policies in general”. It is therefore increasingly important to implement ODA in the field of agriculture in order to maintain consistency and coherence with policies concerning the trade of agricultural commodities and agricultural promotion.

In December 2005, Japan proclaimed a “Development Initiatives” at the WTO Hong Kong Ministerial Conference and, consequently, MAFF also is promoting cooperation aimed at “comprehensive support from the production site to the table in export destinations” and “to produce saleable agricultural products” in order to promote the “Development Initiatives”.

In these circumstances, the Study was designed in order to examine the direction of cooperation which would best ensure consistency and compatibility between “ensuring policy coherence” and the “promotion of agricultural commodity exports from developing countries” for fruit and vegetables (pulses and nuts are also included in the Study) from the Sub-Sahara region.

The objectives of the Study are, therefore, to identify “the direction of cooperation by which the agriculture of Japan and the agriculture of developing countries can mutually cooperate and develop” and “the direction which will contribute most to improving the export ability for agricultural commodities from developing countries” and contribute to effective and efficient cooperation in agriculture, forestry and fisheries in the future. This involves the survey and analysis of specific cases where the export of agricultural commodities such as fruit and vegetables from the sub-Sahara region has increased from the countries in question as a result of ODA implemented by Japan, other countries and international aid organizations. Kenya and Ethiopia were selected as examples of exporting/developing countries and the United Kingdom, the Netherlands and the United Arab Emirates were selected as examples of importing/donor countries.

2. Case Study: Vegetables and Fruits in Kenya and Ethiopia

2.1 Global Production Trends for Fruit and Vegetables

Asia, especially China and India, produces a large share of the world’s fruit and vegetables whereas Kenya and Ethiopia play a comparatively minor role. However, both countries have favorable natural growing conditions for horticultural production and have much potential for further development. EU countries also play only a small role in the global production of fruit and vegetables, yet they have built a unique relationship with Sub-Saharan countries which are close to each other geographically. The Study looks at four distinctive commodities, namely “Green Beans”, “Dry Beans”, “Avocados” and “Macadamia Nuts” in Kenya and Ethiopia, as sample commodities, out of various products having different characteristics and issues in production, distribution, consumption and export chain.

2.2 “Green Beans” in Kenya

One of the leading export vegetables in Kenya is “Green Beans”. Domestic consumption is small relative to the total production and “Green Beans” are a typical example of a cash crop used mainly for export, accounting for more than 40 percent (on a value basis) of all vegetable exports. More than 50 percent of exports are destined for the UK market and, as an importing partner for the UK, Kenya accounts for a 50-60 percent share of this trade. Aside from the availability of Kenya-EU flights via British Airways, the main contributing factors to the choice of the UK as an export destination are the low UK self-sufficiency rate for vegetables, the “Five-a-Day” campaign (a program to increase fruit and vegetable consumption), the readiness of the UK to accept foreign products, and the demand from foreigners (mainly Indian vegetarians). At the Kenyan end, the vertically integrated system of production/export/import/retail, the year-round supply, and the ability of quality/packing to meet market needs should also be taken into consideration.

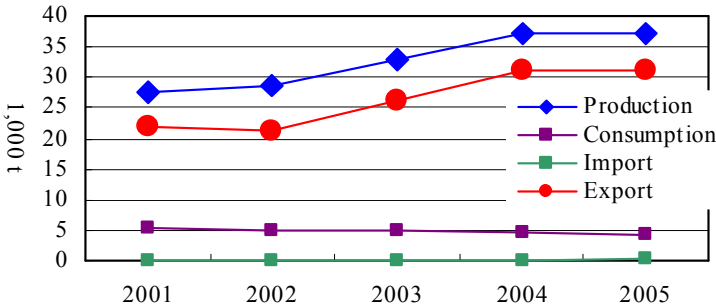


Figure S-1 : Production • Consumption • Import • Export of Green beans in Kenya

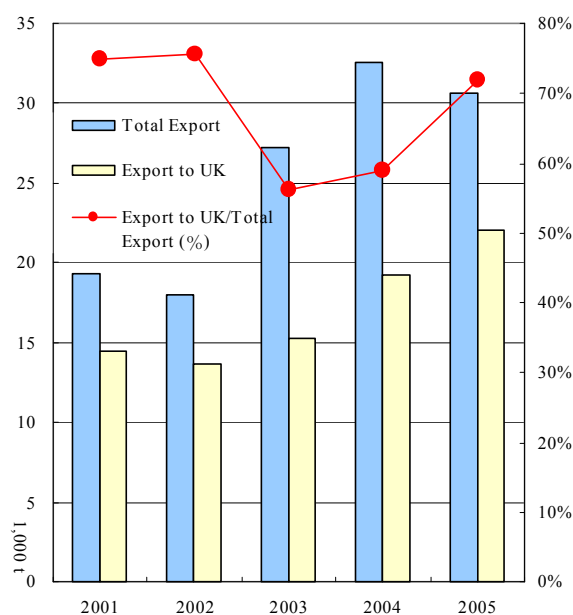


Figure S-2 : Importing Countries of Green beans from Kenya
Data: FAOSTAT

Asia produces more than 50 percent of the world’s “Green Beans”, mainly for domestic consumption. The trade rate (the percentage of exports to production) of “Green Beans”, worldwide, is low at around 6 percent, mostly involving distribution in the EU and Africa. The overall picture is that Africa exports “Green Beans” and the EU imports/(re-) exports them.

The production/export of fruit and vegetables in Kenya is dominated by a small number of large-scale exporters. Moreover, exporters are linked with the importers through an Indian network and an integrated mechanism that stretches from production all the way through to retail outlets, led by retailers at the importing end (supermarkets). “Green Beans” are shipped from Kenya in small-sized packs for supermarkets in importing countries. Although some smallholders are involved in export through contract farming with the exporters, their numbers are very limited and the majority of smallholders do not benefit from exports.

The main characteristics of the domestic distribution of fruit and vegetables in Kenya are the involvement of many brokers between producers and retailers and the complicated relationships among them. It can be said that this makes the distribution structure complicated and the margins larger, and leads to some compression of the farmer’s income.

In Japan, “Green Beans” are produced nationwide. They are imported annually, though only in small amounts, and the production/consumption of “Green Beans” is, as many other vegetables, declining. Overall, the production of “Green Beans” in Japan exceeds consumption, but production is unevenly

distributed throughout the season. Produce is imported over the winter and spring period when domestic production is in short supply. The largest source is Oman, accounting for around 90 percent of all imports.

2.3 “Dry Beans” in Ethiopia

Pulses account for more than 80 percent (on a value basis) of total vegetable and pulse exports from Ethiopia. The most commonly exported pulses are “Dry Beans”. About one third of exports are destined for the EU and the rest goes to the Middle East and neighboring countries. Many “Dry Beans” are consumed domestically and the surplus is exported.

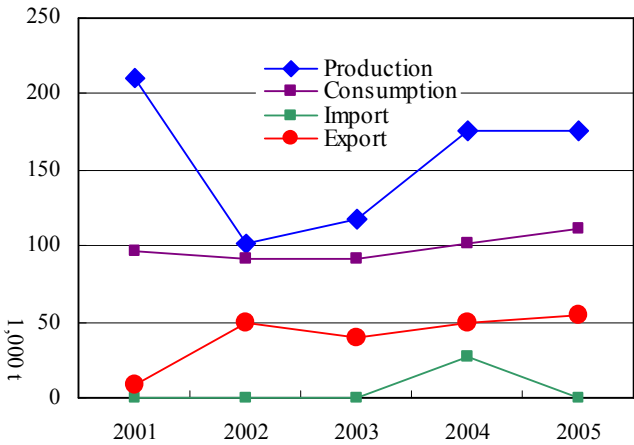


Figure S-3 : Production • Consumption • Import • Export of Dry beans in Ethiopia
Data: FAOSTAT(Nov2007)

Worldwide, “Dry Beans” are an internationally distributed commodity for which the volumes of production and trade and the trade rate are all very high compared to “Green Beans”. Asia and the Americas produce and export especially large volumes but in Africa, as a whole, most production is consumed domestically, resulting in a low trade rate. Export-oriented Ethiopia stands out as an exception.

Currently, all Ethiopia’s sea trade is via neighboring Djibouti. Because of the natural conditions there, Djibouti depends on imports to meet 90 percent of its domestic fruit and vegetable demand. Djibouti is, therefore, a trading hub for the export of commodities by sea to both the Middle East and Asia, as well as the most important market for vegetables, fruits and pulses from Ethiopia. More than 40 percent of vegetables and more than 90 percent of fruits exported from Ethiopia are destined for neighboring Djibouti. Pulses are also exported to the Middle East, Asia and the EU by sea via Djibouti. Export packaging usually consists of an open box, and repacking into small packs and processing are done at the export destination. Export commodities from Ethiopia generally have challenges in quality issues and are often sold at cheap prices. The involvement of smallholders in these exports is extremely limited.

One of the characteristics of Ethiopian agriculture is the unevenly distributed production area and the low distribution rate in the market (stagnation of commodities). As a result, several million people face food shortages almost every year, despite the fact that the country has nearly achieved total food sufficiency. Smallholders are placed at a disadvantage in the domestic distribution system due to the inadequate distribution infrastructure and the involvement of brokers.

In Japan, “Dry Beans” have a low self-sufficiency rate and Japan depends heavily on imports. The trend in consumption continues to show a slight increase. The largest import source is China (more than 60 percent of the market share). China, Myanmar, Canada and the United States account for more than 90 percent of all imports. More than 90 percent of “Dry Beans” grown in Japan are produced in Hokkaido.

2.4 Avocados (fruit) and Macadamia Nuts (nuts)

The Americas produce nearly 70 percent of the world’s avocados and Mexico is the largest producing/exporting country. Kenya is the second largest avocado exporting country in Africa, next to South Africa, and their main export destination is the EU. While most fruit processing in Kenya, at present, involves pineapple, mango and passion fruit, the potential for avocado processing is very promising. In Ethiopia, avocados are grown mainly for domestic consumption. Japan hardly produce avocados and depends much on imports, with Mexico accounting for around 95 percent of the share.

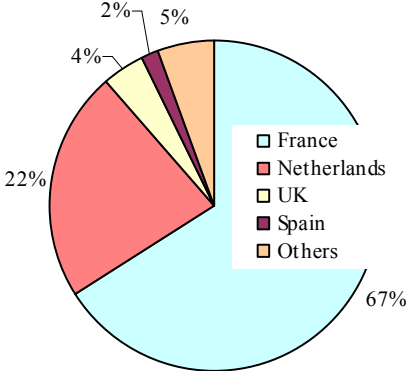


Figure S-4: Avocado – Ratio in the Exports from Kenya
Data: FAOSTAT

Macadamia nuts are an important export commodity for Kenya and, until fiscal year 2005, they were exported in large amounts, thanks to the introduction of high-yielding varieties and the export efforts of the private sector. However, problems with low quality nuts harvested by smallholders in 2006 caused exports to drop sharply. Kenya is currently addressing this issue through both the government and the private sector. Nuts in Ethiopia are mainly grown for domestic consumption. Japan depends on imports for its supply of nuts and its characteristics is that the import source is very limited by the items.

2.5 Issues and Needs Concerning the Export of Vegetables and Fruits

Among the various issues and needs concerning the export of fruit and vegetables raised at the sites visited in Kenya and Ethiopia during the field survey, those issues and needs raised most frequently are listed as follows:

[Kenya]

(1) Production/Processing

(Seed)

Although efforts are being made to develop and disseminate domestic seed, growers are still dependent on importing large quantities of seed. This is contributing to high production costs, along with the need to inputs. The supply is unable to meet demand.

(Processing)

Other issues of concern are the unstable supply of processing materials (raw materials for processing), the low-level processing techniques used, the unstable supply of electricity and water in rural areas, and the lack of processing facilities.

(2) Smallholders

(Sale of production)

The market channel is limited and there are no other options available. Unclear price information. Inappropriate conduct by brokers.

(Issues concerning smallholders themselves)

Lack of knowledge and experience regarding production techniques and quality. The farmers are not well organized. Absence of business mind. The majority of smallholders have not benefited from exports, as only a few smallholders are involved.

(3) Export

(Issues concerning the standards required by export destinations)

The standards required by exporting partner countries are getting stricter and it is difficult for smallholders to accommodate them.

(4) Infrastructure

Inadequate roads in rural areas are an obstacle to efficient distribution. Mechanisms for market information are not functioning effectively. Poor marketplace infrastructure and malfunctioning price formation functions lead to the formation of an informal marketplace.

[Ethiopia]

(1) Production

(Seed)

As in Kenya, most of seed supplies are dependent on imports. This is putting pressure on farm management due to high costs and short supply.

(Issues concerning year-round stable supply)

Since year-round supply is not possible, this does not meet the needs of the EU and Middle East countries. The reasons behind this are the limited range of varieties currently available and the lack of fully developed mechanisms to systematically develop, supply and promote superior varieties.

(2) Smallholders

Similar issues to those raised in Kenya.

(3) Export

(Issues concerning export systems, quality and packaging)

Systems to export in small packs have not yet been developed. Market accessibility is limited due to the quality issue. The export unit price is low. It is difficult to secure cargo space, as there are few outgoing flights, other than Ethiopian Airlines.

(4) Infrastructure

Similar issues to those raised in Kenya.

2.6 Features of Kenya and Ethiopia

Based on the survey results, the major features of the export of vegetables, fruits and pulses from Kenya and Ethiopia can be listed as follows.

(1) Natural conditions and stability/continuity of the supply of agricultural commodities

Kenya has achieved year-round cultivation and supply, benefiting from the diversity of growing varieties available, combined with a variety of topography, temperature and precipitation, all of which are advantages when exporting. Although Ethiopia has similar natural conditions to Kenya, its ability to supply year-round is limited at present due to the small number of varieties grown and delays in the development of a variety improvement and dissemination system.

(2) Major exporting vegetables/pulses and features of export

In Kenya, the major export vegetables/pulses are green ones such as “Green Beans” and “Green Peas”. The main export destination is the EU, especially the UK. “Green Beans” are a typical export cash crop. Refrigeration, packaging, rapid transportation and quality checking functions are relatively well developed.

An integrated mechanism (the Indian network) has been established from production to retail, led by the importing retailers (supermarkets).

In Ethiopia, the major export vegetables/pulses are dry ones such as “Dry Beans”, “Peas” and “Chick Peas”. The main export destination is the Middle East, followed by the EU. Green ones for exports (such as “Green Beans” as a fresh vegetable) are few. The development of an exporting system for fresh vegetables has fallen behind that of Kenya, due in part to the historical background.

(3) Major exporting fruits

Avocados account for about 60 percent of fruit exports from Kenya and most are exported to the EU. Fruit exports from Ethiopia are limited and more than 90 percent of all exports go to neighboring Djibouti.

(4) Shipping and packing of export commodities

Kenya prepares product packages to be displayed at major supermarkets in exporting partner countries, and then delivers them by air. Ethiopia ships half-finished products in open boxes and pretreatment, processing and product packaging are usually all carried out at the importing end. Ethiopia’s export commodities generally have a quality issue and the range of available markets is also limited.

(5) Exporting ports

While Kenya has its own exporting port, Ethiopia has access to only one sea route, via Djibouti, and this is a limiting factor affecting export expansion. For exports leaving Ethiopia by air, the number of overseas flights (other than Ethiopian Airlines) is very limited and the difficulty in securing export cargo space is also an issue.

(6) Involvement in export by stallholders

The involvement in export by smallholders in both Kenya and Ethiopia is limited to rare cases in which smallholders are able to involve in the export chain as contract growers. The majority of smallholders do not benefit from exports.

