Chain-Wide Learning for Inclusive Agrifood Market Development

A guide to multi-stakeholder processes for linking small-scale producers to modern markets

Sonja Vermeulen
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Regoverning Markets
small-scale producers in modern agri-food markets

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1 Introduction

1.1 Why this guide?

What is the future for small-scale farmers in the modern agrifood system? In all parts of the world the modern retail revolution is reshaping the way food is produced, procured and retailed. Rapid changes in dynamic modern markets affect the entire value chain—consumers, retailers, wholesalers, processors and producers—with enormous implications for the competitiveness and future viability of small-scale producers.

> **Box 1.1 How the guide was developed**
>
> The manual has been developed through a collaborative process among many of the partners involved in the Regoverning Markets Programme. The general concept was developed by project partners from the International Institute for Environment and Development, Wageningen International University and Research Centre, the Natural Resources Institute and the International Food Policy Research Institute. This then led to further development and operationalisation of the overall methodology and the specific tools in seven countries: Turkey, Indonesia, South Africa, Morocco, Bangladesh, Pakistan and the Philippines. In addition, a learning workshop involving participants from across Asia worked through the methodology using four different case studies and provided feedback on the draft manual. The final draft of the manual was then peer reviewed.

This guide provides a methodology (a set of concepts and analytical tools) for finding ways to better link small-scale producers to these modern markets. It is has been developed through iterative testing with partners in several organisations and countries (Box 1.1). It is a product of the Regoverning Markets Programme, a multi-agency programme to generate strategic information and anticipatory policy advice on small-scale producers in these fast changing markets (Box 1.2).

Why is this link between small-scale producers and modern markets important? As modern markets replace traditional markets, something which is happening very quickly, outlets for small-scale producers are reduced. With this comes the risk of increasing poverty, not just for those producers, but for entire rural communities. But with the right sort of support, small-scale producers can be efficient and reliable providers of quality produce; in other words good business partners.

There are several advantages to market actors if small-scale producers can access modern as well as traditional markets. Consumers are increasingly demanding locally produced food, and food that is produced and traded fairly. As transnational agrifood corporations expand their reach they are being expected by governments and society to operate in socially responsible ways. Governments are also looking for sustainable models of rural development that bring the best and widest benefits to society. For these reasons, finding ways to include small-scale producers can be a sensible business strategy. Yet, businesses are often unable to achieve this on their own. The organising and mobilising power of farmer organisations or NGOs may be a critical ingredient.

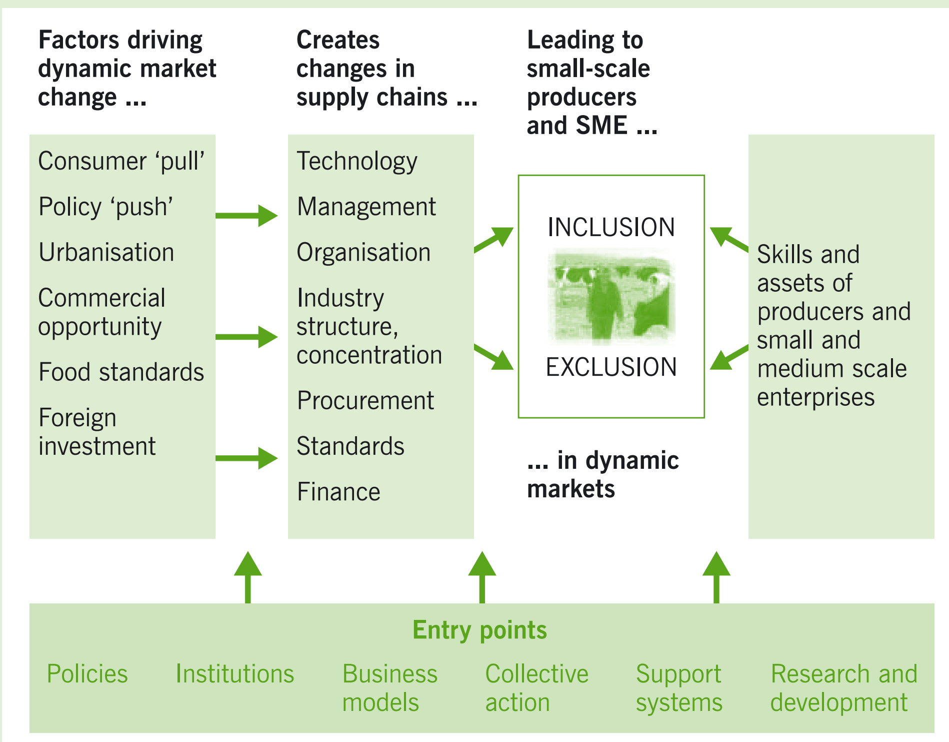
Box 1.2 The Regoverning Markets Programme

The aim of the Regoverning Markets Programme is to provide strategic advice and guidance on the impacts of dynamic local and regional markets on small-scale producers. The spread of dynamic modern retailers, wholesalers and food processing businesses is reshaping the way that food supply chains are governed. Small-scale agriculture, which supports the livelihoods of the majority of rural poor, is poorly prepared for these changes.

The programme has been established to support the public sector, agrifood chain actors, civil society organisations (including organisations of producers), and development agencies, to help them to anticipate and manage this rapidly changing environment. Public policy-makers and development partners are generally remote from changes taking place within markets. They lack evidence upon which to support policy dialogue and intervention. Research and support to the policy process can assist producers, businesses, and policy-makers to anticipate and respond to this challenging environment, in ways that contribute to the resilience of rural economies.

Building on exploratory studies undertaken in 17 countries, an intensive three-year programme (2005-2008) of collaborative research and policy support was undertaken to explore the following questions:

1. Can small-scale producers and their organisations be partners in new business?
2. Can anticipatory public policy make any difference?
3. Can the new agrifood business drivers be partners in development?



The programme is built around a global consortium of Southern and Northern institutions. The programme covers nine regions worldwide and a regionally based consortium member leads each region. An international Advisory Group is in place with members from the business sector, the Organisation for Economic Co-operation and Development (OECD), the International Federation of Agricultural Producers, and research bodies.

Source: www.regoverningmarkets.org

Governments have a role too, to invest in the infrastructure and services for farmers to access markets and to ensure policies that encourage agri-food businesses to work with small-scale producers. Governments have responsibilities to ensure the right checks and balances are in place for markets to work efficiently and fairly.

Governments are also looking for sustainable models for rural development that provide the best outcomes for society. Ensuring the resilience of rural communities to rapidly changing markets is a key policy issue. This is far from easy because of the pace of change. Consequently, policy-makers need "anticipatory policy", addressing expected new realities before they arrive. New policies need to be properly implemented and made to work. This all requires constructive engagement and effective partnerships between government, business and civil society organisations—a "three-way deal" that requires joint learning among different actors along entire value chains.

In essence, this guide is about how to make such engagement and partnerships work to enhance the opportunities for small-scale producers. It provides a set of concepts and tools for analysing and mapping out the institutions and policies that affect the participation of small-scale producers in modern markets. Using these concepts and tools will enable business, government and civil society actors to work together in a multi-stakeholder process of constructive dialogue leading to joint learning and action for win-win benefits.

1.2 Who is the guide for?

Broadly, this guide is for anyone interested in finding practical ways to enhance opportunities for small-scale producers in modern markets. Users may be market actors interested in creating direct links with small-scale suppliers, government policy-makers tasked with rural development, producer organisations working for their members, NGOs working for the rural poor, or researchers working to understand and support processes aimed at greater inclusion of small-scale producers.

Mostly there will be some combination of these actors working together to develop opportunities and find innovative solutions to barriers. Specifically, the manual has been designed for those initiating, designing, managing or facilitating such a process. Those with responsibility for managing or understanding a process will find Chapters Two and Three most useful, while those who need to design and facilitate a process will find the tools to do this in Chapters Four, Five and Six.

Despite increasing value chain integration, different actors in agrifood markets do not get many opportunities to talk with each other about the big issues affecting the entire chain. Testing this methodology showed how different actors found it useful to come together and jointly work through the questions posed by the methodology.

1.3 Four key concepts

The manual has been developed around four key concepts: 1) modern markets, 2) value chains, 3) institutions and policies, and 4) multi-stakeholder processes.

Modern markets: These are the markets associated with today's large-scale supermarket retail and wholesale operations. The demand in such markets is for large volume and low price produce that meets stringent quality and safety standards. The procurement systems in such markets are often vertically integrated, global in reach and highly sophisticated. They aim to meet the large turnover demand of supermarkets with maximum efficiency. Such markets are also highly dynamic, responding very quickly to price changes, consumer demands and new technological opportunities. The scale of turnover is such that what might seem a very small cost saving on an individual item can lead to dramatic increases on overall profits. There is often considerable concentration in these markets, with just a few large businesses accounting for most of the sales. Chapter Two provides a more detailed examination of the trends in modern agrifood markets.

Value chains: A value chain includes all the activities that are undertaken in transforming raw materials into a product that is sold and consumed. These include the direct functions of primary production, collection, processing, wholesaling and retailing, as well as the support functions, such as input supply, financial services, transport, packaging and advertising. The terms "value chain" and "supply chain" are often used interchangeably. In this guide we use the term value chain to reflect the understanding that value is added at each point in the chain. In modern markets careful management of the entire value or supply chain is critical to ensure quality and safety and to maximise efficiency.

Institutions and policies: Markets only work because of institutions. They are the implicitly and explicitly agreed ways of interacting ("rules of the game") that govern individual and collective behaviour at different scales. For example, institutions protect private property, make it possible for contracts to be signed and upheld, protect workers' rights, create incentives for new investments, or ensure fair competition. Our cultural preferences are also institutions, and heavily influence consumer demand. Some institutions are formalised and may be enshrined in law, while others, such as consumer likes and dislikes, are informal. Public policy is a special sort of institution, used to influence other institutions to achieve particular social and political objectives. Public policy either works or fails depending on how well it meshes with a whole set of other formal and informal institutions. Hence the focus in this guide is on the wider institutional environment rather than only on public policy. Chapter Three explores institutions and policies in greater detail.

Multi-stakeholder processes: In today's complex and highly interconnected world, innovation and change require different stakeholders to work together. Collaboration is required among policy-makers, researchers and practitioners; across different industry sectors; and among government, business and civil society actors. In this guide we use the term "multi-stakeholder process" (MSP) to refer to any set of activities that enables different groups to interact with each other for shared learning, joint decision-making and collective action. Generally a multi-stakeholder process is not a just a one-off event, but rather a series of activities carried out over time. Activities may include one-on-one meetings, meetings and discussions with single-stakeholder groups, as well as events and workshops that bring representatives of different groups together. An effective multi-stakeholder process will also involve much informal "behind the scenes" networking and communication. Chapter Six gives more detailed guidance on the use of multi-stakeholder processes.

1.4 An overview of the methodology

At the heart of this guide is an analytical methodology for using in a multi-stakeholder process. The overall idea is quite simple (Figure 1.1). Six activities come together to help understand how different policies and institutions are opening up or closing off opportunities for small-scale producers across an entire value chain. With this understanding it is then possible to devise and advocate for changes that would support appropriate participation by small-scale producers. These changes may relate to government policies and support programmes, to the ways producers organise themselves, or to the contract and payment conditions for producers set by supermarket retailers. In most situations, multiple approaches will be required.

The core methodology involves six main activities:

1. ***Mapping out the value chain*** and identifying the main actors and the flows of products, money and information. It will often be important to understand where along the chain most value is created and how profit is made by different actors.

2. ***Mapping key policies and institutions*** that influence the functioning of the value chain and the inclusion or exclusion of small-scale producers.

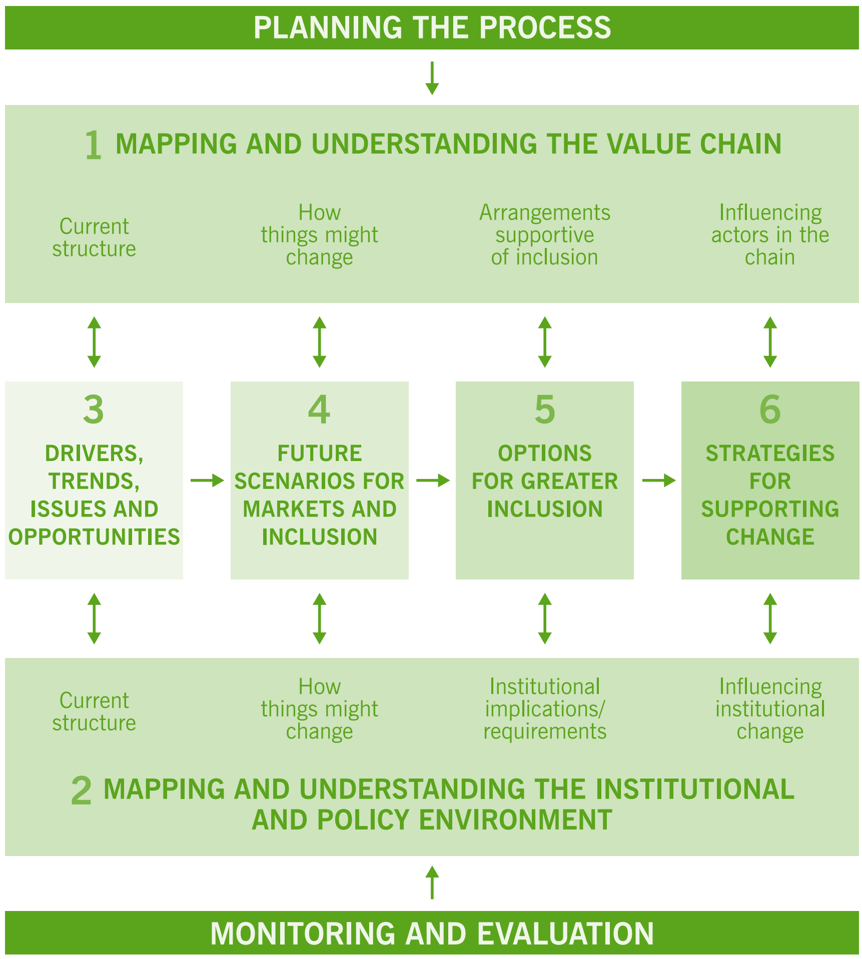
3. ***Establishing the key drivers, trends and issues*** affecting the value chain and its actors. Drivers are the main external factors influencing change; trends are the directions of change in the chain, such as types of producers, prices or marketing channels. The issues are the positive or negative implications of the trends for the different actors in the chain.

