Pan African Agribusiness Consortium

PanAAC

First East and Central African Agribusiness Workshop and Business to Business Meeting

Held at Panari Hotel, Nairobi October 13-14, 2008

Workshop Documentation

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This report documents the workshop on the first East and Central African Agribusiness workshop and Business to Business Meeting, which took place on October 13-14, 2008 at Panari Hotel, Nairobi, Kenya. This report captures the workshop output in a non-interpreted way. A final synthesised report will be inserted by the synthesis group.

THIS DOCUMENTATION IS MEANT TO BE A REFERENCE DOCUMENT for all participants and is intended to provide details of what transpired. Almost all results of the working groups and plenary sessions are documented including summary reports of the topic synthesisers.
Foreword by the organizers

13th and 14th of October 2008 is an important milestone for the Pan African Agribusiness Consortium (PanAAC). During the two days a successful first of the planned four sub regional focal points induction and strategy meeting was held.

The meeting brought together stakeholders in agribusiness; input suppliers, logistics providers, marketers, financiers, processors, business development & incubation specialists, agribusiness training & extension specialists, policy makers, agribusiness organizations and development partners.

The participants explored at length the challenges in East and Central Africa Agribusiness i.e. strategic partnerships, policy change & influence, perception of the value of agribusiness in society, risks caused by gaps in infrastructure & policy, access to finance & credit, market access domain, access to technology & innovation, domestic & cross border supply chains and capacity weaknesses.

The participants also pointed out specific opportunistic areas where PanAAC should intervene i.e. brand Agribusiness for more investment, capture & share success stories to enhance business and inform policy, disseminate important information on agribusiness through the website and information packs, catalyze dialogue for financing, create capacity for organizational development, establish strategic partnerships, advocate for policy reforms and harmonization and establish mechanism to mentor stakeholders in agribusiness.

The above stated challenges and opportunities resonate with those that came out of the Johannesburg meeting and has made PanAAC more focused.

The participants also endorsed the establishment of the PanAAC-ECA Chapter and also set-up a working group to synthesize the outputs of the meeting into a working document for establishment of the ECA Chapter.

For PanAAC and its sub regional Chapter, the work has just began. It will however take concerted effort by the membership, partners and collaborators to deliver on it’s goals. You’re now part of the talk but we look forward to walking with you all the way.

We wish to thank all the participants for their taking their time to attend the workshop and more so for their invaluable contribution and input.

Many thanks to our partners and collaborators; FARA, NEPAD, AGRA, FAO, RIU, GTZ, COMESA, EAC, USAID, SNV and CDE-ACP for supporting the workshop.

We wish to thank all the speakers; Dr. Humphrey Mwangi- Kenya’s Ministry for Agriculture, Dr Angel Daka-COMESA, Dr. Michael Waithaka-ASARECA, Dr Ralph Kauffman- FARA, Dr Susan Minae-FAO, Dr Komla Bissi & Dr Maria Wanzala-NEPAD, Dr. Andy Frost-RIU, Anne Mbaabu- AGRA, Dr. James Mwangi- Equity Bank, Prof. Willis Kosura- CMAAE, Mrs Perez Ochieng’- SACOMA-CFE, Mrs Mumbi Kimathi-Farm Concern, Prof. Atieno- Amadi- KeKobi, Mr. Patrick Oketa-AAC, Dr. Gavin Olney-RIU, Mrs Gladys Maingi-GTZ-PSDA, and Mr Chebet Maikut-EAFF for their incisive and spot on presentations.

Finally we wish to thank Dr. Jurgen Haggman for his stewardship and facilitation.
Executive Summary

Pan African Agribusiness Consortium (PanAAC) in conjunction with the Association for Strengthening of Agricultural Research in East and Central Africa (ASARECA) hosted the inaugural East and Central Africa (ECA) Agribusiness workshop and Business to Business meeting on the 13th and 14th of October 2008 in Nairobi, Kenya.

The theme of the workshop was Pro-poor Agribusiness Growth: mobilizing micro, Small and medium enterprises (MSMEs) in African agribusiness.

The workshop was supported by FARA, NEPAD, AGRA, FAO and RIU.

The workshop was held in two sessions. It brought together participants from the private sector, farmer organizations, financial institutions, policy makers, agribusiness organizations and development partners.

The first session was the Public Private Sector Dialogue that brought together 87 participants majority of them Agribusiness and their organizations.

The second session was the private sector caucus that brought together 64 participants from the private sector and its organizations and a few observers from Agricultural Research Organizations and development partners.

The objectives of the meeting were to develop an understanding of PanAAC, illuminate the challenges and opportunities in the sub regional agribusiness, explore the need to set up the sub regional Chapter based on strategic opportunity areas and benefits and finally to define a plan of action for the Chapter.

During the meeting the following challenges that bedevil the industry were identified:

- Lack of effective partnerships,
- Policy changes and influence,
- Perceptions of the value of agriculture in society and how to communicate agribusiness,
- Value chain bottlenecks,
- Access to finance,
- Market access domain,
- Technology and innovation access,
- Economies of scale on part of the producers and
- Capacity of agribusinesses

As an intervention the following strategic opportunity areas were proposed for action by PanAAC:

- Creating a positive image of agribusiness as a strategy of dealing with unemployment.
• Focal point for capture and sharing of lessons to enhance members work and inform policy
• Coordinate and support warehouse receipt system
• One stop shop for information and data, coordinate information so that we have one focal point to secure information and innovation dissemination; quick hit – www.panaac.org
• Catalyze dialogue between finance service providers, SMEs and agribusinesses
• Create capacity for organizational development (empowerment)
• Policy harmonization and building partnerships; stakeholder coordination to influence policy on agribusiness
• Advocacy and lobbying (PanAAC to empower key players in the value chain) to influence policy reforms and harmonization
• Mobilize agribusiness needs towards efficiency – knowledge transfer through R&D
• Mechanism to mentor stakeholders in agribusiness development
• Financial brokerage

The meeting was divided into two; the public private sector dialogue on the first day and the private sector caucus on the second.

The dialogue involved opening remarks from the representative of the ministry of agriculture of Kenya, ASARECA, PanAAC, AGRA, FARA and COMESA. The opening remarks were followed by thematic presentations on the following themes; Finance, Risk & Vulnerability, Partnerships, markets, training & extension and Innovation.

The presentations were followed by question and answer sessions, plenary and table discussions.

The second day involved table discussions, presentations use of flip charts and pin boards to illustrate the major issues.

As a way forward, the participants:
• Endorsed the establishment of the East Central Africa PanAAC Chapter,
• Set-up a working group comprising of Atieno-Amadi, Robert Shaka, Wilfred Thembo, Komla Bissi and Abel Lyimo to synthesize the outputs of the meeting into a working document for establishment of the ECA chapter.
• The working group comprises of the Interim Steering Committee meeting and a regional group composed of: The group was tasked to co-opt other members they find resourceful.
• The group to share their output with the other members after the consolidation meeting.
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1.0 Opening and setting the scene

1.1 Opening Remarks

The chairman of the session, Uzo Mokunye on behalf of the Interim Executive Committee of the Pan African Agribusiness Consortium (PanAAC) welcomed the participants to the workshop. He briefly explained the history of PanAAC, progress to-date. In short, the idea to form PanAAC emerged out of a side meeting of the private sector stakeholders at the FARA General Assembly in South Africa. The ideas were then followed up by a consolidation meeting by four Interim focal Point representatives at the FARA Secretariat in Accra, Ghana. The Interim Steering Committee was nominated at the meeting in South Africa. One of the key resolutions from both the Johannesburg and Accra meeting was the need to hold sub regional Induction and strategy workshops.

The East and Central Africa (ECA) was therefore the first of the four sub-regions to hold a stakeholder consultative meeting on PanAAC. He introduced the Guest of Honour, the Director, of Agriculture who represented the Minister of Agriculture at the official opening of the workshop. The workshop was divided into two major parts; the first day involved a wide range of stakeholders and focussed on identifying challenges for making African agriculture competitive through enabling farmers to access markets. The theme was how to make markets work for the smallholder farmers. The second day involved potential members of PanAAC to discuss strategic areas of focus and organisational issues. With this brief, the session chairperson invited several remarks, starting with Lucy Muchoki the interim chairperson of PanAAC.

1.1.1 Remarks from Lucy Muchoki

The guest of Honour, Honourable William Ruto, Minister for Agriculture, The Republic of Kenya, Development Partners, distinguished guests, colleagues, ladies and Gentlemen. All protocol observed.

Today we come together as stakeholders in agriculture against a backdrop of global recession, threat of hunger and economic meltdown. We in the agriculture sector are challenged more than never before to provide stewardship and a way forward. As we sit down to deliberate we are reminded that the time for us in Africa to pull together as input suppliers, output marketers, business developers, policy makers and development partners has come. Agriculture is the dominant sector in most African countries and is essential for economic development. This is because it employs over 60% of Africa’s labour force, contributes 17% of aggregate GDP and accounts for 40% of total economic output.

Our governments have recognized that accelerated agricultural growth is therefore crucial for reducing hunger and poverty across the Continent. Accelerated agricultural growth will empower women and accelerate global partnership for development in line with the Millennium Development Goals (MDGs) one, three and eight. African agriculture remains non-competitive. One contributing factor is the fact that over 90% of agricultural output in sub-Saharan Africa comes from smallholdings with an average size of less than one hectare.

These small scale producers cannot access financing. They are vulnerable to underdeveloped infrastructure and policies that hinder the development of input and output markets. Unlike in the developed countries where the private sector, especially the micro, small and medium enterprises account for 50% of the GDP, this sector’s share in Africa is less than 10% of the GDP.
Recently, we witnessed the expansion of the domestic and global markets for agricultural products thereby opening up opportunities for African produce. We have also witnessed how these opportunities have posed fresh challenges for the small and medium enterprises most of who are engaged in providing market access to smallholder farmers.

Today, African agriculture is challenged to create new knowledge and innovation, to take the advantages provided by globalization, biotechnology, trade liberalization, adaptations to global warming, changes in consumer preferences, improved quality and safety requirements and growing domestic and global demand due to urbanization in most African countries.

To surmount the above challenges, African agriculture must become globally competitive by shifting from subsistence farming to commercial agribusiness through value chain integration, spearheaded by demand-driven research and the ability to utilize Africa’s competitive advantage through value addition and marketing of staple foods, bio-fuels and agro forestry products.

The Pan African Agribusiness Consortium (PanAAC), a continental network of micro, small, medium-scale agribusiness enterprises (MSMEs) seeks to promote incentives for entrepreneurship and investment, increased productivity through better knowledge and innovation, market access for staple foods and improved business linkages.

Through its activities, PanAAC aims at actualizing the goals of the African Union’s New Partnerships for Africa’s Development (AU-NEPAD) Comprehensive African Agriculture Development Programme’s (CAADP) Pillar II that focuses on improving rural infrastructure and trade-related capacities for market access and Pillar IV that is aimed at revitalizing, expanding and reforming Africa’s agricultural research, technology dissemination and adoption efforts.

PanAAC hence is tasked with mobilizing the MSMEs so that the ability of smallholders to access innovations, embedded services and sustainable markets at provincial, national or global levels for agricultural produce can be increased. This is to be achieved by strengthening and integrating the agribusiness value/supply chains so as to promote intra-/inter-regional/ international trade in inputs and outputs, logistics, value addition and commercialization of Africa’s produce.

PanAAC recognizes that the way to empower disparate individuals is through organization and team work. The basic structure of PanAAC is the national chapter. The national chapters will then coalesce into sub-regional chapters. To-date four interim sub-regional focal points have been established. The Focal Points will, in addition to facilitating the formation of national chapters, address the unique challenges the sub-regions face as well as promote the success stories that have been achieved by the sub-regions.

The East and Central Africa Agribusiness Workshop therefore is a great opportunity for stakeholders in agribusiness not only to share experiences but also to begin to organize, do business and establish partnerships. We, the interim Steering Committee of PanAAC look forward to a strong Sub regional Chapter capable of championing the interest and aspirations of East and Central African Agribusiness enterprises. The challenges are many but equally the lessons to be learned are numerous. As members of the private sector we view risk as both a challenge and an opportunity and this should inform our performance. When the pin boards come down, the microphones go silent and we make our journeys back home we want to look back with pride and a sense of achievement in having contributed to making African agriculture globally competitive and having delivered value to our small holder farmers.

On behalf of the PanAAC interim steering committee, I wish to thank the Forum for Agricultural Research in Africa (FARA) for immense support and stewardship, the association for Strengthening Agricultural Research in East and Central Africa (ASARECA), New Partnership for Africa’s Development (NEPAD), Research Into Use (RIU), Alliance for a
Green Revolution in Africa (AGRA), Food and Agriculture Organization (FAO), German Technical Cooperation (GTZ), European Commission (EC), and other development partners for their support.

Finally I wish to invite all of you to take advantage of your visit to Nairobi and I look forward to establishing functional strategic partnerships and networking that will positively impact African agriculture.