(7) Seed, fertilizers and agricultural chemicals

Both Kenya and Ethiopia depend on large quantities of imports and this causes high production costs and difficulties in farm management.

2.7 Suggestions Based on the Above Cases

Based on the survey results, suggestions for the future direction of cooperation can be summarized as follows:

(1) Commodities

Dry beans, avocados and nuts share the following features:

- Future expansion of market size is expected.
- Import source for Japan is limited and imports are susceptible to the effects of the production situation at the place of origin and the international balance of supply and demand.
- Production lags far below consumption in Japan and consumption is increasing.

When dealing with agricultural commodities with the above features, Japan needs to diversify its range of import sources (securing alternative import sources) and build a stable trade relationship with other export destination countries. How best to achieve an effective ODA focus, concentrating on a narrower range of regions and items, therefore needs to be examined further.

(2) The correlation within Africa

African countries have both strong points and weak points when assessing their production/export potential for agricultural commodities, due to their differences in historical background and experience. Some approaches to lift the level of the whole region (strengthening existing systems and creating new systems) will be considered, in which all African countries cooperate and complement each other.

(3) The processing of agricultural commodities

Increasing the added value of agricultural commodities by processing and packaging, coupled with the diversification of commodities and markets, can improve the potential for exports from developing countries. The increased added value of agricultural exports from developing countries also reduces the risk of problems occurring during transportation and quarantine and contributes to the further diversification of import commodities and the diversification of export products. This also facilitates some segregation between perishable and processed commodities at the Japanese end. While processing and packaging are considered important parts of the national strategy in Kenya and Ethiopia, concerns over technology, facilities and materials still remain. The main target of the present Study was fresh products, thus, a separate study needs to be carried out on how best to increase the added value of agricultural commodities by processing and packaging, preferably focusing on a narrower target region and range of commodities.

(4) Targeted commodities and markets

It is difficult to achieve sustainable increases in exports from developing countries using only commodities (such as “Green Beans” in the Study) for which the market is small and most produce is distributed within Africa and the EU. A country which is able to produce and export at a certain level of quality (as Kenya) needs to diversify its range of export commodities and markets. Conversely, for a country with product

quality issues (as Ethiopia), targeting markets in neighboring Middle Eastern countries, rather than in the EU, and gaining the confidence of major supermarkets (middle and high income clients) can, for the time being, still be considered useful. Support for production, quality, packaging and systems creation (utilizing the experience already accumulated by Japan) and a program including marketing in collaboration with other donors, are to be considered.

(5) Production and quality control

Delays in the development of new varieties, production techniques, and new systems to increase productivity have become limiting factors restricting any increase in exports. Comprehensive support for production-related areas and effective ODA, utilizing the experience of Japan and focusing on a narrower range of regions and commodities, should all be considered. Quality assessment involves many aspects, such as facilities, techniques, human resources, maintenance, organization and systems, and a significant difference can already be seen between Kenya and Ethiopia. Improving and strengthening quality assessment functions not only contributes to the promotion of exports from developing countries but also benefits Japan, which is dependent on imports.

(6) Support for smallholders

Producers (especially smallholders) in developing countries are generally placed in a very unfavorable position regarding export and domestic distribution. However, the degree to which this occurs, the mechanisms involved, and the stage of evolution of market/distribution vary markedly by country, region and commodity.

To improve the situation, the following approach should be considered:

- Value chain development
- Fostering “Service Providers”
- Progressive continuation of current JICA projects (SHEP etc.), including export promotion in the scope

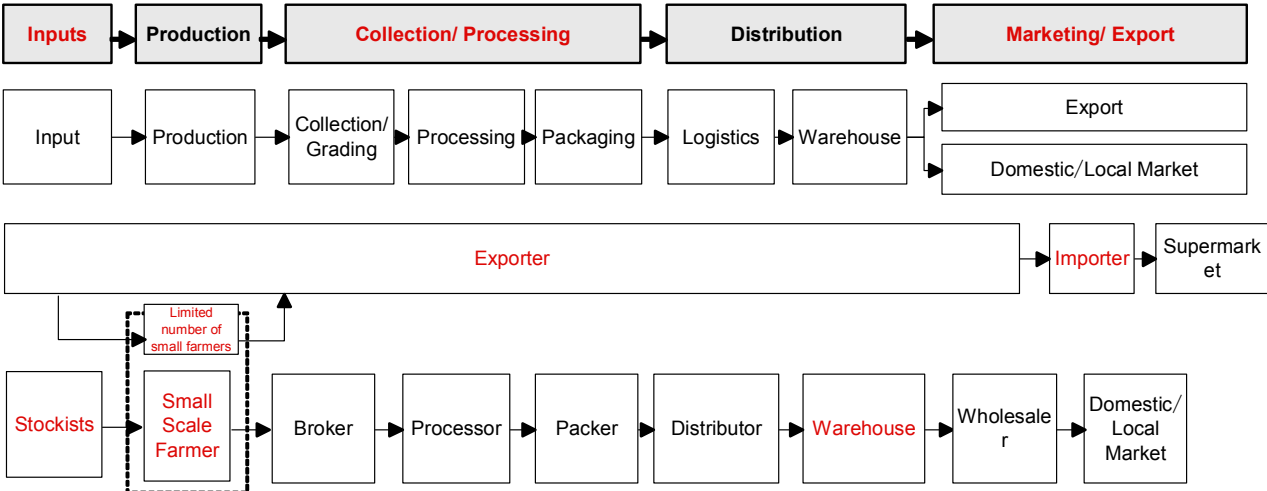


Figure S-5 Value chain development

3. Agricultural ODA, Agriculture and Agricultural Policy in Donor/Importing Countries

3.1 Cooperation for the Export Promotion of Horticultural Commodities in Kenya

Each donor is providing support for its own policies in Kenya. As many exporting businesses in Kenya are either British or Dutch, the UK and the Netherlands are providing strategic cooperation which ensures both support for domestic businesses and poverty reduction by improving the export access of smallholders working in collaboration with commercial businesses in their own country.

(1) Cooperation by the UK

The department of International Development (DFID), the ODA-implementing agency of the UK, has stated in its strategy for the agricultural sector that it wants to see more emphasis on poor countries in international trade and promotes measures in which policies other than aid can contribute to the development of developing countries in collaboration with the EU and other domestic agencies. Each DFID office formulates its own assistance plan for its respective country and the DFID Kenya office assists in the implementation of the Kenya Economic Recovery Strategy for Wealth and Employment Creation (ERS) as part of the assistance plan for Kenya (2004-2007). With regard to donor cooperation and alignment, it stresses that this is implemented in accordance with the Kenya Joint Assistance Strategy KJAS 2007-2012, prepared in collaboration with the Kenyan government and 17 other aid organizations.

There are 3 recently completed projects relating to export promotion:

- KTTP (Kenya Trade and Poverty Program)
- Enabling Environment for Business
- Business Partnership Program

Furthermore, there are two ongoing projects for horticultural cooperation:

- BSMDP (Business Service Market Development Project)
- Challenge Fund

(Challenge Fund)

The UK (DFID) is planning to apply the Food Retail Industry Challenge Fund (FRICF), a new mechanism based on the “Challenge Fund” which is unique and has already achieved some success in other sectors in Kenya, to the food retail industry. The Fund will be made available to major supermarkets in importing countries in order to improve the access of African smallholders to the export market, to incorporate smallholders into the supply chain (via loans, technical improvement, organization, etc.) and to facilitate African food purchases by supplying consumers with information on smallholders.

(2) Cooperation by the Netherlands

The Netherlands (Ministry of Foreign Affairs) is practicing “Policy Coherence for Development” with respect to both its aid and non-aid policy for poverty reduction in developing countries. To address the question of imports from developing countries, “the Center for the Promotion of Imports from Developing Countries” was established and various forms of support have been provided for exports from developing countries (providing information on the EU market, export business guidance, training, business support organization development, etc.). Moreover, there is active cooperation with the private sector and there are many projects which are closely linked with Dutch businesses in Kenya.

Currently, the following projects related to export horticulture have just been completed or are still ongoing:

- Development of Appropriate Processing Technology for Horticulture Export by Smallholder Farmers
- Encouraging Smallholder Involvement in Export Floriculture
- Developing a Business Plan for Technical Support and Management
- Capacity Building for Effective Phytosanitary Checks and Systems to Enhance Market Access for Kenya’s Horticultural Produce
- Research and Development on the Diversification of Products and Markets, and Post-harvest Control in the Floriculture Sector of Kenya

(3) Cooperation by other donors

Donors such as Germany and the United States (without exporting businesses of their own in the country) are providing assistance with the improvement of market access for smallholders and the development of value chains.

3.2 Cooperation with the Export Promotion of Horticultural Crops in Ethiopia

The cooperation of each Western donor is mainly focused on private sector support in accordance with the policies of the Ethiopian government.

The Netherlands is involved in a long-term development partnership with Ethiopia. The UK has not provided any support for the development of the horticulture sector in Ethiopia in recent years.

(1) Cooperation by the Netherlands

The Dutch government is involved in a long-term development partnership as a part of its bilateral development cooperation program in Ethiopia. Dutch cooperation is focused on the 3 target areas of education, health and regional economic development. There are many projects related to the development of the private sector which may lead to the development of new business and markets. The Netherlands is enthusiastic about attracting Dutch businesses to Ethiopia. Ongoing programs involving the horticulture

sector include the following:

- Organization of Farmers and Agricultural Commodities Market
- Ethiopian-Netherlands Horticulture Partnership

(2) Cooperation by the UK

The DFID has not provided any support for the development of the horticulture sector in Ethiopia in recent years and existing areas of cooperation mainly involve “human resources development in the public sector”, “basic services such as education and health and the improvement of access to safe water and sanitation” and “food security for poor farmers”.

(3) Cooperation by other donors

USAID in the United States provides support directly to the private sector. One ongoing project promoting exports from the horticulture sector is the “Ethiopia Agribusiness and Trade Expansion Activity”.

3.3 Agriculture, the Agricultural Commodity Market and the Agricultural Commodity Trade in Donor/Importing Countries (the UK and the Netherlands)

Within the EU, most fruit and vegetables are produced and consumed in Southern Europe in countries such as France, Italy and Spain, and the size of the market in the UK and the Netherlands, located in Northern Europe, is not so large. Most imports are carried out within the EU and the export of fruit and vegetables from Southern Europe to Northern Europe is widespread. On the other hand, imports from outside the EU (especially from developing countries) are increasing, especially imports from Kenya (green beans etc.). The Netherlands imports agricultural commodities and re-exports them inside and outside the EU, as it has always done, historically, as part of the transit trade. The oligopolization of the retail market by major supermarkets is underway in both the UK and the Netherlands. Recent market trends also show that sales of fair trade products and organic products are growing in the UK, whereas the Dutch show little interest in them.

3.4 Relationship between Agriculture/Agricultural Policy and Agricultural Sector Cooperation

(1) The agricultural policy of the EU and the policy for cooperation with Africa

The production/consumption of fruit and vegetables in the UK and the Netherlands is not large. The agricultural policies of both countries basically follow the Common Agricultural Policy (CAP) of the EU, except in important sectors such as dairy/animal husbandry. Meanwhile, the EU policies for cooperation with Africa have been formulated over the long history of EU and African relations, dating back to colonial days and formalized under the framework for comprehensive political dialogue, trade and development assistance created under the present Cotonou Agreement.

The Common Agricultural Policy of the EU was introduced in 1958, aiming to provide farmers with a reasonable standard of living and consumers with quality food at fair prices. Then, in 2003, a drastic reform of the CAP was carried out in order to cope with issues of market distortion caused by agricultural protection and the emphasis of the CAP has since shifted away from food production to the food safety and the environmental protection of rural villages.

The Cotonou Agreement took effect in 2003 between 15 countries of the EU and 77 ACP (African, Caribbean and Pacific) countries. It is a comprehensive framework combining political dialogue, economic and trade cooperation (trade) and development assistance aiming at the eradication of poverty, sustainable development, and the integration of ACP countries into the international economy.

Africa has been placed under a free trade system, more in line with the WTO system, as a result of the CAP reforms and the comprehensive framework of the Cotonou Agreement. The EU provides a framework which contributes to sustainable development and poverty alleviation in Africa by fostering regional economic integration and development cooperation.

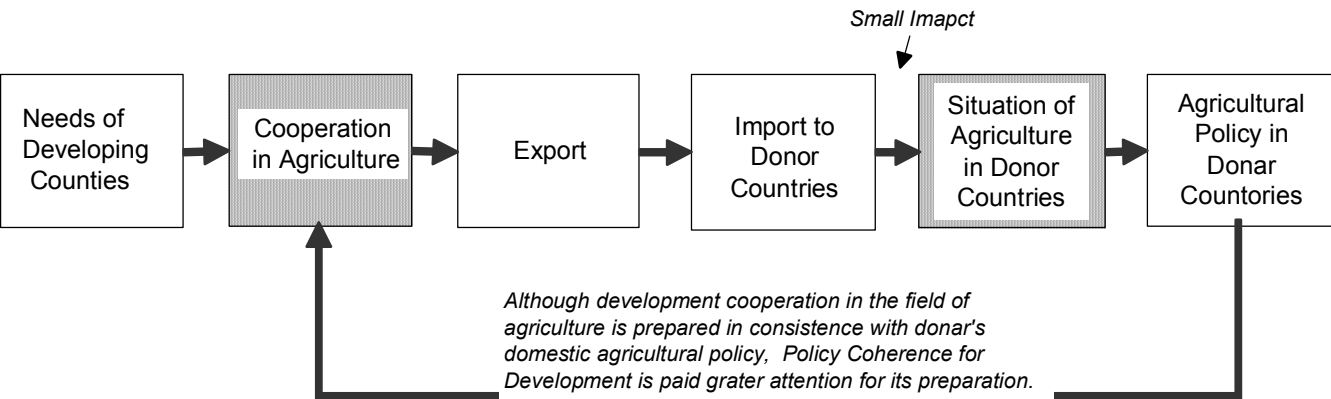
The EU has committed itself to “Policy Coherence for Development”, targeting 11 priority areas including agriculture in order for its non-aid policy to contribute to the realization of the Millennium Development Goals (MDGs) for developing countries, extending beyond the field of development cooperation. The UK and the Netherlands are in a position to promote “Policy Coherence for Development” as they do not have any important agricultural sectors, other than dairying.

(2) Relations between ODA in the agriculture sector and agriculture/agricultural policy

Although the preservation of the agriculture/rural environment and food safety are important cornerstones of the agricultural policies of the UK and the Netherlands, both countries have also established businesses in Kenya and have engaged in various activities ranging from agricultural production through to export. Since there is pressure to maintain a free trade regime, trade restrictions cannot be imposed and, instead, both countries promote “Policy Coherence for Development” in which imports are regarded as beneficial in terms of poverty reduction. However, the actual means of cooperation is a strategic one, aiming at both market expansion support for their own businesses and poverty reduction in partner countries. On the other hand, countries such as Germany that lack any business presence of their own are genuinely promoting the export of horticultural commodities and the development of the value chain as a means of poverty reduction in Kenya. This example is a useful one for Japan since Japan also lacks any direct business presence and no old colonial relationship.

With regard to the effect of agricultural commodity imports on agriculture, important agricultural commodities in the UK and the Netherlands are protected by the Common Agricultural Policy of the EU (CAP) and the effect caused by the import of the vegetables, fruits and pulses (not protected commodities) examined in the Study is minimal.

