OVERCOMING SUPPLY SIDE CONSTRAINTS
A private enterprise perspective

Dr. Hans Jöhr
Corporate Head of Agriculture, Nestec SA.
Setting development goals

- Poverty reduction

- Increasing jobs, income and wealth that are widely distributed
Sources of prosperity

- **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

Input Providers → Farmer → Trade Processor → Retail → Consumer

Extension services on technical assistance & farm management advise
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

Stability and confidence to support investment and improvement

Create the environment for productivity

Require to achieve productivity

Macroeconomic reform

Microeconomic reform

Productivity growth allows economic growth and wealth building

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
Evidence on development policy

**Economic Policy**

- Increase capital investment
- Increase education spending
- Reduce population growth
- Forgive foreign debts

**Evidence**

- Aid does not increase capital investment; capital investment is neither necessary nor sufficient for prosperity growth
- Higher rates of schooling or overall educational spending have no significant positive relationship with prosperity growth
- Population growth has no significant relationship with prosperity growth
- 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
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.
Reminder: Sources of prosperity

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  – Creating the **conditions** of productivity and innovation are the central policy questions.

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