Thank you very much and Welcome

1.1.2 Remarks from Andre Louw, University of Pretoria, South Africa

Andre’s remarks focussed on the need to respond to the global transformation in agribusiness and what PanAAC can contribute. The fact that agriculture is back on the global food map – creates new strategic opportunities but is Africa really part of this ‘new’ realisation? PanAAC is a mechanism for responding to the global transformation in agribusiness. The response is driven by numerous factors including but not limited to: globalization, trade liberalization, knowledge & innovation, changes in consumer preference, strict quality & safety requirements, growing demand due to urbanization in most African countries, global high food prices. Transformation of agribusiness in Africa will have to address: global competitiveness of African agribusiness, incentives for entrepreneurship & investment, increased productivity through knowledge & innovation uptake, infrastructure & logistic development, market access & market functions, business linkages, value chain management, pro poor growth initiatives, climate change, and seek strategic alliances with strategic partners (AU, ADB, EU/EC, etc)

The outputs & Milestones of PanAAC include:

1. Promote the goals of the continent’s agribusiness by developing & implementing a business case for PanAAC; establishing & nurturing a strong agribusiness network in the continent; promoting the establishment of efficient agribusiness markets effectively served by supporting industries; organizing agribusiness expos and agribusiness hub opportunities; hosting valuable agribusiness databases; addressing business financing & incubation projects; information hub for agribusiness projects & investments, and actively working to remove barriers to regional trade & markets

2. Increased & successful agricultural enterprises in Africa mainstreaming women participation in agribusiness

3. Strong partnerships with research scientists leading to more emphasis on demand-driven research with increased chances of transforming research outputs into outcomes & impact

4. Increased support for agricultural research by African governments, the private sector & donor community

5. Address critical issues in African agriculture & agribusiness e.g. HIV-AIDS, biotechnology, intellectual property & tenure rights etc

The way forward for PanAAC:

- Establish a secretariat with funding
- Require buy-in from different regions in Africa
- Define agribusiness /food sector in global & African context
- Empowering of stakeholders in agribusiness chain
- Alignment of goals & strategies
- Audit on the state of agribusiness, current agribusiness organisations, etc in Africa
- Alignment in strategic approach for the future → business case for agribusiness
- Form strategic alliances – also co-opetition
- Doing business in Africa – buy-in from NEPAD /AU/ADB/EU
- Risks in PanAAC for the future
- Promote feasible FDI – projects
- Build on success stories
- Identify CSF
- Implementation of strategy
- Focus areas

1.1.3 Remarks from Geoffrey Omedo, NEPAD–Kenya

On behalf of NEPAD-Kenya, Geoffrey appreciated all the stakeholders, particularly the interim executive committee for organising this important meeting. The opportunities and challenges of agribusiness in NEPAD include how to buy-in all stakeholders to focus on common agenda. NEPAD is the strategic development framework for Africa and is intended to provide a conducive environment for development. Development in Africa heavily depends on agriculture and in this case agribusiness is critical. For Eastern Africa, it has not been easy to take up all the NEPAD programmes. The dilemma is that there are so many sub-regional economic communities and it is difficult to align their mandates with respect to implementation of NEPAD programmes.

The sub-regional organisations in East and Central Africa (ECA) include the East African Community (EAC), COMESA, IGAD but none has a specific mandate of implementing NEPAD programmes. There is need to align their roles and set up mechanisms for sharing responsibilities and coordinating activities towards harmonised development. It might necessitate establishing a coordinating unit in Kenya to harmonise implementation of CAADP and NEPAD agendas. We need to put in place mechanisms for transforming the farmer into a business man who participates in the value chain.

1.1.4 Remarks from Maria Wanzala, and Komla Bissi, NEPAD Secretariat:

NEPAD is a program of the African Union (adopted July 2001). It is the vision and strategic framework for sustainable development in Africa with the overall goal: Eradicate poverty and place African countries on a path of sustainable growth and development while participating actively in the world economy. African Governments have identified investment in 8 sectors as key for achieving the NEPAD goal: (1) Agriculture; (2) Science and Technology; (3) Education; (4) Gender and Civil Society; (5) Governance; (6) Water and Infrastructure; (7) Environment and Tourism; and (8) Health.

Agriculture is a Priority Sector because it is the backbone of the economy (30-60% GDP; 60-90% employment; 25-90% export earnings). After exhibiting stagnant growth for decades, recently there has been a marked increase in agricultural sector growth: 2.7% (2002); 3% (2003); 5% (2004), but overall performance remains poor (cereal yields and per capita food production are much lower in Africa than the rest of the world resulting into high rates of
poverty, food insecurity and malnutrition). The main reason is low levels of investment in the sector manifested by extensive production methods, reliance on rain fed agriculture, and low levels of inputs. Fertilizers and hybrid seeds both of which were responsible for the success of the Green Revolution in Asia and Latin America are barely used in Africa.

The Comprehensive Africa Agricultural Development Programme (CAADP) is the NEPAD implementation program for the revitalization of the agricultural sector in Africa. Its goal is “To help African countries reach a higher path of economic growth through agriculture-led development which eliminates hunger and reduces poverty and food insecurity, and enables expansion of exports.”

Highlights of the evolution of CAADP framework:

- May 2002: CAADP developed by the AU, NEPAD AND FAO
- June 2002: CAADP endorsed by African Ministers of Agriculture
- July 2003: The AU Summit endorsed CAADP and adopted the Maputo Declaration on Agriculture and Food Security (African HOS pledged to allocate 10% of their national budgets to agriculture by 2008)
- February 2004: AU Extraordinary Summit agreed to integrate fisheries, forestry and livestock in the CAADP Framework (Sirte Declaration)
- CAADP endorsed and supported by development partners e.g. July 2005 there joint statement in support of the CAADP by G-8 at Gleneagles

The goals and objectives of CAADP are to:

- Attain food security
- Improve agricultural productivity to attain an average annual production growth rate of 6%
- Integrate farmers into the market economy and improve access to global markets
- Achieve more equitable distribution of wealth through more equitable access to land, physical and financial resources, and knowledge, information and technology
- Establish dynamic regional and sub-regional agricultural markets
- Harness science and technology to meet the needs of African agricultural development
- Practice environmentally sound production methods and develop a culture of sustainable management of natural resources

CAADP is a strategic framework. Although continental in scope, it is an integral part of national efforts to promote agricultural sector growth and economic development - it is not a set of supranational programs to be implemented by individual countries. It is a common framework, reflected in a set of key principles and targets that have been defined and set by the Heads of State and Government.
CAADP: main principles and targets are:

- Principle of agriculture led growth as a main strategy to eradicate extreme poverty and hunger (MDG1)
- Pursuit of 6% annual average growth for sector at the national level
- Allocation of 10% of national budgets to the agriculture sector
- Exploitation of regional complementarities and cooperation to boost growth
- Application of the principles of policy efficiency, dialogue, peer review, and accountability to all NEPAD programs
- Application of the principle of inclusiveness: establishment of partnerships and alliances that include farmers, agribusiness and civil society communities
- Assigned roles and responsibilities to the countries (program implementation); RECs (coordination) and NEPAD (facilitation)
The CAADP main investment pillars are illustrated below

- **PILLAR 1: SUSTAINABLE LAND MANAGEMENT AND IMPROVED WATER CONTROL SYSTEMS**
- **PILLAR 2: IMPROVEMENT OF RURAL INFRASTRUCTURE AND MARKET ACCESS TO REDUCE TRANSACTION COSTS AND INCREASE COMPETITIVENESS**
- **PILLAR 3: INCREASING NATIONAL AND REGIONAL FOOD PRODUCTION TO ATTAIN FOOD AND NUTRITION SECURITY**
- **PILLAR 4: IMPROVE RESEARCH SYSTEMS AND ENSURE THE CREATION, DISSEMINATION AND ADOPTION OF NEW AGRICULTURAL TECHNOLOGIES**
- **CROSS-CUTTING AREAS: (1) TRAINING, KNOWLEDGE SYSTEMS AND GOVERNANCE; (2) INSTITUTIONAL STRENGTHENING**

**CAADP Implementation: Continental Level**

- Encourage alignment of development assistance with CAADP objectives and targets, and country and REC priorities
- Secure commitments by development partners to work with national governments and the private sector to meet the investment requirements of the agenda
- Advocacy to keep the focus on agriculture (both by development partners and national governments)

**CAADP Implementation: Regional Level**

Ownership and leadership of the CAADP implementation process is by the RECs. These identify regional priorities under the CAADP agenda; establish coordination and governance structures at the regional level; and mobilize support to build capacity of the RECs to coordinate the implementation process at the country level.

CAADP Country Roundtables to launch and coordinate the implementation process. The objective of CAADP Roundtables: Make sure the country is on track to achieve the CAADP growth and budgetary objectives. National governments consult with private sector, farmers’ organizations and development partners to:

- Take stock of ongoing and planned national projects and programs;
- Identify gaps and weaknesses with respect to policy, budgetary allocations, and investment measures vis-à-vis achieving the CAADP objectives and targets
- Elaborate strategies and discuss commitments to address these gaps and make sure the CAADP agenda is met.

The outcome of the CAADP (Country compact) Roundtable is the commitments in terms of sector policies, public expenditures and development assistance are reviewed and formally endorsed in the form of a country CAADP compact. Country CAADP Compact: serves as a framework for partnerships and dialogue to design and implement the required policy interventions and investment programs to achieve the CAADP targets.

**Progress to Date**
• 11 countries have achieved or exceeded the CAADP target of 6%: Angola, Eritrea, Ethiopia, Burkina Faso, Nigeria, and Senegal

• Six countries have achieved the Maputo target of 10% budget allocation to agriculture: Mali, Madagascar, Namibia, Niger, Chad and Ethiopia

• Development of framework documents for each of the pillars is underway by lead pillar institutions. These provide technical guidance for RECS and their member countries as they develop and implement policy interventions and investment programs

• CAADP Roundtable process has been launched in 13 countries: Benin, Burkina Faso, Ghana, Kenya, Niger, Malawi, Mali, Rwanda, Senegal, Togo, Uganda, Zambia, and Nigeria. RTs are scheduled to be held in at least 4 of these countries by mid-2009. The first country CAADP Roundtable was organized in Rwanda, March 2007. The compact has been signed and is being implemented

**Pillar II objectives**

The ultimate objective of Pillar II is "to accelerate growth in the agricultural sector by raising the capacities of private entrepreneurs, including commercial and smallholder farmers, to meet the increasingly complex quality and logistic requirements of domestic, regional and international markets". The implementation tools are:

• Improve required policy reforms,

• Regulatory and institutional changes,

• Infrastructure development,

• Technical and commercial capacity building efforts,

• Partnerships and alliances,

• Key value chains development

• Regional harmonization of country strategies

The Pillar II priorities areas and the Agribusiness agenda comprise of FIVE Strategic AREAS identified for implementation

**Area A:** Raising competitiveness and seizing opportunities in domestic, regional, and international markets.

**Area B:** Investment in commercial and trade infrastructure to lower the cost of supplying national, regional and international markets.

**Area C:** Value-Chain Development and Financial Services in Strategic Sectors.

**Area D:** Strengthening the Commercial and Technical Capacities of Farmers Organizations and Trade Associations to respond to market demands.

**Area E:** Benchmarking and Monitoring & Evaluation
Proposed Early Actions

- Designed to serve as entry points to scaling up Pillar 2 agenda at the country and regional levels.
- Target key priority areas and activities that respond to broadly shared needs across countries and regions.
- Require collective action and lend themselves to economies of scale.
- Start with pilot programs to be scaled up as implementation proceeds.

Strategic Area A: Raising Competitiveness and Seizing Opportunities in Domestic, Regional and International Markets

Proposed early actions:

- Agricultural Trade facilitation
- International trade advocacy and negotiations capacity building
- Development of quality management and trade certification services systems

Strategic Area B: Investment in commercial and Trade Infrastructure to Lower the Cost of Supplying Domestic, Regional and Int'l Markets

Proposed Early Actions:

- Value Chain Infrastructure Development.
- Public-Private Partnership (PPP) for Infrastructure.
- Exploitation of Regional Complementarities in Infrastructure Development.
- Sector Governance and Policy

Strategic Area C: Value-Chain Development and Access to Financial Services

Proposed Early Actions

- Agricultural investment and enterprise development platforms.
- Agribusiness joint venture fairs
- To expand joint venture opportunities in the agribusiness sector by facilitating contacts between entrepreneurs and investors in the early stages of enterprise creation.
- Fertilizer and seed systems development
- Improve enabling environment for access to finance.
- Develop the appropriate institutional conditions to stimulate the creation of viable long-term formal and informal financial systems.
Strategic Area D: Strengthening the Commercial and Technical Capacities of Farmer Organizations and Trade Associations

Proposed Early Actions

Design and piloting effective models of value chain integration for smallholder farmers. To accelerate the modernization of farming systems and ensure the long-term technological competitiveness of Africa’s smallholder and agribusiness sectors in the global agricultural economy.

Expected outputs

- Improved performance in traditional and foreign export markets.
- Improved competitiveness and expanded trade in domestic and regional markets inducing fish and fish products.
- Improved partnerships and alliances for value chain enhancement.
- Smallholder’s farmers including medium scale enterprises integrated into market value chains.
- Improved governance and the policy environment of the trading sector.

Thank you

1.1.5 Remarks from COMESA by Angel Daka

The workshop theme fit perfectly in the COMESA thrust of integrating markets and food security. This requires looking at major food staples and increase their production and market. Agriculture is an engine for development and the agricultural output is a major element of the market. There is an alliance for major food staples and this alliance will look at both the input and output sides. Agribusiness fits directly into the activities of this alliance. One of the critical areas for agribusiness is supply of irrigation facilities to boost production and productivity on a sustainable basis. Cross-boarder trade is also very important and for this we have to deal with many barriers.

Improving competitiveness also requires value addition and capacity of traders to understand contracts; cutting transaction costs and providing market information services. Within the region, we have simplified customs systems, which make it easy for traders to understand the requirements. All these require collective action and collaboration and PAANAC is expected to contribute to this.