4. ***Exploring future scenarios*** in relation to uncertainties about drivers and trends and understanding the future implications for the value chain, its actors and the inclusion of small-scale producers.

5. ***Identifying the options for better inclusion*** of small-scale producers.

6. ***Developing strategies for supporting change*** of policies and institutions within the public, private and civil society sectors.

Figure 1.1 Analytical framework for mapping and influencing policies and institutions in dynamic agrifood markets



In each of its activities the methodology makes use of visual participatory tools that have been designed for use in group situations to help develop clear analysis, shared understanding and collective decision-making. These tools have been widely used in participatory development and interactive workshop processes.

Figure 1.2 Stakeholders discussing the value chain and institutional map during a multi-stakeholder workshop in Turkey

1.5 Using the guide

The guide is intended to provide both a deeper understanding of institutions and a process for better engagement between different stakeholders. To realise this, a balance has been struck between providing core concepts and practical guidelines. Consequently it is structured as follows:

Chapter Two provides further background on modern markets, the key drivers and trends and the implications for small-scale producers, government and businesses along the food chain. It also provides some explanation of value chains.

Chapter Three develops a framework for understanding and analysing institutions and policies. It provides many examples of the sorts of policies and institutions that affect small-scale producers along the value chain.

Chapter Four provides an introduction to the methodology and explains how to link it with a multi-stakeholder process.

Chapter Five works through each of the activities in the policy and institutional mapping methodology explaining a range of tools that can be used and how to facilitate it in a multi-stakeholder workshop setting.

Chapter Six gives more detail on how to design and facilitate multi-stakeholder processes and workshops.

The two **appendices** summarise the in-country processes that contributed to the development and testing of the methodology presented in this guide, and provide a full list of references cited in the text.

We have designed the guide so that someone with relatively little facilitation experience or knowledge of participatory tools could use it almost as a recipe to make a start in working with different stakeholders. Alternatively, we hope that more experienced policy-makers, business strategists and facilitators will use it as a source of inspiration and ideas for adapting and modifying to their own situation and style.

2 Modern dynamic markets

Characterised as the "supermarket revolution", a number of global and national factors are converging to reshape the way food is produced, processed, wholesaled and retailed. These include the opening up of markets, urbanisation and changes in consumer demand. The result is "hourglass-shaped" supply chains: many producers and consumers at the top and bottom of the chain, but only a few (albeit powerful) retail actors in the middle. Today in some developing and transitional counties modern retail is also beginning to dominate the urban retail food sector and has reached beyond the initial middle class clientele to penetrate significantly into the food markets of the urban poor as well. The fast growth in total turnover, captured market share and the market power of food retailers has been spectacular. Market power, i.e. the ability to set standards, including prices, for a whole sector, has never before been so concentrated. Through strong horizontal and vertical concentration, these new players dominate entire value chains and sub-sectors. In agribusiness, inter-business trade is increasingly replaced by intra-business trade, as the leading retail firms control all upstream activities right up to the farm level by applying integrated procurement and logistics systems.

Some key characteristics of the modern market which distinguish it from the traditional one are: quality and food safety as key drivers of vertical integration; the resulting introduction of private standards and product traceability (i.e. a record of product information throughout the value chain); the focus on reliability of supply, both in terms of quality and quantity; formalised contracts, centralised procurement and specialised wholesale and logistics companies; the need for physical infrastructure as a result of cold-chain requirements; the provision of business services by retailers to preferred suppliers; and an increasing interest in responsible and or sustainable sourcing aspects linked to Corporate Social Responsibility (CSR) strategies. The entry of modern retail, both international and domestic players, into developing countries and transition economies is bound to continue having major impacts on these countries' agrifood systems.

The growth of modern retails in South East Asia

In parts of South East Asia, supermarkets account for more than half of retail food sales. In China, which has relatively low per capita retail sales through modern markets, growth has still been rapid. Hypermarkets and superstores roughly grew in number from 400 in 2002 to 1,400 in 2007, and supermarkets and neighbourhood stores from roughly 3,200 to 5,200 over the same period.

Source: www.planetretail.net

While in Western countries these changes evolved over 30 to 50 years, the same transitions are happening in less than a decade in countries like Thailand, Vietnam and China. Given this dynamic and rapid transformation, any public sector intervention aiming to increase the inclusion of small-scale producers in the newly evolving market structures will require an in-depth understanding of:

- The underlying drivers and trends behind this change.
- The incentives driving actors' behaviour.
- The institutions enabling this change to take place.

This chapter briefly looks at what is happening in the agrifood business: How has it changed the market place? What are some of the key differences between modern and traditional markets, and how do these changes affect the inclusion of small-scale producers and small and medium-scale agribusiness?[1]

2.1 The drivers of change

To understand the dynamics of the agrifood sector in a particular country, or in a defined region, we need to look at both global and domestic drivers of change and the trends they create. It is also critical to understand the implications (issues and opportunities) of these trends for different actors in general and for small-scale producers' inclusion in particular. Although there is a set global drivers influencing markets worldwide, factors at the domestic level can also have a significant influence. Consequently the nature and pace of change vary between different countries, or even different continents (Box 2.1). The institutional and policy mapping methodology, explained in detail in Chapter Four,

Box 2.1 Four waves of supermarket development

It is now widely acknowledged that the spread of supermarkets has occurred in three established waves; a fourth wave is also emerging. The first wave occurred in the early to mid-1990s and included much of South America and East Asia (outside of China and Japan), north and central Europe and the Baltics. These first wave countries saw supermarket diffusion in a single decade; a process that took some five decades in the USA and in parts of Western Europe.

The second group of countries to experience the "take-off" of supermarkets in the mid-1990s comprised Mexico and much of Southeast Asia, Central America and South Central Europe. Here the retail share rose from around 5-10% in 1990 to 30-50% in the early 2000s, with the greatest growth in the late 1990s.

Third wave countries are those where dynamic market change started only in the late 1990s or early 2000s, reaching about 10-20% of national food retailed by about 2003. These include parts of Africa, countries in Central and South America such as Peru and Bolivia, some countries in Southeast Asia such as Vietnam, as well as China, India and Russia.

Fourth wave countries include much of Africa, in particular West Africa, and South Asia (for example Pakistan, where early changes are now taking place).

The prognosis is that the pace of change will continue to be rapid in the third wave countries, in particular India, China, Russia and Vietnam, and will remain steady in the first and second wave countries. It is not yet clear what the pace will be for the fourth wave countries.

Source: Reardon and Berdegué, 2008[2]

helps identify drivers, key trends and emerging issues and opportunities for different stakeholders in the sector.

Global drivers

Global drivers include both push and pull factors. Pull or demand-driven socio-economic factors might be real per capita income growth; the pace of urbanisation; or policy instruments that enable change, such as policy on foreign direct investment (FDI). Push factors include modern private sectors' (e.g. supermarket) procurement systems; domestic policies on economic liberalisation; and the (lack of) support to traditional wholesale and retail sectors. Some of the major global drivers are discussed below. Again, their impact on developments in the domestic agrifood sector will vary from country to country.

Changing consumer demands and awareness: Consumers are increasingly influencing agrifood markets. This influence occurs through product choice, shopping patterns and preferences for different types of retail outlets. In countries with developing and transitional economies, the growth of urban populations combined with a growing middle class is dramatically reshaping demand. In all countries media attention and lobby groups are bringing issues of health, fair trade, environment and animal rights to consumers' attention. This is creating new market opportunities, as well as affecting standards, product differentiation, marketing strategies and corporate social responsibility along the value chain. This changing consumer awareness and demand impacts on the dynamics of agrifood markets at the global level as well nationally.

Key factors influencing consumers' choice of shop in China

- Convenient and close to home – some 70% of shoppers walk or cycle to their main shop
- Everything in one shop
- Good value for money
- Wide product range and variety
- Ease with which they can find their requirements in the shop
- Good service
- Freshness – most shoppers visit the wet market daily
- Quality – commonly perceived to be better in international retail shops
- Speciality food lines – better sourced by domestic retailers

Source: Nielson, 2007[4]

Market liberalisation and deregulation: Globalising markets and globally operating retail and wholesale firms have profited from trade liberalisation and the deregulation of capital markets. These policies have opened up new frontiers and possibilities. Of particular significance for retail corporations has been the liberalisation of foreign direct investment[3]. Liberalisation has also contributed to concentration of market power through expanding horizontal and vertical integration by key market players. However, "free markets" are not free of market failures, monopoly situations and economic power imbalances. Balancing private sector development and economic growth with the wider public interest remains a critical challenge for governments.

Competition among retailers: In the most lucrative markets the international retail chains are competing heavily to take the lead in new and promising markets. Global newcomers in a specific country are in competition with the traditional markets, domestic retailers and regionally operating modern retail outlets. A key outcome of this intense competition has been to reduce costs and raise quality, including quality standards, through modernising and optimising the procurement system in order to achieve economies of scale and efficiencies. Commonly applied strategies for enhancing competitiveness are to increase chain efficiency and/or shorten the chain in order to reduce transaction costs. Selecting optimal store locations, retail format and product ranges along with offering discounts and store linked credit cards are other strategies for a ensuring a competitive edge.

Quality and food safety standards: Food quality and safety requirements are increasing and becoming more crucial for several reasons. Consumer demands for quality and safe food require retailers to embed accountability and tracing mechanisms throughout the chain, resulting in increasingly stringent regimes. Meanwhile, consumer demands also require retailers to ensure product homogeneity, consistent deliveries, high quality and stable shelf life.

Social and environmental responsibility: Consumers are increasingly aware of the social and environmental issues related to the products they buy. This, combined with advocacy campaigns and media attention, is leading to much greater concern about social and environmental issues along the value chain. Increasingly attention to such issues is being seen as a marketing plus; ignoring them is seen as a business risk. There is a growing interaction between the agribusiness actors (mainly retailers and large food processors) and civil society in formulating and implementing good practice in environmentally friendly and socially fair production and trade processes. This raises both opportunities and challenges for small-scale producers wishing to supply to these buyers.

Information technology: Information technology plays a key role in the modernisation of every aspect of supply chain management. It contributes to consumer awareness, resulting in better informed and more demanding consumers. It also allows high-tech tracking and tracing technologies to be used by buyers (retailers, processors) to ensure quality and safety throughout the chain. Chain actors, including small-scale producers, now face key challenges in becoming part of these modernised procurement systems.

Domestic drivers

Although the global diffusion of the modern retail sector is significant and developing rapidly, its impact is not the same everywhere. Domestic conditions influence the speed and scale of supermarket diffusion, and in many low income countries supermarkets limit their operations to the capital cities only. Some of the main domestic drivers shaping (modern) agrifood systems are mentioned below.

FDI rules and taxation policies: Foreign direct investment (FDI) policies and supportive taxation regimes may favour the introduction and diffusion of modern retail in many countries, while slowing them in others. National policies highly influence the rate and speed of retail investments, and with that the market share of modern retail outlets in local food sectors.

National trade policies: Liberal import policies may favour modern retail when there is a dependence on imported products from regional and/or global sourcing. This dependence will highly affect (potential) sourcing strategies, and with that the investments and potential profits of modern global retail players.

Domestic regulations: Domestic regulations in the food sector can either promote supermarket diffusion or hinder it. In some countries governments explicitly support the modernisation of the retail sector, either directly (e.g. China) or through the provision of tax incentives (e.g. South Korea and Russia), while other countries do the opposite (e.g. India). Domestic regulations thus highly influence the attractiveness of investments by modern (global) retailers.

Traditional wholesale and retail outlets: Government regulation of traditional wholesale markets can also directly (or indirectly) affect the growth of the modern retail sector, and with that the viability of traditional markets. The quality, hygiene and infrastructure of traditional markets, along with cultural traditions, influence how readily consumers will shift from traditional to modern markets.

