

# AID-FOR-TRADE: CASE STORY

BELGIUM

## TRADE FOR DEVELOPMENT CENTRE – PRODUCER SUPPORT PROGRAMME

Date of submission: 31/01/2010

Region: Africa, Latin America, Middle East, Asia

Country: Algeria, Benin, Bolivia, Burundi, DR of Congo, Ecuador, Mali, Morocco, Mozambique, Niger, Uganda, Peru, Palestinian Territories, Rwanda, Senegal, South Africa, Tanzania, Vietnam.

Type: Programme

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### 1. Issues Addressed

Belgium's Aid for Trade strategy focuses on two areas of intervention i.e. institutional support and support to local, sustainable agricultural enterprises and to minor and medium-sized enterprises.

Trade for Development Centre (TDC) was created in 2009 to implement activities related to the two identified areas of intervention. TDC is part of the Belgian Development Agency (BTC).

The case story presented here concerns TDC's Producer Support Programme through which two types of activities, as identified by the Aid for Trade Task Force are being implemented: Trade Development and Building Trade Capacity. Both activities relate to the second area of intervention.

Market access being a key factor in realising the potential of trade as a tool for development, the main issue addressed by the programme is the poor market access for smallholders, be it in agriculture or other sectors.

Far from being rhetoric, aid for trade should relate to or touch the local economic fabric directly. And not only large enterprises, but also and especially small and medium-sized enterprises that represent up to 70% of the economy in most countries, often more in the developing countries<sup>1</sup>.

### 2. Objective Pursued

To increase professionalism among small-scale producers and their organisations engaged in fair trade or sustainable trade and enhance their access to markets.

### 3. Design and Implementation

The Programme is designed as a **financial support programme**. Producer organisations, engaged in Fair Trade or Sustainable Trade<sup>2</sup> are invited to submit project proposals aimed to improve market access of their members. Activities financed are those that strengthen the organisational capacities as well as the technical and production skills of the producers and their organisations: business management, product development, quality improvement, participation at trade fairs, ... Applicants need be established in one of the 18 countries with which the Belgian Development Cooperation has a bilateral agreement<sup>3</sup>.

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<sup>1</sup> M. Brown, International Trade Forum- No. 3/2006, International Centre for Trade

<sup>2</sup> Trade takes place through guarantee systems that are members (full or associate) of the ISEAL Alliance. For organic products, trade can go through non-members of the ISEAL Alliance provided they are government-accredited.

<sup>3</sup> Algeria, Benin, Bolivia, Burundi, DR of Congo, Ecuador, Mali, Morocco, Mozambique, Niger, Uganda, Peru, Palestinian Territories, Rwanda, Senegal, South Africa, Tanzania, Vietnam.

An independent Technical Commission (consisting of experts in rural development, business management, SME-development, Fair&Sustainable Trade) evaluates the submitted proposals. Selected proposals receive a grant between € 30.000 and € 150.000. Projects typically run between one and three years.

#### 4. Problems Encountered

To make financial support an instrument that contributes to the sustainability of the organisation, it is important that there is a sound business case. Based on the experiences of the past two years, it has become clear that, especially in Africa, most of the organisations need assistance in developing their business case. Consequently, through providing merely financial support based on a rigid selection process, a lot of smallholders that the programme actually aims for are being left out.

#### 5. Factors for Success/Failure

Success of financial support to increase market access for smallholders is measured by the sustainability in the long run of the initiative that was granted support.

This requires first and foremost a sound business case: market potential of the product(s), sales&marketing strategy, financial solvability of the organisation, available human resources and infrastructure

Sustainability in the long run also implies there being a case for social and economic empowerment: good governance of the organisation & transparency towards its members, higher income and improved living conditions of its members, access to basic education and health services.

#### 6. Results Achieved

The results of the producer support programme are the results achieved by projects that were selected and financed. Below we present two concrete cases how the financial support has enabled smallholders to improve their access to markets.

##### *1. Case of COTAPATA, mining cooperative - Bolivia*



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COTAPATA is a cooperative of small and artisanal miners of gold in the province of La Paz. Typically for small-scale mining are lack of safety standards, considerable negative impact on the environment (waste management, water pollution) and poor access to markets (dominated by intermediaries who pay below-value prices).

TDC has financed a pilot study to develop fair trade standards to make small-scale mining a socially, environmentally and economically sustainable business, in collaboration with Bolivian support organization Cumbre del Sajama. In 2010, FLO (Fairtrade Labelling Organisations) and ARM (Association for Responsible Mining) launched the Fairtrade/Fairmined certification. At the start of 2011, COTAPATA was certified as the world's first Fairtrade/Fairmined mining cooperative. In the course of 2011, COTAPATA will start to export certified gold to the European jewellery market.

## 2. Case of URAT & URAK, rice producer unions – Benin



Although climatologic conditions are ideal for the production of rice, Beninese rice farmers make a poor living. Most of the rice consumed in the country - and in neighbouring countries - is imported from Asia (originally entering the market as food aid but subsequently commercialised), which is cheaper and of better quality.

To improve the quality of rice and turn it into a cash crop, the Belgian NGO Vredeseilanden launched an innovative collaboration between the two rice farmers' unions, a Belgian leading retailer (Colruyt) and themselves.

Colruyt engaged itself to purchase rice at Fair Trade conditions from the unions on the condition that the rice be of high quality, in accordance with European quality standards. Vredeseilanden and Colruyt provided technical support. TDC provided the necessary funding. The interest of a high-profile European retailer has motivated the unions to work on the analysis of the production process (from planting to packaging) in order to improve the quality in a cost-efficient way.

Since late 2010, Beninese rice is available in all Colruyt supermarkets in Belgium, and more importantly, the rice is sold in the local market as well as exported to neighbouring countries.

The above-presented cases are examples of the wide range of initiatives supported by TDC that include, among others, piloting the world's first Fair Trade Certification for handicrafts products, development of a peer-to-peer guarantee system of organic certification for the local market in South Africa and Bolivia, implementation of a value chain for FSC-certified timber with indigenous communities in the Peruvian Amazon.

## 7. Lessons Learned

A programme merely providing financial support works for well-established organisations that most often are already operating in local, regional and international markets. The support is then focused on improving trading conditions, creating added value to products and enabling access to higher value markets.

However, for organisations that are at a lower level of development, and for whom market access could have most effect, a different approach is necessary.

Therefore, in the course of 2011, it is proposed that the financial support programme will progressively evolve towards a **business support programme**: In addition (and complementary) to the financial support, TDC will provide technical business support services (in sales&marketing, financial management, project writing and project follow up) either through in-house expertise or in partnership with (local) service providers.

This will enable other than well-established organisations that were identified by TDC as high potentials (see factors for success/failure) to access financial support, if considered necessary, and improve their access to markets.

## 8. Conclusion

The financial support programme shows that with a limited budget significant results can be achieved, provided that the supported initiatives represent sound business cases. For many smallholders however, notably in Africa, financial support only is not sufficient. Here an integrated approach with technical business support services accompanying financial support is necessary to improve market access for the poor and make trade a tool for development.