1.1.6 Remarks from Ralph Kaufmann, FARA

Greetings from: Dr. Denis Kyetere, Chair FARA Executive Board and Dr. Monty Jones, Executive Director, FARA. The PanAAC is a very young institution making this an important formative workshop. It is an occasion for serious learning and in Nelson Mandela’s words an occasion for “each one teach one” as together the participants will build PanAAC’s foundations.

Business people are innovators therefore, successful agricultural innovation systems require: involving all the actors in the value and commodity chains from consumer to producer; ensuring that all the links in the chains are strong enough to perform the functions expected off them, ensuring that consumers get what they are prepared to pay for, and
producers must have the incentive to explore new opportunities and to take the risk to innovate.

Agribusinesses comprise critical links in the chains: they must be strong allies of the farmers in providing inputs and taking produce to consumers. Ensuring that the producers both know what the market wants, and, are able to respond to its demands, requires:

1. Good two-way information systems
2. Capacity to organise themselves to produce the quantity and quality of products demanded at the time they are demanded
3. Input suppliers and produce buyers, processors and marketers

Agribusinesses are required to be the link between consumers and producers with understanding of agriculture and empathy with farmers, appreciation of what it takes to establish sustainable win-win relationships with both markets and producers, and willingness to take risks and open new markets. For agribusinesses to be prepared to take risks and open new markets they require:

1. Business and innovation capacity
2. Good information and transportation infrastructure
3. Appropriate credit facilities
4. Enabling policy environments that encourage innovation

PanAAC should help its members get these 4 essential factors of agribusiness success

1. PanAAC’s role in building business and innovation capacity
   - African universities recognise that all graduates, whether they go into business, advisory services or research, must understand the business principles of farming and trading
   - They must engage with agri-business sector to get relevant curricula and train graduates fit for purpose

PanAAC could fill a void as to who the universities should engage with

2. PanAAC’s role in building good information and transportation infrastructure lies in advising governments on:
   - the employment and economic gains from adding value the effective use of aid to build infrastructure to open up agricultural trade – phone, road, rail, seaport, airport
   - appropriate engagement of foreign investors – tied aid can be good

PanAAC should partner policy analyses institutions to provide evidence-based policy options

3. PanAAC’s role in building appropriate credit facilities involves:
   - Micro-finance is helping producers obtain inputs
   - However worldwide the most efficient source of farmer credit is obtained from suppliers – minimising transactions costs is more effective than reducing interest charges
   - For this the suppliers need credit for inventory finance – tobacco and drinks firms understand this
   - To keep costs down farmers must repay promptly and to be able to pay at purchase traders and processors need credit
PanAAC has an important role in educating policy makers about the need for appropriate financing for agribusinesses and how that will help farmers and therefore consumers

4. PanAAC’s role in building enabling policy environments that encourages innovation. Dr. Ngozi Okonjo-Iweala, amongst others, has said that governments must support SMEs and that requires:
   - Appropriate innovation policies – as for example India
   - Robust tax policies to ensure level playing fields for local and foreign investors and for those who play by the rules
   - Minimizing the cost of doing business – abolish the ‘go-come’ culture, vigilance against unwarranted rent seeking

PanAAC has an important role in shaping policy - you do not get what you deserve – you get what you negotiate!

In conclusion;
   - There are clear and important roles for PanAAC in helping mainstream the private sector in African agriculture
   - PanAAC’s continuing relevance will be determined by how well it accomplishes its roles
   - In almost all its roles it will have to interact with other FARA stakeholders, e.g., farmers, universities, research institutions, law makers etc.
   - The FARA Secretariat is standing by to help facilitate PanAAC’s engagement with the Forum’s other stakeholders in African agricultural research and development

Thank you.

1.1.7 Remarks from by Michael Waithaka, ASARECA

The mission of ASARECA is “To enhance regional collective action in agricultural research for development, extension, training and education to promote economic growth, fight poverty, eradicate hunger and enhance sustainable use of resources in Eastern and Central Africa “. ASARECA has realigned its programmes to implement CAADP with diverse actors including NGOs, East African Farmers Federation and private sector members of the Board of Directors.

There is an important potential role of private sector for example, in the current food price crisis, which calls for regional collaboration with Regional Strategic Analysis and Knowledge Support System (ReSAKSS); Alliance of the Consultative Group on International Agricultural Research; and National Agricultural Research System. The effects of Global Food prices includes increased index by 56% between March 07 and March 08, but there are differences within the sub-region. For example: Madagascar, Malawi, Rwanda, Uganda, Zambia, the index was less than 10%, Ethiopia 39%, and Kenya, Burundi 20% . Food forms 40-70% of household expenditures therefore has large contribution to inflation.

Several factors are responsible for the increasing food prices. On the demand side, the drivers include rising incomes inequalities in distribution where the poor are more vulnerable, urbanisation, increasing world population, and alternative grain use in feed and biofuels. On the supply side, the drivers include: climate change; high input prices (fertilizers) ; Trade barriers (especially non tariff), and Policy responses by countries (export bans), disruption of supply (conflicts), declining resources (land, water), low investments in agriculture and rural development (R4D, markets, infrastructure)
In the Eastern and Southern Africa, there are differences in severity depending on whether the main staple internationally traded or not (maize and rice versus bananas), extent of import dependence, linkages to global and regional markets have buffered against price rises – the poor net buyers of food likely to be hurt most, and ability to access is key. The solutions lie in focusing on:

- Increasing supply and reining demand will take time, but we need immediate solutions
- Exploiting regional opportunities can quickly ameliorate the situation
- Maintaining for now the lower coupling to global markets
- Reducing national protectionism – it is counter-productive on several levels

Main messages here are:

- Rise in global food prices is not completely transmitted to domestic markets
- Food in ESA is more of a regional rather than a national issue
- Food crisis offers opportunities for agricultural development through regional trade and integration

Lessons from past attempts to achieve productivity growth can be drawn from the millennium village model and the Malawi national programme:

- Millennium Village Model involving free distribution of seeds and fertilizers (initially), integrated rural development focus, achieving significant farm and village level impacts, not sustainable without building markets and policies.
- Malawi national scale “smart subsidies” (2006-2007). Targeted subsidy: vouchers for poor farmers, and delivery of subsidized inputs: through the private sector and rural agro-dealers

From these lessons, some policy options can be proposed:

1. Social protection to improve access with targeted food subsidies and cash transfers where markets are working, food aid where markets are not working, price stabilization mechanism – warehouse receipt system
2. Investments to scale up agricultural research and development to increase investments in R&D (ASARECA, NARS, IARCs)
3. Measures to enhance supply response to remove price controls and export bans; smartly subsidize for fertilizers, fuel, seeds; support private sector participation in fertilizer supply; develop and scale up input dealers‘ and community-based networks; remove taxes on fuel; invest in value-addition to widen market opportunities; invest in water management
4. Harmonizing seed policies in the region to exploit regional diversity in food production and facilitate regional trade. This would involve eliminating Non Tariff Barriers, harmonizing product standards and customs requirements, upgrade development and maintenance of infrastructure and facilities on main trade corridors and explore multi-country funding instruments, maintaining regional food stocks-warehouse receipt system, promoting regional procurement of fertilizers, and advocating for a more equitable world trading system

In Summary agribusiness is important in contributing to regional growth and development at its best, championing corporate social responsibility, influencing a performance oriented culture, championing policy advocacy with broader social welfare, and coordination (within) and defining roles and responsibilities
1.1.8 Remarks from Anne Mbaabu, AGRA

AGRA is a dynamic partnership working across Africa to help millions of small-scale farming families lift themselves out of poverty and hunger. AGRA develops practical solutions to significantly boost farm productivity and incomes for the poor while safeguarding the environment.

Sitting on blocked capital: Poorly developed markets limit income growth from commercialization of technical changes in agriculture. Mr Kofi A Annan is the Chairman of AGRA. AGRA interventions can solve problems along the value chain as illustrated below:
AGRA current programs:

Market access for farmers

Market Access be improved through reducing transaction costs:
- Improve rural market places;
- Improve market information systems;
- Develop improved on-farm storage technologies
- Develop pro-smallholder trading facilities

Increasing value-addition in food usage
- Develop and promote harmonized grades and standards
- Develop low-cost on-farm testing equipments
- Develop and promote low-cost small and medium scale processing facilities;
- Encourage and promote convenience and easy to prepare foods;

Increasing demand through alternative uses
- Diversify local procurement of food destined for food assistance programs;
- Create and expand livestock feed industries;
- Expand industrial usages.
Promoting an enabling environment

- Reduce barriers to local and regional trade;
- Mitigate risks facing farmers, traders and processors;
- Strengthen agribusiness capacity;
- Finance and promote innovations in agribusiness and marketing.
- Enhance access to finance

Markets: cross-border trade

- Unstructured, but very important
- Volume flowing across the border can determine government actions

**Trade flow routes**

- Improve commercial food flow from surplus to deficit areas
- Improve trade flows at national and regional level
- Reduce barriers to local and regional trade

Thank you

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1.1.9 Remarks from Humphrey Mwangi Director of Agriculture and official opening

The Director of Agriculture conveyed apologies of the Minister of Agriculture, Hon. William Arap Ruto and read out the speech on behalf of the minister as follows:

The meeting organisers, the PanAAC, NEPAD, ASARECA, FARA, Development partners, distinguished guests, Ladies and Gentlemen. As you are aware, during the 1960s, many of our economies were at the same level of development with Asian countries and other developing nations. Forty years later, and despite endowment with abundant resources, Africa still remains the poorest continent hosting more than half the World’s poorest countries. This is manifested by the large number of people who continue to suffer from acute poverty, living on less than one dollar a day. These are not credentials to be proud of, that our economies are heavily dependent on agriculture is obvious. It is also evident that Africa has not invested sufficiently in agriculture commensurate with its importance, the investment would produce the necessary impetus for broader based economic and poverty reduction.

It is now recognised that for us to jumpstart the wheels of economic development, there is need to invest in agriculture and especially targeting the resource poor farmers. A productive agricultural sector has the capacity of generating funds that can be invested in other economic activities for increased economic development.

Ladies and gentlemen, as you are all aware, the major stakeholders in agribusiness value chain are the farmers. However, the main challenge remains how to reach them due to wide spatial distribution, diversity in cultures, tastes and preferences and technology levels. Moreover, smallholder farmers have further challenge of lack of resources for investment. It is therefore essential that if our countries have to develop that concerted efforts be made to improve the welfare of our farmers, who have continued to suffer low productivity time immemorial. In addressing the low farm productivity inherent in most African countries, there is need to deliberate on the possible courses of action to assist our farmers. I note that through NEPAD, Governments committed to increase budgetary allocations to agriculture to
ten percent of the respective budgets, although there are attempts to this, the pace of implementation has been slow and should be fast tracked. This is because we faced with the challenge of feeding ever increasing population and increased costs of living.

In finding solutions to the a foregoing, it is apparent that the role of the private sector and indeed micro, small and medium scale enterprises (MSME) in agribusiness will be the key to the development not only in Kenya but Africa as a whole. In this regard, I must congratulate the organisers of this workshop, PanAAC for taking the bold step in mobilising participants to the forum.

Ladies and gentlemen, like other African countries, the Kenya Government recognises that the vast majority of her people are engaged in agriculture for their livelihoods. There are 2.5 million small-scale farmers who are resource-poor and practice traditional agriculture. They operate at subsistence level, and require transformation to undertake farming as a business. In addressing the key issues in development, the government has put in place the Vision 2030 development framework which seeks to provide the necessary re-direction of resources to achieve real and sustainable development. In this regard, the Government aims at transforming Kenya into a newly industrialised, middle-income country providing a high quality of life to all its citizens in a clean and secure environment. In other words, the vision aspires to meet the Millennium Development Goals (MDGs) for Kenya.

Ladies and Gentlemen, Kenya aims to provide an innovative, commercially-oriented, and modern agricultural sector through: transformation of key institutions in agriculture and livestock sub-sectors to promote agricultural growth; to increase productivity of crops and livestock enterprises; develop more irrigable areas in arid and semi-arid lands both crops and livestock; and improving market access for our smallholder farmers through better supply chain management. Our vision 2030 aims at adding value to crops and livestock before they reach local and international markets.

There are some major challenges that require private sector partnerships which include: improvement of the supply chain to address the current fragmentation from production to distribution and finally consumption outlets. This strengthening of the chain between the producer and the trader, and between the trader and the consumer, will have an effect on improving efficiency and quality of standards in the entire value chain. There is need for the promotion of producer-based groups or associations to address the problems of fragmentation and the informality that currently exist in agriculture sector.

Ladies and Gentlemen, In order to enhance the productivity at farm level, the Government has started implementing the fertiliser cost reduction flagship activities which include improved coordination of bulk purchasing of fertilisers and exploration of long-term opportunities for domestic or regional production of farm input. In order to lower the cost of fertiliser, it is imperative that we foster regional cooperation in the areas of manufacture in order to make use of available resources, which may not be economical for one nation. This requires cooperation not only between countries but also between economic blocs.

Kenya is already implementing the recommendations of the fertilizer summit held in Abuja Nigeria in the terms of increasing Input Access. The Ministry is currently implementing the National Accelerated Agricultural Input Access Programme (NAAIAP) targeting to reach 2.5 million small holder farmers. Farmers are supported with start up package called Kilimo Plus made up of fertiliser and seed. Another package called Kilimo Biashara in collaboration with Equity Bank, aimed at giving low interest loans to cereal (maize, wheat, rice) value chain players was also launched.

