

# COMESA – IPC Workshop Lusaka, June 5, 2007



Good Food, Good Life

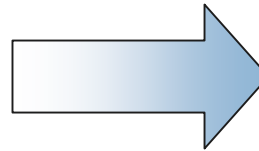


## OVERCOMING SUPPLY SIDE CONSTRAINTS A private enterprise perspective

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# Setting development goals

Poverty  
reduction



Increasing jobs,  
income and  
wealth that are  
widely  
distributed

- **Created Prosperity**

- Prosperity is derived from **creating valuable products and services**
- Prosperity is created by **firms**
- Prosperity is **unlimited**, based only by the innovativeness and productivity of companies in the economy
- Creating the **conditions** of productivity and innovation are the central policy questions



- **Companies** are the central actors in the economy
- The **Government's** role is to create the enabling conditions

# All inclusive value chain approach linking to markets



## Determinants of sustainable economic development

**Macroeconomic, political, legal, and social context  
(governmental bodies, medias, NGOs, IGOs, society, etc...)**



## Microeconomic Foundations

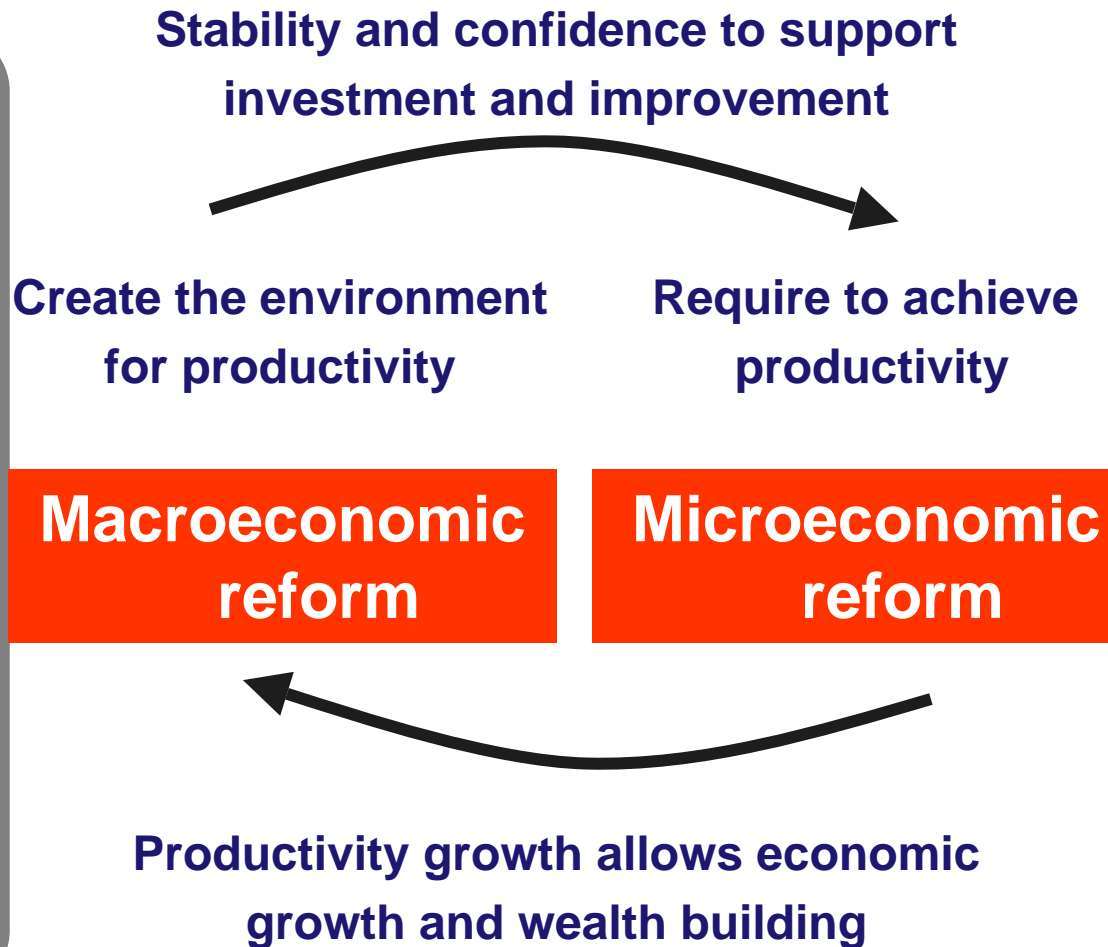
**Sophistication of  
company  
operations and  
strategy**



**Quality of the  
microeconomic  
business  
environment**

## Integration of Macro- and Microeconomic Reforms

Macro reform alone leads to short term capital inflows and growth spurts that ultimately are not sustainable



Micro reform needed to raise the level of sustainable prosperity

## Economic Policy

## Evidence

- **Increase capital investment**  • Aid does not increase capital investment; capital investment is **neither necessary nor sufficient** for prosperity growth
- **Increase education spending**  • Higher rates of schooling or overall educational spending have **no significant positive relationship** with prosperity growth
- **Reduce population growth**  • Population growth has **no significant relationship** with prosperity growth
- **Forgive foreign debts**  • Debt forgiveness has **no positive effect** on prosperity growth

# The process of economic development

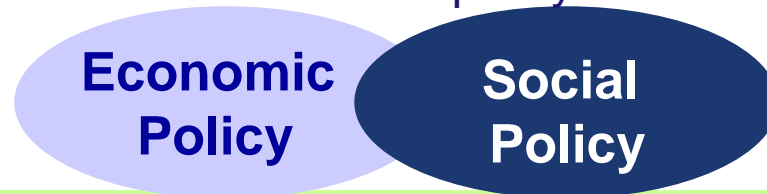
- High reliance on the availability of **low wage, unskilled labor** and **natural resources**
- Lack of capital
  - Low savings
  - Capital flight
- **Underdeveloped** infrastructure, capital markets and educational system
- Inefficient public administration and regulatory processes which are subject to **corruption**
- Most technology is **externally** supplied and controlled
- **Low** productivity



- Erect the basic **foundations** for business activity
  - Ensuring public safety
  - Functioning commercial infrastructure
  - Business-related information
- Improve the **quality** and increase the **efficiency of utilizing existing factor inputs**
  - Natural resource pricing and conservation
  - Physical infrastructure efficiency
  - Quality and reach of public education
  - Efficiency of labor markets
  - Rate of **national savings**
- **Widen** the array of factor inputs available locally
- Upgrade the factor **quality** of factors to advanced levels
- Enhance factor **specialization around clusters** to move to more advanced states of development

# Integrating economic & social policy

- In the new thinking on competitiveness, there is **no inherent conflict** between economic and social policy



- **A productive and growing economy** requires:
  - Rising skill levels
  - Safe working conditions
  - Healthy workers who live in decent housing in safe neighborhoods
  - A sense of equal opportunity
  - Assimilation of underemployed citizens into the productive workforce
  - Low levels of pollution (pollution is a sign of unproductive use of physical resources)
- "Social" policies must be **aligned with productivity** in the economy and prepare and motivate citizens to **succeed in the market system**
- "Economic" policies must include explicit programs to **raise human capability** and improve the lives and **sense of opportunity** for citizens

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