

Sector Project on Agricultural Trade and Private Sector Cooperation in Rural Areas

Strengthening food security and rural development by promoting sustainable agricultural value chains and trade

Challenges and opportunities

Since 2008, rising and increasingly volatile commodity prices have fundamentally changed the parameters of agricultural trade worldwide. At the same time, companies from the agricultural and food sectors are investing more and more in rural areas in developing and emerging countries.

Despite tariff barriers having been significantly reduced in recent decades, global trade in food and commodities is restricted not only by those tariff barriers which remain in place but also, in particular, by the increasingly important non-tariff barriers to trade.

Furthermore, the poor quality of infrastructure coupled with restricted access to input and output markets and to financing opportunities are major challenges facing agricultural producers and processors in developing countries. Greater attention is also focused on the importance of regional integration for improving food security.

Developing and emerging countries need sufficient capacity so as to be able to seize the opportunities offered by agricultural trade at regional and international level. Releasing untapped market potential requires coordinated public and private action. Private sector cooperation in particular offers great potential in terms of sustainable development.

Project	Sector Project on Agricultural Trade and Private Sector Cooperation in Rural Areas
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Duration	April 2012 to March 2015

Our approach

The Sector Project on Agricultural Trade and Private Sector Cooperation in Rural Areas was established in 1999 on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The aim of the project is to promote inclusive and sustainable growth based on free and fair trade and, in so doing, to contribute to rural development, food security and poverty reduction. We are therefore working together with the private sector to support sustainable agricultural value chains as well as a conducive environment for agricultural production and trade.

Our activities

Policy advisory services

We advise the Federal Ministry for Economic Cooperation and Development (BMZ) regarding political processes at national, regional and multilateral level. In this way, we ensure that development objectives are taken into consideration when carrying out negotiations and making decisions on the topics we address.

Technical and conceptual work

Conceptual work on current and innovative specialist issues and the development and communication of strategies and methods are some of our core activities. Besides gathering and analysing knowledge, we study new topics and exchange ideas and information in specialist networks. By conducting studies and by organising workshops and lectures on these issues, we ensure that GIZ is equipped with sector-specific knowledge which it can then use and develop further.



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Implementation of concepts and instruments

In cooperation with bilateral and regional projects, scientific institutions, civil society organisations as well as with companies in the agricultural and food sectors, we develop innovative concepts for new projects in our partner countries and provide specialist support with their implementation.

Our areas of work

Agricultural trade policy and regional agricultural markets

Favourable policy frameworks are the fundamental requirement for sustainable agricultural value chains in developing countries. To this end, these countries also need capacities in order to formulate and represent their interests in bilateral, regional and multilateral trade negotiations.

We help our partners to reach and implement trade agreements for promoting development. We also provide advisory services for the development of a coherent and strategic agricultural trade policy so as to strike a balance between trade on the one hand, and our partners' own national and regional production on the other. Promoting regional integration helps to increase the size of sales markets and allows for economies of scale as well as regional storage and risk management.

Cooperation with the private sector

A strong private sector is what drives rural development. Cooperation between public and private sector actors can also prove instrumental in improving food security both in qualitative and quantitative terms. Integrating small farmers and local agricultural companies into value chains and optimising production and marketing processes are the objectives of joint projects.

One example is the German Food Partnership (GFP). The GFP brings together public and private actors in an effort to

boost productivity, promote stable supplier relationships and facilitate access to the market along the entire value chain, through projects carried out with local and German companies.

Food safety and quality

With increasing trade liberalisation in the agricultural sector and the worldwide integration of food supply chains, public awareness of issues such as food safety and food quality has grown. The legal requirements for quality assurance and food control systems along the food chain have increased, while international trading companies have also introduced their own food quality and safety standards.

Accordingly, public and private actors need to develop sufficient capacities to be able to meet these requirements. Our goal is to support the improvement in the safety and quality of agricultural products. This will improve access to regional and international markets as well as strengthen consumer protection in our partner countries.

Agricultural financing

Small farmers as well as other actors along agricultural value chains often do not have any adequate access to financial services such as loans or savings accounts. The seasonal nature of revenues, the earnings risk involved and high transaction costs are particular features of the agricultural sector which make it a high-risk and relatively unattractive proposition for financial institutions. Access to financing opportunities, however, is vital for modernising agricultural production.

We therefore support the development of formal and informal financing, investment and insurance instruments which are geared to the specific requirements of the agricultural sector. On the other hand, we are strengthening small farmers and other actors so that they can improve the way they do business. This in turn will enable them to qualify as clients of financial institutions.

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