The quality of seeds available to farmers affects farm yields. In this regard, competition in the seed industry will be encouraged so that farmers get quality seed. Intensification of research on new seed varieties, commercialisation of improved varieties, and working with farmers to develop farm-level selection methods to improve local varieties if of crucial importance.
Ladies and Gentlemen, Improved delivery of extension service can be realised by increasing the number of extension officers per farm household. It is with this realisation that the National Agricultural Extension Policy (NAEP) was put in place. This aims at enhancing the public-private partnerships in extension service delivery. The Government intends to outsource some of the services and especially from producer organisations, NGOs, universities and the private sector, as a way of increasing agricultural extension capacity.

Another area where the private sector can considerably help our farming community is in marketing of produce. The need to invest in operation of cereal banks and warehouse receipting schemes as a way of financing input acquisition is important for sustainability of production at small holder level.

Ladies and Gentlemen, As you deliberate on the roles of the various players in agribusiness, the challenge is to establish synergy so as to realise economies of scale and save on resources for a wider coverage activities. Let us hold hands in developing Africa. With these few remarks, I declare the meeting open.

Thereafter the process was handed over to Dr. Juergen Hagmann to guide the workshop

1.2 Facilitation principles, participant introductions and expectations

1.2.1 Some principles of facilitation
To set the scene for free interaction, Jürgen presented some principles of facilitation comprising of the core values and some rules for the table. The core values include: ownership of workshop process and outcomes by the participants, inclusiveness, transparency, integrity – not taking sides, appreciation of everybody’s contributions, informality – relaxed atmosphere, open dialogue/multilogue including constructive controversy, use of the best information available and creativity – thinking beyond the “box”. Some rules for interaction on the table:

- Sit on a new table every half day with new people
- Observe the group, look at who is not contributing
- Encourage the quiet ones
- Always think how you would feel in the shoes of the other person
- Self-control, check your talk to make sure you don’t deny others a chance to talk
- Nobody should present more than once
- When given a group task, think first individually, then discuss

1.2.2 Participant introduction

Creating an atmosphere of freer interaction starts with knowing each other a little more beyond names and where they come from. The task in this box below was designed to partly create this atmosphere with a more detailed and yet interactive way of knowing one another. In addition to knowing each other, the introduction process also initiated critical thinking for generating ideas that would improve competitiveness of African agriculture through agribusiness.

### Participant Introduction Task

1. Make sure you sit on the table with people you don’t know very well

2. Find out from one another on the table:
   (a) Who you are and where your roots are
   (b) What you are proud of in your personal and professional life.
   (c) If you were in charge ……, what would be the most important action you would take to make the African agriculture more competitive through agribusiness?

3. Expectations and fears
   What should happen in this meeting (Max. 2 cards)
   What should not happen in this meeting (Max 2 cards)
1.2.3 Expectations and fears

The last part of the introduction task (above) sought for expectations and fears of the participants. These are listed in the table below.

<table>
<thead>
<tr>
<th>Expectations (what we would like to see happen)</th>
<th>Fears (what we do not like to see happen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Full participation of all</td>
<td>• Empty promises on implementation</td>
</tr>
<tr>
<td>• Actionable results</td>
<td>• No Egos</td>
</tr>
<tr>
<td>• Divest</td>
<td>• No more talk-shops, we want action</td>
</tr>
<tr>
<td>• PanAAC should become a strong lobby for farmers in the development agenda</td>
<td>• Don't ignore</td>
</tr>
<tr>
<td>• Putting entrepreneurs in the driving seat</td>
<td>• Being too general, focus on what PanAAC can do</td>
</tr>
<tr>
<td>• Clear purpose and action plan</td>
<td>• No time wasting</td>
</tr>
<tr>
<td>• More practical than theory</td>
<td>• PanAAC should not focus on one region East Africa, it should be continent wide</td>
</tr>
<tr>
<td>• Outputs practical and relevant to participants</td>
<td>• Too much theory</td>
</tr>
<tr>
<td>• Implementation of issues discussed</td>
<td>• No un-implementable solutions</td>
</tr>
<tr>
<td>• Recognition of farmers and agro-based processors and promoting them</td>
<td>• Talk-shows, thinking in silos, focusing on producers alone</td>
</tr>
<tr>
<td>• Identify trade barriers</td>
<td>• Various institutions should not pull in different directions</td>
</tr>
<tr>
<td>• Sustainable solutions</td>
<td></td>
</tr>
<tr>
<td>• Identify 1-2 central issues and get them operationalised</td>
<td></td>
</tr>
<tr>
<td>• Practical workable solutions</td>
<td></td>
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<tr>
<td>• Share experiences and knowledge</td>
<td></td>
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<tr>
<td>• Strengthen network and partnerships with government, NGOs and others</td>
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</tbody>
</table>

1.3 Creating a shared understanding of outputs and process

1.3.1 Anticipated workshop outputs

The workshop is divided into two major parts. The first day involves a wide range of stakeholders while the second day is for the potential members of PanAAC. Separate outputs are outlined for each day.

**Day 1: Wider Group:**

1. a common understanding of the challenges and opportunities in the ECA agribusiness world
2. agreement on and rationale of setting up a ECA chapter of PANAAC
3. a set of strategic priority areas

**Day 2: Private Sector / PANAAC Members:**

1. clarity on the role and functions of the PanAAC ECA chapter at national, regional levels
2. a simple organizational structure and functional arrangements
3. Way forward with concrete actions and possible ‘initiatives’ based on champions
1.3.2 Program overview

Day 1
1. Opening Remarks and official Opening
2. Setting the Scene
3. Presentations and table discussions on challenges and opportunities
4. Identification of PANAAC areas of focus

Day 2
1. Agreement on Rationale and Objectives of ECA chapter
2. Elaboration of strategic priority areas and core roles and functions
3. Development of the organizational arrangements of the ECA chapter
4. Elaboration of future initiatives and concrete next actions
2.0 Input Presentations

Presentations were made in key areas of agribusiness to inform and guide the process of identifying the pertinent challenges for the agribusiness sector in the sub-region. The presentations were classified into four themes namely, financing, innovations, markets and partnerships. After presentations for each theme, a group discussion was conducted to distil key issues and challenges that PanAAC could address. The presentations are reproduced in this chapter in a non-edited format.

2.1 Theme 1: Financing

2.1.1 Presentation 1: Support to SMEs in Agribusiness Enterprises to be self standing

By Dr. James Mwangi, CEO & Managing Director, Equity Bank

Who is involved?
- Small scale farmers
- Transporters
- Agro-processors
- Agro-dealers & stockists
- Exporters & Importers
- Other support services providers

Agri-business case for Africa
- Africa is an agri-based economy
- Agriculture supports 85% of livelihoods in Africa especially sub-saharan Africa
- Opportunities to significantly increase productivity & production in Africa
- Competitive advantage of Africa is in Agriculture

Pro-poor financing model
- Subsidies to build capacity
- Direct value chain financing-ecosystem through production, processing and marketing.
- Warehouse receipt system
- Micro-insurance

Can it be done?
- AGRA, IFAD/MOA & Equity Bank-Kiliimo Biashara partnership.
- KTDA tea farmers financing
- Livestock Sector
  - Partnership with KCC & Brookside & animal feed suppliers.
  - Partnership with CARE & Kenya Meat Commission.
- Warehouse receipt partnership with East Africa Grain Council, Lesiolo Grain Handlers, Kenya Maize Development Programme/USAID
- Invoice factoring partnership with NCPB
- Sunflower farming - Bidco & PRIDE Africa partnership
- MEA Ltd fertilizer distribution

**How Equity Supports**
- Outreach-Wide branch network, ATMs, POS, 24*7 access through mobile phone banking
- Appropriate Products
- Capacity building – ASK shows, field days, free mass financial literacy days.
- Financial Strength.

THANK YOU: Email: info@equitybank.co.ke ; Web site: www.equitybank.co.ke

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**2.1.2 Presentation 2: Financing Options and Sustainable Credit Lines for Start-up and Early Stage Agribusiness Enterprises.**

*Mrs Perez Ochieng, CEO, SACOMA*

**About SACOMA**
- Business start up advice and support
- Started year 2000
- Offices in UK Geneva and Germany
- Branch in Kenya, Uganda,

**SACOMA model for supporting start ups**
- Business Incubation
- Business Diagnostics
- Cluster building toolkits
- Business Angel Networks
- Strategic business Planning
- Business Coaching & Mentoring
- Pensions and Retirement Planning
- Business Management Skills Training
- Supply Chain Development & Franchising
- Soft Landing Service - UK/EU Trade Mission
- Workforce Development & Change management

**Entrepreneurship Versus Business Growth (ROI)**
- Access to finance
- Growth potential
Opportunity for sustainable lending to start ups?

Assessing the landscape regimes that exists

- Opening up Kenyan economy starting 2003
- Focus on small business as core engine of growth
- Financial service providers and venture capitalists now look to this group to shore up their lend

![Diagram showing need for start up finance from small business created an opportunity for recognition by financiers to tap this market resulting in small business going for Business Plan writing training and financiers relax lending requirements.]

The generally improved economic performance and challenges

- Govt pursuit of a fiscal and monetary policy
- Ensured availability of credit not only for mainstream private sector but also for individuals as well as small business
- Small business as a key contributor has shaped the quest to ensure sustainable borrowing/lending
- Global credit crunch whose effects will reach Africa within 6 months, may threaten these opportunities
- The cyclical fluctuation in world market prices for agri-produce remains an elephant in financing small business with limited capital base
Subsidization of EU/American or Chinese farmers makes them more competitive thus local lenders would worry about capability to compete and obtain ROI

- Low value added sector hence competition from boom sectors –ICT, FMCG, services
- Sophisticated information systems
- Traditional land inheritance policy in the African context – unlike deliberateness in the West
- Global Insecurity and threat to global-interdependence (developed countries want to produce locally = GM FOODS

**Options for financing agribusinesses**

- Angel (venture) programs – reverse linkage of venture capitalist with promising agri-business for pure ‘managed-lending’
- Mentor programs for agri-business owners, following which linkages with financiers is facilitated through the mentorship program
- Incubation of agri-business owners
- Non-collateralized lending by micro credit banks e.g. Equity
- Equity –based lending – where financiers acquire shareholding until profitability then divesting
- Savings
- Over the counter (OTC) shareholding arrangement to provide initial capital
- Govt backed priority lending programs through ‘kitty banks’

**Financing options and sustainable credit lines will need:**

Human capability programs that encourage placement of strong management to drive strategy and using this to obtain business start up or expansion credit

**Critical ‘ACCESS’ factors**

A high level of management skills

- The ability to focus on the future
- Disaster preparedness to manage global challenges and risks such as climate change
- Packaging and Value additions
- Supply chain management
- Innovation
- Knowledge transfer
- Use of technology
- Use of Alternative energies
- Skills and knowledge to respond to market opportunities
- Business value chains and market linkages
- Adherence to principles for responsible investment and business

**Contacts**

Perez Ochieng, CEO, SACOMA Centre for enterprise
108 Cranbrook road, Ilford, Essex, IG1 4LZ, UNITED KINGDOM
2.1.3 Presentation 3: African Agricultural Capital (AAC)

By Patrick Oketa, Chief Investment Officer, AAC

Mission & Target

Mission

To be a leading agribusiness-focused investment fund in Africa that delivers positive financial returns to its investors, supports its investees through the provision of affordable and flexible capital, and has a high social and development impact on smallholder farmers and rural economies, thereby encouraging greater investment in the agriculture sector.

AAC was created to provide risk capital to facilitate and develop:

- A more competitive agricultural value chain for domestic,
- Increased access to regional cross border and international markets.
- Capacity to enhance appropriate technology transfers,
- Unexploited market for improved inputs
- Creation of improved access to input and output markets

Investment products

Appropriate instruments for investee businesses

- Debt finance in functional currency
- Quasi-equity instruments
- Equity finance to higher risk businesses (eg start-up or early in business lifecycle with high reinvestment requirements)

Co-financing opportunities with investment partners active in the region

- Leverage AAC capital
- Risk-sharing

AAC Investment Preposition

*Strengthening the weak elements in the value chain*

<table>
<thead>
<tr>
<th>Risk</th>
<th>High</th>
<th>High</th>
<th>Medium</th>
<th>Medium</th>
<th>Medium</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
</tr>
</tbody>
</table>
AAC Value Creation
Leverage on AAC’s network for effective market access and business development assistance

AAC Experience on Aspects that weaken the Value Chain
- Low education levels among farmers
- Lack of systems and Poor financial management
- Increased input cost
- Donor influence
- Cultural constraints
- Small holders wholly rely on nature
- Lack of access to working capital from Banks
- Weak government regulation and enforcement
- Difficulty in movement of goods across the regional borders
- Too much emphasis is placed on farmers needs rather than on the competitive challenges confronting agribusiness value chains
- Conflict between market access and commercial viability
- Poor corporate governance

Conclusion
Given the growing levels of food insecurity and reduced margins for the African farmers, farmers must be given opportunities to diversify and increase their income levels. This is pivotal to the poverty reduction strategies of all countries in Sub-Saharan Africa.

AAC recognizes that the transition from subsistence agriculture to market oriented and high value commercial agriculture is critical for the survival and development of sustained economic opportunities for small farmers and agro-processors in greater East Africa (Including Ethiopia, Rwanda, Zambia & Malawi).
We are dedicated to providing risk capital to enterprises which encourage agro-diversification and improve access to the market in so doing enabling small holder farmers realize value from their efforts.