The relationship between agricultural cooperation and the status of agriculture and agricultural policies in donor countries (mainly the UK and the Netherlands) involved in the export promotion of horticultural commodities can be illustrated as follows:



Source : made by the Study team

Figure S-6 Relation between agricultural cooperation and, agriculture and agricultural policies of donor countries

As mentioned the above, the approaches to cooperation regarding the export promotion of fruit and vegetables taken by each country in relation to agricultural policies and ODA policies can be summarized in the following table:

Table S-1 Cooperation approaches of donor countries for promotion of fruit and vegetables export
(Case of Kenya)

	UK	Netherlands	Germany	US	Japan(Reference)
Agricultural policies related to agricultural commodity import	Fruit and vegetables are not subjected to the protection in EU Common Agricultural Policy (CAP)	Fruit and vegetables are not subjected to the protection in EU Common Agricultural Policy (CAP)	Fruit and vegetables are not subjected to the protection in EU Common Agricultural Policy (CAP)	Basically free trade, besides commodities which are important domestically (e.g. Cotton)	Considers the consistency among improvement of the self-sufficiency rate, securing stable food supply and safety, stabilization of agricultural management and strengthening competitiveness, promotion of export from Japan (No tariff and No quota for LDC, by Development Initiatives)
ODA Policies	Strategies to transform international trade to measures which benefit the poor (Comprehensive and strategic framework (inc. politics and economy) to enhance EU's presence and benefit in developing countries)	Attaches importance to "Policy coherence" which states non-assistance policy is also important for poverty reduction (Comprehensive and strategic framework (inc. politics and economy) to enhance EU's presence and benefit in developing countries)	Attaches importance to the assistance for poverty reduction and sustainable development, provided by the international organizations (Comprehensive and strategic framework (inc. politics and economy) to enhance EU's presence and benefit in developing countries)	In the wake of 9/11, ODA was positioned as one measure for national security. It is one of the "3D" (Diplomacy, Democracy and Developmental cooperation) in foreign policies	Assistance for poverty reduction, demand and supply for food, environmental conservation, support for self-reliance effort for sustainable growth Assistance for human resource and organization development for "Saleable agricultural, forest and fishery products" stated by "Development Initiatives"
Cooperation approach	Strategic assistance, which ensures both the benefit of own country and the poverty reduction in developing countries	Strategic assistance, which ensures both the benefit of own country and the poverty reduction in developing countries	Technical assistance for the development of developing countries, and cooperation in value chain development, improvement of market access for smallholders	Strategic assistance for national interest Cooperation in value chain development and improvement of market access for smallholders, utilizing US NGOs	Technical assistance for the self-reliance of developing countries
Relation with private sector	Network from major exporters to major retail chain	Network from major exporters to major retail chain	No network of the companies from Germany	No network of the companies from US	No network of the companies from Japan

Source : made by the Study team

4. Direction of Agricultural Cooperation between Japan and Africa, moving towards Policy Coherence

4.1 Discussion regarding Policy Coherence

(1) International trends in policy coherence

1) Policy Coherence for Development

“Policy Coherence for Development” (hereafter called PCD for short) refers to the way in which all policies affecting developing countries (including the policies of developed countries and international agencies, and international rules) contribute to, or at least do not adversely affect, the economic development/poverty reduction of the country concerned.¹

“Policy Coherence for Development” can be examined at 4 levels, as follows:

- [1] Consistency within the Official Development Assistance (ODA) policies of specific developed countries
- [2] Consistency between the ODA policies and policies other than those in specific developed countries
- [3] Consistency between the policies of more than one developed country
- [4] Consistency between the policies of developed countries and developing countries

What has been emphasized most in recent years is “[2] Consistency between the ODA policies and policies other than those in specific developed countries”, and how best to ensure consistency between ODA policies which can affect the economic development/poverty reduction of developing countries and the policy system or policies, other than those within each developed country. As a result, the importance of “Policy Coherence for Development” has been recognized in attempts to formulate effective ODA policies.

In the Millennium Development Goals² (MDGs), the importance of “Policy Coherence” is stressed in relation to the 8th goal, which aims to promote global partnerships for development.

¹ “Policy Coherence towards East Asia: Development Challenges for OECD Countries” translation written, edited and supervised by Mashiro Kawai, Kiichirou Fukasaku, Akashi Shoten, March, 2006

² The Millennium Development Goals are 8 specific targets addressing development and poverty reduction as common issues facing the international community in the 21st century.

2) Efforts by each country on Policy Coherence for Development (PCD)

Initiatives on PCD carried out by each OECD member country are as follows:

- The Netherlands and the UK, the two countries included in this Study, can both be considered developed countries in terms of PCD and policies regarding PCD have been stipulated. Both countries are also making efforts to influence policy-making in the EU as much of their own policy-making concerning trade and agriculture and fisheries relies on the EU setting common policies. The Netherlands has established the Policy Coherence Unit in the Directorate-General for International Cooperation, in the Ministry of Foreign Affairs, and provides information on various policy developments from a PCD viewpoint by collaborating with other offices, both inside and outside the Ministry. In the UK, the Department for International Development (DFID) also promotes PCD by sending its representative to each domestic committee.
- Germany and France can be considered as the second PCD group in the EU, although they have not stipulated PCD policies of their own. Germany has formulated the “Action Program” incorporating specific guidelines for the realization of MDGs and makes assistance policy an important element in every stage of domestic policy formulation. In France, the President has referred to PCD at the France-Africa Summit and the Evian G8 Summit.
- Whereas the United States used to view PCD negatively (as it intervened in their own affairs), after the terror attacks of September 11, 2001, the importance of PCD was mentioned in the USAID White Paper on the formulation of assistance policy, highlighting the war against terror.
- In Japan, the importance of cooperation between trade/investment and assistance is mentioned in the ODA Charter, however it has not yet reached the point where PCD is understood to be the overall goal of any actual policies, as the ODA Charter itself is not legally binding.
- Japan has established a local ODA task force as part of its organizational efforts. This group involves key members from embassies and the local offices of JICA and JBIC, and JETRO, and is carrying out the survey/analysis of local development needs; the formulation/consideration of assistance policies; the formulation/selection of possible assistance projects; the strengthening of collaboration with the local assistance community; the strengthening of collaboration with concerned Japanese parties in each recipient country; the review of ODA from Japan; and the disclosure of activities.

Table S-2 Approaches toward Policy Coherence for Development (PCD)
by Main OECD member countries

	Netherlands	UK	Germany	France	US	Japan
Position in Policy	<ul style="list-style-type: none"> - Traditionally, Puts Importance on the Combination of the Assistance with Other Policies after 70's. - Recently, established PCD Policy Memorandum & New Assistance Policy. - "Being Top-rank in Commitment to Development Index" is their Clear Objective. 	<ul style="list-style-type: none"> - Labour Party has implemented Reform on Assistance in 1997, and 'Implementation of PCD' was clearly expressed in the White Paper on International Cooperation. Promoted 'Untied Cooperation'. - Promoted Access of Commodities produced in Developing countries to the Markets in Developed countries. - Assistance in Strengthening Trade Capacity of Development countries, in relation to WTO. 	<ul style="list-style-type: none"> - Established the Action Program as an Indicator of the achievement of MDGs. - In the Program, it was advocated that Poverty Reduction should be an Objective in Assistance Policy and an Important factor in Policy making in Germany (Pursuit of PCD). - Particularly, emphasized on Cooperation with various actors, such as NGOs and Private Sector etc. 	<ul style="list-style-type: none"> - Committed in Strengthening PCD at France Africa Summit in 2003 and Evian G8 Summit. - Takes Initiatives in Development Assistance for Particular areas (e.g. Cotton Sector etc.) and Strengthening Market Access to EU Market. 	<ul style="list-style-type: none"> - Traditionally, Promotes the Assistant Policy which is faithful to the benefit of US Politics and Economy. - Keeps distance from OECD's PCD activities. - PCD was mentioned in the White Paper, "US Foreign Aid: Meeting with the Challenge of the Twenty-first Century" (2004), issued by USAID. 	<ul style="list-style-type: none"> - PCD was expressed in "Revision of Japan's Official Development Assistance Charter" (2003).
Policies covered for PCD : In Statutory Form	<ul style="list-style-type: none"> Consistency with EU policies 1) EU CAP Reform, 2) WTO-Trips, 3) Sustainable Agriculture in Developing Countries, 4) Non-tariff barriers against Developing countries 	<ul style="list-style-type: none"> - Environment, Trade, Agriculture - Driving Investment, Stability in Politics, and Social Unification forward, and Effective Response to the Conflict. - Stabilization of Economics & Finance. 	<ul style="list-style-type: none"> - Trade, Environment, Security 	No Documents in Statutory form.	Trade, Security	Trade, Investment
Approaches in Organizations	<ul style="list-style-type: none"> - Established Policy Coherence Unit in International Cooperation Department (DGIS), Ministry of Foreign Affairs, and trying to collaborate with other departments & agencies in & out of MoFA. - Providing Information from the aspect of Various Policies for Development. 	<ul style="list-style-type: none"> - Established Department for International Development (DFID) in 1997. - Representatives from DFID participate in the Committees on International development, Trade, Industry, Defense, and Foreign affairs, and promote PCD. 	<ul style="list-style-type: none"> - Established Action Program 2015 Unit in MoFA - The Activities are: 1) Implementation of Preliminary evaluation on PCD, 2) Periodical Discussion on the Approaches by Entire ministry toward PCD 3) Publication of White Paper on PCD. 	<ul style="list-style-type: none"> - International Interministerial Cooperation and Development Committee (CICID) coordinates Assistance and Other policies. - Secretariat General of the inter-ministerial committee for questions on European Economic co-operation (SGCI) coordinates with EU policies. - No responsible agency is established in the Governmental and Assistant Organizations. 	<ul style="list-style-type: none"> USAID and State Department collaborated and established Joint Management Council and Joint Policy Council. Strengthening Embassy's Coordination ability. 	<ul style="list-style-type: none"> - Established ODA Task force (Collaboration with JETRO, in particular)

Source: made by the Study team, referencing "Environment surrounding Policy coherence ", by Iijima

(2) Policy coherence in Japan

1) Policy coherence in the Official Development Assistance (ODA) Charter

In the Official Development Assistance (ODA) Charter, approved by the cabinet in 2003, it states that “In order to ensure that the government, in its entirety, implements ODA efficiently and effectively in a consistent and coherent manner...taking into account the partnership and collaboration with the international community...ODA policies will be formulated and implemented in accordance with them”. It also states that the following measures need to be taken in order to achieve these aims:

- Under the auspices of the Council of Overseas Economic Cooperation-Related Ministers, strengthening collaboration between government ministries and agencies with the Ministry of Foreign Affairs and playing a central coordinating role
- Making clear the roles and the apportionment of responsibilities of the government and the implementing agencies and strengthening collaboration
- Reconciliation of the development policies of developing countries with Japan’s assistance policies through a process of policy consultation
- Strengthening the functions of overseas diplomatic missions and the offices of implementing agencies with regard to assistance policy formulation and implementation
- Strengthening collaboration with domestic and overseas aid-related entities (including the utilization of technologies and the expertise of private businesses)

2) Recent efforts by Japan to improve the efficiency/effectiveness of assistance

In order for countries to achieve development objectives such as the Millennium Development Goals (MDGs) and the aims of the Poverty Reduction Strategy Paper (PRSP)³, improvements are needed in the quality of assistance provided in order to make it more effective. It is also important that recipient countries, themselves, should utilize assistance more effectively through their own efforts. Recent efforts in improving aid efficiency are published in the White Paper on ODA.⁴

While more and more recipient countries are increasingly requesting “financial support” which can be used for the initial investment and operating expenditure of projects, Japan is trying to provide financial support in keeping with an assistance philosophy whereby Japan assists the self-improvement efforts of recipient countries. However, cooperation in the form of financial support has been provided from fiscal year 2007 onwards when implementing projects for poverty reduction in accordance with the PRSP.

³ According to the consensus of the joint committee of the IMF/World Bank, a Poverty Reduction Strategy Paper (PRSP) will eventually need to be formulated by 72 developing countries in all regions of the world.

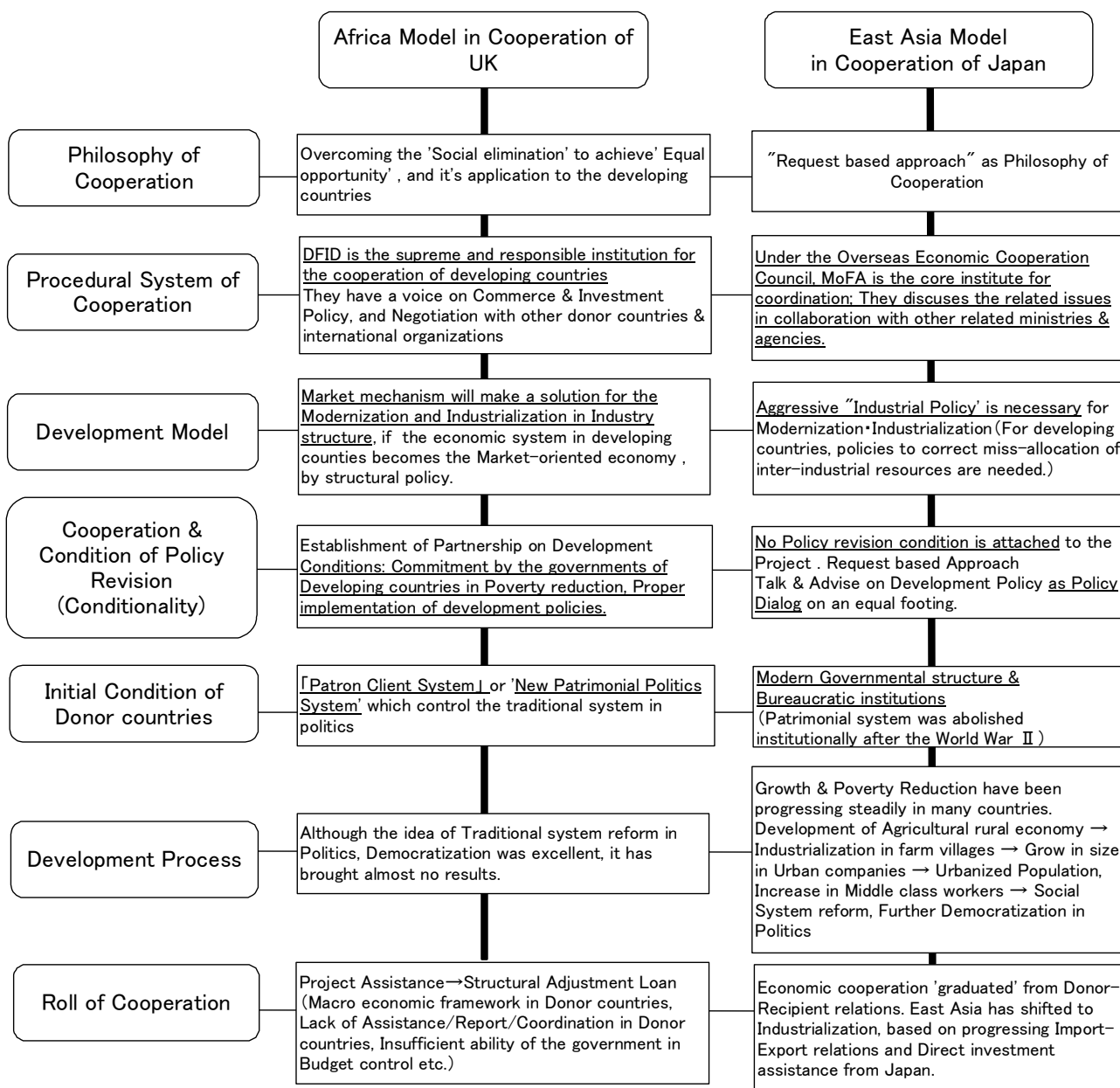
⁴ White Paper on ODA 2007 Chapter 2 Global Assistance Trends and the Efforts of Japan

In 2005, Japan announced the “Action Plan of Japan on the improvement of aid effectiveness” as part of the Paris Declaration at the Paris High Level Forum, and Japan is now striving to make aid implementation more effective. The new JICA organization, which will integrate JICA and JBIC in 2008, will unify and implement the 3 assistance methods of technical cooperation, loan assistance, and grant assistance, in order to strengthen collaboration during the project formulation and implementation stages and will facilitate the streamlining of procedures so that assistance will be more effective.