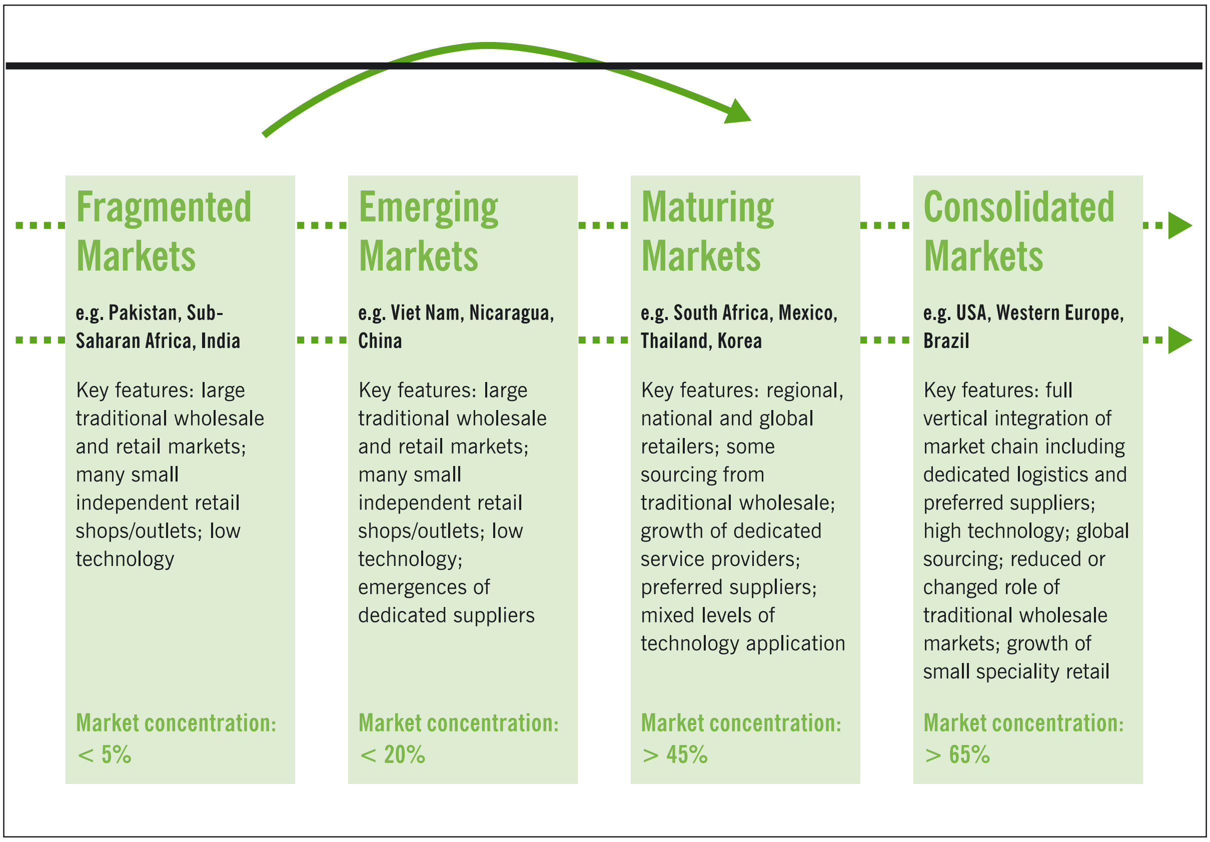
Types of retail outlets: Other domestic factors, such as consumer buyer behaviour towards food, and shopping habits, also influence the characteristics of supermarket development, and with that the preferred types and scales of supermarkets. While hypermarkets may dominate in one country, convenience stores may flourish in others. And within this differentiation, traditional (wet) markets may continue to be favoured by consumers for perishable goods such as vegetables and fresh fish.

2.2 Emerging trends

Whilst the influence of interacting drivers varies by country, certain patterns or trends can be observed. The agrifood sector has transformed from largely supply-driven to demand-driven. The rapid spread of modern retail has profoundly changed governance structures, procurement systems and quality and safety requirements. Modern markets are in competition with traditional markets, and as such are creating change within them. The following emerging trends are observed.

Market concentration: Agribusiness is now often characterised by both horizontal and vertical concentration (Figure 2.1). This means that one firm is in control of multiple processes along the chain and that there are fewer firms involved at each point along the chain. In the development of the modern retail sector, appropriate policies affecting horizontal concentration (mergers, buying competitors out) as well as vertical concentration (integrated procurement and preferred supplier systems) are critical in balancing market efficiency and fair competition. More centralised, consolidated producers, suppliers or processors will generally be preferred by the modern retail actors. Good organisation and co-ordination between the chain actors is therefore an increasingly crucial element of value chain development.

Figure 2.1 The different stages of market concentration



The complexity of the value chain in transition

Substantial restructuring downstream (retail) is not always matched by upstream (farm) restructuring – there is uneven restructuring midstream along the chain and this needs to be better understood

The role of intermediaries (modern, traditional and processors) is important for the inclusion of small-scale producers

Developing small-scale farmers' resilience to change in all markets (modern and traditional) matters. Farmers with similar assets operate in different and often multiple markets—both old and new

Source: www.regoverningmarkets.org

Centralised procurement: The modern agri-food market requires product homogeneity, continuous delivery, quality upgrading and stable shelf life. For these reasons, procurement from traditional wholesale markets is rapidly being replaced by specialised wholesalers, subcontracting with preferred suppliers, and consolidated purchases managed through regional and modern warehouses. Modern retail in developing countries and transition economies is increasingly controlling upstream segments of the supply chain through contracts, private standards and sourcing networks. Procurement for retail in the West has become essentially globalised and this trend is emerging for developing and transitional economies too.

Specialised wholesalers: In a modern retailer's initial investment phase in a specific country its procurement will often still take place through traditional traders or wholesalers. This is then followed by a shift from these multiple chain actors to wholesalers that are specialised in a specific product. This specialist wholesaler is expected (and often trained) to be more responsive to the retailer's quality, safety and consistency requirements than the traditional, less-specialised wholesaler.

Preferred suppliers: Moving towards preferred supplier systems, i.e. the selection of an exclusive group of specialised suppliers and traders/wholesalers, is another trend in the modern agrifood sector. Such binding linkages unlike the specialised wholesaler allow for rapid movement of produce from farm to store, and allow and enable supermarkets to enforce strict requirements on these suppliers to adapt and invest in practices that simplify the movement of produce along the chain and tighten internal quality and food safety control systems.

A key barrier to market entry

Food safety enforcement and certification creates a significant challenge for inclusive modern market procurement

Source: www.regoverningmarkets.org

Public and private standards: The requirement to meet increasingly stringent public and private standards is a key feature of modern markets. Public standards are set to ensure basic health. Private sector standards are often in line with domestic standards (or with those of the source of origin) and laws, yet are developed in response to the lack of regulation and especially enforcement of public food safety and quality standards. These failings have forced private actors to define, enforce and control their own required standards. Besides guaranteeing quality standards, private standards also reduce transaction costs and simplify movement of produce along the chain.

Prices: Over the last several decades farmers have generally experienced a cost-price squeeze. This has been driven by production increases and, to a degree, subsidies. The concentration in modern markets can lead to monopoly buyer situations where producers are pressured into accepting even lower prices. However, modern markets also often pay a price premium for bulked up quality produce. The preferred supplier situation offers the opportunity for guaranteed demand and greater price stability which is often an important incentive for producers to invest and innovate. The current emergence of demand for biofuel along with changing dietary patterns are predicted to significantly change the price dynamics of agricultural products over the coming decade.

Penetration into lower socio-economic market segments: Initially the development of modern retail in developing and transitional economies targeted the more lucrative upper and middle-class market segments. However, over time retailers have adopted differentiated strategies to expand clientele in the lower socio-economic market segments.

Summary

Figure 2.2 below shows how major drivers and trends have changed the governance of the marketplace. New marketing strategies require alternative institutional arrangements and raise new demands for and barriers to economic transactions. Consumers are becoming a key force in a globalising market environment that is increasingly dominated by a few international and domestic retail chains and agri-processors.

Figure 2.2 Summary of major drivers and trends in re-structuring and re-governance of agrifood markets

Re-structuring and re-governance in summary

1 Marketing strategies built around ... – trust – defence of quality, consistency and assurance to consumers – reliability and continuity of supply – lower prices **through ...** – narrowing of supply base – own brands – traceability systems – private standards – economies of scale – logistics: national and cross-border systems to coordinate procurement and distribution – shaping regulatory environment	■ **Buyer-driven production** ■ **Barriers to entry – capital, technology, organisation, scale, finance** ■ **Collaborative business models**
2 Deregulation	■ **Consumer as 'regulator'**
3 Liberalisation	■ **Imports set price and quality**
4 Market concentration	■ **Buyer power**

2.3 The central role of value chains

The drivers of change and emerging trends outlined above have resulted in increased attention being given to access to modern markets through value chains. The importance of value chains is that wherever a business is located along a supply or value chain, business success depends on an understanding of and ability to respond to the needs of the entire chain. For example, food quality and safety standards can only be met if the correct procedures are in place along the entire chain. Similarly, efficiencies and value-adding activities need to be created and co-ordinated at every stage of the chain.

The value chain perspective has become a central focus of many recent international agricultural development strategies. It has been realised that in the past there may have been too much focus on increasing production without sufficient attention to markets and the role of effective supply chains.

In this guide, the value chain is central to the analysis. The starting point is to map all functions of the value chain, as well as to identify the actors in the chain and determine how they relate to the process and to each another. Mapping a value chain involves analysing the flows of products, money and information along the chain (see Chapter 5).

Further resources

KIT, Faida MaLi and IIRR, **Chain empowerment: Supporting African Farmers to Develop Markets**, Royal Tropical Institute, Amsterdam; Faida Market Link, Arusha; and International Institute of Rural Reconstruction, Nairobi, 2006.
Includes simple user-friendly introduction to supply chains and value chains, many examples of efforts to integrate small-scale producers into markets, and a good list of further references for understanding and facilitating chain development

Ruben, R. et al, **Agro-Food Chains and Networks for Development**, Wageningen UR Frontis Series, no. 14, Frontis – Wageningen International Nucleus for Strategic Expertise, Wageningen University and Research Centre, Wageningen, 2006.
Combines insights from theory with a large number of business cases to enable better understanding of the opportunities and constraints that supply chain integration can offer for stimulating rural development

GTZ, **Value Links Manual: The Methodology of Value Chain Promotion**, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), 2007, www.value-links.de/manual/distributor.html.
ValueLinks is the name given to a systematic compilation of action-oriented methods for promoting economic development with a value chain perspective

Wageningen University and Research Centre, **Wageningen Expertise Centre for Chain and Network Studies**, Wageningen, www.wageningencns.wur.nl.
A reference site for research on value chains at Wageningen UR

Royal Tropical Institute, **Value Chains for Development**, Amsterdam, http://portals.kit.nl
Resource portal hosted by the Royal Tropical Institute

2.4 Implications for stakeholders

Producers and producer organisations

Producers and producers' organisations today face a set of challenges brought about by the unprecedented changes in modern retail and agribusiness concentration. Their capacity to adapt is influenced by a complex set of interacting and diverse factors, which includes the broad spectrum of capital assets such as human, social, organisation, physical and financial capital.

While market restructuring can be significant downstream, it may be uneven upstream. Market signals of price and demands on quality and packaging, for example, may not be transmitted to producers. This then reduces the extent to which the producer—large or small—can learn to adapt. Over time this capacity to be resilient and to respond to multiple market demands, including deciding which market to trade on, will be a key determinant of sustained development.

Given the small unit size of many producers in developing and transition economies the ability to ensure timely delivery of products of the right quality and quantity to intermediaries and processors is paramount. Grouping small-scale farmers into co-operatives, farmers' organisations or business units; or putting in place contract farming and grower outreach production, can all help with this[5]. However, the benefits of producer organisation membership in the context of economic engagement in modern markets can be mixed. Producers' organisations need to define their market role and functions clearly if they are to provide effective support to small-scale producers engaging in modern markets[6].

Organising into lobby groups can also secure farmers a voice in the debate on the future of agriculture and the impact of market change at the domestic level. Increasing social capital by strengthening entrepreneurial skills, improving access to market information, improving contacts and building trustworthy relations with market partners will all improve the influence of the producer in the governance structure of the marketplace (see Chapter 3).

Agrifood businesses

The agrifood business is highly competitive globally and domestically. Transnational corporations are increasingly competing in the modern retail sector with knowledgeable and competitive domestic agribusiness partners. Alliances and joint business ventures are the norm, including forming linkages between agribusiness and major transport and other commodity distribution actors. The business opportunities in many emerging markets are good. Being first in the market and developing a network of suppliers place a given agribusiness in a strong competitive position.

Agribusiness is not, nor should it be, driven by a development imperative. However, the operation of agribusiness (both modern retail and processing) inevitably affects small and medium-scale producers, for whom meeting volume, quality and reliability requirements along the value chain can be a major challenge. Thus agribusiness may, of necessity, engage with intermediaries or directly with producers to provide knowledge, support through mentoring, capacity-building and credit guarantees.