2.1.4 Presentation 4: Reducing Financial Barriers to Innovation

Ideal of building knowledge and explain agribusiness to bankers. Most bankers don’t need agriculture because of the perceived risks. The bankers need information in three areas: cash flow, guarantor and collaterals. PAANAC has to educate the bankers and provide them with information regarding these things. There are some windows opening up to finance agribusiness but they will need more information.

Plenary discussion and comments

C: Farmers need financing in which the bank is a shareholder rather than credit. This is where the bank can be a partner and working with farmers to develop their business capacity. This means that the banks have also to invest in education of the farmers.

A: Capacity building for farmers is essential but the bank is not the best institution to provide that service. They don’t have the capacity to build the capacity of farmers. There are many models of supporting agriculture but the most important thing is to realise that farmers are intelligent and can make rational decisions. There are several initiatives in the private sector to provide financial support to farmers e.g. AGRA, Kilimo Trust but this task is too enormous for the private sector alone. Governments have a strong role in this and they have to come up strongly on this matter.

C: A bank is an institution which buys money cheaply from those who have it and don’t know how to use it and sells it expensively to those who don’t have it but know what to do with it. Banks tend to be interested in enterprises with short repayment period and do they see a role in building capacity for farmers to do business.

One of the challenges of lending to farmers is the low level of education of the farmers. There is declining endowment in agriculture and financing agriculture in this context may also have to target supporting educated farmer entrepreneurs e.g. supporting young graduates.

A: We need to examine the major challenge of agriculture starting from a historical perspective. Historically, agriculture is for subsistence and now we want to commercialise it but this is a whole new philosophy. Looking at the competitiveness of agriculture, we also need to look at what is happening elsewhere in the World, e.g. the subsidies in developed part of the world.

Q: What do you think has been at the core of success of the Equity bank so far?

A: This would be a good idea but there are also constraints, e.g. do they have land and other basic resources needed to farm. One approach of the equity bank is to support university students to mentor some farmers so that they get experiences in the agribusiness.

2.2 Theme 2: Innovation

This theme had one presentation entitled: "Enterprises development using research – innovation for development"
By Andy Frost, RIU.

Background

- Starting new enterprises using existing research knowledge
- Research into Use is a £37.5m DFID-funded programme working to make certain that these innovations are used successfully far and wide, allowing resource-poor communities to benefit sustainably from natural resource research.

The RIU has three aims

- Doing
  - Challenge Funds
  - Innovation platforms
  - Kick-starting enterprises

- Learning
  - Monitoring and Evaluation
  - Impact Assessment

- Sharing
  - Influencing the agenda
  - Communications

Starting point

- Research outputs from 10+ years of DFID-funded natural resource research
- Available online www.researchintouse.com

The rationale

Business kick-starts a virtuous economic cycle:

- New enterprises lead to new jobs created, new skills gained, and incomes begin to rise
- Soon growth and productivity follow, spurring more innovation and efficiency and generating products and services that people want and need.
- In parallel, people gain opportunity, empowerment and dignity.

*povetry is a business......*

**The invisible market: Why selling to the poor makes for good business**

**Common false assumptions by the private sector about developing countries**

1. The poor are not our target consumers because with our current cost structures, we cannot profitably compete for that market.

2. The poor cannot afford and have no use for the products and services sold in developed markets.
3. Only developed markets appreciate and will pay for new technology. The poor can use the previous generation of technology.

4. The bottom of the pyramid is not important to the long-term viability of our business. We can leave the bottom tier to governments and nonprofits.

5. Managers are not excited by business challenges that have a humanitarian dimension. It is hard to find talented managers who want to work at the bottom of the pyramid.

**Aim**

I4D aims to increase private sector participation in harnessing new knowledge related to renewable natural resources to reduce poverty and secure more sustainable livelihoods.

**Objectives**

- Combine public and private sector expertise, funding and intellectual property for the benefit of the poor to develop a portfolio of funded activities providing useful goods and services
- To learn how to best facilitate the involvement of the private sector to accelerate poverty reduction strategies
  - Coordinate and manage donor funding of public good research to improve its effectiveness

**Mentor and Lever**

I4D seeks to deliver its objectives by:

1. identifying pre-market pro-poor products and services
2. acting as a virtual R&D entity, managing the development of products and services from proof of concept and through the various stages of production and distribution.
3. leveraging additional funds from other donors/funding sources to expand the I4D concept.

**Innovation for development**

Two funding mechanisms:

Business Development Fund (in 2009) .......the articulation of business ideas......kick-starts

1. Business Expansion Fund (late 2009 ...... facilitating expansion of proven SMEs)

**How are we going to do things?**

Our niche - the Lions Lair (or Dragon’s Den concept)
Business Development Fund (£5,000)

Will consider proposals:

- Based in sub-Saharan Africa
- Involve innovation based on NR research (DFID or other)
- Show support or involvement of the private sector
- Have market value or potential market value
- Improve the livelihoods of poor African farmers
Business Development Fund (grants up to £5,000)

- Submission of concept note
- Pre-screening
- First round selection
- Successful applicants invited to investor meeting
- Meeting with investor
- Investor makes final selection recommendation
- Award of funds up to £5,000

Business Expansion Fund (£50,000)

- Venture Capital Investment aimed at established businesses that seek to expand nationally, regionally or indeed internationally
  - higher degree of due diligence - still risky
  - seeking investment into promising enterprises (Lions Lair)
- Need for mentoring and capacity building element remains

Doing Business Report 2008

- Based on a discussion of how growth actually happens and how it is made inclusive:
- “I still hanker after a role for northern companies that moves beyond minimal standards, philanthropy and corporate social responsibility into making them long term partners in development……” Shriiti Vadera
- Whilst I4D is still in its infancy we are attracting interest – philanthropy still exists in the north and the south

What it is not

Large investment facility

- Business Environment Strengthening in Tanzania (BEST)
- Investment Climate Facility for Africa (ICF), [www.icfafrica.org](http://www.icfafrica.org)
- Financial Deepening Challenge Funds, [www.financialdeepening.org](http://www.financialdeepening.org)
- Financial Sector Deepening Trusts, e.g. FSDKenya
- Large grant/loan facility e.g. DFID Africa Enterprise Challenge Funds (AECF), a partnership of AGRA with Africa Development Bank, The World Bank, DFID, IFAD and the Netherlands Ministry of Foreign Affairs. AECF offers loans/grant of up to $1.5 Million. For further information contact: [www.aecffrica.org](http://www.aecffrica.org) Next deadline is 15 December 2008.

There is a real opportunity now for I4D to make something happen. We have learnt from the past, we have a wealth of research outputs (that have yet to reach their potential) and a world of budding entrepreneurs waiting for their chance
Thank you
For further details contact Andy Frost  (a.frost@nrint.co.uk)

2.3 Theme 3: Partnerships

2.3.1 Mainstreaming women participation in regional agribusiness enterprises: Commercial villages model

By Mumbi Kimathi, Market Analyst & Programmes Director, FCI-Regional Office

Farm Concern International
Mission: "To build Pro-poor market development initiatives and commercialization of poor households in Sub-Saharan Africa for enhanced community empowerment"
Vision: "Commercialized African households with increased incomes and better livelihoods"

Market Dynamics
Market Facts that the Poor got deal with;

- Marketing Forces are not discriminative
- Marketing systems cannot be corrupted
- Market Dynamics always;
  - Pay for Value
  - Gives first opportunity to timeliness
  - Offers another chance to consistency
  - Opens doors for suppliers
  - Pays more for presentation
  - Partners with structured systems

Inefficiencies in out-sourcing / marketing systems
Value Chain discrimination

- Commercial BDS systems established
- Relatively high investment levels
- Medium / large-scale farmers
- Low poverty index
- High private sector investments
- Cash economy
- Active regional and global value chains
- Well established business partnerships

Smallholder Risk-aversion strategies; Embu & Meru

<table>
<thead>
<tr>
<th>Percentage of House Growing</th>
<th>Food Crops</th>
</tr>
</thead>
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<tr>
<td></td>
<td></td>
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</tbody>
</table>

Table 2: Mean Agricultural Parcel and Holding Size (acres) by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Parcel</th>
<th>Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embu</td>
<td>1.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Athi</td>
<td>2.7</td>
<td>4.0</td>
</tr>
<tr>
<td>Meru North</td>
<td>1.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Meru South</td>
<td>1.1</td>
<td>1.7</td>
</tr>
</tbody>
</table>

Source: Farm Concern International, 2008

Commercial Villages Model®: Winning Markets for the Poor!

*Farm Concern International Approach to; A Commercial Africa*

- Successfully organizing social Villages into ‘Commercial Villages’
- Village-like ‘Company’
- Graduating village ‘Social – Capital’ to ‘Commercial-Capital’
- Developing Village-Systems for Strategic Market Access
- Commercial Villages largely follows Administrative Village Boundaries aimed at building of National Systems

**Building chain relationships Commercial Villages**

![Diagram of Commercial Villages](image)

- Commercial Villages are village-based trading blocs
- Diversification of a narrow range of products
- Attractive market blocs for exporters e.g. seeds, drugs, packaging materials
- Viable investment hubs e.g. warehousing.

**Characteristics of a Commercial Village**

*Commercial Villages*

- Commercial Villages are Village-based; Village-Owned; Village-Managed Business Units
- A Household-Based approach [Builds on the fact that Commercial Resources are Household resources e.g. Land, water, capital are Household resources requires Household Decision]
- Entire Village involvement
- Household Approach repositions women

N/B Commercial Village is applies for structured or non-structured sub-sector e.g. applies for staple foods like Sweet Potatoes, Green Grams, Traditional Vegetables, cassava....

**Commercial Village Banking**

*Graduating non-credit communities to a Credit Worthy Status*

- Commercial Village Banks
  - Mandatory Savings from sales
  - Invoice Discounting for Vines
  - Invoice Discounting for sales
- Mobilizing local resources
- Strengthening savings & credit schemes
- Link Commercial Villages Banking Systems to Micro Finance Institutions
- Vet credit utilization i.e. credit for Business & Avoid consumption loans unless profits can service Household Use & Repayment of consumption members

**Increasing Participation of Women Along Mainstream Market Chains**
Farm Concern Intl’ case studies drawn from, Eastern Africa

Cashew Nut, Semi-Processing Units [ Kwale District - Kenya ]
- Pilot Phase funded by USAID-KHDP
Value Chain Analysis key findings:
- Cashew Nut processing priority market; Export
- Export Rejects; Broken pieces & Dust offloaded to domestic market
- Emerging Opportunities; Whole Nuts for Domestic Market
- At least 5 Companies targeting domestic market identified
- At least 4 of the companies not engaged in processing
- Companies spice, package & brand and distribute in Kenya
Implementation;
- Establishment of 3 Village Agri-business Processing Units (854 Women)
- Women don’t own cashew trees however
- Farmgate price to brokers @ Kshs.270 increases to Kshs.420 per Kg to private companies

Onion Commercialization, [ Kenya & Tanzania ]
- Mass market commodity
- Utilization at Household Level, Institutional market, processing markets
- Baseline Survey 2006: Farmgate price to Brokers @ Kshs.5 /Kg
- FCI mobilized 3,000 acres of Bulb Onion smallholder production for 4 Commercial Villages in Kiemi District, Central Kenya & 1,500 Acres of Bulb Onion in Mang’ola, Karatu, North Tanzania
- Wholesalers in Arusha, Nairobi & Nakuru organized into Commodity Business Units
- Farm Gate prices up from Kshs 5 to Kshs.35 / Kg
- Brokers evolved into Transporters and cease active value chain participation
- Input Companies & MFI offer services to villages

**Marketing Systems**

**Commercial Villages National Wide Rollout; For Sub-Saharan Africa**
Multi-Sectoral strategic partnership with Commercial Villages Network

Farm Concern International, wins Pro-Poor Innovation Award 2007

PPIC Award from the Consultative Group to Assist the Poor (CGAP), World Bank:
- From the 225 organizations assessed globally, 5 organizations won;
- Farm Concern International - Kenya; Institutions from Other countries;
- Armenia, S.Sudan, Afghanistan, Jordan

For more information, contact:

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FCI Reception: Ext. 361
Email: mumbi@farmconcern.org; info@farmconcern.org
Website: http://www.farmconcern.org

2.3.2 Partnership between farmers and agribusiness in East and Central African region

By Chebet Maikut, East African Farmers Federation

The Eastern Africa Farmers Federation (EAFF) and NDF are grateful to the leadership of PanAAC for the invitation extended to us to participate in the first ever PanAAC workshop in the sub-region. It therefore goes without saying that farmers and their farmer organizations are the key stakeholders to the agribusiness fraternity. This is more so in the context of Eastern Africa where the majority of the population are small scale farmers, dependent on agriculture for their livelihoods. Most of our national economies are equally based on agriculture in the region.

EAFF is the regional farmers federation representing apex farmers' organizations within Eastern Africa region and is therefore the umbrella body for farmers. We have in our membership 16 national farmers' organizations, cooperatives and commodity associations
from Kenya, Tanzania, Uganda, Rwanda, Burundi and DRC. Ethiopia and South Sudan have expressed interest to join. We therefore represent a significant number of farming communities in the region.

EAAFF founded in 2001 has been involved in a number of activities including lobbying and advocacy, food security, agricultural trade, capacity building, information sharing and a range of emerging issues including cross-cutting ones. EAAFF has forged partnerships and alliances with several regional farmer organizations, international NGOs/agencies, private sector organizations and the regional economic blocks such as the East African Community (EAC) and COMESA. EAAFF has also been building consultative mechanisms with governments (in Africa and Europe) with a view of representing farmers at all platforms of decision-making.