(3) Comparison and analysis of efforts to improve policy coherence

When considering assistance policies for Africa, it is difficult to adopt knowledge gained from East Asian economies and make use of the past experience of Japan. However, when considering the possibility of cooperation in which agriculture in Japan and agriculture in the Sub-Sahara region can mutually grow in harmony, it is worth comparing/reviewing the African model of the UK’s assistance programs and the East Asian model of Japan’s assistance programs (illustrated below) and examining each development model and development process from the viewpoint of policy coherence.

1) Comparison of the African model of the UK's assistance and the East Asian model of Japan's assistance programs



Source : elaborated by the Study team, based on " Supporting Growth and Poverty reduction: Toward Mutual Learning from the British model in Africa and the Japanese Model in East Africa ", by Isikaw, GRIPS Development Forum, Discussion Paper No. 10, March 2005

Figure S-7 Comparison of the African model of the UK's assistance and the East Asian model of Japan's assistance

When considering the assistance provided for Sub-Sahara countries in the African model of the UK's assistance programs, it is assumed that the growth of the private sector will be the driving force of overall growth whereas, in the East Asian model of Japan's assistance programs, industrial policy is required at the stage where market mechanisms are still immature. The East Asian model also assumes that consultation by "policy dialogue" rather than "the conditionality for the implementation of development policy" contributes to building trusted relationships between both donor and recipient.

Reflecting on the economic development of the East Asian region and the assistance provided by Japan, resulting in the "East Asian Miracle", it can be seen that the infrastructure of developing countries in East Asia was developed by the assistance policy of Japan and that Japanese manufacturing industries established businesses in the area, so that exports from developing countries were increased by trade expansion as a result of vertical integration within these businesses. Consequently, employment and income in these developing countries also increased. Although this happened as a result of cooperation in the industrial sector, agricultural sector cooperation was not directly involved. This can therefore be considered as a case where "Policy Coherence for Development" was ensured as this process contributed to both the economic development and the poverty reduction of developing countries in East Asia.

The assistance provided to East Asia by Japan included such things as infrastructure development, port development, human resources development and legal system development, and subsequent private investment led to the promotion of Asian industrial exports. Through the combination of market expansion and segregation in the market, this resulted in economic growth/poverty reduction in Asia and the industrial development of Japan. This is the "East Asian model of Japan's assistance" and can serve as a lesson when considering the potential for mutual cooperation between African agriculture and Japan.

4.2 Framework of Policy Coherence in the Study

1) Agricultural ODA of Japan and policy coherence

According to an analysis of world food supply and demand, difficulties may arise in the mid- and long-term due to hunger and malnutrition, population growth, the depletion of water resources, and global warming, and food security in emergency situations may then become an important issue. International cooperation is essential in order to ensure global food security. International collaboration is also essential to secure Japan's own food security and, in this case, policy coherence between assistance policies and agricultural policies therefore becomes especially important.

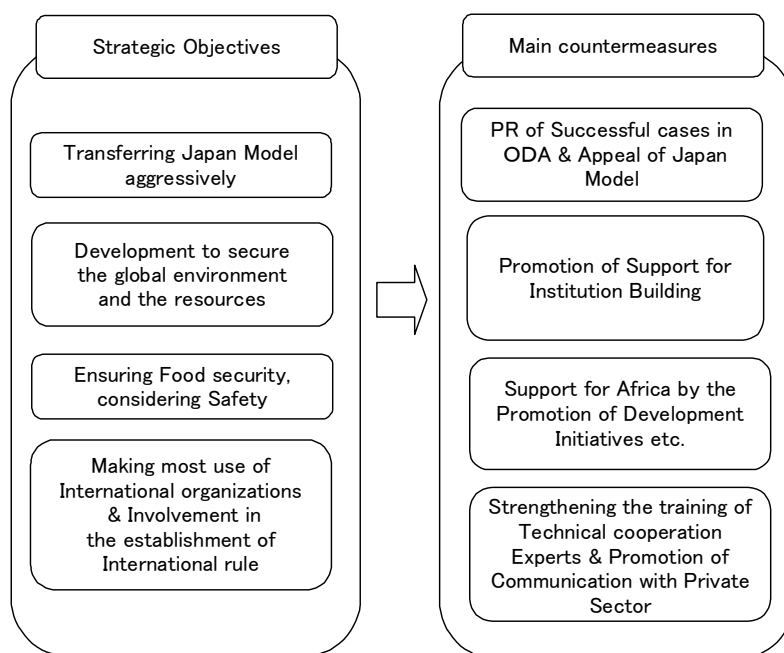
The relationship between key issues of the ODA Charter and agricultural ODA is illustrated below and it can be seen that agricultural cooperation is an area where Japan can play a key role in promoting international cooperation.

Table S-3 Relevance of the Priority issues in ODA Charter to Agricultural ODA

Priority Issues	Relevance to the Agricultural ODA
1. Poverty reduction	As it is mentioned in Millennium Development Goals (MDGs), Cooperation in Agriculture for Poverty reduction is indispensable since the starvation becomes very serious at present.
2. Sustainable growth	Agriculture and Rural Development are the core components for Poverty Reduction through the sustainable growth, since agriculture & fisheries are the key industries in developing countries.
3. Addressing global issues	There are many challenges which are relevant to the Agriculture and fisheries, and can be tackled mainly by the measures in those areas (e.g. Food shortage, Avian flu, reduction of Tropical forests etc).
4. Peace-building	From Mid-Long term perspective, Agriculture, forestry and Fisheries industries play major role in Reconstruction Assistance.

Source: made by the Study team

The Ministry of Agriculture, Forestry and Fisheries sets the following strategic goals and has been dealing with issues of agricultural cooperation while steadily developing the necessary infrastructure, providing various agricultural technologies, and utilizing at international negotiations involving agricultural cooperation in developing countries.



Source : made by the Study team, based on MAFF HP

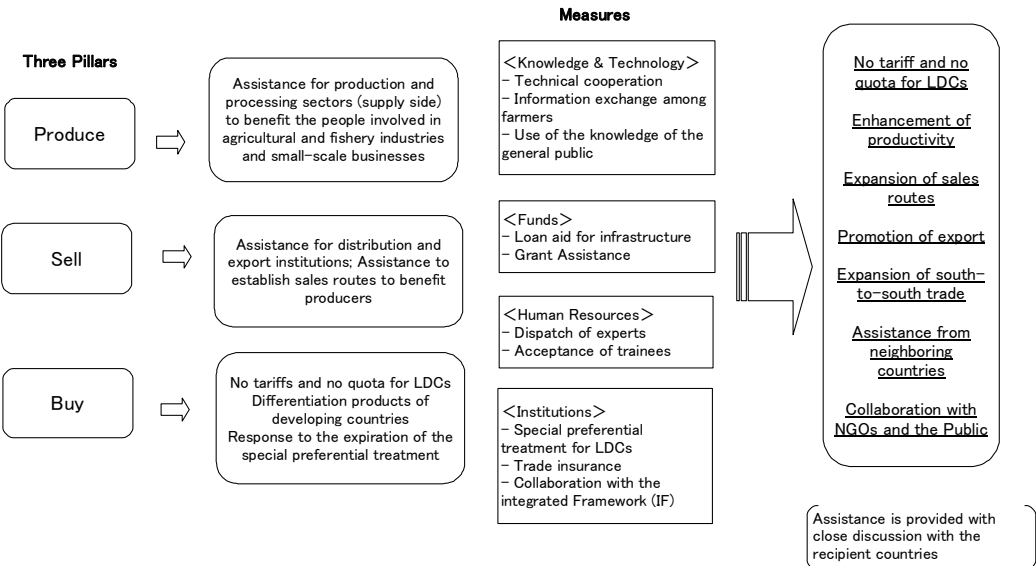
Figure S-8 Strategic objectives in Agricultural ODA and main countermeasures

2) Export support cooperation in the agricultural ODA policy

While the Ministry of Agriculture, Forestry and Fisheries (MAFF) has previously taken the position that the implementation of agricultural ODA should not have any negative effects on Japanese agriculture, after the government of Japan announced its “Development Initiatives” at the WTO Hong Kong Ministerial Conference in December, 2005, MAFF accordingly declared the promotion of cooperation aimed at “producing saleable agricultural, forestry and fishery products” as a new means of assistance for the agriculture, forestry and fisheries sectors of some of the world’s least developed countries. More specifically, this involves cooperation in the area of export support designed to assist human resources and organization development in order “to produce saleable agricultural, forestry and fishery products” by means of South-South cooperation in conjunction with duty-free and quota-free policies (in principle) for the least-developed countries.

• Overall picture of Development Initiatives

In order for developing countries to profit from the free trade regime, a mechanism is needed to comprehensively support the whole supply chain from production through to the distribution/sale/purchase of agricultural commodities, involving local village development to produce competitive agricultural commodities and processed goods by means of infrastructure development and human resources development; market development for the distribution of infrastructure and trade promotion; and a trade-based profit earning process such as the provision of duty-free and quota-free (in principle) market access for the least developed countries.⁵ This is exactly the sort of assistance needed for value chain development covering all aspects from production through to distribution and marketing.



Source : elaborated by the Study team, based on MAFF HP, “Development Initiatives in international cooperation in the areas of Agriculture, Forestry and Fisheries”

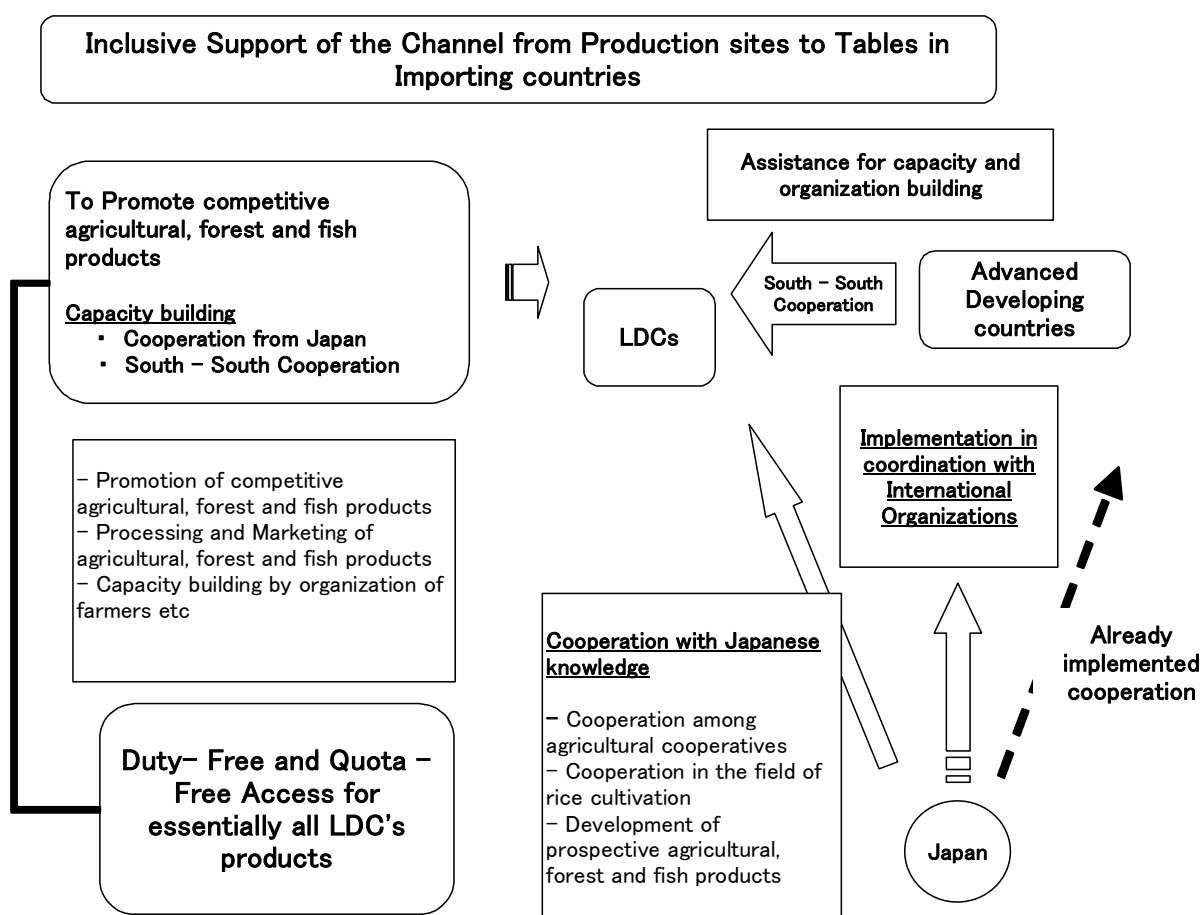
Figure S-9 Whole image of Development Initiatives

⁵ Mail Magazine for WTO Doha Round Negotiations, Special Edition, December 12, 2005, prepared by the Study team

• Development Initiative by the Ministry of Agriculture, Forestry and Fisheries

The Development Initiative of the Ministry of Agriculture, Forestry and Fisheries aims to provide comprehensive support for the food chain, from the production site through to the table at the export destination. Support for the human development and organization development needed to achieve this is to be provided by the following scheme:

- [1] Emphasizing development support for the least developed countries
- [2] South-South cooperation between the least developed countries and advanced developing countries (to be implemented in collaboration with international agencies such as the FAO, utilizing knowledge and experience of cooperation already gained)
- [3] Cooperation in the rice cultivation sector (such as NERICA) and cooperation utilizing the knowledge and experiences already gained by Japan (through means such as inter-agricultural cooperative cooperation)



Source : elaborated by the Study team, based on MAFF HP, “Development Initiatives in international cooperation in the areas of Agriculture, Forestry and Fisheries”

Figure S-10 Development Initiatives by MAFF

3) Framework for policy coherence, taking domestic policies into consideration

The agricultural policy of Japan, as outlined in the “Food, Agriculture and Rural Areas Basic Act”, aims to address the following issues:

- Improving the food self-sufficiency rate
- Securing stable food supplies and food safety
- Stabilizing farm management and strengthening competitiveness
- Preserving the environment, such as rural areas, by stabilizing agriculture

The “Development Initiative” is to be carried out while ensuring consistency between developing country assistance and agricultural policies. Consistency between both policies needs to be considered since the increased export of agricultural commodities from developing countries, as a result of agricultural ODA, can contribute to the food security of Japan but also may adversely affect farm management and the improvement of food self-sufficiency within Japan. Information sharing is also essential and, along with the “export promotion policy of agricultural, forestry and fishery products”, has been promoted as one of the cornerstones of the “aggressive agricultural policy” promoted by MAFF in recent years.