Voluntary self-regulation of agribusiness, for example through the Argentina Best Commercial Practices Code (Brom, 2007[7]), is a policy innovation that has helped to prevent conflict and solve controversies among suppliers, processors and supermarkets.

A number of modern retailers have a clear commitment to corporate responsibility in place. For example, Carrefour in China is developing sustainable models of procurement in vulnerable eco-regions and building the capacity of a wide range of partners and other actors in areas such as food safety. Likewise, SPAR in South Africa is supporting local community-based vegetable production.

Policy-makers

Public policy has a key role to play. It sets the institutional context in which the pace and growth of modern retail evolves. It also influences interactions with and between the traditional and modern market sectors including up and downstream impacts. That role in general has been stronger and more influential in developed countries than in developing and emerging economies. A key challenge for public policy-makers (both national government and donor agencies) is to keep pace with private sector agribusiness change, both global and domestic, and to anticipate the implications for the domestic farming community and other actors in the agrifood sector. For example, an emerging issue in India is the potential impact of the growth of modern retail on the many millions of small-scale retailers and the trade-offs with the consumer benefits of modern retail development. Thus there is a need to anticipate change within market chains and for each commodity category, and to foster multi-stakeholder dialogue to secure workable solutions.

Policy can play a key role in minimising conflict and fostering opportunities for small-scale producers and small firms within the rapidly modernising wholesale and retail food sectors. For example, competition policy through public regulation or through private sector self-regulation can help to limit concentration or collusion. A range of public and private retail market regulations can help address power imbalances in retail-supplier relations. Taxation policies can create incentives for shaping the market.

Public and development partner policy and intervention can also help to strengthen suppliers, such as wholesalers' capacity to supply modern retail chains. They can also assist these actors and traditional retailers to pursue other market opportunities as appropriate.

Growing consumer demand for food quality and safety requires new roles and responsibilities for the public sector across all market chains. This calls for new models of both public and private provisions to underpin science and technology, regulation, accreditation and inspection.

Civil society organisations

A wide range of civil society organisations play a role in shaping the face of modern agrifood markets globally and locally. These include consumer groups, the media, farmers' unions and trade unions.

As with the public sector, civil society organisations need to understand business and the market. They also need to understand the implications of policies and interventions for all actors including farmers, consumers and workers. Too often civil society groups focus on single issues without fully understanding of the wider context. Building the skills and knowledge of civil society organisations can help them play a key role in shaping food policy and markets. They should become recognised actors in multi-stakeholder processes that shape the future of the sector.

[1] For an analysis of agriculture, rural poverty and markets see: World Bank, **World Development Report 2008 – Agriculture for Development**, World Bank, Washington DC (www.worldbank.org); and Andriesse, W. et al, **The Role of Agriculture in Achieving MDG1 – A Review of the Leading Reports**, Wageningen University and Research Centre, Wageningen, 2007, (www.wi.wur.nl/UK/Resources/Discussion+papers/).

[2] Reardon, T. and Berdegué, J.A., **The Retail-led Transformation of Agrifood Systems and its Implications for Development Policies,** Working Paper for the World Development Report 2008 (www.rimisp.org/wdr 2008).

[3] Reardon, T. and Timmer, C.P., **"Transformation of Markets for Agricultural Outputs in Developing Countries since 1950: How has Thinking Changed?"**, 2007; and Chapter 13 in Evenson, R.E. et al, (editors), **Handbook of Agricultural Economics: Agricultural Development: Farmers, Farm production and Farm Markets – Volume 3**, Amsterdam, Elsevier Press, 2007.

[4] Nielson, **CIES Shanghai Food Summit**, 2007, (www.ciesnet.com).

[5] Onumah, G.E. et al, **Empowering Smallholder Farmers in Markets: Changing Agricultural Marketing Systems and Innovative Responses by Producer Organizations – ESFIM Working Paper 2**, Empowering Smallholder Farmers in Markets (ESFIM, www.esfim.org), 2007.

[6] Regoverning Markets Programme, **Regoverning Markets – Small-scale Producers in Modern Agrifood Markets**, (www.regoverningmarkets.org).

[7] Brom, F.J., **Best Commercial Practices Code (Argentina 2000-2006) as an Efficient Policy Innovation to Prevent Conflict and Solve Controversy between Suppliers, Processors and Supermarkets**, Working Paper Prepared for the Regoverning Markets Programme, 2007.

3 Understanding institutions and their influence on markets

In Chapter Two we examined the drivers of change that are (re)shaping the way food is produced, processed and retailed. This chapter explores the underlying role of institutions in such a dynamic market. In particular we highlight what institutional factors need to be analysed in order to open up opportunities for small-scale producers.

Societies construct institutions—the rules by which people interact with each other—to make ordered social life possible. Agrifood markets and value chains are systems involving many different interlinked institutions. Culture, business practices, government laws, regulations and many different organisations interact to shape the way a market works. All markets, whether traditional or modern, are governed by a set of informal and formal institutionalised rules and agreements. Without these it would be impossible for the actors involved to co-ordinate their market activities.

To enhance the opportunities for small-scale producers in modern markets we need to understand the main institutional factors affecting their inclusion or exclusion[1]. We then need to understand how institutions can be influenced or changed to create the right incentives for greater inclusion.

Public policy is one important institutional dimension. However, there are many other institutional dimensions, both formal and informal, associated with the private and civil society sectors, and society at large, that are equally important. Public policy may fail to meet its objectives if the whole institutional context is not taken into account.

The first part of this chapter explains what institutions are and looks at four key functions of institutions. The second part then explores key institutional considerations in relation to the main groups of stakeholders, namely the public sector, the private sector, producers or their organisations, and civil society organisations.

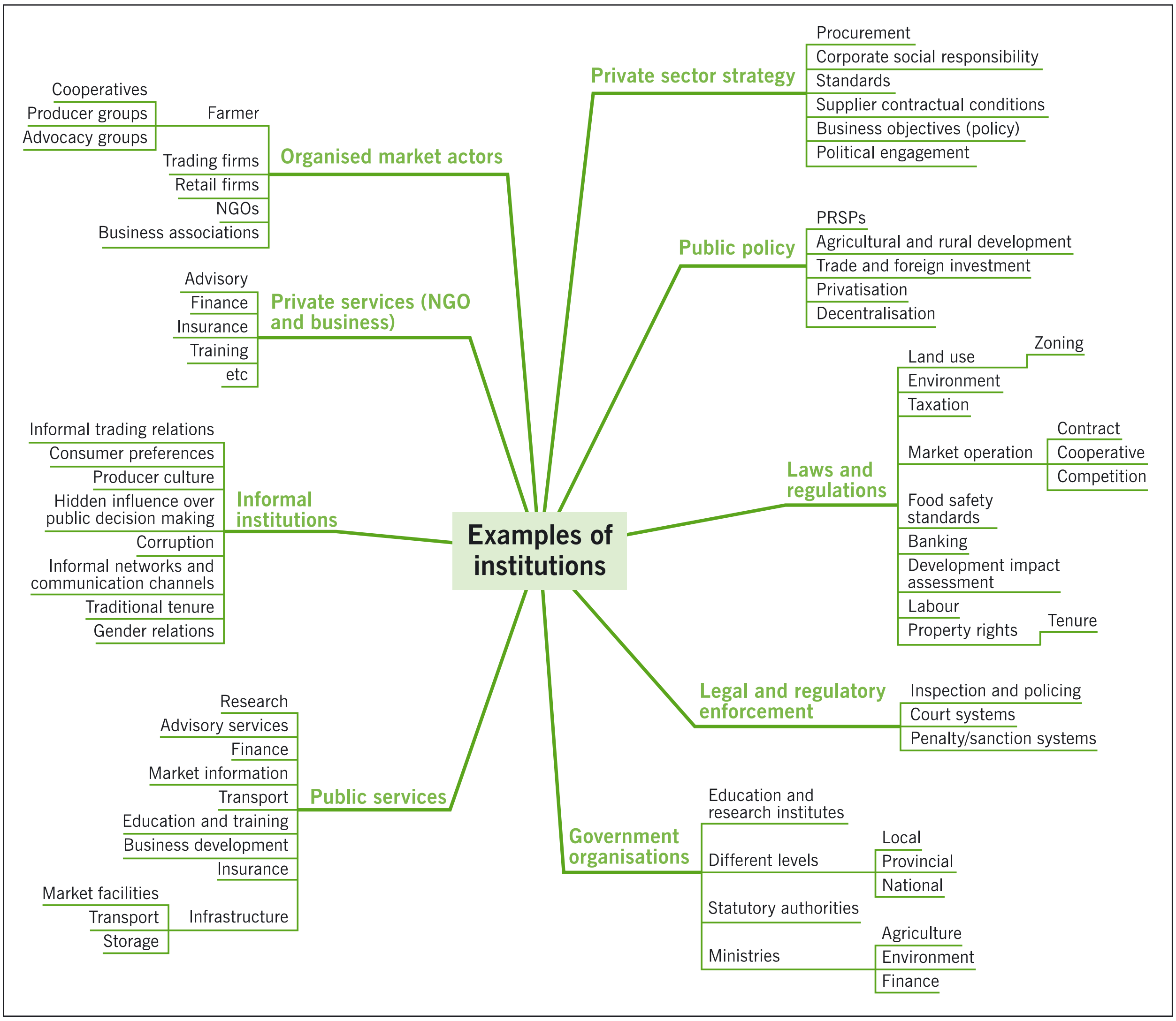
3.1 What are institutions?

Markets are the result of many different institutions interacting to enable the exchange of goods or services between buyers and sellers. Property rights, taxation, education and research institutes, laws, parliaments, courts, and even they way people greet one another are all examples of institutions (Figure 3.1).

Institutions include formal and informal "rules"; regular patterns of behaviour and various forms of organisation across the state, business sector and civil society. Language, beliefs, values and theories about how the social and natural world "works" are also institutions. Some institutions are formalised, such as laws, while others, such as social customs, are informal. Institutions, both formal and informal, create stability and order in society.

In everyday language, organisations (government departments, universities, NGOs, business organisations) are often referred to as institutions. Here, as will be further explained, we use a much broader definition of institutions. Organisations are a unique type of institution because they are also actors (stakeholders).

Figure 3.1 Institutions involved in the functioning of agrifood markets



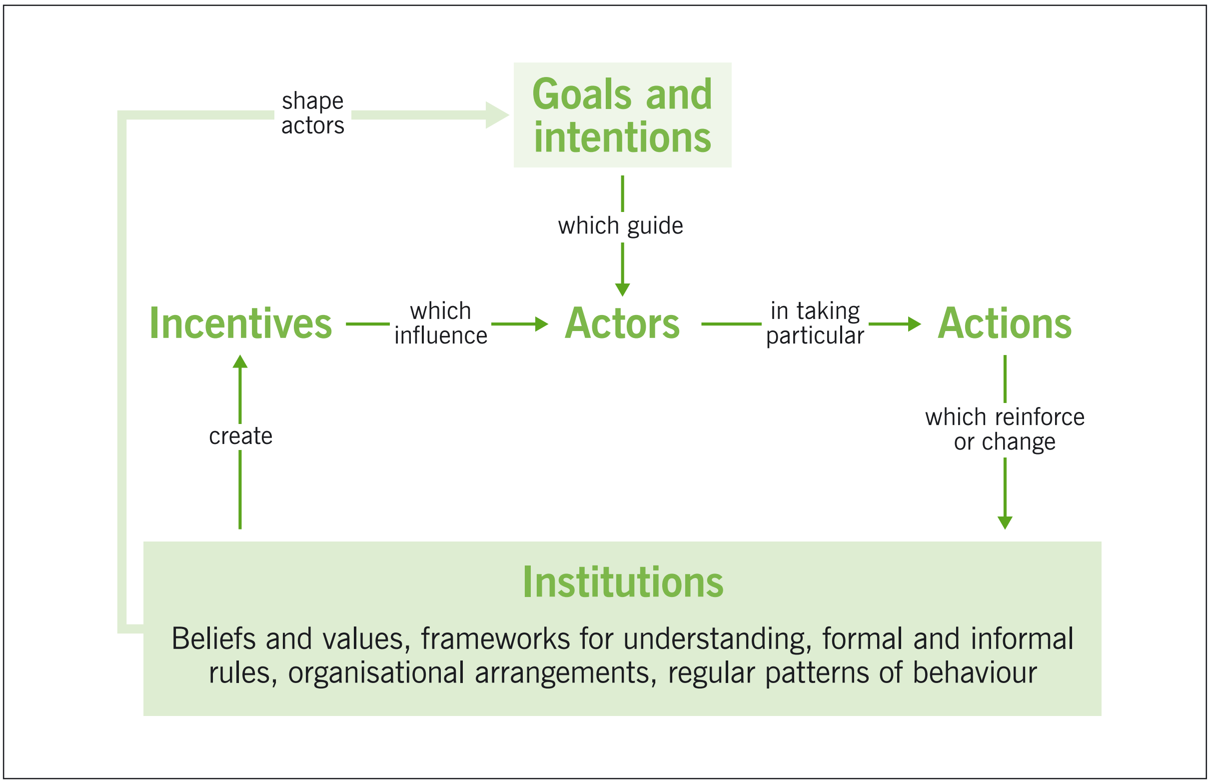
Source: Birner, 2006[2]

Markets, and the functioning of value chains, depend on economic win-win situations and trust. Trust is either created informally between those doing business, or it is established through formalised contracts upheld in law. Institutions make this trust possible. In traditional village markets, the exchange between buyer and seller is direct and is based largely on informal mechanisms of trust. However, the situation is considerably different with modern globalised market transactions. These are more complex and involve formalised institutional systems, including formal institutional mechanisms for establishing and upholding contracts, setting and maintaining standards, organising finance and insurance, and transporting products.