EAAFF has organizational structure of a farmers’ congress, council, board of Directors and a secretariat. Over the past decade, Eastern Africa region has witnessed a number of policy changes such as market liberalization, denationalization, privatization, structural adjustment programmes, civil service reforms, regional integration, etc. which have interfaced with globalization and have had a marked social, economic and political and cultural trends in our communities. The agricultural sector has not been spared for these phenomena. However, the current major challenges of high food prices which are expected to persist in the medium term coupled with the high energy costs, natural resource degradation and climate change have even placed greater challenges to the farming sector. All these present opportunities and constraints in the agricultural sector and underpin the urgent need to forge networking, partnerships and alliances amongst a number of key stakeholders for greater synergy so as to achieve the mutual benefits.

For many years, the farmers and their institutions (FIs/POs) have not had a sustainable formal working relationship with the agribusiness sector especially the SMEs. There have been elements of suspicion and cheating and therefore lack of mutual trust. These perceived differences should not be allowed to continue since the two are interdependent on one another.

Some of the challenges facing the producers and their organizations underscore the importance of building strong partnerships with the agribusiness and/or other public institutions and development agencies to overcome them. These challenges/constraints include: lack of stable markets (both domestic, regional and international), reliable and affordable agricultural inputs (fertilizers, agro-chemicals, machinery/equipment), the necessary infrastructure (storage facilities, irrigation, cold chains, roads), inconsistent policies and legal frameworks within and across countries; financial services (credit, insurance schemes); regulatory bottlenecks (standards, quality); inefficient transport and administrative systems; high cost of utilities like electricity; telephone and water. Some of these constraints can be addressed through forging closer linkages and smarter partnerships with the farmers and agribusinesses. There could be possibilities of forging public-private partnerships involving agribusiness and farmer organizations. In such situations, both formal and informal partnerships could be established at different levels for mutual benefits of those involved. Under such partnerships, FOs could act as intermediaries between smallholder and agribusinesses in areas such as collective input procurement and dissemination of agricultural advisory messages; farm produce collection points; produce sorting, bulking and grading services. A number of these services by FOs could significantly reduce the high transaction costs in the farm agribusiness linkages/partnerships and reverse the vulnerability of farmers being generally price takers.

By way of conclusion, in the global world of today with many uncertainties and imperfections, there is every reason for the farmers to forge strong mutually beneficial partnerships with the various segments of the agribusiness (MSMEs). Farmers should be empowered to access the information and participate as equal partners in the markets so as to enhance their food security and household incomes and therefore have more purchasing power and contribute
to socio-economic development of our countries. It is only through partnerships and linkages in the agricultural value chains that farming can be profitable and therefore trigger the transformation of subsistence farming to market-led modernized farming. FOs therefore need to be integral part of agribusiness development interventions. Such interventions and partnerships should be founded on the basis of strong relationships for win-win scenarios. All these call for establishment and strengthening of the vertical and horizontal linkages of agricultural chains. The time is now for FOs and agribusiness to come together and work for their mutual success and prosperity. We should now borrow a leaf from many successful farm-agribusiness linkage arrangements in the dairy, coffee, horticulture and non-traditional cash crops, honey, etc. in the region. We should not just sit and watch things happening. We should be part of the change for the better. The future belongs to the organized.

Thank you all for your attention

2.3.3 Kenya Country Business incubator (Prof. Atieno Amadi)

Begun in 2004 and has now graduated companies some of which are doing well. Success has been more in the ICT sector. The company has extended to Kisumu since September where it is now focusing on agribusiness. In 2004, there were 16000 stakeholder institutions which were mainly agricultural based but at the time, it was not thought to be the best sector to start with business incubation.

An interesting experience is that most people come expecting money and this is not the function of the company. At the moment, the company is building partnerships for enabling farmers to access markets and they are provided with some inputs and transport. The company wishes to build partnerships with PanAAC to build the agribusiness sector that integrates farmers.

2.4 Theme 4: Markets, Extension and Training

2.4.4 CMAAE programs contribution to capacity building for African Agribusiness enterprise

By Willis Oluoch-Kosura, Program Director, CMAAE

Background
- Increasing Agricultural Productivity and Competitiveness key to achieving the first MDG
- Africa the only region where Agricultural productivity has been declining, poverty depth and breadth increasing and poverty traps rampant over the last four decades.
- Agricultural growth fundamental to growth and poverty reduction in the continent
- Africa’s big agenda is to achieve an economic growth rate of at least 6% p.a., the MDGs and tackle current and emerging crises.
- But agenda will not be achieved if:
  - there is no rapid agricultural income growth and competitiveness
  - there is no access to innovations, markets and other production tools-financing
  - there is no investment in value addition for agricultural produces

Hence;
• The need to address: Infrastructure, incentive structures; inappropriate technologies; Inefficient input and product markets; Weak institutions; Lack of credit markets; and production uncertainty/risks
• Africa needs to ensure that right policies and institutions are in place to drive commercialization, markets, trade, and income multipliers from farm-non-farm linkages.

SSA agribusiness sector
• Important in economic development;
  ▪ contribute major portion of GDP (approximately one-fifth),
  ▪ employment, and
  ▪ foreign exchange earnings
• But the sector faces numerous challenges-hamper production;
  ▪ Most crops produced by small-sized farms with limited mechanization and capacity-poor yields.
  ▪ Fragmented markets
  ▪ Poor infrastructure
  ▪ Price controls
  ▪ Pressure on natural resources-too strong to be sustained.
  ▪ Uncompetitive products globally or low profit margins
• SSA is ill-equipped to meet its food requirements.
• Promotion of agribusiness development can provide catalytic force in poverty reduction;
  ▪ reducing food costs & supply uncertainties and improving diets of the rural & urban poor;
  ▪ generating growth, increasing & diversifying incomes, & providing widespread employment & entrepreneur opportunities in both rural & urban areas
  ▪ inducing productivity gains by smallholder farmers and better integrating them into local, national, and international markets.

The CMAAE Programme
• The CMAAE is a network of 16 university departments
• Program responds to Africa’s big agenda.
• CMAAE is Home-Grown, locally driven and designed for relevant knowledge and skill development and application
• It is a product of a detailed consultative planning exercise.

CMAAE Broad objectives
• To strengthen the region’s capacity to generate skills and knowledge essential for the transformation of agriculture to achieve higher productivity and competitiveness
• Develop a training program that conforms to international “best practices”, and which also adapts clients to the region’s specific features

"The program focus is on building capacity to build capacity
• CMAAE contributes to building capacity for effective and relevant policy research, analysis and formulation
• Program promotes networking, and especially inter country case studies in learning successes and failures to inform relevant policy

• Through its network, the CMAAE is able to contextualize the conditions for success for the agribusiness enterprises

• CMAAE contributes appropriately trained professionals to work as change agents in the region
The CMAAE network

Non accredited departments
Botswana College of Agriculture
Eduardo Mondlane University
Jomo Kenyatta University
University of Swaziland
Stellenbosch University
Universite Nationale
University of Zambia
Alemauya University
Sokoine University
Moi University

Accredited departments
Bunda college of Agriculture
(University of Malawi)
University of Zimbabwe
University of Pretoria
University of Nairobi
Makerere University
Egerton University

Program capacity building activities (staff development fellowships, gearing up grants, retooling workshops, etc)

The CMAAE network and the economy

The CMAAE Network
Masters training, Research, Outreach, and building capacity of network departments

Research outputs of CMAAE, disseminated via journals, workshops, conferences, discussion papers, occasional papers, etc contribute to policy formulation. Various policy considerations can also be researched on to ascertain the best option. Program also builds capacity for policy research and formulation through MSc. training and mentoring.

Policies that enhance economic growth

Policy decision making/formulation

Policies suitable for local conditions formulated. End users also give feedback on these policies to researchers.

End users (Commodity value chain practitioners)

Channel of contribution

- The network's contribution is through four key activities:
  - Masters training in Agricultural and Applied Economics; 4 fields: agriculture & rural development, agricultural policy and trade, agribusiness management and environment & natural resource management.
  - Research;
  - Outreach; and
  - Building capacity of network departments to offer relevant and quality training
Agribusiness training

- This field emphasizes linkage of farmers to markets and the role of agro dealers in the entire commodity value chain
- Focus is on the Business Development Approach to improve livelihoods of farm households.
- Microfinance is a popular elective
- All the CMAAE students take a course in Institutional and Behavioural Economics
  - enables students to better adapt conventional analysis to the political and economic realities of the region
  - empowers them to understand & contribute in addressing the institutional & policy failures that characterize the region

Agribusiness training: demand analysis (students distribution by specialized fields)

<table>
<thead>
<tr>
<th>Academic Year/Field of Specialization</th>
<th>Agriculture &amp; Rural Development</th>
<th>Agribusiness Management</th>
<th>Agricultural Policy and Trade</th>
<th>Environment and Natural Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005/06</td>
<td>12</td>
<td>11</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td>2006/07</td>
<td>8</td>
<td>11</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>2007/08</td>
<td>10</td>
<td>20</td>
<td>21</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>42</td>
<td>62</td>
<td>25</td>
</tr>
</tbody>
</table>

Agribusiness training: expected impacts

- Reduced brain drain of trained agricultural policy analysts
- Enhanced capacity for training and research in the network departments and to influence sound policy formulation that fosters agribusiness development in the region
- Absorption of graduates in the public and private sectors, NGOs, and research institutions
- Replacement of retiring Professionals (Professors/Researchers/Public and Private sector).

Research activities

- Program engagement in research:
  - Students thesis – Program provides opportunity to collect relevant micro and macro data on agro-food and agro-enterprises, for analyses and thus contributes to policy formulation
  - Students research in particular have been found useful by policy makers in the region

"I found your work quite relevant and interesting, and write to seek permission to partly cite your academic report, in a Government Report that we are compiling" (Chief Planning and Economic Services Analyst, Malawi)

Thank you
2.4.2 Improving regional competitiveness through value chain integration

By Susan Minae; Agribusiness Development Officer, FAO Sub-regional Office for Eastern Africa (SFE).

Enhancing Regional Competitiveness through Value chain integration

- Africa Economic growth and development highly linked to;
  1. Agricultural commercialization;
  2. agro-industrial development

- Prerequisites:
  - Increased value chain efficiency;
  - Enhanced agribusiness linkages between key actors in the value chain
  - Enhanced productivity; reduced production costs and risks
  - Employment of sustainable resource management/ environmentally friendly technologies – GAP, GMP
  - Increased market share in the national & global markets;
  - Increased value addition and agro processing
  - effective marketing/trade policies and strategies

Rationale for the focus

- Need for African countries to bring about Agricultural transformation in order to meet food security requirements, enhance livelihoods, and achieve competitiveness in the global arena.
- Livelihoods of the population in the sub region depend on economic activities that are directly or indirectly linked to agriculture,
- Africa a net importer of food commodities to the tune of US$ 20 billion/yr.
  - 25% of food grain requirements imported
  - Value of imported maize similar to value of exported coffee
- Nearly US$ 2 billion of food imports is received form of food aid annually. With one fifth to Eastern African Countries
- 26 percent of the African population (more than 200 million people) undernourished.

Issues of consideration at sub-regional level

- Agricultural commodities not competitive in global market — market share has been declining (e.g. coffee, palm oil)
  - Sub-region not a key player in the global market; i.e.
  - Only in the top 20, in the export of minor commodities, of limited global significant such as camel milk. In the top 20, only in tea export; (Kenya 4th, Uganda 13th, Rwanda 18th); Horticulture (Kenya 6th)
  - Mainly significant producer of green coffee (Ethiopia and Uganda); Pineapples (Kenya); Tea (Kenya);
  - Insignificant exported of processed agric. products

- Unexploited potential in regional trade:
- Of total export of agricultural products, only about 10% goes through intraregional trade
- Similarly, only 18.5% of total imports are sourced from intraregional trade

**Regional strategies**
- Identification of areas with competitive advantage
- The Abuja 2006 Food Security Summit,
- rice, legumes, maize, cotton, oil palm, beef, dairy, poultry and fisheries products as strategic commodities at the continental level; and
- cassava, sorghum and millet at sub regional level,
  - WTO- Doha –special commodities – issue of tariff barriers
  - EU and ACP countries --EPA
  - FAO work with AU on development of protocols to reduce intra-regional trade barriers
  - COMESA—Harmonization of trade protocols
  - ->Identification of strategic commodities

**Criteria for the selection of Priority Commodities**
- Important contribution to food security –population, area, GDP, foreign exchange --High demand in the sub-region
- Large imports \(\rightarrow\) Import substitution
- Potential for increased supply – agro-ecological potential – zones/economic growth corridors/growth centres/export zones \(\rightarrow\) focus/strategic positioning
- Access to support services and facilities and infrastructure
- Competitive advantage –bench marking in production, agro-processing/value addition
- Intra-regional trade agreements/harmonization \(\rightarrow\) customs procedures, regulations
- Policy environment for investment

**Decision criteria**
- Which commodities have a regional importance
• Which countries/zones/clusters have competitive advantage—generate surplus
• Which are the markets—natural trade routes
• What policy strategies should be in place to facilitate inter-boundary movement
• Identification of economic triangles, regional trade corridors

Value chain criteria identifying target commodities
• Value chain with high outreach
• Bio-physical conditions are favorable for production
• Local experience/expertise on how to produce/market/post harvest handling
• Chain actors have/will have access to inputs and other required technology
• The demand for the product in the target markets exists and is growing
• The production and other transaction costs as well as expected sales price of the product(s) seems profitable
• There is potential for organized farmer groups (or are available)
• There is potential for organized market agents (or are available)
• The product offers opportunities for value-adding (grading, bulking, processing, packaging, export, certification, etc.)
• The marketing facilities and services exist or there is potential for necessary investment from the private sector
• The demand for the product exists nationally or internationally

Challenges to Value chain integration
• Low incentives for private sector to invest in marketing and agro-processing infrastructure & facilities
• Inadequate policy strategies for market-oriented production and to exploit different markets and products
• Under-investment in institution capacity building and infrastructure along the supply chain;
• Inadequate public & private sector support to facilitate MSME integration in economic development

Complexity of commodity value chains
• Commodity/product transformation:
  (a) production, agro-processing/value addition; and
  (b) services/marketing activities: e.g. bulking, transportation, storage
• Chain actors: producers, primary assemblers, transporters, traders, processors, distributors, wholesalers and retailers.
• Service providers: financing institutions, input suppliers and distributors, brokerage services, business service providers (e.g. capacity building, specialized services)
• Policy environment: fiscal policies e.g. taxation, incentives; regulations/procedures
• Infrastructure
• Support services/facilitators including; Sector association e.g. farmers, traders, manufacturers; chambers of commerce

**Challenges to Value chain integration**

• Low incentives for private sector to invest in marketing and agro-processing infrastructure & facilities

• Inadequate policy strategies for market-oriented production and to exploit different markets and products

• Under-investment in institution capacity building and infrastructure along the supply chain;

• Inadequate public & private sector support to facilitate MSME integration in economic development

**Complexity of commodity value chains**

• Commodity/product transformation:
  (a) production, agro-processing /value addition; and
  (b) services/marketing activities: e.g. bulking, transportation, storage

• Chain actors: producers, primary assemblers, transporters, traders, processors, distributors, wholesalers and retailers.