Based on the results of the field surveys, various “competitions”, “potential competitions” and “non-competitions” raised by the export to Japan of the African fruit and vegetables examined in the Study can be identified and classified as follows:

Table S-4 Competitive/Non-competitive Vegetables, Fruits in Africa

Classification	Explanation	Example (Vegetables, Fruits)
Competitive Products	The Products, produced in Japan, and already introduced to Japan	(None)
Competitive Products with Potential	The Products, produced in Japan, but not introduced to Japan. With the reduction of transportation cost, there is a possibility that the import will be increased in the future.	Green beans, Green Peas etc
Non-Competitive Products	The Products, slightly produced or not produced in Japan	Avocado, Macadamia nuts etc

Source : made by the Study team

There is currently no import record regarding fruit and vegetables from Africa for commodities that are already produced in Japan. As seen by the study conducted last year, roses, tea and coffee are already imported from Kenya but fresh fruit and vegetables cannot be imported from Africa at present because of plant quarantine restrictions.

Considering the transportation distance between Africa and Japan, and the competitions between African products and products from Asian countries and Latin America, the competition between African fruit and vegetables and that of Japan does not seem to be a realistic possibility at the moment.

4.3 Comparison and Analysis, Based on Case Studies of Cooperation

(1) Strengthening the Ability to Export Fruit and Vegetables by ODA and Analyzing the Factors That Can Affect Exports

The results of vegetable- and fruit-related projects and programs being implemented in Kenya were reviewed, looking back at the past and analyzing what project components contributed to increased exports.

1) Major projects in the Kenyan horticulture sector

The horticulture sector, mainly consisting of flowers, followed by fruit and vegetables, receives much assistance from donors as it is one of the major export industries in Kenya. Ongoing projects related to fruit and vegetables in Kenya are listed below:

Table S-5 Project/Program related to Fruit and Vegetables in Kenya

Name of Project/Program	Donor	Budget	Period
Smallholder Irrigation Programme – Mt. Kenya .	ded/KfW	Euro 4.6 million	2005–2008
Fresh Produce Exporters Association of Kenya (FPEAK)	EU	USD 34.6 million	2001–2005
Private Sector Development in Agriculture (A part of Components)	GTZ	Euro 4 million	2003–2015
Agribusiness trading center development	GTZ/ded	N/A	2003–2008
Eastern Province Horticulture and Traditional Food Crops Project	IFAD	USD 15.5 million	1994–2005
Smallholder Horticulture Marketing Programme	IFAD	USD 18 million	2007–2014
Project for Sustainable Smallholder Irrigation Development and Management in Central and Southern Kenya	JICA	USD 3.1 million	2005–2010
Smallholder Horticulture Empowerment Project	JICA	USD 2.7 million	2006–2009
Export promotion model villages	UNDP		2004–2009
Kenya Business Development Services Program (A part of Components)	USAID	USD 5 million	2002–2007
Kenya Horticultural Development Program (KHDP)	USAID	USD 5 million	2003–2007
KEPHIS, exporter support	USAID	USD 1.6 million	2004–2005
Kenya: Agricultural Productivity Project (KAPP)	WB	USD 75 million	2008–2011 (From 2004, 3 years/phase, 3 phases (plan))

Source: made by the Study team, based on the information from JICA Kenya Office

Major projects and their contents are described below.

Kenya Horticultural Development Project (KHDP, USAID)

This project aims to improve the income of small-scale farmers by encouraging commodity diversification, improvements to production and post-harvest treatment, and collaboration with the market. It also focuses on traditional export commodities and domestically consumed commodities. In collaboration with local business partners, support is provided for export, materials, refrigeration facilities, and for the processing and marketing sectors. A specialized core team provides support for market-oriented production and post-harvest treatment, market information, and other technical support. Commodities such as passion fruit, chili, vanilla, small-scale flower production, mango, cashew nuts and domestically consumed vegetables are produced at a demonstration plot in each area, and negotiations are conducted in order to supply local supermarkets and markets. A market survey of export destinations will also be conducted.

The Smallholder Horticulture Empowerment Project (SHEP, JICA)

The aim of this project is to bring about the poverty reduction of horticultural smallholders by encouraging food production and employment creation, involving organizational management and human resources development (carried out by Ministry of Agriculture and HCDA extension staff), collaboration between production and marketing interests, the collection of information on production and marketing, and the promotion of stakeholder partnerships.

The Eastern Province Horticulture and Traditional Crops Project (EPHTCP, IFAD)

The aim of this project is to assist the income generation and food security of small-scale farmers by supporting the increased production of horticultural commodities and traditional commodities, the repair of irrigation facilities, the improvement of agricultural roads, marketing, processing, collaboration with the market, and the provision of credit. Crops included are green beans, tomatoes, cucumbers and Asian vegetables.

The Kenya Agricultural Productivity Project (KAPP, World Bank)

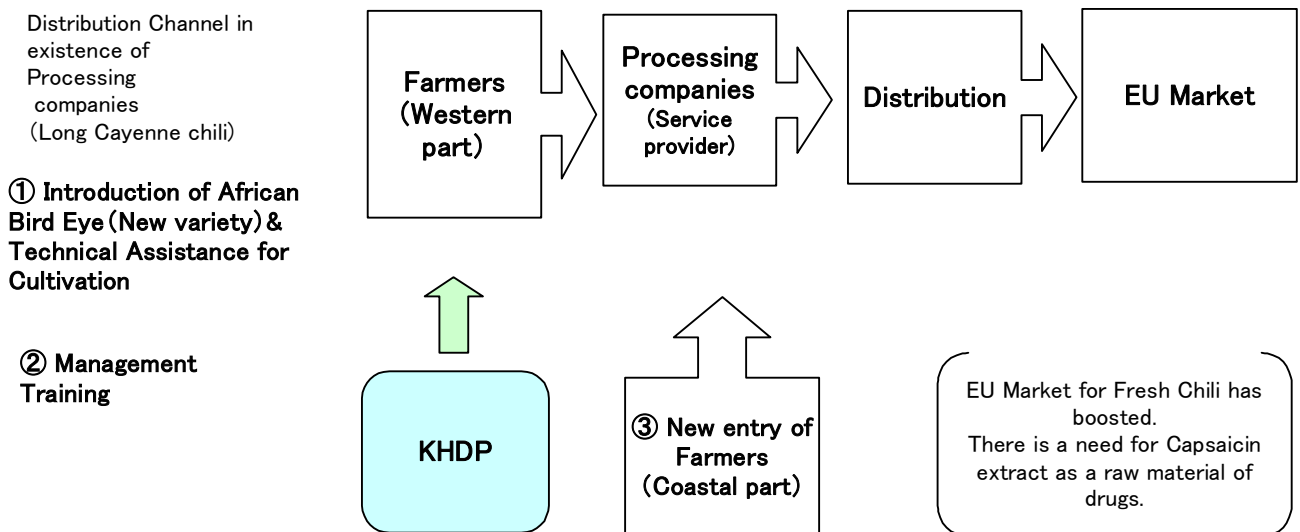
This project provides long-term support for agricultural reform. Phase 1 focuses on the reform of extension activities carried out by the Kenya Agricultural Research Institute (KARI), while phase 2 focuses on scaling up the areas in extension reform and phase 3 will focus on strengthening all previous components.

There are also other projects such as the Pesticide Initiative Program (PIP), an initiative stressing the need for stricter regulations and pesticide control, supported by the EU, and the Farmer Field School (FFS) program supported by the FAO.

2) Projects resulting in an export increase (Case 1)

The promotion project for the introduction and cultivation of a new chili (red pepper) variety aimed at the export market, carried out as part of the Kenya Horticultural Development Program of USAID, achieved an increase in exports to the EU by utilizing a local processing company as a service provider.

It could be said that the collaboration with a processing company which already had an existing channel into the EU market was the main contributor to the export increase for chili, but continuing support, such as the cultivation techniques introduced by the project, the human resources development carried out through management training, the assessment of production by periodic monitoring, the expansion of the production base and the introduction of the necessary financing for the project as a whole also contributed to the success of the project.



Source : made by the Study team

Figure S-11 Process of increase in export of African bird eye (fresh chili), Kenya

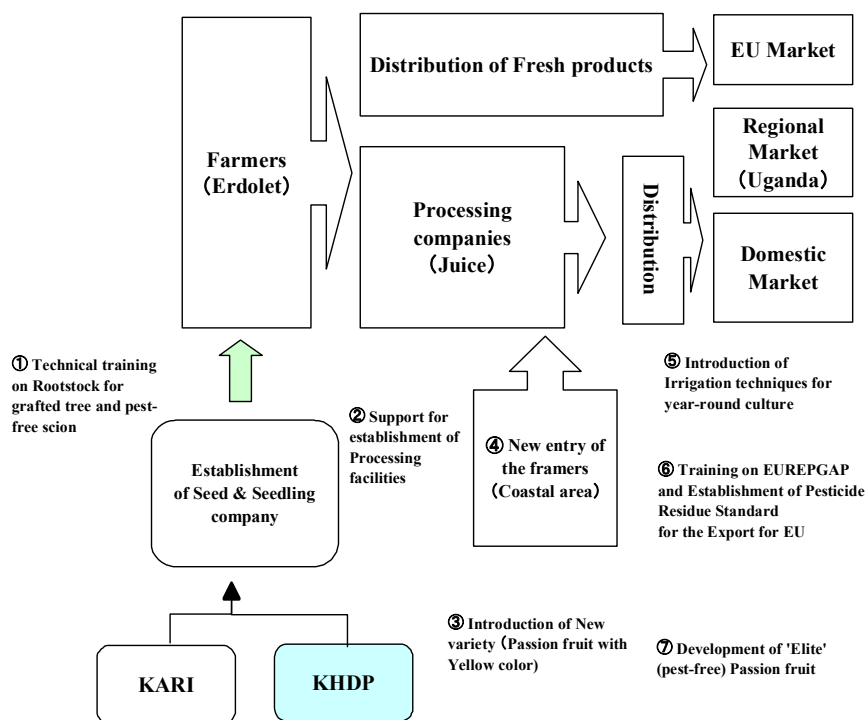
Table S-6 Case of African bird eye (fresh chili)

	Player			
	Project (KHDP)	Farmers	Processing/Export companies	University of Moi
Precondition	Boost of EU market for Fresh chili, Existing Market in Processing companies for Other variety of Chili			
Preparation for Implementation	Contract with Providers (Processing companies)	Farmers in Western area	Provider contract with KHDP	
Introduction of ABE & Promotion of Cultivation	Technical Assistance for Cultivation	Purchase of ABE seeds & Cultivation	Provision of ABE seeds	
Delivery of ABE		Delivery of ABE	Processing of ABE (dry treatment) & Export for EU	
Management Training	Offering trainings (Financial Control, Group Dynamics, Gender etc.)	Receiving Training		
Periodical Monitoring	Evaluation of Production quantity			
Training on Organic Chili	Training on Organic agricultural commodities	Receiving Training on Organic agricultural commodities		
Expansion of Production base	Introduction of Loan	Farmers in the Coastal area purchase ABE seeds & obtain the finance from bank	Provision of ABE seeds	
Delivery of ABE		Delivery of ABE	Processing of ABE (dry treatment) & Export for EU	
Cooperation with Research institutes	Cooperation with University of Moi	Receiving high quality seeds		Development of high quality seeds
Introduction to the Market	Introduction to the US Market	Receiving buyers' visit		
Outcomes	Establishment of ABE brand (Kenya is the largest provider in Africa), Contribution to the Expansion of EU Market, Income of the farmers increased, Cultivation area expanded, Needs for ABE accredited by EUREPGAP and other varieties diversified.			

Source : elaborated by the Study team

3) Projects resulting in an export increase (Case 2)

A similar case to the USAID project outlined above, but designed to make Kenya the leader of passion fruit production in Africa, was launched in 2004. Coupled with the development of pest-free, grafted plants, the introduction of high-yielding varieties and drip irrigation made year-round cultivation of high-quality passion fruit possible. However, because the export channel for fresh fruit into the EU was not as well developed as that for vegetables, and because the supply of raw materials for juice was inadequate, exports to the EU did not grow as much as expected. However, sales were made to neighboring Uganda, contributing to an increase in the regional export trade. Should the export ban to the US be overcome by improved pest risk assessment in the future, exports to the US could be also expected



Source: made by the Study team

Figure S-12 Process of increase in export of Passion fruit

Table S-7 Case of Passion fruit

	Player			
	Project (KHDP)	Kenya Agricultural Research Institute (KARI)	Farmers	Processing companies
Precondition	Shortage of Pest-free Seed & Seedling for Juice Production			
Preparation for Implementation	Establishment of Company of Seed & Seedling, tied-up with KARI	Development of Pest-free Seed & Seedling		
Commencement of Cultivation	Technical training on cultivation techniques for farmers		Fruit production	
Promotion of Processing Industry	Promotion of Processing industry			Strengthening the production base
Diversification of Varieties	Technical training on cultivation techniques		Cultivation of Yellow Fruit (High yield) at Coastal area, Large - purple fruit at Western area	
Periodical monitoring	Information from Traders from Uganda who come to buy in every week (Erdolet)			
Strengthening year -round cultivation	Technical development of Drip irrigation, Fertilizer Control, and Seed & Seedlings for Sustainable Production			
Response to Market need	Support for the accreditation of EUREPGAP, Trial implementation of Pesticide Residue Standard			
Expansion of Production base			Commencement of Yellow fruit at Coastal area	
Domestic Market			Supplying the products to supermarkets voluntarily	
Development of New variety	Development of 'Elite' (pest-free) Passion fruit			
Periodical monitoring				Fruits for Juice production for Domestic market are still insufficient
Outcomes	Good quality fruits could not be mass-produced because Passion fruit is prone to the diseases and hard to produce. This project has developed the pest-free grafted tree with KARI. In addition to the Drip irrigation technique, this enabled the farmers to cultivate throughout year. Enabling the production of high quality fruits has contributed to the increase in export to the regional market e.g. Uganda, although EU Market has not been expanded as expected.			

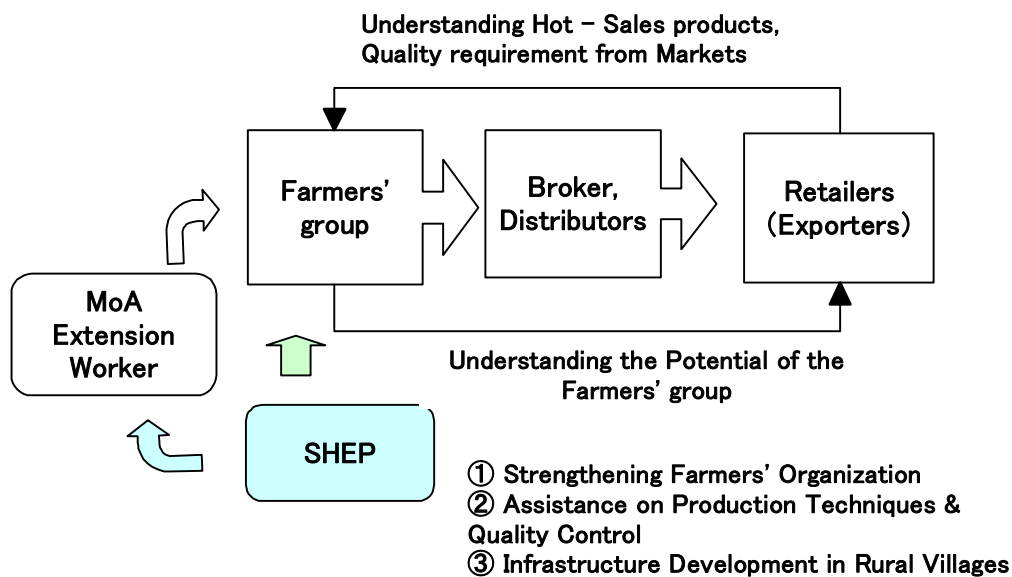
Source: made by the Study team

4) Projects potentially leading to an export increase (Case 3)

The Smallholder Horticulture Empowerment Project (SHEP) initiated by the JICA is a 3-year project which started in November 2006, and is designed to help build a stakeholder network by matching up brokers, distributors, exporters and processors. It aims to strengthen the farmers' organization, improve cultivation techniques and quality control, and develop rural infrastructure such as road development by using local technologies combined with networking, training and visits to more advanced farmers.