Many institutions, particularly the more informal ones, are so much part of our life and so embedded in what we regularly do that they are easily taken for granted. Social, economic and political change is essentially about changing institutions. So, to foster and enable change, such as the inclusion of small-scale producers in modern markets, it is essential to look closely at the institutions involved.

Institutions create the incentives (positive and negative) for individuals and groups to behave in particular ways. However, individuals and groups are not completely constrained by institutions. Their own goals and intentions (which are also shaped by institutions) may lead them to ignore or go against an established institution. When individuals and groups comply with an existing institution they reinforce it; when they disregard it they begin to weaken and undermine it. Individuals and organisations often have to make decisions in the context of different and conflicting institutional influences (Figure 3.2).

Figure 3.2 Incentives, actors, actions and institutions



Source: Woodhill, 2008[3]

Table 3.1 shows how institutions can influence the inclusion (or exclusion) of small-scale farmers in modern value chains.

Table 3.1 Examples of how institutions affect the inclusion of small-scale producers in modern agrifood markets

Case study	Brief description	Key institutional factors influencing inclusion
China Foreign retailers introduce new institutional arrangements for procurement, including new benchmarks for food quality and safety	Carrefour has entered the Chinese retail market introducing integrated quality systems and setting standards on procurement and quality and safety standards. The general public is also demanding food safety assurances. Both developments set new standards for safety and quality in the food sector and will be followed by competitors. These could even influence wet markets, encouraging them to raise quality too.	• FDI policies • Private processes • Private quality standards • Changing consumer preferences
Brazil Access of family farmers to bio-diesel markets: partnership between large companies and social movements	In Brazil the domestic market for bio-diesel is supported by government policy and legislation. In an attempt to improve the image of the industry large companies look for ways to include small-scale producers. A "social label" also creates competitive advantages in the market. Worker unions are collaborating in the development of the social label.	• Supportive national policy • New arrangements between private and civil society
Kenya Trends in growth of modern retail and wholesale chains and related agribusiness	The domestic market for fresh fruit and vegetables in Kenya is dominated by domestic and regional players. Consumer preferences for safe and quality food do however force the market to improve on quality and safety management and control. The traditional distinction between requirements for domestic and international export markets is increasingly disappearing.	• Stringent quality standards export markets. • Stringent quality standards domestic markets
Hungary Innovative institutional arrangements and practices by poultry co-operatives ensure market access	Former supportive legislation and support programmes for the poultry sector in Hungary are being replaced by EU arrangements. The sector also faces competition from EU countries. Professionalising the sector is therefore necessary to survive. For small-scale producers professional co-operatives, such as the AVIUM 2000 poultry processing co-operative, provide a viable option to increase competitiveness.	• Change in subsidy system • Professionalism becomes prerequisite for survival
Mozambique Trends in growth of modern retail and wholesale chains	The supermarket revolution is yet to happen in Mozambique. Production of agro-products in value chains is weakly developed. Heavy import dependency exists in high value sectors due to non-competitiveness.	• Removal of external tariffs • FDI policies are pro-investment

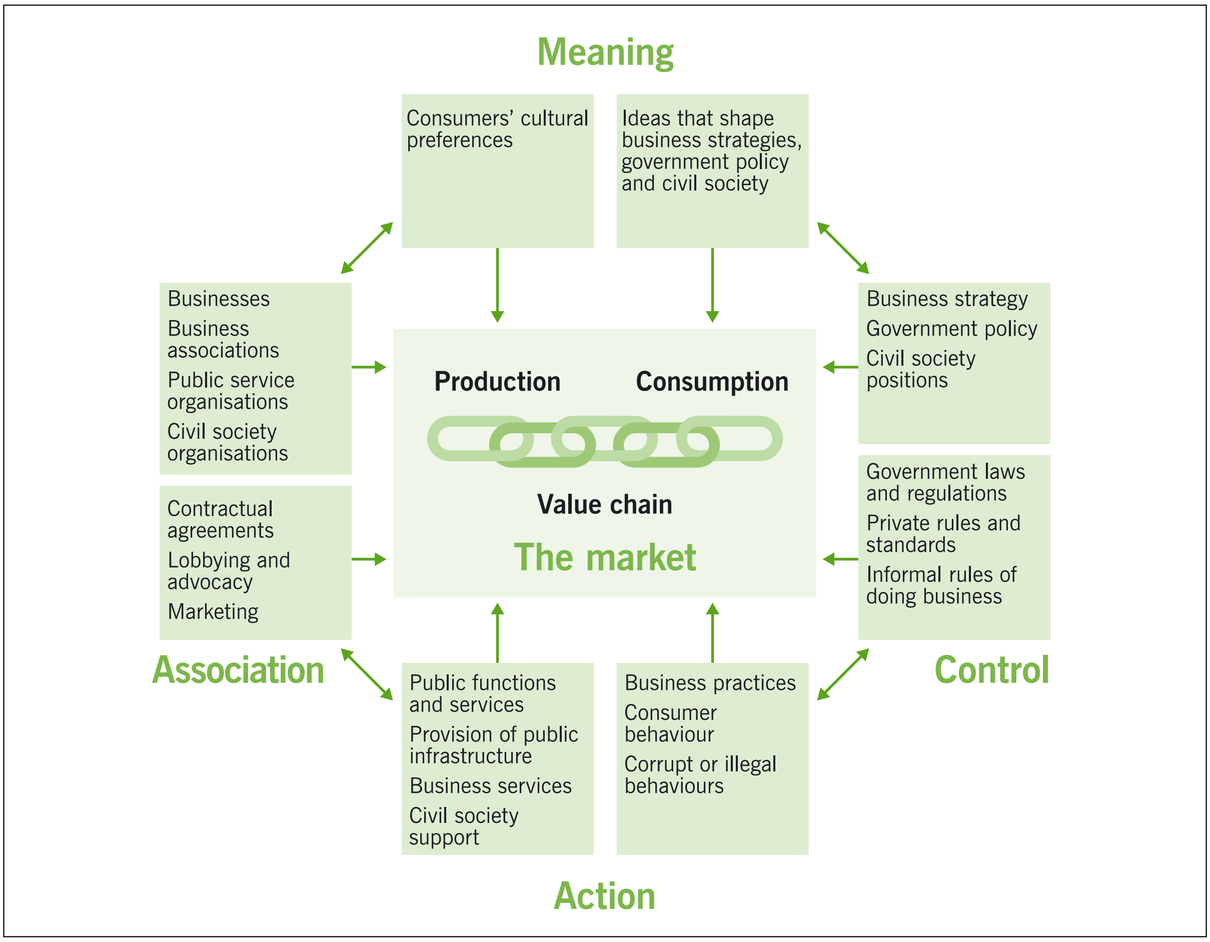
3.2 Four key functions of institutions

Institutions can be categorised in many different ways, such as by their sphere of influence or mode of operation. In this guide we distinguish four functional elements of institutions (Figure 3.3)[4]:

1. Institutions as ways of making **meaning** of our lives and the social and natural world we inhabit – our mental models.
   a) Cultural and religious beliefs and values.
   b) Scientific and conceptual frameworks for explanation.
2. Institutions as the **associations** we make to work together to achieve social, economic and political objectives.
   a) Government, business and civil society organisations.
   b) Relationships, agreements and interactions between organisations.
3. Institutions as the basis for **control** over what individuals and organisations should or can do.
   a) Mandates, strategies and policies.
   b) Formal rules and regulations and informal rules.
4. Institutions as recurring **action** carried out by individuals or organisations in social, economic and political life.
   a) Regular provision of services, functions and products.
   b) Regular patterns of behaviour by groups and individuals.

These four categories of institutions can be used to look at markets and value chains as institutional systems, and to understand the role and influence of specific institutions along the value chain (Figure 3.3).

Figure 3.3 Framework for institutional analysis of markets and value chains



The significance of this categorisation is that it highlights the interlinkages between each function. It also makes the cultural and knowledge dimensions of institutions explicit. In each of these categories some institutions are formal and others informal.

Consider the current concern about food quality and safety. Consumer beliefs (meaning) and buying behaviour (action) have a significant role in shaping business strategy and government policy-making (control). There is a framework of scientific understanding and research (meaning) that underpins food quality and safety regulation and procedures. Organisationally there are government agencies responsible for food safety issues, and many different businesses interacting along the value chain (association). Government food safety agencies have a mandate to develop policies and establish rules and regulations, while the agrifood industry independently develops its own sets of policies, standards and rules to meet consumer demands and legal requirements (control). As a result of these institutional arrangements, a set of supporting actions becomes institutionalised, such as regular monitoring of imports by a food safety authority or agribusiness introducing and providing bar coding and tracing services (action). Some of the behaviours (action) by different actors (including corruption) may disregard the formal rules and be driven by informal customs and rules (control).

Box 3.1 works through an example of how these functions can be used to better understand institutions related to micro-finance.

The starting point for institutional and policy mapping is to understand the value chain. Who is producing what and selling to whom, and under what conditions, following the entire value chain?

In any value chain there are many different organisations and networks fulfilling different critical functions and relating with each other in various ways. For markets to work, property rights need to be protected; contracts or agreements between buying and selling parties must be upheld; and there must be agreement about and adherence to standards. Markets and value chains also depend on a wide variety of services and infrastructure. For example, financial, business and transport services, technical advice and specific research is needed, and roads, railways, market facilities and ports need to be in place. Enforcement of contractual agreements or property rights may involve the courts and ultimately the policy.

Box 3.1 Example of using the framework for institutional analysis

Access to micro-finance is a key issue in enabling small-scale producers to access markets. Based on the four institutional functions outlined above, this box illustrates some key questions that may be important to ask during an institutional analysis of micro-finance.

Meaning: What are the general beliefs in government and society about the importance and value of micro-finance for the poor? What are the norms and values in a society or community about taking and paying back loans? What are the main theories, conceptual frameworks and bodies of knowledge being used to set policies and design micro-finance interventions? How much alignment or contradiction is there between different theories and between theory and cultural values and practices?

Association: Who are the main organised actors important for micro-finance (government agencies, banks, donors NGOs, CBOs)? What contractual, formal or information relationships exist between these different organisations?

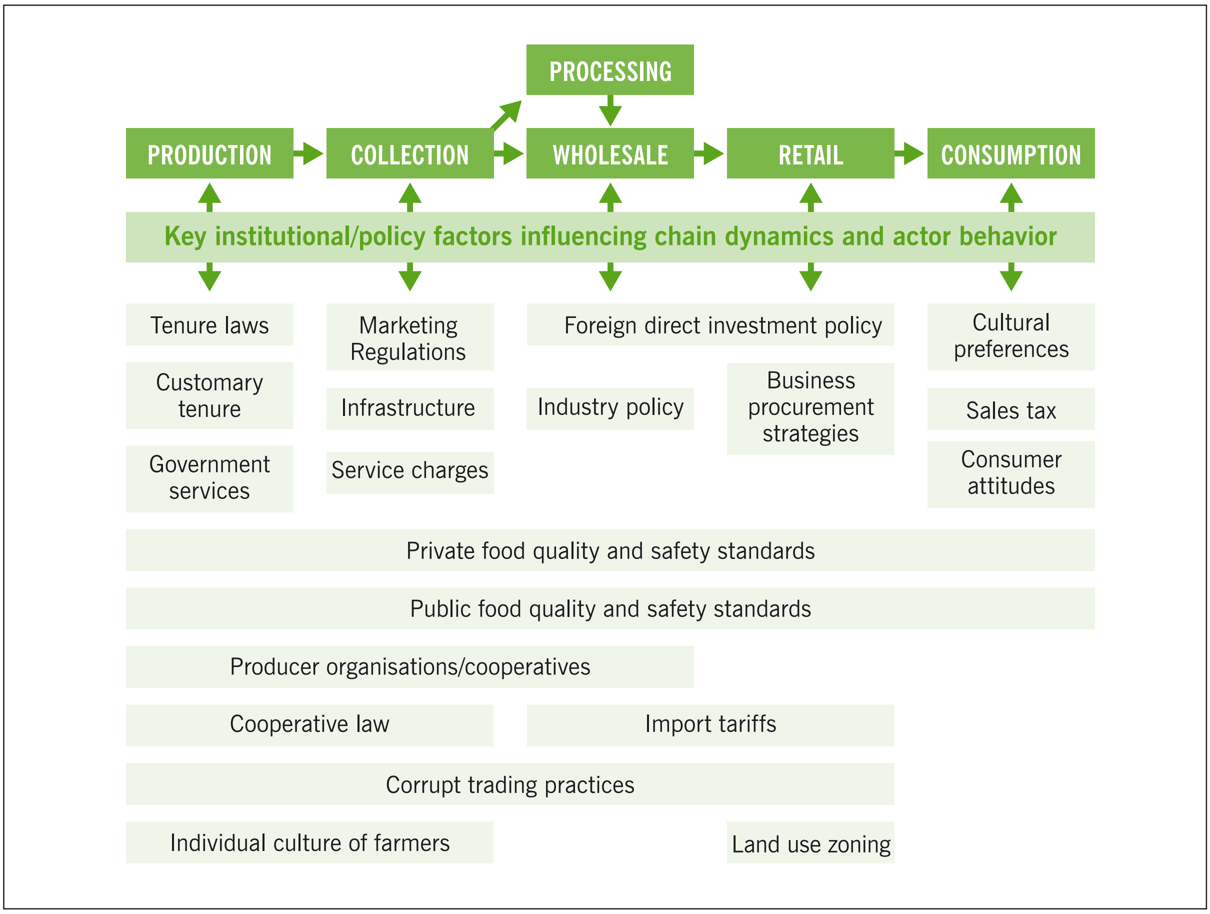
Control: What is the national policy on micro-finance? How is micro-finance dealt with in poverty reduction strategies? What are the specific mandates of local banks (public and private) to provide micro-finance to small entrepreneurs? What are the rules and regulations governing micro-finance institutions? What are the private policies and strategies of banks in relation to servicing the poor? What are the informal rules governing informal lending within a community? What are the reasons behind these informal systems?

