

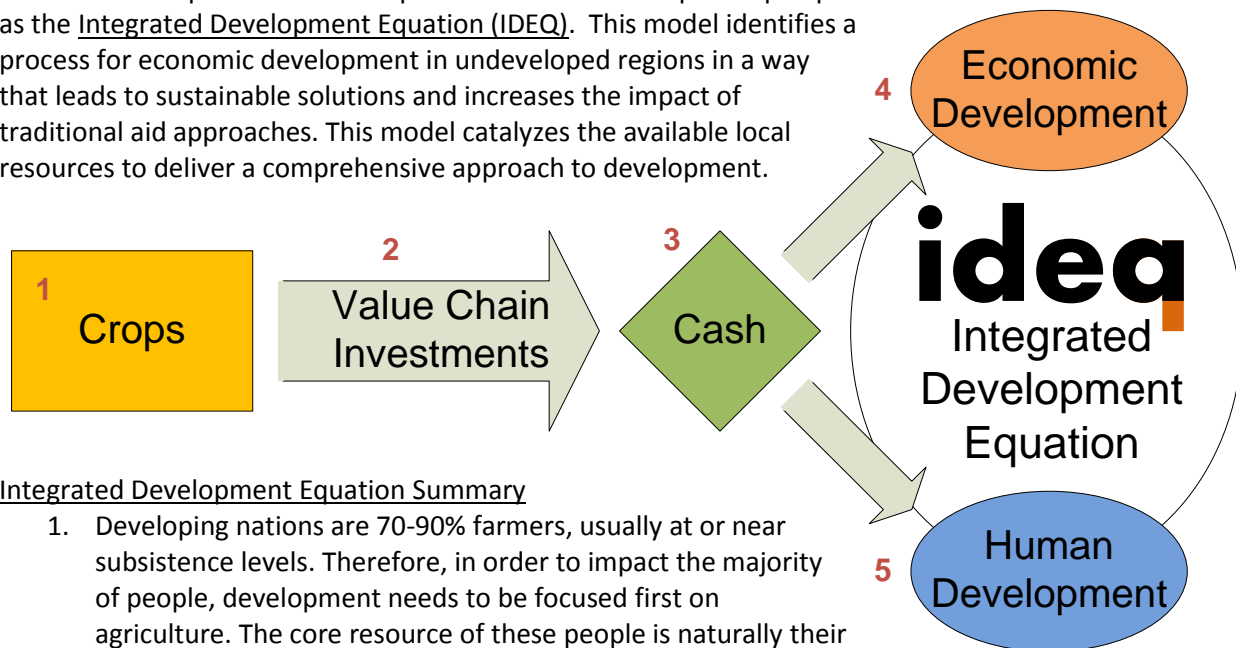


### WHY: Integrated Development

Rural people in developing nations are trapped in the position of subsistence farming because there is not access to markets. Therefore, most of the food eaten is grown themselves and there are limited incentives to produce crops for sale. Even so, it is widely accepted that there is an excess production of food on earth, even in most developing nations. Tanzania, for example never consumes around half of the food that

is produced. It rots. Therefore, farmers have little incentive to produce more. Moreover, since farmers do not have access to markets, the food is not converted into cash. Therefore, although their production is generally counted as part of GDP and family income, the reality is that it is not part of an economy. To eat what one grows means there was no real transaction.

Cheetah Development's model is part of a holistic development perspective that Cheetah has identified as the Integrated Development Equation (IDEQ). This model identifies a process for economic development in undeveloped regions in a way that leads to sustainable solutions and increases the impact of traditional aid approaches. This model catalyzes the available local resources to deliver a comprehensive approach to development.



#### Integrated Development Equation Summary

1. Developing nations are 70-90% farmers, usually at or near subsistence levels. Therefore, in order to impact the majority of people, development needs to be focused first on agriculture. The core resource of these people is naturally their crops. Studies of agricultural economics in developing nations consistently report the same problems:
  - a. Lack of access to markets and fair prices
  - b. Cycles of abundance and scarcity leading to swings in commodity pricing and cycles of hunger and malnutrition
  - c. Lack of food storage, preservation, transportation, distribution, etc. causing a feast/famine scarcity cycle
  - d. Limited access to quality seeds and fertilizer
  - e. Poor agronomy practices (Note: better agronomy, seeds, and fertilizer can improve crop results 5-20 times or more, creating returns on investments and increased income.)

2. The solution to these problems primarily involves repairing value chain problems (a-d above). This requires the establishment of businesses that fill these value chain gaps. There is a shortage of these businesses because of the “Missing Middle” in capital finance and the lack of models to manage the investments effectively. Cheetah deploys its Micro Venture Capital model to address these problems and make investments. The investments are strategically selected to address key value chain structural issues. Therefore, significant impact can be achieved by relatively small investments (\$50,000-\$500,000).
3. The value chain repairs enable farmers to convert their crops into cash. Thus, they become ‘cash crops’ for the first time.
4. When there is no cash, everyone must be a farmer because otherwise they will not eat. Once there is cash, things change. A study in the USA in the 1970s suggested that money entering American towns at that time would turn 10 times before leaving. In essence, when the crop is converted to cash, the crop can be ‘eaten’ more than 10 times before it is consumed. It multiplies the effect. In addition, the introduction of cash into the local economy means that people that are not strong enough or not inclined to be farmers have alternative ways to create income and thus earn their food instead of growing it. Immediately affected will be women,



There are natural links between economic and human development to leverage.

especially widow-headed households. For example, once there is money, they could make dresses because their neighbors will have cash to purchase them. In our surveys of Tanzanian villages, we see exactly this trend. As villages move beyond subsistence, local economies develop.

5. When there is no cash, basic human development is not sustainable. For example, an aid organization may build a medical clinic but the people cannot pay to use it. Therefore the support expenses never end. This is true of schools, water and utility systems, etc. Once there is cash, then human development projects become increasingly sustainable. For example, farmer’s cooperatives we are working with have a primary objective to provide group health insurance policies to their members. This introduces a payer into the local health care system so that care can be upgraded and be sustainable.

For decades studies have shown a correlation between economic and human development. Having efforts take advantage of this natural correlation, applying direct efforts to link them can leverage greater opportunities and drive more results. Moreover, there is a virtuous cycle between the two. People who are healthy can produce more. People need help. We all do. But we all need to participate in the work. And in making our lives sustainable.

**Why? Because it’s right. Because we can. Poverty is not intractable. Won’t you join us?**