This is an effective networking process as business negotiations are facilitated by conducting consultations based on data prepared beforehand. Farmer groups can obtain information about saleable commodities and the quality required from distributors and exporters and, in return, the distributors and exporters can also assess the potential of the farmer groups.

This is a project which primarily aims to expand the domestic market by supporting the organization of farmers, encouraging capacity building by those involved in extension work and the improvement of commodity quality, but it also has the potential to increase exports as it helps build a network with the exporters.



Source: made by the Study team

Figure S-13 Strengthening the stakeholder network, including smallholders

5) Example of project components contributing to an export increase

Based on an analysis of cases (2), (3) and (4) in 4.3, above, examples of those project components which contributed to an increase in exports in the agricultural commodity trade are listed below:

- [1] Deciding on the best commodities for the project by collecting and analyzing market information
Conducting a marketing survey for marketability and competitiveness and determining the potential for sales on the domestic and local markets.
- [2] Deciding areas for the project where issues need to be solved through value chain analysis
Clarifying issues and constraints and narrowing target areas by surveying the whole value chain of commodities in the project, while also taking input resources and time into consideration.
- [3] Selecting the necessary partners for marketing
Selecting partners (such as a processing company) who can directly link with the next stage in the marketing process.
- [4] Building a stakeholder network
Collecting information on marketable products and the quality required by the market, and ensuring communication with each stakeholder.
- [5] Identification of and required response to needs at the processing/distribution stages (after production)
Studying the production management methods required to meet the quality and safety standards for products required by supermarkets and processing plants.
- [6] Monitoring of progress and coordinating any necessary responses
Monitoring the progress of the project and making any necessary adjustments.
- [7] Continuing input after the completion of the initial stage
Adopting mass production and diversification in order to meet customer needs and to enhance competitiveness.
- [8] Overall assessment and disclosure
Learning from the implementation of results and ensuring the transparency of the project.

4.4 Direction of Cooperation: Towards Policy Coherence

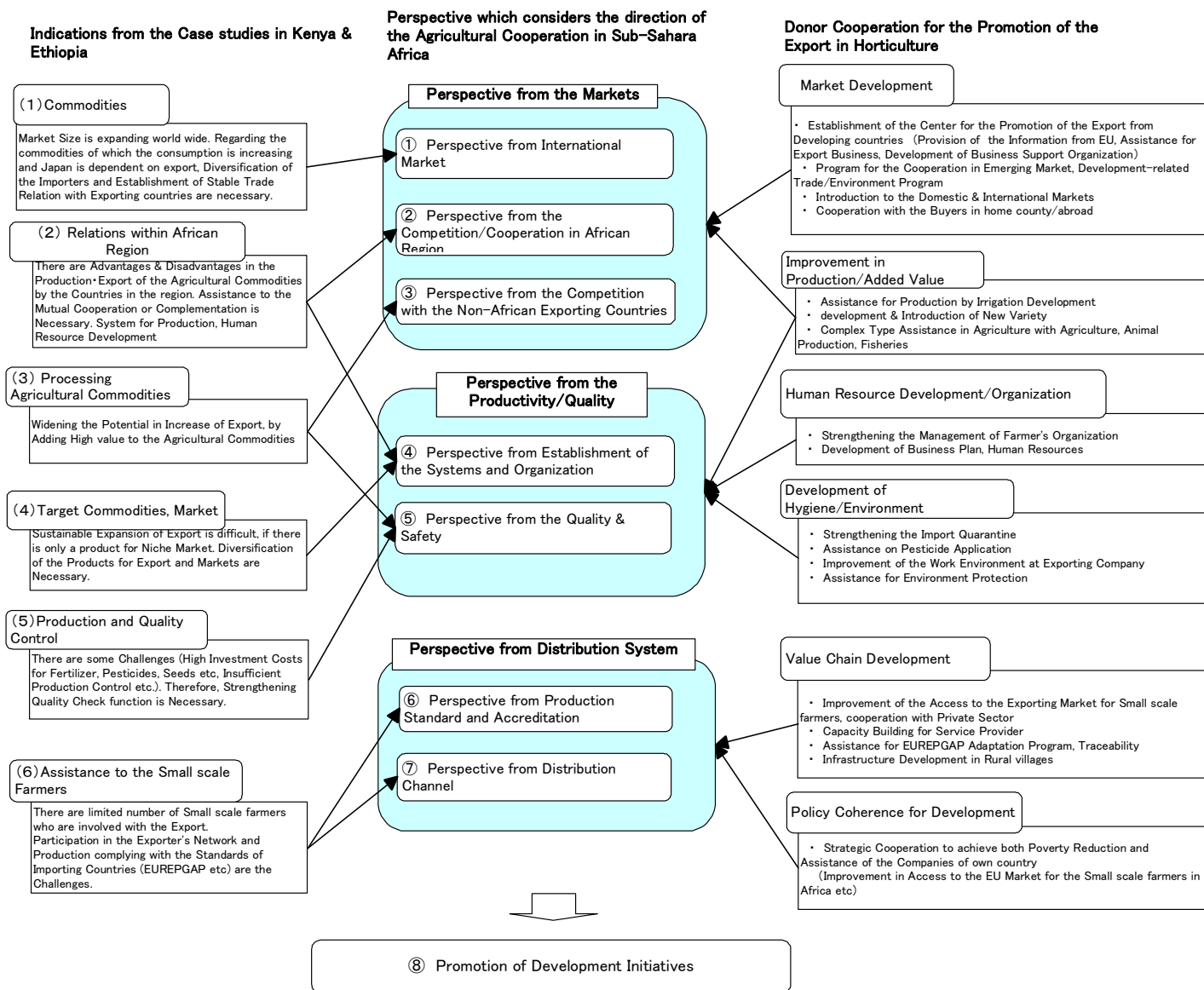
This section analyzes and reviews the following 2 viewpoints on the possible direction of future cooperation:

- Analyzing how the agriculture in Japan and that in developing countries can mutually cooperate and develop, and how to ensure policy coherence when looking at Sub-Saharan Africa as a whole.
- Analyzing the external factors and internal factors faced by the fruit and vegetables sectors of Kenya and Ethiopia using SWOT analysis and then developing strategies to increase exports by dividing countries up into either the advanced group or the least developed group.

(1) Direction of Cooperation in which the Agriculture of Japan and the Agriculture of Developing Countries can mutually cooperate and grow in Sub-Saharan Africa

Based on the review and discussion of issues regarding fruit and vegetables, recipient countries and assistance needs in the “Case Study: Fruit and Vegetables of Kenya and Ethiopia” in 2, coupled with the assistance records of donor cooperation in “Agricultural ODA, Agriculture and Agricultural Policy in Donor/Importing Countries” discussed in 3, the best viewpoint from which to consider the direction of cooperation in order to increase exports in the horticulture sector in Sub-Saharan Africa will be addressed further in 4.

The viewpoints acquired from the 6 suggestions presented earlier in 2 can be grouped into 3 categories: “the market viewpoint” dealing with commodities and marketability; “the productivity/quality viewpoint” addressing promotion, organization and the quality/safety of products in the production chain; and “the distribution system viewpoint” looking at the overall question of distribution. The type of cooperation provided by each donor, analyzed in 3, can also be classified into these 3 categories.



Source: made by the Study team

Figure S-14 Perspective which considers the direction of the Agricultural Cooperation in Sub-Saharan Africa and the relation between the current issues and assistance

1) Viewpoints to consider regarding the direction of African agricultural cooperation

- The market viewpoint

The main market for Kenya is in EU countries such as the UK and the Netherlands, whereas the main market for Ethiopia is in Middle Eastern countries. A good starting point from which to consider how cooperation contributes to an export increase is the selection of commodities and their system of marketing. To do this, it is necessary to survey the marketability and possibilities of each commodity in the international marketplace and to understand market needs. Not only foreign markets but also markets within the African region and domestic markets all need to be reviewed concurrently from the viewpoint of market diversity. Should it be possible to add value by processing some products in the future, then any potential conflict between the existing market and new market requirements also need to be addressed.

The creation of an import promotion center which helps disseminate the regulations of importing countries and market information, while also providing business support and a connection to the market, can also be considered to be cooperation related.

[1] The viewpoint from the international market

The Study has conducted field surveys in Europe, Africa and the Middle East and has found African commodities displayed on the shelves of many supermarkets. In supermarkets in Europe, there is also an “organic corner”, a “domestic products corner” (high price range) and a “popular products corner” (low price range) presenting the same range of fruit and vegetables for consumers to select from. In the diverse market structure found in Europe where people from Asia, Africa and the Middle East coexist, differentiation depends on whether the produce is displayed in a high- or middle-class shop and the position of the display shelf.

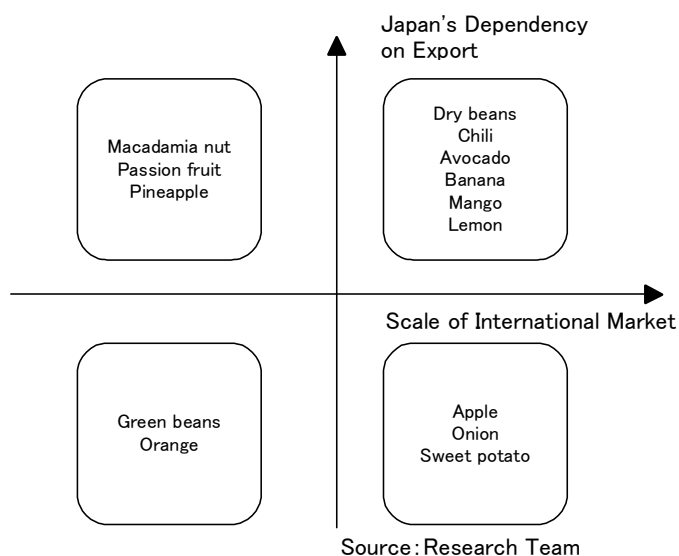


Figure S-15 : Position of Subject Commodities at the Markets

The reason why exports of passion fruit to the EU are not growing is probably due to the small size of the EU market. A market survey is therefore needed to determine the market size in other areas of the world and to assess the import dependency of each importing country.

[2] The viewpoint of competition/cooperation within Africa

As seen in the case of Kenya, buyers come from neighboring Uganda to purchase chili and passion fruit because the quality is high. It can be said that the introduction of varieties which meet market needs, the development of pest-resistant varieties and the production techniques have all contributed to the development of high quality products. The sale and consumption of fruit and vegetables is growing within the African region and in the domestic market, and the potential of these markets needs to be reviewed, especially if tourist numbers increase.

Tanzania is exporting tomatoes and cabbages to the domestic market in Kenya. This is reportedly due to their quality and price advantage. Tomatoes are also grown in greenhouses in Kenya, with the assistance of USAID, and this can benefit exports by allowing drought-free, year-round cultivation. The differentiation of vegetable consumption in Kenya has begun.

A mechanism is needed that will not widen the gap between rich and poor within Africa but will assist the development and marketing of branded products which will, in turn, vitalize the African region by making the best use of Japanese assistance in cooperation/development throughout the African region.

[3] The viewpoint of competition with other exporting countries, outside Africa

While the impact of African agricultural commodities on agriculture and agricultural policies in the UK and the Netherlands seems to be minimal, since these countries do not produce much in the way of vegetables or fruit, in the case of the EU market as a whole, however, conflict with fruit and vegetables produced elsewhere in the EU seems inevitable.

The table below shows the source of the fresh fruit and vegetables, and their processed products, imported into the UK, along with their respective market share.

Table S-8: Imports by the United Kingdom and leading supplying countries- Fruit & Vegetables

	Leading suppliers 2005	Share	Import value
Fruit			
Intra EU	Spain (15%), France (9%), the Netherlands (7%)	45%	1,258
Extra EU – DC*	USA (2.9%), New Zealand (2.6%)	8%	233
DC*	South Africa (12%), Chile (5%), Costa Rica (4.7%), Brazil (3.6%), Cameroon (3.5%), Dominican Rep. (2.1%)	47%	1,345
Vegetables			
Intra EU	Spain (34%), the Netherlands (31%), France (6%)	86%	1,885
Extra EU – DC*	Israel (0.8%), USA (0.7%), New Zealand (0.5%)	2%	46
DC*	Kenya (4.7%), Thailand (1.0%), Peru (0.8%), Egypt (0.6%), Zambia (0.5%), Ghana (0.5%)	12%	262

DC* : Developing countries

Source : CBI Market Survey: The Fresh Fruit and vegetables market in the United Kingdom October 2006,
the preserved fruit and vegetables market in the United Kingdom June 2007

Table S-8: Imports by the United Kingdom and leading supplying countries- Fruit & Vegetables
(continued)

Product	Leading suppliers in 2005, Share in %		Share (%)
Total Market Sector	Intra EU	Italy (13%), the Netherlands (12%), Germany (9%), Belgium (9%), France (6%)	66%
	Extra EU ex. DC	USA (5%), Canada (2.2%), Israel (0.9%), Australia (0.6%)	9%
	DC	Turkey (7%), China (3.3%), India (2.7%), Brazil (1.8%), Thailand (1.3%)	25%
Canned fruit and vegetables	Intra EU	Italy (32%), Spain (8%), Greece (8%), the Netherlands (8%), Germany (6%)	78%
	Extra EU ex. DC	Canada (0.7%), Israel (0.7%), Australia (0.6%)	2%
	DC	Thailand (3.8%), Turkey (3.8%), South Africa (2.6%), India (2.4%), China (2.3%)	19%
Fruit juice and concentrates	Intra EU	Germany (24%), the Netherlands (23%), Belgium (15%),	88%
	Extra EU ex. DC	USA (0.9%), Israel (0.6%),	2%
	DC	Brazil (6%), Turkey (0.9%), China (0.7%), Costa Rica (0.4%), Thailand (0.4%)	10%
Edible nuts	Intra EU	The Netherlands (12%), Italy (10%), Germany (5%), Spain (2.1%), France (1.0%)	31%
	Extra EU ex. DC	USA (19%), Australia (1.0%),	20%
	DC	Turkey (9%), India (9%), China (7%), Bolivia (5%), Vietnam (3.9%)	49%
Dried fruit and vegetables	Intra EU	France (15%), Italy (7%), Greece (5%), Germany (3.6%), the Netherlands (3.2%)	36%
	Extra EU ex. DC	Canada (10%), USA (10%), Israel (2.2%), Australia (1.3%)	24%
	DC	Turkey (22%), China (4.7%), Chile (3.0%), India (2.3%), Iran (1.8%), South Africa (0.9%)	40%
Frozen fruit and vegetables	Intra EU	Belgium (31%), the Netherlands (20%), Spain (7%), Poland (7%), France (6%)	80%
	Extra EU ex. DC	Canada (2.2%), Israel (2.0%), USA (1.1%), New Zealand (0.5%)	6%
	DC	Turkey (3.9%), China (3.8%), Chile (1.2%), Ecuador (0.8%), South Africa (0.7%)	14%
Jams, jellies and purees	Intra EU	France (35%), Germany (13%), Belgium (11%), Denmark (10%), the Netherlands (8%)	96%
	Extra EU ex. DC	USA (0.6%), Australia (0.2%)	1%
	DC	Turkey (1.5%), South Africa (0.2%), Dominica (0.2%), China (0.2%), Costa Rica (0.2%)	3%

Source : CBI Market Survey: The Fresh Fruit and vegetables market in the United Kingdom October 2006,
the preserved fruit and vegetables market in the United Kingdom June 2007

The UK imports 88 percent of its vegetables from within the EU and Kenya is the major supplier in the developing world. In the case of processed foods, the major supplier countries in the developing world are Thailand (for canned foods), Brazil (for juice) and Turkey (for nuts, dried fruits/vegetables and jam). In the future, competition with these countries will become an issue.