Action: As a result of the above what micro-finance services are actually operating? Who is using them and what are the patterns of repayment? How significant is the informal lending sector and what key behaviours characterise it? How do staff in banks or micro-finance organisations behave with their clients? What type and degree of corrupt behaviour exists in the sector?

As already indicated, underlying beliefs and theoretical ideas are institutions that have an important role in shaping strategies, policies and the behaviour of different actors. For example, assumptions about economic development will influence a country's overall trade and foreign direct investment policies and laws.

In the end, all these different institutions affect transaction costs: the costs incurred in making an economic exchange (i.e. doing business). Effective institutions lower transaction costs, while weak or poor institutions increase them. For a modern retail company, making numerous contracts with separate small-scale producers will increase its transaction costs. "Intermediaries", such as traders, exist in markets because they reduce the transaction costs of producers finding buyers and of buyers finding producers. A key goal for modern retailers is to minimise transaction costs along the entire value chain, thereby increasing price competitiveness and maximising profits. Figure 3.4 illustrates the impact of different institutions along an entire value chain.

Figure 3.4 Examples of the impact of different institutions along a value chain



3.3 Overview of key institutions and policies

This section takes a closer look at some of the main institutions and policies that affect the inclusion of small-scale producers in modern markets. They have been grouped according to the four main actor categories: the public sector; the private sector; producer organisations and civil society. Within each of these four categories, we have used the framework for institutional analysis outlined above to identify the most relevant institutional aspects.

State institutions and public policy

The role of government (the state) is to put in place and uphold a framework of institutions that enables society to function and to set and meet its social, economic and environmental goals.

Public policy is a generic term used for the cycle of identifying, developing, implementing and reviewing government policies. Strictly speaking a policy is a deliberate plan of action to guide decisions and achieve particular goals. A policy is then put in place through laws, regulations, and the actions of government administrative bodies. Policy mechanisms are the means by which a policy objective can be achieved by government. Policy mechanisms include rules about what people or organisations may or may not do; taxation; law enforcement mechanisms; provision of public services and infrastructure; investment in research and development; and public awareness and education.

Understanding the relationships among state institutions, public policy and the way government works is critical. The government is itself a set of interacting institutions that generally includes a constitution, parliament, the executive branch of government, government ministries and agencies, the military, laws and the judiciary.

In today's world, governments require new ways to establish and implement policies. Firstly, economic and technological change is happening fast and it is often difficult for public policy processes to keep pace or to adequately predict future trends. Secondly, governments are not all-powerful. Private sector and civil society actors also wield much influence. If there is significant opposition, it can be politically and administratively difficult for a government to make and implement policy changes. Governments therefore find it increasingly necessary to work with business and civil society to achieve workable policy solutions.

Government structure and organisations

A starting point in public policy analysis is to be aware of the different government organisations responsible for the regulations and services along the value chain. It is necessary to understand which level of government is responsible for what.

Line ministries usually play an important role in legislation. If different ministries are concerned with a particular law, inter-ministerial coordination is an important aspect of the policy process. Different line ministries are often the lobbying entry point for specific interest groups (e.g. agricultural interest groups lobby ministries of agriculture, whereas retailers may lobby ministries of commerce). In federally-constituted countries, the relations between provincial and federal government may need to be considered as well. At the production end of the chain there are likely to be many influences from local government.

Policy framework

All governments have a set of broad strategies and policy directions that provide a framework for more specific policies, laws, regulations and the actions of government agencies. These include policies for the key sectors, such as agriculture, trade, or environment. There will also be cross-sectoral policies, such as Poverty Reduction Strategy Papers in developing countries. As part of their international obligations national governments will also have policy responses to various international agreements and conventions, for example the Millennium Development Goals.

Understanding the overall policy framework is an important part of any institutional analysis. When dealing with a particular public policy issue or objective it is necessary to understand if and how it is dealt with in the overall policy framework. Often there is a considerable mismatch between policy objectives and policy implementation. Different strategies and tactics will be required depending on whether the issue is a lack of policy attention to the issue of concern, or poor implementation of existing policy objectives.

Laws, regulations and public standards

Across the value chain there will be many different laws, regulations and standards affecting the way the market works and influencing the opportunities for small-scale producers. The point is not to try and map all of these, but to identify those that have a particular impact on the inclusion or exclusion of small-scale producers in a particular market.

It is necessary to look at these laws, regulations and standards from both a producer and a procurement perspective. What laws, regulations or standards are either supporting or constraining small-scale producers from engaging in modern markets? What incentives or disincentives do laws, regulations and standards create for modern retailers to procure from small-scale producers? Examples of some of the laws and regulations and their impact on small-scale producers are given in Table 3.2.

Table 3.2 Examples of laws and regulations that affect small-scale producers

Relevant areas of laws and regulations	Description	Implications for small-scale producers (SSP)
Contract and trade practices	Laws and regulations on contracts	Protect SSP against exploitation Benchmark for market transactions Provide checks and balances in transactions
Competition	Law on competition Law against monopoly behaviour or illegal price setting	Avoid concentration in market power Control buying power of up-stream chain actors
Co-operatives	Law on co-operatives Tax exemption for co-operative business	Protect co-operatives from undue state influence Provide competitive advantages to co-operative business
Import and export	Import and export regulations, taxations	Stringent import regulations protect domestic SSP Export subsidies favour SSP in international markets
Foreign investment	Law and regulations on foreign direct investment	Protect domestic retailers as well as SSP External investments introduce new benchmarks for quality standards and systems
Land tenure and use	Law and regulations on land tenure, land reform, land lease, taxation on land	Protect and secure SSP rights to land Increase investment potential
Land use and zoning	Laws and regulations on land use and zoning	Protect informal and traditional market circuits Influence growth of modern retail, formats and location
Labour	Laws and regulations on labour rights	Improve access to labour Provide off-season income
Environmental	Standards and regulations on environmental impact chain processes	Support SSP to accommodate regulations but may cause extra investments, or require additional capacities
Food safety and quality	Public standards on hygiene and food safety, standards on traceability	Need for systems suitable and affordable for SSP Require human capacity and capital investment in order to comply
Certification and labelling	Private standards and certification schemes	Need for systems suitable and affordable for SSP Fair trade labelling favours SSP

Taxation and subsidies

Taxation has three main functions, to raise revenue for the government, to influence pricing and hence market incentives and to redistribute wealth. There are many different forms of taxes, such as on income, sales of goods and services, employment, capital accumulation, ownership and use of land and transfer of property. These taxes may be levied by different levels of government.

> **Early support from tax breaks**
>
> Tax exemption in the initial phase of its development and additional EU financial support allowed the Morakert co-operative in Hungary to organise its supply and quality management structures to establish a market share in the supply of fresh vegetables for the retail market.

The taxation situation across an entire chain can significantly influence incentives for different types of market behaviour and transactions. It can also influence where, and how, value is created along the chain. Taxation can be used to give preferential treatment for small-scale producers and their organisations, for example tax reduction for co-operatives.

A key issue for small-scale producers is that if they have been operating in the informal market they may have, legally or illegally, not been subject to tax. Once they join the formal economy this changes and it may create real or perceived disincentives for participation.

Subsidies can have the same objective as taxation in terms of influencing pricing (and hence market incentives) and in redistributing wealth. Subsidies can be used specifically to encourage or stimulate certain actions or favour certain groups or actors. Strategic use of subsidies earmarks benefits for more vulnerable groups. Targeted subsidies earmarked exclusively for small-scale producers for providing quality inputs (e.g. seeds, chemicals, fertilisers) can give small-scale producers a comparative advantage and make them more compatible with larger production units.

> **Typical public sector provision**
>
> **Services**
>
> - Advisory (extension services and market intelligence systems)
> - Business development
> - Market information
> - Public transport
>
> **Infrastructure**
>
> - Road and rail
> - Local market facilities
> - Communication
> - Electrification

Public services and infrastructure

A key responsibility of the state is to provide essential services and infrastructure. Small-scale producers, because of their limited assets, are particularly dependent on public services and infrastructure. The availability of public infrastructure is also likely to be a critical factor influencing the investment strategies of agribusinesses and their degree of willingness to engage with small-scale producers.

As a result of structural adjustment programmes and market-oriented thinking, there has been a general trend for governments to cut back on public services, introduce fees for services and/or privatise service agencies and transport systems. Such strategies often have a negative impact on the rural poor, who are particularly dependent on public services.

Another emerging trend in service provision is the development of public-private partnerships. These may include the establishment of market infrastructure, support to new business models and challenge programmes. Government and private sector businesses share in the investments, costs and risks, providing a mix of public and private benefits.

The informal institutional dimension of the public sector

It is easy to view the public sector in terms of formal structures, policies and regulations. However, the informal side of state institutions must also be understood. Policy and political decisions are often influenced through many informal channels. These include the informal relationships between powerful actors in government and business, contributions to political parties, and the influence of the media. In some countries corruption has a major influence on how government works. Government agencies also have their own culture of how they operate and interact with those they are servicing. This culture can be as significant in the delivery of public services as formal policies and structures.

At the local level, non-formal institutions often exclude poorer producers from necessary services. Formal requirements (land ownership registration, other collateral proof) and non-formal institutions (e.g. a bank employee's assumption that women or certain minority groups are not eligible to receive loans) hamper access to services.

Private sector institutions

The strategies and actions of the private sector often influence the direction of change as much—and in some cases even more—than public policy. For example, private rather than public standards have become the main driver of food quality and safety. The private sector often steps in to provide market infrastructure, extension advice, financial services and inputs. Important private sector operators include both the actors within the market chain (traders, processors, transporters and retailers) and the financial bodies that provide credit and insurance.

In response to consumer concerns, the private sector is increasingly taking a stance on issues of social equity and the environment. Corporate responsibility is being taken seriously by many businesses. The flexibility and entrepreneurial nature of the business sector means that innovation in relation to social and environmental concerns may happen quicker in the private than the public sector. Increasingly government is recognising the importance of public-private partnerships to achieve development and environmental objectives.

Business organisations

Any chain will involve a diverse range of business organisations. These may include small local businesses, co-operatives, medium-scale enterprises, large transnational corporations and a range of local, national and international industry representative associations.

Business policies and strategies

Like the public sector, private sector businesses have a set of policies and strategies that guides the way they operate. These relate to, among others, their procurement procedures, business development objectives, environmental and quality standards, business ethics and corporate responsibility. To enhance opportunities for small-scale producers, understanding and influencing the policies of the private sector is equally important as understanding and influencing public policy. For example, the following all affect opportunities for small-scale producers' inclusion in new markets: business policies and strategies related to local procurement systems versus import of primary produce, targeting niche markets versus bulk production, working through intermediaries versus establishing direct links with producers, and allowing for investment in long term relations with suppliers versus procuring from the spot market.

Private standards

International food trade is subject to increasingly stringent standards. These include process requirements as well as product safety and quality standards. Standards are typically about the traceability and allocation of risks, and are therefore primarily concerned with assigning legal responsibility and accountability. Standards tend to promote uniformity, providing competitive advantages to large-scale over small-scale producers. Private standards, particularly those set by retailers, are as important as standards set by government. As well as ensuring government standards and regulations are met, these private standards are orientated to ensuring consumer demands are met and to reducing costs.

Codes of conduct

Many individual businesses and industry or business associations have established codes of conduct. These may be aimed at protecting the industries' reputation as a whole, forestalling government regulation or responding to consumer or civil society demands.