• Service providers: financing institutions, input suppliers and distributors, brokerage services, business service providers (e.g. capacity building, specialized services)

• Policy environment: fiscal policies e.g. taxation, incentives; regulations/procedures

• Infrastructure

• Support services/facilitators including; Sector association e.g. farmers, traders, manufacturers; chambers of commerce
Ethiopian Oilseeds Value Chain Map

Critical Dimensions of a Value Chain
Value chain coordination

- Contracts
- Strategic alliances
- Joint ventures
- Franchising
- Networks/brokerage
- Sector associations

Service Approaches

- Commodity Exchanges
- Warehouse receipts
- Agro-industry food parks

Enhanced Competitiveness

I. Engagement of value chain actors to create an enabling environment which is more conducive to commercialization;

II. Establishment of strategies and linkages for more efficient production, transport, storage, processing, and marketing systems; and

III. Facilitation and building of partnerships through promotion of public and private sector partnerships.

Thank you
2.4.3 Training to foster market linkages across business value chain

By Gladys N. Maingi

The concept of Value Chain Development (VCD)

1 – What is a "Value Chain"?

The Value Chain (VC) is defined as "the chain of activities, which transform raw materials into products that can be purchased by a final consumer or other users.”

The Value Chain (VC) is characterised by the sequence of production processes

- from the provision of inputs
- to primary production (e.g. planting, harvesting, grading and drying), to intermediary trade (e.g. wholesaling)
- to processing (e.g. animal feed processing)
- to marketing and up
- to final consumption.

The Value Chain is a business-oriented approach, which aims at capturing the best value at all stages from the farm to the table.

The Value chain Efficiency:

The better all partners in a Value Chain perform and cooperate, the higher will be the value generated for the individual operator at every stage of the Value Chain.

Value Chain efficiency requires cooperation to assure:

- a reliable flow of payments to facilitate investments and operations of all business partners in the VC
- a transparent two-way flow of information between the VC partners to facilitate demand orientation and process planning

and in particular

- mutual TRUST between the business partners at every VC node.

The efficiency of the VC depends on
• the performance of every single partner in the Value Chain
• efficient production, processing and trade linkages
• quality assurance from inputs through to final products to avoid uncompetitive high costs of the final product, and
• a clear demand orientation since only a product that consumers buy translates into income.
• The performance and competitiveness of the Value Chain depends on the quality of the linkages between the business partners along the Value Chain and:
• The efficiency of the Value Chain corresponds to the capacities of the weakest link in the Value Chain.

How is VC development supported and facilitated?

<table>
<thead>
<tr>
<th>Internal Networking</th>
<th>Innovation, Research &amp; Development</th>
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<tbody>
<tr>
<td>- joint logistics for brokerage, forecasting, consolidation, monitoring</td>
<td>- information (markets, standards, etc.)</td>
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<tr>
<td>- joint commercial wing</td>
<td>- production forecasts for markets/processing</td>
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<tr>
<td>- joint promotion - local/exports (trade fairs, trade representatives, etc.)</td>
<td>- market research (competitors, consumers)</td>
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<tr>
<td>- joint marketing (inputs, exports)</td>
<td>- strategic business development scenarios</td>
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<td>- joint country brand</td>
<td>- feasibility exports, processing, etc.</td>
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<tr>
<td>- joint development of technical solutions (e.g. crop management, certification)</td>
<td>- investment profiles (packing, transport)</td>
</tr>
<tr>
<td>- joint training programmes (management, marketing, technical)</td>
<td>- concepts for out-grower systems</td>
</tr>
<tr>
<td>- joint sourcing of funds</td>
<td>- concepts for embedded service systems</td>
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</table>

Quality Assurance
- Industry Code of Practices (CoP)
- good practice models along the VC
- quality control/traceability along the VC
- extended logistics (cool chain)
- model solutions for pre-cooling
- model solutions for packaging/ storage (processing)
- MRLs up-dates/interpretations
- state-of-the-art/ affordable laboratory services.
- state-of-the-art/ affordable certification
- quality plantlets

Training and Facilitation along the VC
- input suppliers and transporters
- laboratories and certification bodies
- financial institutions
- legal advice
- public (advocacy and lobbying)
- policy makers
- administration (e.g. port authority)
- research
- trade attaches
- development partners

Strategic Partnerships
private (3rd party services):

Thank you

Plenary discussions and comments

Q: There is a concern on the role of funding value chains. There activities such as technology transfer which need public funding. How do we use public funding for technology transfer without distorting the markets?
A: The public sector is one of the partners in value promotion and it all depends on how it is planned and how partnerships are developed. Government funding should not stifle competitive business. Government is an important partner to provide infrastructure and other basic services such as long-term training.

Q: What are the bottlenecks to make value chain to work?
A: PanAAC is only planning to organize the private sector and the secretariat will be addressing the broad issues of lobbying and advocacy but there will be technical aspects also.
C: There are situations of war where governments are supplying inputs and if
governments pullout, it is unlikely that that will be sustained. PanAAC can be an
alternative to take over such a role for sustainability.

A: The most sustainable way for government intervention is to implement programmes
in partnership with the private sector rather than demolish it.

C: One of the issues emerging out of the discussion but which has not been given much
attention now is the aspect of subsidies. Can African agriculture compete with the
subsidized agriculture in Europe and America? What models would make this
sustainable?
3.0 Challenges and strategic focus areas for PanAAC

**Buzz Group task**
Looking at the presentations and your own experiences, what are the three most critical challenges for agribusiness towards making smallholder agriculture competitive?

- Please formulate as “how to ……” on cards comprising constraints and opportunities
- Be specific

The issues raised in the discussion after the thematic presentations generated challenges which integrate constraints and opportunities for agribusiness. The task in the box guided explorations of the issues which were then clustered to come up with real concrete challenges which PanAAC could address. The challenges (cluster titles) and their component elements are outlined.

3.1 Challenges

1 Effective partnerships
   - How to develop effective partnerships that make agribusiness viable and bankable
   - Have better coordination between players in agribusiness
   - Improve linkages to avoid duplication
   - How to enhance stronger public-private partnerships

2 Policy change and influence
   - How to influence policies and priorities to make agribusiness viable smooth and predictable
   - Overcome the food security barrier to regional value chains
   - Enabling environment (policies, infrastructure, capacity building, attitude change)
   - Infrastructure, roads, taxation
   - Farmers need capacity, land, entrepreneurship (PanAAC should provide local associations with materials to enhance their capacity to lobby for reforms)
   - Safeguard intellectual property rights of the small holder

3 Perceptions of the value of agriculture in society and how to communicate agribusiness
   - How to communicate evidence showing that agriculture is “good news” for bankers
   - How to make farming a business and not the job of last resort
   - How to change mindsets to be positive about agriculture
   - How to break small farmers conservatism
   - Entrepreneurship of farmers (PanAAC should disseminate successful cases)

4 Value chain bottlenecks
   - How to identify and deal with the multiple dimensional nature of the bottlenecks within the value chain
• Create trust in order to improve agribusiness competitiveness
• How to overcome mistrust among value chain players
• Disjointed value chain systems – scaling out successful cases

5 Access to finance
• Access to finance services
• Obtain technical information and financing for business development
• Fluctuating and unpredictable prices which cannot guarantee loans
• History requirements before getting credit
• Repayment schedules – no grace period

6 Market access domain
• Market access (quantity, quality, price information, technology, skills
• How to create alternatives for farmers
• Access to output markets
• How to improve access to information on market opportunities
• Mistrust between SMEs and agribusiness (expansion of markets, diffusion in trade and students, scale of students)
• How to mitigate risks
• Risks (weather, market access, transport, security, corruption, culture, knowledge, technology, information, innovation)

7 Technology innovation access
• Access to improved technology
• How to translate innovation outputs into outcomes
• Ability to innovate
• How extension officers relate to innovation and delivery to farmers
• Lack of proper information dissemination
• How to disseminate knowledge and information

8 Economies of scale on part of the producers
• Enabling environment (investment climate, PanAAC should build capacity to lower cost of doing business)
• Achieving economies of scale
• How to improve group cohesion among smallholder farmers
• How to consolidate producer markets
• High transaction costs

9 Capacity of agribusinesses
• Improve capacity of agribusiness institutions
• How to build private sector capacity to influence relevant policies
• Capacity building of stakeholders (weak PPP programs)
• Training (content, relevance, demand driven training, training opportunities)

Others
• How to define agribusiness
• How to make PanAAC relevant to stakeholders towards innovation, partnerships, markets and market, extension and training.
3.2 Strategic opportunities for PanAAC

Buzz Group task

1. Looking at the challenges outlined above, what are the 3 most promising strategic opportunities for the PanAAC/ECA to make the biggest possible impact in enhancing agribusiness with smallholder farmer focus? Please use the following criteria:
   • value addition to the PanAAC partnership to other initiatives
   • highest likelihood of impact in the next 1-2 years

2. What should then be the core roles and functions of the PanAAC secretariat to make this work.
   *Please, put the points on cards*

The challenges outlined above needed further consolidation into a few feasible and manageable focus areas. Therefore the task above was used to focus on strategic interventions. However, discussion of these issues raised a fundamental question of who is PanAAC? Establishment of PanAAC emerged out of the realization that much as FARA has been charged to implement CAADP pillar 4, its main role is coordinating stakeholders. One of the stakeholder categories is the private sector. But up to now, there was no regional body that represents the private sector agribusiness group. This was the basis for establishing PanAAC which at the moment only has an interim executive committee. To operationalise PanAAC, there would have to be subsidiary organizations at the sub-regional and country levels. This particular meeting aimed at initiating a sub-regional component of PanAAC.

The possible strategic opportunities for PanAAC include the following:

- Creating a positive image of agribusiness as a strategy of dealing with unemployment
- Focal point for capture and sharing of lessons to enhance members work and inform policy
- Coordinate and support warehouse receipt system
- One stop shop for information and data, coordinate information so that we have one focal point to secure information and innovation dissemination; quick hit – www.panaac.org
- Catalyze dialogue between finance service providers, SMEs and agribusinesses
- Create capacity for organizational development (empowerment)
- Policy harmonization and building partnerships; stakeholder coordination to influence policy on agribusiness
- Advocacy and lobbying (PanAAC to empower key players in the value chain) to influence policy reforms and harmonization
- Mobilize agribusiness needs towards efficiency – knowledge transfer through R&D
- Mechanism to mentor stakeholders in agribusiness development
- Financial brokerage
4.0 Functions and organization of PanAAC

4.1 Understanding PanAAC and its intentions

The agenda for the second day included:

1. Recap of the first day
2. Agree on priority areas and strategies for PanAAC
3. Organizational arrangements for PanAAC

4.1.1 Who is present: Differentiation Exercise

PanAAC is intended to be a member organization and at this stage, it was important to visualize the representation of the participants who were present at the time. A differentiation exercise was conducted and the participants were from the following categories: SME were the majority (28) representing a wide range of sub-categories including producers, processors and service providers; NGO sector was represented by 5 participants; two people represented donors mainly DFID and USAID; international organizations were represented by 6 people; while the Government ministries were represented by one person from Kenya.

4.1.2 Background to PanAAC

Uzo, one of the members of the interim steering committee outlined the genesis of PanAAC. It all started in South Africa during the FARA General Assembly side meeting to discuss the interest of the private sector in implementation of CAADP pillar 4 and the constraints they faced. Lucy, the private sector representative on the FARA Board of Directors was mandated to organize the side meeting. The idea that emerged was to get the private sector organized. A follow-up meeting was organized in Accra, Ghana mooted the creation of a Pan African private sector association called PanAAC. The next step was then to go to the grassroots, in this case the sub regions to consult the potential members on the necessity of PanAAC and to define what it should be. This is the reason we are here in a meeting in Nairobi. Similar meetings will be conducted in all the other sub regions and thereafter, a general meeting will be called to further define and spell out the functions of PanAAC.