When considering exports to Japan, suitable agricultural commodities to cooperate on need to be considered from the domestic production and consumption viewpoint. However, it seems to be difficult to export fresh agricultural commodities from Africa to Japan soon because of the distance between Africa and Japan, the competition with Asian products, and the export ban imposed for plant quarantine reasons.

Also, as seen in the case of the transit trade through the Netherlands, there is a possibility that raw materials and primary processed products from Africa could undergo secondary processing in other African countries, Asia or Europe, and then be exported to Japan.

- The productivity/quality improvement viewpoint

The area of agricultural productivity and quality improvement is a likely field for cooperation involving Japan and one where Japan's previous knowledge and know-how of cooperation obtained in Asia can best be utilized. Japanese technologies and know-how, such as the introduction of new varieties for the diversification of export products and markets, along with the production techniques to support them, the agricultural management techniques and the testing/analysis of agricultural commodities to ensure their safety, support for conservation of environment-oriented agriculture, and the organization of farmers, could all be utilized.

[4] The system creation/organization viewpoint

A system could be created by adopting the techniques for cooperation already cultivated in advanced developing countries in Asia and Africa. This includes the organization of farmers and an extension system, and the development of rural infrastructure to meet local needs. In "The Smallholder Horticulture Empowerment Project" carried out by JICA in Kenya, an opportunity for farmers to involve in the network of exporters could be created by linking up concerned stakeholders. Human resources development support could also be provided in order to strengthen the management of the farmers' organization and improve farm management techniques.

[5] The quality/safety viewpoint

"The Rapid Alert System for Food and Feed" (RASFF)⁶ scheme introduced by the EU allows notification, via the Internet, of any food violation by any item imported into the EU. In 2007, a pesticide residue (Ethion) was detected in passion fruit imported into Denmark from Kenya and *Salmonella* was also detected in Nile Perch (whitefish) in Germany. Although the number of such cases is small, compared to other exporting countries, the management of pesticides and fertilizers used in the production process, the post-harvest sanitation of food, the product safety check and analysis (before shipping) to confirm product safety, and the awareness of safety by producers are all important when ensuring the safety of food wherever pesticide residues and microbial contamination of fish can occur.

⁶ The web site of the Rapid Alert System for Food and Feed (RASFF) is: http://ec.europa.eu/food/food/rapidalert/index_en.htm

- The distribution system viewpoint

The Indian network is active in the export business in Kenya, conveying green beans from production through to export. Service providers who seek new sources of raw materials and give technical training on meeting the needs of the EU also play an important role. Service providers also provide management training on the production standards (such as EUREPGAP and traceability) required by supermarkets in the EU.

A link to an existing distribution system which results in income generation and employment creation for smallholders contributes most to increased exports. The development of the value chain is also very important.

[6] The production standards and certification viewpoint

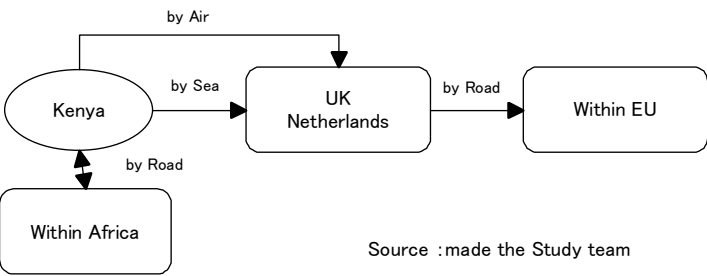
There are standards such as EUREPGAP and BRC concerned with the quality and production of retail goods exported to the EU and which also deal with the pesticide residue standards and the traceability procedures required in order to ensure the safety of agricultural commodities. Exporters and mid- to large-scale farmers already make use of these systems, and in order for smaller farmers to also become involved in export to the EU, the introduction of these systems is essential. Possible solutions are 1) the development of each country's own production standards (such as Kenya GAP), 2) the introduction of the low cost EUREPGAP system, 3) adopting new agricultural techniques supported by service providers. Since the requirements of importing countries are now so high, exporters are placed in a situation where they have to exert control using their own systems rather than depend on the government to strengthen the guidance and control of farmers through the means of agricultural extension.

While the projects mentioned so far have been mainly concerned with strengthening the agricultural extension and training which provides general trainings directly to farmers, in order to train service providers properly the needs of the farmers must also be considered. The number of service providers is limited at present and training more technicians with special skills in agricultural fields such as the development of new production techniques and the use/management of pesticides could enhance the technical ability of farmers and improve employment prospects for landless rural residents.

[7] The distribution route viewpoint

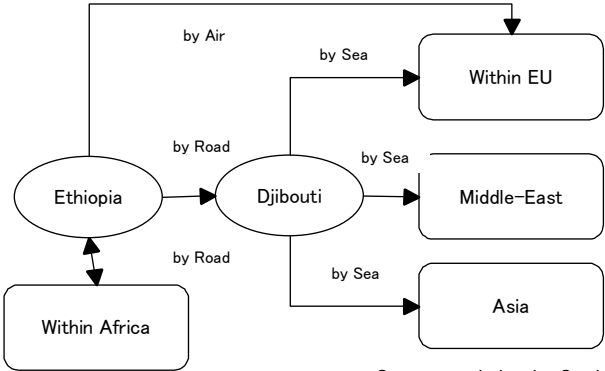
Green beans exported from Kenya to the EU need to be transported by air as they are fresh items. This causes the cost to increase and their food mileage is also a topic of discussion in the UK. However, the capability for year-round supply and the existing network of exporters and importers maintains Kenya's market share and, as seen in the examples of export increases cited earlier, even processed chili (red pepper) is now being successfully exported. Agricultural products as Avocados, which can be transported to the EU by ship and are in increasing demand, can be regarded as a competitive commodity.

The UK and the Netherlands also act as a hub for transit trade within the EU and further expansion of this market is expected in the future. The development of processing technology and packaging technology, including the possibility of switching from airfreight to sea freight by processing fresh products using freezing and refrigeration, is therefore needed.



Source :made the Study team

Figure S-16 Distribution route from Kenya Ethiopia



Source :made by the Study team

Figure S-17 Distribution route from Ethiopia

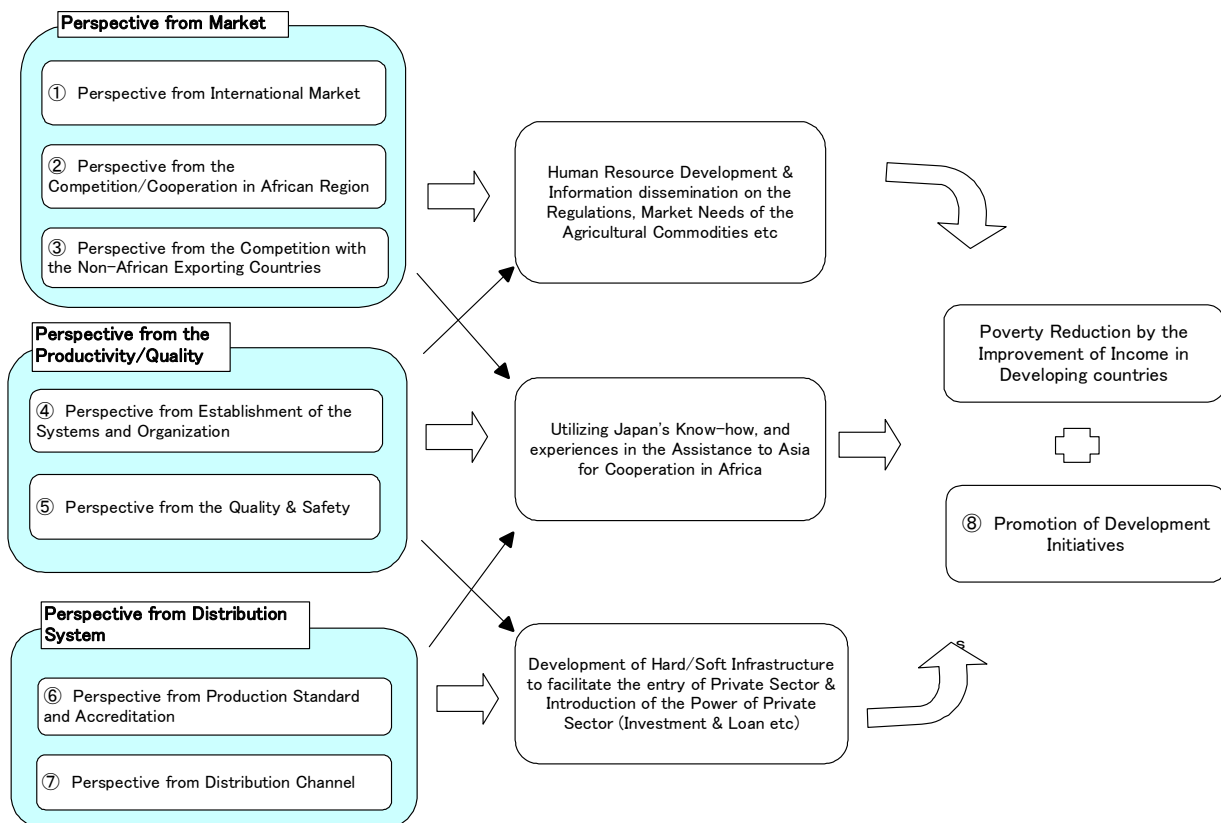
[8] The Development Initiatives promotion viewpoint

The world economy has been developed by promoting free trade under the WTO. However, many of the developing countries which account for four-fifths of the 150 countries currently belonging to the WTO have not yet benefited fully from this free trade. There are various trade-related difficulties that still need to be resolved, especially for the least developed countries in Africa. In order for developing countries to fully participate in trade, supply chain management is required, from the selection/development of saleable products through to the successful export of these products and their profitable sale overseas, and the “Development Initiative” is designed to support just that. As part of the agricultural negotiations of the WTO talks, it is vital to promote the “Development Initiative” in order for agriculture in both Japan and Africa to mutually cooperate and grow.

2) Direction in implementing cooperation with Japan

Based on consideration of the possible directions for cooperation mentioned above, the ways in which Japan can cooperate with African agriculture to help it to develop can be summarized in the following 3 approaches:

- [1] The development of marketing strategies and human resources in areas related to the globalization of food
- [2] Utilization of the experience and know-how gained by Japan providing assistance to Asia, and its application to cooperation in Africa
- [3] The development of hard and soft infrastructure in which the private sector can easily participate, bringing the vitality of the private sector to areas such as investment and loan projects



Source: elaborated by the Study team

Figure S-18 Directions of the Implementation in Japan's Assistance (3 Pillars)

These directions for cooperation would help increase the export of agricultural commodities from Africa and thus also contribute to poverty reduction by means of income generation in the Sub-Sahara region. Moreover, these directions will help Sub-Sahara African countries understand the opinion expressed by Japan at WTO negotiations, and ultimately ensure the policy coherence.

• Developing marketing strategies and human resources in areas related to the globalization of food

[1] Building marketing strategies for agricultural commodities

Although it is very difficult to systematically obtain information on global markets and the trading of agricultural commodities and then use it for decision-making, even in the business world, this is essential in order to implement cooperation and to understand the marketability of commodities, their competitiveness and their potential.

Developing countries have government agencies and private service organizations for export promotion which collect information on the various regulations of importing countries and the market, and these should be strengthened by providing the following support:

- The dispatch of missions to carry out needs surveys and provide commodity development support in the agricultural commodity market
- The training of technicians for marketing analysis and commodity development
- The promotion of mutual understanding with foreign investors, through the use of workshops
- Consulting on overseas marketing

[2] Information dissemination from Japan regarding the regulations and market needs of agricultural commodities

Although Japan has made the latest information, such as food regulations and laws, available to the public through the web site of the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health, Labour and Welfare and has provided information to counterpart governments through government channels overseas for some time, there is still not enough information being disseminated. The Export Helpdesk⁷ of the EU provides a service to exporting countries by which government regulations, import tariffs, custom clearance procedures and market information concerning the EU can be searched online in English, Spanish, French and Portuguese. The Netherlands has also created an agency to promote imports from developing countries and provides information, export business guidance and training for developing

⁷ The web site of Export Helpdesk for developing countries is: <http://exporthelp.europa.eu/>

countries.

While the regulations in Japan are said to be strict, the appeal that those regulations are in accord with the international rules and the dissemination of information on regulations concerning market access to Japan will help establish relationships and trust with developing countries by fostering mutual understanding. This information is also necessary for Japanese companies who are considering setting up businesses in Africa. Disseminating this sort of information also helps ensure safety-conscious food security.

▪ Utilization of the experience and know-how that Japan has gained in Asia and its application to cooperation in Africa

Japan, utilizing the experience and know-how of agriculture/rural development that it has provided to developing countries in Asia in the past, has much to offer in terms of cooperation. This includes support for productivity and quality improvement of agricultural commodities through the development of rural infrastructure and the organization of farmers, the development of standards and support for testing and analysis to meet the quality and safety levels required by the market, support for processing techniques for high value-added product development, and support for treatment techniques to reduce post-harvest losses. There are many projects in the Asian region which have produced good results by means of this sort of support.

In the ODA Charter of 2003, Japan clearly specifies that “Japan will actively promote South-South cooperation in partnership with more advanced developing countries in Asia and other regions”. The South-South cooperation support scheme to support the utilization of technologies and human resources in developing countries in Asia is also being promoted by Japan for developing countries in Africa, leading to the expansion of aid resources and the promotion of cooperation both inside and outside the region, and providing an effective means of supporting the efforts of other Asian donor countries.⁸

In South-South cooperation, there are 2 modalities: the use of Third Country Training (to provide technical guidance in a developing country by inviting technicians from that country for training abroad) and the use of Third Country Experts (sending a qualified expert on developing countries to a developing country). In a recent case, an Indonesian expert was sent to Madagascar, transferring technologies suitable for local rice production by introducing simple agricultural machinery and rice cultivation techniques. This produced great results. The fact that Madagascar and Indonesia share some aspects of culture and language (as many people have emigrated from Southeast Asia to Madagascar in the past) was a major factor contributing to the success of this project.

⁸ JICA's South-South Cooperation web site (JICA INFO-site) is: <http://www.jica.go.jp/infosite/issues/ssc/index.html>

Another example of South-South cooperation support is the “Asia-Africa Knowledge Co-Creation Program” introduced by JICA. This program aims to create knowledge that suits the conditions of each country by using the experience of people in both Asia and Africa as a “catalyst” and a link to rural community development, helping solve any issues that arise regarding the private sector and project formulation. The use of these schemes needs to be considered further.

With regard to future cooperation, this should involve not only direct support from Japan to Africa but also cooperation between Africa and Asia and the cooperation of the more advanced developing countries in Africa with the least developed countries. By having Japan support these forms of cooperation, Japanese assistance would be able to contribute to both the Asian and African regions. In particular, the direction of the following projects should be considered:

- [1] Project training and visits to projects in related fields, implemented by Japan in developing countries in Asia
- [2] Implementation of Asian South-South technical cooperation projects supporting African agricultural development
- [3] Agricultural production/distribution projects to vitalize distribution within the African region

• Development of hard and soft infrastructure in which the private sector can easily participate and introduce the vitality of the private sector to such things as investment and financing projects

It has been shown that, in Kenya, the private sector handles all stages from production to collection, export, import and sales on its own by means of links with retail stores in the EU. Exporters procure raw materials from their own farms and contract farmers in order to ensure the quality and quantity required by the market, then pack products in their own packhouses and export them. On behalf of the farmers, they also receive EUREPGAP certification, specifying the production standards required by retail stores in the EU. Until now, however, there was no place in this supply chain for smallholders.