Long-term strategic goals, such as care for the environment and social responsibility, including fair trade, are gaining importance and are increasingly included in codes of conduct. Leading enterprises in the agrifood sector, such as Ahold, Unilever and

Argentina Best Commercial Practices Code

In 2000 more than 300 representatives of the agrifood business sector operating in Argentina signed this voluntary code, which has led to significant improvement in free and fair practice, with a dramatic decline in cases submitted for mediation or arbitration.

Source: Brom, 2007[5]

RaboBank, include sustainability and social responsibility in their vision, mission, goals and corporate identity.

External certification schemes

Certification and branding schemes are powerful tools for adding value to agricultural produce. Some certification schemes specifically focus on fair trade mechanisms. They in general safeguard and guarantee fair working or production circumstances and fair economic transactions between chain actors. As such they are empowering the less powerful actors in the market arena. The most widely known certification schemes are connected to the fair trade and organic movements. The private sector is increasingly developing its own certification and labelling schemes.

3.4 Producer organisations

Producer organisations have become a major mechanism to link small-scale producers to markets. There are two major reasons for this. First, on their own, small-scale producers cannot achieve the economies of scale nor provide the volume of product required to be competitive in modern markets. Second, on their own, small-scale producers have little power and political influence and are unable to protect their interests in the market or the policy-making arena.

Historically the success rate of farmer organisations and co-operatives has been mixed. As this section will outline there are many institutional aspects to this success and failure.

Types of producer organisations

Producer organisations can be of several types:

- Informal groups of farmers working together at a local level.
- Formalised cooperatives.
- Collective or joint businesses.
- Associations.
- Hybrid or mixed organisations.

A multi-layered structure for producer organisations is also common to create linkages from local to national scales. The exact and most sensible structure for a producer organisation will depend on its purpose and function and the legal and taxation implications.

Functions and services of producer organisations

Producer organisations are involved in various combinations of the following functions and services:

- Co-operative marketing of produce.
- Providing extension services.
- Credit and insurance services.
- Capacity development.
- Input supply.
- Providing market information.
- Providing marketing, handling and packaging/processing facilities.
- Market development with agrifood businesses.
- Policy analysis and advocacy.
- Campaigning for producers' issues.

Enabling environments for producer organisations

The policy, legal and taxation situation for producer organisations varies between countries. The particular situation in a country will influence the type of legal structure that makes sense and the types of functions and services that can be carried out. A key part of the institutional and policy mapping process is to clearly understand the extent to which government policies and laws create either an enabling or constraining environment for producer organisations.

Cultural and capacity issues

To be effective in linking farmers to markets, producer organisations must be efficient and businesslike. However, in many cases farmer organisations are controlled and managed by farmers who may not necessarily have all the required business skills. They may be using outdated organisational models unsuited to the rapid processes of business decision-making. There are also many challenges in the governance of farmer organisations, including lack of business and market understanding by the membership, capturing of the organisation by elites for their own benefit, and internal politics.

Producer organisations may also struggle to co-ordinate the activities of their members to achieve their marketing objectives. Farmers, by the nature of their work, tend to have an individualistic outlook that can make organising group activities difficult. However, many very positive examples of farmers working together do exist.

Networks

To be effective, farmer organisations need to be at the centre of a hub of linkages with government agencies, businesses, marketing channels and often development NGOs. Creating and maintaining these relationships requires a good understanding of the institutional environment in which these partners work and an understanding of their internal institutional arrangements. Partnerships can range from informal trust-based arrangements through to legally binding agreements such as contracts or joint ventures.

3.5 Civil society institutions

Civil society institutions can range from informal and highly localised arrangements—such as an understanding among a group of neighbouring farmers over who can pick fruit from trees on their fields—through to formal, global agreements and organisations such as global citizens' charters and international NGOs. This section concentrates on civil society organisations that may have a potentially valuable role to play in the inclusion of small-scale producers in modern markets. These organisations offer micro-finance and other critical services, capacity building, help in negotiating with the private sector, assistance in advocating for supportive government policies, and raising awareness among local communities or the wider public.

Types of civil society organisations

The two main types of civil society organisations important to small-scale producers in linking with modern markets are community-based organisations (CBOs) and non-governmental organisations (NGOs).

CBOs are local, self-organised groups that seek to further members' interests (producers' organisations, described above, can be both CBOs and private sector institutions). CBOs can support farmers, for example by providing a locus for discussion and information sharing, by operating savings schemes or by working with local government on rural development plans. Important CBOs may be faith-based (e.g. local church or mosque groups), gender-based (e.g. women's saving groups) or issues-based (e.g. self-help groups on water management or soil management).

NGOs are issue-driven or vision-driven not-for-profit organisations that operate free from government control. Traditionally NGOs are active in advocacy or in service delivery, particularly towards beneficiaries whom public agencies fail to serve. They also perform a "watch-dog" function, bringing attention to the social and environmental consequences of government policies and private sector actions. Historically, development NGOs have not been very market-orientated. In recent years this situation has begun to change rapidly as more NGOs have come to see creation of new markets and development of entrepreneurial capacities as the best way out of poverty for many people.

Policy

As with government and business, civil society organisations have formal and informal policies. Civil society organisations increasingly look for strategic alliances and collaboration with the public and private sector. In the framework of markets and economic activities, civil society organisations usually support governance principles of social inclusion (of vulnerable groups such as women, landless people and smallholders), sustainability and equity. Empowerment—in terms of raising the capacity of less powerful to groups to have real impact on the policies of others—is high on the policy agenda of most NGOs.

Services and support

Civil society organisations often provide a considerable range of services and support for small-scale producers that are not forthcoming from the public or private sector. These include provision of technical assistance, market information, marketing support, business advice and capacity building, free or subsidised inputs, credit and insurance facilities, legal advice and support, and facilitation of supply contracts or other arrangements with the private sector. Equally important is how these services are provided. In many cases this is done on a project funded basis that leads to severe sustainability issues for the services (i.e. no project, no service). The adoption of a "service markets approach" is still lacking in many NGOs and not really an option for most CBOs.

Advocacy

NGOs in general represent environmental and social interests of the many rather than the few, and of the less powerful than the more powerful. In the last decade the civil society network has made efficient use of new communication means and has formed efficient worldwide networks and communication channels. This, together with access to publicity, makes civil society actors increasingly influential in public debate and in influencing consumer awareness and behaviour.

3.6 Institutional change, empowerment and partnerships

Institutional change is not easy. It often requires cultural shifts and changing attitudes. The prospect of institutional change may bring groups with differing interests into conflict. As this chapter has explained, institutions are what give society stability and order, so resistance to change is essentially inevitable.

This guide is based on the assumption that opportunities do exist for including small-scale producers in modern markets. Common interests among small-scale producers, policy-makers, agrifood businesses and civil society organisations are opening up spaces for engagement, dialogue and innovation.

However, for such engagement to achieve results, we argue that two things must be connected: a rigorous understanding of institutions and an effective process of bringing different stakeholders together for joint learning, decision making and action. This chapter has provided some background and insights on institutional analysis. The following chapters will explain how to link this into an effective stakeholder process.

A note of caution is also necessary. Small-scale producers are not a politically or economically powerful group. A key challenge is for small-scale producers to be empowered and to develop their capacities so that they can protect their interests and be effective partners in market development.

Ultimately a good business partner is a strong and reliable partner. There may be short-term gains to be made by exploiting the production end of the food value chain; however, ultimately this may undermine the capacity of the system to deliver. The following chapters of the guide work from the assumption that it is in the interests of business and government to find institutional mechanisms to empower small-scale producers so they can become profitable and reliable partners in agrifood value chains.

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[1] For a further discussion see: Eaton, D. et al, **Markets, Institutional Change and the New Agenda for Agriculture (Markets, Chains and Sustainable Development – Strategy & Policy Paper 6)**, Stichting DLO, Wageningen, 2007.

[2] Birner, R., **Regoverning Markets Programme,** Internal Working Paper, IFPRI, 2006.

[3] Woodhill, J., **Institutional Change – A Framework for Analysis**, Wageningen International Occasional Paper, Wageningen International, Wageningen, 2008.

[4] Ibid.

[5] Brom, F.J., **Best Commercial Practices Code (Argentina 2000-2006) as an Efficient Policy Innovation to Prevent Conflict and Solve Controversy between Suppliers, Processors and Supermarkets**, Working Paper Prepared for the Regoverning Markets Programme, 2007.

4 The methodology in practice: an overview

This chapter introduces the methodology for mapping and influencing dynamic agrifood markets. It consists of an analytical framework linked to a set of participatory tools for use in a stakeholder workshop setting. The next chapter, Chapter Five, gives detailed guidance on each of the six specific activities within the methodology.

As introduced in Chapter One, the methodology is intended to be used within a participatory process that brings together different stakeholder groups: producer organisations, traders, retailers, policy-makers and development NGOs. Engaging these different groups allows a shared understanding of problems and opportunities along the entire value chain. Through shared understanding and building of trust among different actors in the chain, improvements that benefit all stakeholders can be made.

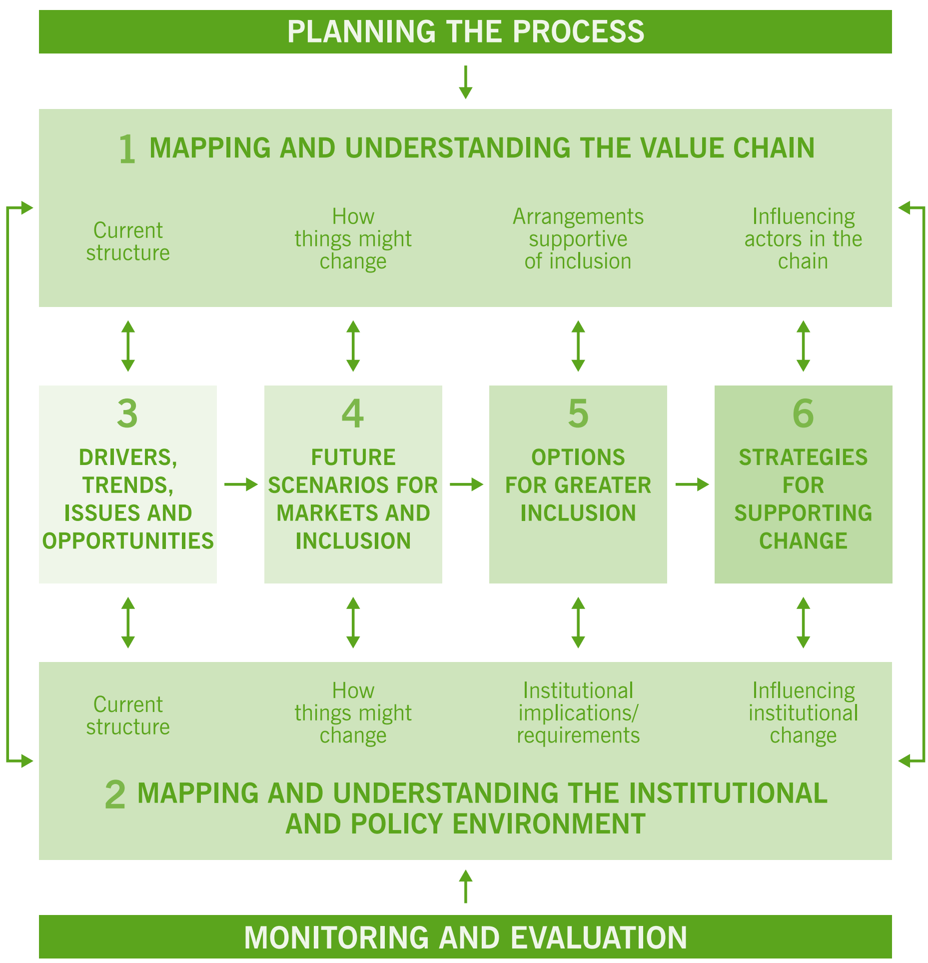
The methodology can be used in a variety of ways within a multi-stakeholder process. Different groups may be involved in different steps of the process. One approach would be for a convenor to explain the general approach to a wider group of stakeholders, who then task a technical group to do the detailed analysis. Another approach is to work through the whole methodology in a multi-day workshop. Alternatively, a single stakeholder group, such as a producers' co-operative, could use the methodology to understand their own position before engaging with others.

Ultimately, finding common ground among stakeholders is the objective of the entire process. If no common ground can be found, then the multi-stakeholder process will not lead to much change despite good intentions.

4.1 The analytical framework

The methodology is structured around an analytical framework (Figure 4.1). The diagram shows that the activities of the methodology are interlinked rather than sequential. Three activities run all the way through the process: mapping the value chain; mapping the institutional and policy environment; and monitoring and evaluation. Activities 1 and 2 can be seen as the "wheels" of the process, relevant in different ways to each of the four central activities (as indicated by the narrow vertical two-way arrows on the diagram). Activities 3 to 6 are an iterative sequence, moving from understanding the market through to strategies for action. Chapter Five provides full guidance on how to carry out each of these activities.