We needed to get the private sector organized to be able to effectively participate in implementation of CAADP pillars 2 and 4.

The idea of creating PanAAC is a good idea, but we need to collectively define what it is and work through the vision and mission. We have to define the value added by PanAAC and its functions. PanAAC should be a practical down to earth link between agribusinesses and other players especially the financial institutions.

Q: Fundamentally, should we see PanAAC as an instrument to make FARA better?
A: The idea only originated from FARA but the vision is to make it go beyond FARA but this will all depend on what the members want. It is not probably necessary to organize the SME in order to get better representation at FARA. We need to think fundamentally why the SME is not organized. The SMEs are working individually and no one knows what the other is doing let alone having a collective voice to issues of common interest.

Q: Why have the SMEs not been organized so far?
A: Many of the initiatives in that effort have been politicized and there are selfish interests or unproductive competition which have defeated. The other problem is getting people who are not actually in the private sector to represent it – some people pretend to play the roles of the private sector. That is why there is need for the private sector to get organized. It is time to make it known that the agricultural sector cannot be transformed without the active participation of the private sector and for them to play their rightful role, it has to be organized.

C: The fact that the private sector is here and agree to the need to be organized, the question to address is, what should be the functions and structure of PanAAC?

It may not be possible for PanAAC to organize the private sector at all levels, but it can only reinforce through capacity building of the private sector.

We are talking of different things and we don’t seem to have a common understanding. Some people are talking about agribusiness others about SMEs and others about farmers and it leaves doubt on what PanAAC actually is. It would be more beneficial to focus on the value chain but the objectives of PanAAC do not seem to fit the mission and vision. It is still fuzzy what PanAAC is and what it intends to do. What is in it for the different categories of participants here?

Q: Who paid for all these things?

A: The interim executive committee has done all those things of developing the mission, vision, objectives in conjunction with PanAAC’s partners and collaborators. PanAAC is meant to be a representation of all categories of agribusiness actors, but there was concern that it would then be too wide, hence the re-focus on the SMEs who are the majority. The interim executive sacrificed for the progress made so far but it is now time that this idea is improved and owned by the wider representation of the private sector.

Q: Is PanAAC going to be responsible for linking the small scale farmers and the value chain or seek to improve the entire value chain?

A: The interim executive committee has done the groundwork to get the process started but there is room to improve depending on the wishes of the members. Agribusiness goes beyond SMEs, there are also the big corporate companies which are also important. For the time being the choice of focus is SMEs but the corporate companies are in partnerships with PanAAC.

C: PanAAC is already here and what it needs is making the members own it and improve on its objectives to be inclusive.

The big farmers are already organized and it is understandable to focus on SMEs in the medium and short-term. However, if the vision is as broad as it is, then we have to integrate all the parties.

The contention with regard to PanAAC seems to be more about its governance rather than its functions. However, the governance issues will be discussed at a higher level.
4.1.3 Who is PanAAC? Some key principles

- Focus on SME but not exclusive of the big businesses
- Focus on whole value chain – supporting from production to consumption
- It is a membership organization
- Private sector driven
- The main role of PanAAC is to play a facilitative role to the satisfaction of the members and within its capacity. The services should be member demand driven.
- Have functional national pillar as the backbone
- It is at formative stage and will evolve
- It should have a membership, management and a Board of Directors
- Operate on the principle of subsidiarity – not duplicating and operating where it is most efficient

4.2 Defining functions for PanAAC

As a member organization, it is important that the potential members define both the external and internal functions that they would wish PanAAC to perform. The task below was given to further concretize their expectations of PanAAC.

**Table Group Discussion task**

1. What are the services within which to ignite the members to be and maintain membership
2. What are the functions/services of PanAAC-ECA vis a vis the external bodies?

*Please, consider the strategic opportunities identified the previous day and come up with specific things (3-5 each)*

To start with, PanAAC should create space:

- for the private sector to influence regional research agenda
- to develop programmes responding to agribusiness needs
- to make agribusiness issues and agenda visible and therefore draw attention of stakeholders
- to provide a proper working definition of SMEs
- to streamline the relationships between FARA and other organizations without compromising their interests
Membership

One group suggested that membership to PanAAC should be of a corporate nature rather than individual membership from the private sector. Members could fall in either of the following categories:

- Federations
- Cooperatives
- NGOs
- SMEs

Proposed functions for PanAAC

This includes both internal services to members and external functions (image)

The internal services to members:

- Information brokerage – provide a hub for access to information
- Technical assistance especially in capacity enhancement (training e.g. on chain analysis and business development skills)
- Business linkages and networking to enhance competitiveness
- Financial brokerage – identify and facilitate SMEs to access financial services and facilitating negotiations
- Adaptation and innovations – linking SMEs to research service providers to support enhancement of technology use
- Business promotions (trade fairs, shows)
- Broker partnerships and collaborations e.g. with research organizations, extension, SROs and REC.
- Catalyze best practices by showcasing successful agribusiness ventures. This will involve documentation of successful cases and enable learning from each other

The external functions include:

- Policy advocacy and lobbying
- Policy harmonization through lobbying
- Demand driven private-sector lobby
- Represent private sector to the development partners
- Collect evidence and information to influence regional agricultural policies
- Take stock and harmonize relevant initiatives for the benefit of the private sector
4.3 Towards institutional framework for PanAAC

Table Group task
Having agreed on the functions and services, how should it be operationalised?

a) What concrete things need to be done to operationalise the functions? What is the value added by PanAAC?
b) At what level should be done what (national, regional, continental) based on the principle of subsidiarity, value addition, and making it “light”?
c) How should then a possible institutional arrangement look like – draw a diagram showing the flows and linkages.

Please, use a flip chart to visualize the discussion and present.

4.3.1 Group 1 presentation
What needs to be done:

1. Set up a regional secretariat
2. National focal points set up
3. Develop guidelines for regional secretariat and national focal points to operate
4. Seek legal framework for PanAAC
5. Create awareness about PanAAC
6. Recruitment of members
7. National priority setting
8. Develop and implementation plan

Suggestions for organizational structure
4.3.2 Group 2 presentation

What should be done:

1. Identify who is who in the PanAAC type of business at all levels and identify the gaps and work out objectives
2. Establish database on an advanced PanAAC website.
   - Champions in service provision
   - Define the scope of agribusiness for PanAAC
   - Mechanisms for financing the consortium e.g. through capacity building and consultancy
3. Needs assessment of the members
4. Prepare business plan for PanAAC
5. Resource mobilization for PanAAC
6. Resource mobilization for member SMEs – grants funds from various financing institutions
7. Address pending needs of the SMEs focusing on practical problems, increasing visibility, enabling them to get organized, fundraise for trade fairs
8. Learn and apply new tools for value chain performance

4.3.3 Group 3 presentation

What needs to be done:

1. Institute a PanAAC team to start up activities which involve representation from all key stakeholders from ECA. The team should report to the interim executive committee
2. The PanAAC-ECA team develops a strategic plan and business plan
3. Develop operational guidelines
4. Resource mobilization
5. Form a secretariat with legal framework
6. Mobilize and recruit members
7. Form a core working group
8. Access to information
9. Capacity building
10. Business linkages at all levels
11. Financial brokerage at all levels
12. Resource mobilization (regional and continental levels)
13. Successful stories at all levels
14. Policy advocacy
Suggestions for organizational structure

4.3.4 Group 4 presentation
What needs to be done?
1. Define the membership (categories of SMEs)
2. Remold vision, mission and objectives
3. Develop structure
4. Support business linkages between SMEs and cooperate
5. Work within regional framework to be able to deal with the functions
6. Develop a database as a first step to enable access to information

4.3.5 Group 5 presentation
What needs to be done:
1. Identify the gaps and what levels they are
2. Define what PanAAC can do without duplicating what is already being done at all levels
3. The modus operandi should be a loose regional network working through existing organs
4. Define the continental challenges today for agribusiness (value added)
Plenary discussion

- Whereas creating databases is viewed as a cumbersome and enormous exercise, it is possible if all the joining members submit their profiles and PanAAC just compiles them.
- We have mentioned that one of the eligible members are the corporate organizations, but these ones don’t need intermediaries. It is possibly the SMEs which need PanAAC more but even then we still need to define the cooperate members and what level of SMEs.
- If we really want PanAAC to move forward, we need to find what the SMEs will be able to relate with immediately. Establishing the elaborate structures e.g. the Board will make the local SMEs loose contact and it might take longer and thereby kill the energy.
- What is necessary to start with is to identify associations and organizations that are doing things that PanAAC does not need to do or duplicate.
- PanAAC being an emerging organization, there is a lot of effort needed into it. We need to empower the champions to carry these ideas forward and nurture them to grow.
- The members of PanAAC come from the national level and at that level, they already belong to some organizations. It would not make sense for these SMEs to subscribe to more than one organizations to get the same services. The value added of PanAAC needs to be clarified and it must provide services which the national organizations cannot offer.
- A lot of information has been generated and we need a small committee to synthesize all this information and come up with proposals to take us forward. The synthesis should be a working document for PanAAC. The issues proposed here are still very broad and need to be fine-tuned to the interests of the members. This is only possible if there is a functional secretariat which can mobilize resources to enable start-up operations.
- Can we learn from other African networks that have survived e.g. African malaria network?
- It may be sensible for the interim executive committee to continue steering this initiative and possibly we could co-opt some members to support them in this effort.
- This is only one of the many consultative meetings, and what was intended at this stage is creating awareness and developing consensus on the need for an organization like PanAAC. The ECA region can set up its own committee which can represent the members in the subsequent steps.

4.4 Way Forward

As a way forward, the members:

- Agree to the need to establish PanAAC
- Endorse the establishment of the ECA chapter
- Agree to set-up a group to synthesize the outputs of this meeting into a working document for establishment of the ECA chapter. This will comprise of the interim executive committee meeting and a regional group composed of: Prof. Athieno,
Robert Shaka, Wilfred, Komla and Limo. This small group can co-opt other members they find resourceful. The group will share their output with the other members by 15th November 2008.

4.5 Key Messages from this meeting

- We have justified the need for PanAAC
- The formation of PanAAC-ECA was by consensus
- We are happy that ECA was the first to be consulted about the formation of PanAAC
- Awareness about PanAAC has been created in ECA region
- The presentations and discussions were open and frank
- Recognition of the role of agribusiness in economic development – agribusiness needs to come to the fore of economic development
- It will be difficult for PanAAC to define what it needs to do and set up a mechanisms for delivering it
- Confusion between agribusinesses, SMEs, small holders etc. the target membership needs further definition
- Core mission of PanAAC is to champion commercialization of agriculture
- There is a great need for an Africa wide organization for agribusiness people
- There is diversity of opinions on what PanAAC stands for and who it targets
- There is space to make input into the development of PanAAC – there is freedom of association and communication
- There is need for a strong secretariat
- PanAAC should be a member driven network
- Endorsement of PanAAC is a good move
5.0 Workshop evaluation and closure

5.1 Workshop Evaluation

To get a feel of how the participants felt at the end of the workshop, they were asked to discuss and agree to three issues on their table groups. The issues included what they liked in the workshop, what they felt needed improvement, and their view of the future of PanAAC. The responses to these issues are compiled and presented below:

What I/we really liked in this workshop:
- Excellent facilitation to generate consensus and interactive learning
- Consultative process – open and gender sensitive
- High level of interest
- Tolerance from all the participants and therefore unity in diversity
- Excellent facilities, organisation, venue and logistics
- Africans trying to sort out their problems – with free thinking and finding solutions

What needed improvement:
- PanAAC was not clarified right from the beginning. Need clarity on first day
- Include SMEs from other countries and address the language issue
- Advance preparations and sending information to members in advance
- Presentations were too fast
- Few participants knew what PanAAC was and there was not advance information
- Private sector representation was low
- Distribution of background information to members in advance.

Looking at the future of PanAAC, we feel:
- Relevant and sustainable organisation
- There is a future
- United we shall stand
- PanAAC can help to harness the research results to commercialise agriculture in Africa

5.2 Closure

As closing remarks, the facilitator, Juergen thanked all the participants and noted that confusion is almost unavoidable where you have divergent opinions but it all came together very well in the end. He thanked Lucy for inviting PICOTeam to facilitate this meeting. Thereafter, a participant representative moved a vote of thanks to the facilitator for a wonderful job done.

Lucy on behalf of the organizers expressed happiness with the product of the meeting. It was not clear to anybody how to tackle the issues discussed but it is the contribution of all participants for what has been achieved so far. She thanked them for their contributions and
openness to share ideas. We all need to sacrifice to make Africa a better place to live and
the private sector has always been blamed for being selfish but we have demonstrated the
opposite. She thanked Juergen for the excellent facilitation. She also thanked the members
of the interim executive committee especially Uzo for his invaluable input and other members
on the organizing committee particularly Sylvester. Finally she thanked all the organizations
that supported the meeting, Maria and Komla from NEPAD, Andy from RIU, AGRA, FAO,
GTZ and FARA for all the generous support. The ministry of Agriculture, Kenya has also
been very helpful in organizing the meeting. She also recognized the representation of
USAID and ECA for their input into the concept and support. All good things don't come easy
and we are all happy with what we have so far.
# Annex: List of participants

PanAAC East and Central Africa Agribusiness Workshop & Business to Business Meeting, Nairobi, Kenya 13th-14th October, 2008

<table>
<thead>
<tr>
<th>No</th>
<th>Name</th>
<th>Organization</th>
<th>Position</th>
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<th>Fax</th>
<th>Email Address</th>
<th>Postal/Physical Address</th>
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<tbody>
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