However, because of the need to secure supply, due to the expanded demand for vegetables in the EU, exporters now need to expand their range of suppliers and procure more products from EUREPGAP-certified farmers groups. Some exporters use their own instructors to provide technical training and assist the expansion of the contract farms while others outsource these skills, creating a service provider business. USAID has supported the development of these service providers and that, in turn, has made the procurement of raw materials (with the desired quality and quantity) a success, contributing to an increase in exports.

When reviewing those projects that have resulted in increased exports, and looking closely at those projects implemented by Europe and the United States, it can be seen that most of their support was additional and indirect assistance directed at the value chain in order to improve the existing network by means of such initiatives as the introduction of new varieties, technical/management training, farm expansion, seedling development and assistance for establishing processing facilities. While the type of assistance provided by Japan is similar, the big difference between the assistance provided by Europe and the United States and that provided by Japan is the level of collaboration with key players (private entities such as processors and exporters) in the export network.

The main participants in this are farmers and processing companies, and a key project function has been promoting the “catalytic reaction” needed to support them. Smallholders also involved in the network of exporters and increased their income accordingly.

While it is difficult for assistance from Japan to be implemented in a Western-style manner which involves support for collaboration with the private sector, some form of mechanism which would complement/cooperate with a Western-style approach, perhaps through the offer of a business link-up between smallholders and importers, the strengthening of human resources in periphery areas (such as service providers), and the development of hard/soft infrastructure for private sector participation and investment and financing projects, needs to be considered.

Specific directions of assistance are:

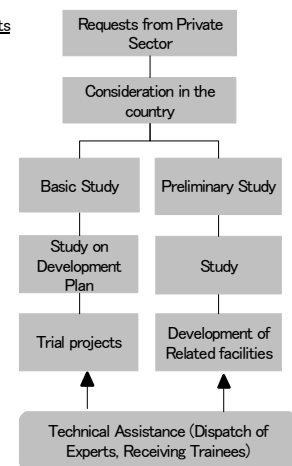
- [1] To facilitate private sector participation by developing large-scale hard infrastructure such as the maintenance of agricultural roads and airport improvement, and soft infrastructure such as the development of legal systems
- [2] Education/training to increase the number of service providers who can provide technical guidance to farmers
- [3] Support for matching-up stakeholders, leading to export promotion
- [4] Investment and financing projects which are attractive to Japanese businesses

Box S-1 JICA Development Investment and Financing Project

The JICA Development Cooperation Program (Development Investment and loan) was launched as a new program at the time of JICA's establishment in 1974. However, the acceptance of the project was only finalized by the "Reorganization and Rationalization Plan of Special Public Corporations" decided by the cabinet in December, 2001. On the other hand, a report on "Views concerning Sub-Sahara African Development" was announced by Nippon Keidanren (Japan Business Federation) in December, 2007, and the interim report of the "Advisory Council on International Cooperation", an advisory body to the Foreign Affairs Minister (announced in January 2008) proposed "cooperation between the public and the private sector" and "the creation of investment and financing functions as a new form of development cooperation". These initiatives were designed to encourage collaboration between ODA programs and the vitality of the private sector, whereby ODA could assist private projects contributing to the economic and social development of developing countries.

The abovementioned JICA Development Investment and Loan Program was a double-track development cooperation program designed to provide a study/technical guidance service and a long-term soft loan for private businesses implementing experimental projects in developing countries, as it is difficult to borrow from other public funds for experimental projects due to their high risk and questionable profitability. The study/technical guidance service comprised three kinds of service system: the study (two kinds of basic development study and a field demonstration study), the dispatch of experts, and the training of local staff in Japan. With regard to the investment and financing service, there are two kinds of service provided: financing for related facilities development projects and financing for experimental projects.

Procedure of Development Projects



Two specific cases are reviewed below for consideration as part of the design of new "creation of development cooperation investment and financing functions" aimed at producing a system which is easy for private businesses to use. To do this requires not only evaluation/verification of actual cases by the JICA but also involves listening to the evaluations and requests for improvement of the system from participating private companies.

Project Title: Experimental Project for Hop Cultivation in China (Case 1)

Background and Objectives of the Project: Company S bought 75 percent of its beer hops from overseas sources and most were produced in Europe. Company S planned to develop a supply source in China in order to secure stable supply and to diversify its import sources.

Description of the Project: Although the project area in China had already grown hops before, these were all bitter hops rather than the aromatic hops required for the production of good quality beer in Japan. Aromatic varieties require the use of high-level techniques in their production, compared to bitter varieties. Experimental study was therefore needed in order to select varieties suitable for the local geographical conditions and to develop suitable production techniques.

Results: The experimental production study was started in 1987 (Showa 62) and, over a 5-year period, achieved much success in the selection of suitable aromatic hop varieties and the development of suitable production techniques. The experimental project was upgraded to a full-fledged project in 1991 and 90 hectares were devoted to production, drying and pellet processing. The contract production of hops was also started on neighboring farms. As a result, the local corporation of Company S was able to pay dividends from the final accounts by the 9th year (1997) after establishment.

Investment and Loan Project: Long-term soft loan: 191 million yen at 2 percent interest, with a 15-year repayment period and a 5-year grace period, was received after approval of the experimental project by JICA. Long-term financing of 280 million yen was made available from the OECF (the present JBIC) at 5.5 percent interest with a 15-year repayment period and a 5-year grace period. Company S and related companies in Japan have since provided the capital required by the local corporation and have financed the full-fledged project.

Related Facilities Development Project: In 1999, Company S requested that JICA send a mission to give advice on design, estimation and investment, along with development cooperation considerations regarding the maintenance and repair of roads and canals serving neighboring farms.

Training in Japan: JICA successfully carried out a training program in Japan, accepting 2 local technicians and providing financial assistance.

Project Title: Experimental Project for Sugarcane Cultivation in the Republic of the Philippines (Case 2)

Background and Objectives of the Project: Company A produced monosodium glutamate using molasses (a byproduct of sugar production from sugarcane) as the raw material. However, sugarcane production in the province of Pampanga was severely affected by the eruption of Mount Pinatubo in 1991 and the

sugar industry in the province was facing a crisis. Company A planned an experimental project to select varieties that could produce high yields in the ash soil and to develop cultivation techniques that could secure a stable supply of raw materials. The experimental project was then implemented for 5 years, from 1998, using JICA financial assistance.

Description of the Project: The following tests were conducted in two experimental stations: variety selection and verification to help develop new cultivation techniques (fertilization, plant density and irrigation) at the Arayat experiment station; practical application planning (ash soil/variety testing, fertilization trials) at the Porac experiment station. During the test period, farm development (Arayat Farm: about 2 hectares, Puranas Farm: about 1 hectare), office building/laboratory/warehouse development, and the procurement of vehicle/agricultural equipment/analytical equipment/office equipment was also carried out.

Results: The test results were used to select high yielding varieties, verify the optimum fertilization method for compost and liquid fertilizer application, verify water-saving irrigation methods, and verify optimum row spacing/plant density designs. As a result, Company A decided that it would be difficult for the company to engage in agricultural commodity production and did not implement the full-fledged project. However, a company related to Company A has been implementing a demonstration production project utilizing the results of this experimental project. The test results have been made available to the National Sugar Development Corporation of the Philippines and to private sugar businesses, and the technical data obtained from the experimental project are being disseminated.

Technical Support: JICA provided experts for this experimental project on 3 occasions and 3 technicians were also trained in Japan during 3 separate visits.

- (2) Direction of cooperation to increase the capacity for agricultural commodity exports from the countries included in the Study

The direction of cooperation that would contribute most to generating income for small-scale farmers and increasing the capacity of agricultural commodity exports in Kenya and Ethiopia will now be considered.

To help determine “the direction of mutual cooperation for African agriculture which is suitable for Japan and has potential” for the vegetable and fruit sectors in Kenya and Ethiopia, as reviewed above, a SWOT analysis was carried out based on the “Export of Vegetables, Fruits and Pulses: Features of Kenya and Ethiopia” and the information obtained by the field survey.

In the SWOT analysis, “Opportunities” and “Threats” in the external factors (the environment surrounding the fruit and vegetables sector) and “Strengths” and “Weaknesses” in the internal factors were analyzed and strategies were formulated. In the first stage, the natural conditions, the historical background, the type of export vegetables and fruits, and the export networks of Kenya and Ethiopia (as shown in “Table 1.20 Export of Vegetables, Fruits and Pulses: Features of Kenya and Ethiopia”) were analyzed with regard to opportunities, threats, strengths and weaknesses. In the second stage, various possible cooperation strategies to increase the exports from each country were considered.

• Consideration of strategies to increase exports of fruit and vegetables from Kenya, using SWOT analysis

Kenya has a mainly Indian-operated network responsible for the agricultural commodity trade with the EU and has already established markets there. It is also highly trusted by the EU since, due to favorable natural conditions and year-round production, and the ability to obtain fresh products from farmers with EUREPGAP certification (as required by the EU market), it can ensure stable supply. As the network needs to acquire more farmers to act as a raw material supply source in order to ensure the quality and quantity needed to meet expanding demand from the EU and Asian markets in the future, the entry of smallholders into the existing value chain fits in well with the needs of the existing network. Support from service providers is also important. To cope with the diversification of overseas needs and possible competition with surrounding countries, more added value and processing applications are needed in order to increase exports, along with infrastructure development and policies to attract businesses and foreign capital. It is also necessary to introduce new production techniques and to improve quality-checking functions in order to ensure the safety of agricultural commodities and to help develop a “Kenya brand”.

Therefore, 3 new strategies are needed to strengthen competitiveness by means of market expansion, utilizing the existing network and diversifying the range of export commodities and markets, as follows.

- Strategy K1: Support for the entry of smallholders into the value chain
- Strategy K2: Support for the diversification of agricultural export commodities and markets
- Strategy K3: Improved compliance with food regulations and increased capabilities to respond to overseas requirements

• Consideration of possible strategies to increase exports of vegetables and fruits from Ethiopia, based on a SWOT analysis

Ethiopia already has a “Dry Beans” market in the Middle East and India, due to its low production cost advantage, but exports are not increasing because of the quality issue. Many other issues also adversely affect the production of agricultural commodities since the variety of agricultural commodities is limited, the distribution infrastructure is underdeveloped, and post-harvest losses are substantial, even though Ethiopia has favorable natural production conditions, similar to those in Kenya.

The first step needed is to improve the quality and productivity of agricultural commodities and to ensure and enhance the confidence of the domestic market and existing markets in the Middle East and Asia. Using that as a stepping-stone, the next step is to develop the export market, taking the need for expansion of the EU market and the attraction of foreign capital into account. Since it is difficult to obtain adequate production at present, due to inadequate irrigation facilities for vegetable and fruit production and underdeveloped market and road access, soft infrastructure such as the development of a legal system (coupled with improvements to the distribution infrastructure) also need to be reinforced.

Therefore, 3 new strategies are needed to strengthen competitiveness by means of market expansion, utilizing the existing network and diversifying the range of export commodities and markets, as follows.

- Strategy E1: Support for the improvement of productivity/quality of agricultural commodities
- Strategy E2: Support for export market development
- Strategy E3: Support for the development of distribution infrastructure and legal systems

Table S-9 SWOT Analysis for the Export Expansion in Kenyan horticultural sector

SWOT Analysis for the Export Expansion in Kenyan horticultural sector			External Factor (Environment)		Strategy by SWOT analysis
			Opportunities	Threats	
			Needs of EU Market Expanded Needs of Asian Market Expanded	Fresh Commodities: Prone to the Market Conditions Change in EU Trade policy Possibility in Foreign currency inflow due to the Political uncertainty (Riot etc)	<p>Strengthening the Competitiveness by Diversification of Varieties & Market Expansion, using existing Networks</p> <p>Strategy 1 : Involvement of Small-scale farmers in the Value chain</p> <p>Strategy 2 : Assistance to the Diversification of Variety and Exporting Markets for Agricultural commodities</p> <p>Strategy 3 : Food Regulation and the Strengthening the ability to respond</p>
Internal Factor	Strength	<ul style="list-style-type: none"> - Good Natural Condition - Indian Distribution Network - Cultivation & Supply: Possible throughout the year - Inspection System before Export - Introduction of EUREPGAP: Progressing - Own Seaport in Mombasa 	<p>To Pursue the opportunities that are good fit to the country's strengths</p> <p>↓</p> <p>Export large volume and many variety of Agricultural commodities, which respond to the Market needs, using Existing Networks (Increase the Number of Farmers as Suppliers)</p>	<p>Overcome Weakness to pursue the opportunities</p> <p>↓</p> <p>Developing Processed products and many variety of fresh commodities to add high values for exporting products (Inviting Foreign Capital)</p>	
	Weakness	Seeds: Import dependence Some commodities cannot be exported due to the Quarantine issues.	<p>To Identify ways that the country can use its strengths to reduce its vulnerability to external threats</p> <p>↓</p> <p>Differentiate from other countries, through Institution building to ensure the safety of Vegetables & Fruits, and its introduction to the farmers (Building Brand)</p>	<p>To establish a defensive plan to prevent the country's weakness from making it highly susceptible to external threats</p> <p>↓</p> <p>Market Expansion to Middle East, Asia, African Region etc (Non EU Market) (New Market Development)</p>	

Source: made by the Study team

Table S-10 SWOT Analysis for the Export Expansion in Kenyan horticultural sector

SWOT Analysis for the Export Expansion in Ethiopian horticultural sector				Strategy by SWOT analysis	
		External Factor (Environment)			
		Opportunities	Threats		
		Foreign Capital Transfer from Kenya EU Market for Vegetables & Fruits Expanded Market in Asia Expanded	Sesame for Japan cannot be exported due to the Pesticide Residue Change in EU Trade Policy There are some areas facing food shortage	Productivity and Quality Improvement/Development of Infrastructure	
Internal Factor	Strength	<ul style="list-style-type: none"> - Good Natural Condition - Exporting Dry beans for Middle-East - Low Production Cost 	<p>To Pursue the opportunities that are good fit to the country's strengths</p> <p>↓</p> <p>Expansion of EU Market through the Improvement of Quality/Productivity (Inviting Foreign Capital)</p>	<p>Overcome the Weakness to pursue the opportunities</p> <p>↓</p> <p>Diversification of the variety in Agricultural commodities and Expansion of Markets in Middle East, Asia, EU (Inviting Foreign Capital)</p>	<p>Strategy 1: Assistance for Productivity/Quality improvement for Agricultural commodities</p> <p>Strategy 2: Assistance for the Development of Exporting Markets</p>
	Weakness	<ul style="list-style-type: none"> - Weak Network with EU - Infrastructure, Legal System: Not Developed - Inspection System before Export: Not Developed - Introduction of EUREPGAP: Not Progressing - Own Seaport: None 	<p>To Identify the ways that the country can use its strengths to reduce its vulnerability to external threats</p> <p>↓</p> <p>Reduction of Post harvest loss and Quality improvement by Distribution and Market Infrastructure</p>	<p>To establish a defensive plan to prevent the country's weakness from making it highly susceptible to external threats</p> <p>↓</p> <p>Operation in the Domestic/African Markets (Taking advantage of low cost)</p>	<p>Strategy 3: Assistance for the Development of Distribution Infrastructure and legislations</p>

Source: made by the Study team