Figure 4.1 Analytical framework for mapping and influencing policies and institutions in dynamic agrifood markets



4.2 Integrating the analysis into a multi-stakeholder process

The methodology is an analytical tool—its strength lies in the process in which it is used. Properly integrated into a multi-stakeholder process, it can help to bring the shared analysis and common understanding needed for joint action. Before using the methodology with a group or groups of stakeholders, considerable preparation and planning will be required. It will be necessary to think through how to engage with different groups, and which groups to engage in which steps of the methodology and to what degree of detail. This section considers the various possible purposes of the methodology, what is needed to initiate and drive the process of using the methodology, who to involve and what roles they play, sequencing of events and how to establish commitment and ownership of the process and outputs of the methodology. The final chapter of the guide (Chapter Six) gives further detail on how to design and facilitate a multi-stakeholder process.

Purpose

The methodology can be used for different purposes, which will affect the way it should be integrated into a multi-stakeholder process.

For example it could be used for:

- Government policy development, perhaps as part of a rural development strategy or Poverty Reduction Support Programme.
- Solving issues in a specific chain. A set of suppliers, transporters, wholesalers and retailers may find they are having problems in co-ordination and decide to use the methodology to help solve these problems.
- Developing specific business strategies and partnerships. Retailers could decide to use the process and methodology because of an explicit policy of trying to work with local or small-scale producers, or to explore ways of improving existing relationships with small-scale suppliers.
- Contributing to a research project, such as the action research of the Regoverning Markets Programme.

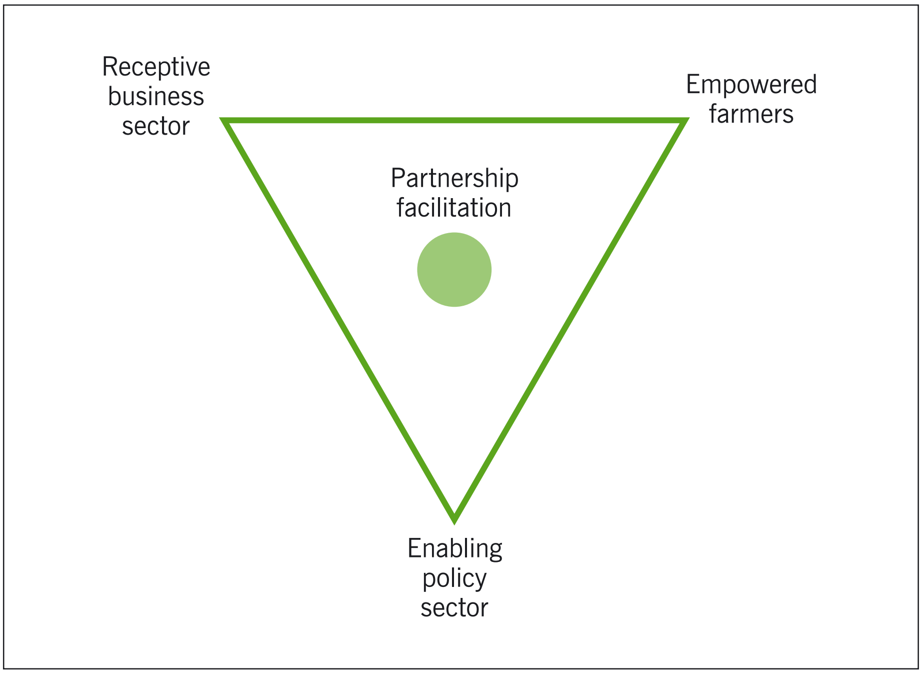
One important consideration in deciding on the purpose is whether the multi-stakeholder process will involve all stakeholders or a selected group with similar objectives. For example, a set of NGOs and producer organisations may set up a multi-stakeholder process amongst themselves to work out a common approach to improving market access. Engaging immediately with government, wholesalers and retailers may not suit their purpose. Of course it may well be that once they have got themselves organised they would then initiate a wider multi-stakeholder process.

Initiating and driving the process

A multi-stakeholder process for using the methodology can be initiated by any interested party. However, generally there is likely to be more support for such a process if a number of different key stakeholders takes joint responsibility for initiation. For example, if a small-scale producers' co-operative is wishing to bring about change, they may find they get more support by inviting government and businesses on board right at the start.

The methodology needs a person or team to take overall responsibility for keeping momentum going and fulfilling the expectations that the process raises among different stakeholders. The overall analytical framework and each activity assume leadership by a convenor. This person or organisation is the linchpin of the process, bringing together different sectors and stakeholders who are willing and able to participate in a shared process (Figure 4.2). In the ideal scenario the facilitator, who may be independent or from any one of the stakeholder groups, is well informed about the value chain and about the concerns of different stakeholders. The person or team must be able to maintain neutrality.

Figure 4.2 The central role of a facilitation in bringing together multiple stakeholders



Source: www.regoverningmarkets.org

On the one hand this methodology is an analytical tool that can help decision-makers understand and influence institutions in dynamic modern markets. On the other hand, it is also tightly linked with the stakeholder process. It is up to the facilitation team to find the optimum balance between outputs and process, between research needs on the one hand, and opportunities for stimulating stakeholder interactions on the other. The quality of both process and outputs will depend very much on the dynamic of the group. The convenors and facilitators of the process will need to invest in maintaining the energy and trust among stakeholders as the process unfolds.

The facilitator or facilitating team also has a critical role to play in enabling stakeholders to find common ground, by showing links in the system that for reasons of perspective, language or culture may not be clear to the participants. Finding points of common understanding will provide a basis for widely shared support and action.

Who to involve and their roles

It is of course not possible to involve all stakeholders in all parts of a multi-stakeholder process. However, having the right people involved and communicating well with those not directly involved will be critical to success. The reason for using the methodology (see above) will determine exactly who to involve.

Those initiating a multi-stakeholder process will need to do a stakeholder analysis to identify the key stakeholders with whom it will be important to engage. They should be very conscious and critical about who they involve at what stage and for what reasons. In general the earlier a stakeholder group is involved the more likely they are to feel ownership of the process. One effective strategy is to institute a steering committee which ideally comprises good balance of people including respected leaders. If stakeholders feel that the process is being driven and biased by a particular group with a preconceived agenda it will be very difficult to make progress.

In most multi-stakeholder processes it will be necessary to work with representatives of different stakeholder groups. Care is needed here. These representatives will not always be very good at representing their group or they may end up presenting more of their own views rather than those of their constituencies. A few tips for ensuring accountability include:

- Conduct a stakeholder process (workshops) with individual stakeholder groups before the multi-stakeholder process so that what is presented is based on a wider cross-section of stakeholders from that group.
- Don't place full responsibility for representing a group in the hands of just one person.
- Ensure feedback to stakeholder groups so that they can hold their representative accountable.

Alongside the direct stakeholders, other support functions (for which you will need to involve the right people) are:

- Chairing the process.
- Facilitating the process.
- Providing background information, technical advice and research support.
- Note-taking, documentation and communication.
- If appropriate, providing media coverage (in many cases this may be best left for later stages in the multi-stakeholder process).
- Providing logistical and organisational support.

When setting up multi-stakeholder processes it is very important not to be blind to different levels of economic and political power, differing interests and conflict and the varied capacities of different stakeholders. Bringing people together will not resolve all conflicts and differences. But a shared analysis of issues, using a unifying analytical framework, gives a greater chance of finding common ground and making the process a real vehicle for change.

Sequence of events

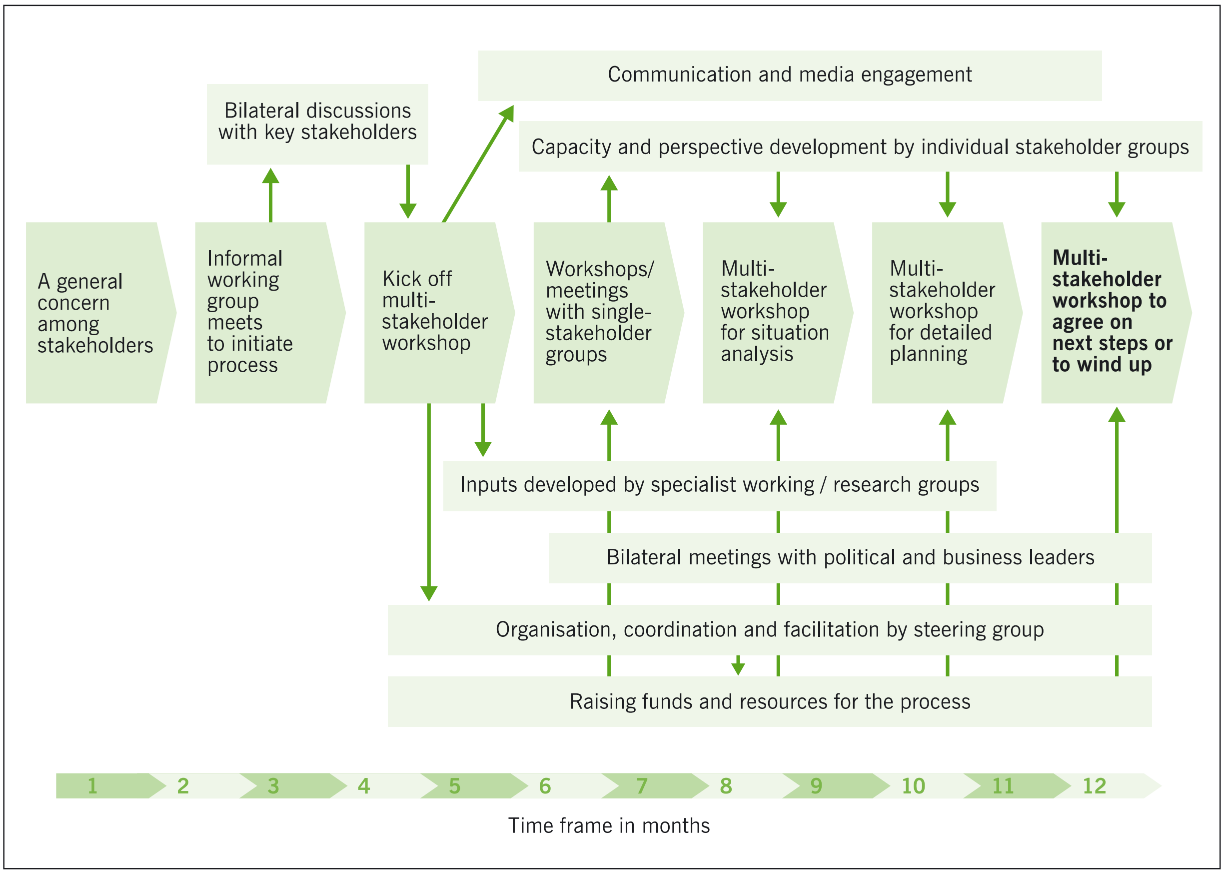
The methodology is flexible in terms of how the activities are combined and sequenced. A full process which includes all the activities can be conducted within a single workshop or spread out over multiple sessions. It is possible, for instance, to use different activities at consecutive meetings with multi-stakeholder groups over periods of many months. Similarly, the various activities in the methodology can be combined, adapted and used in a variety of ways to provide a structure for stakeholder analysis and discussion. It is not necessary to include every stakeholder group in every activity, or to do the various activities of the methodology in strict sequence.

Implementing the methodology within a multi-stakeholder process will involve some combination of the following activities and events:

- Preparation and planning meetings involving those who are initiating, organising or facilitating the process.
- Individual or small group meetings with key people whose support and influence are critical to the process.
- Meetings of a steering or advisory group established to help guide and support the overall process.
- Multi-stakeholder workshops involving various combinations of relevant stakeholders.
- Single-stakeholder workshops that enable a single group or sector to prepare for engaging in the overall process.
- Working groups which undertake specific organisational, research or communication activities to support the process.
- Field visits and study tours.
- Seminars or conferences that engage a wider audience.
- Media events.

The skill in designing an effective multi-stakeholder process is to combine these various events in a way that builds trust and understanding, enables rigorous analysis and discussion and establishes a basis for concrete action. Figure 4.3 illustrates a possible multi-stakeholder process over one year.

Figure 4.3 A hypothetical multi-stakeholder process over the course of a year



Establishing commitment and ownership

Commitment from stakeholders and ownership of the process are essential for success. A few key factors to consider are:

- Involve stakeholders at the earliest opportunity to enable them to influence the objectives and activities of the process.
- Keep expectations realistic.
- Communicate clearly with all involved about progress and successes.
- Ensure that everyone feels there is space for their ideas and concerns to be heard and taken on board.
- Ensure well facilitated processes that achieve results within an agreed timeframe.
- Reimburse people appropriately for time and costs incurred.
- Review the process with stakeholders regularly and make changes to overcome emerging problems.
- Focus on tangible results and early “wins”.
- Ensure commitment to shared responsibilities for implementing and funding agreed follow-up activities.

Those initiating and organising multi-stakeholder processes need to realise that this is just one of many other things people are involved in and to which they are committed. Sometimes it may be necessary to go ahead with less than ideal levels of participation.

4.3 Monitoring and evaluation

Assessment is an integral part of the whole process of mapping and influencing policies and institutions. Facilitators and participants will want to track changes in: (a) market inclusion of small-scale producers and the opportunities and threats that they face; (b) policies and institutions affecting this inclusion; and (c) stakeholders' actions to make progress on policies and institutions to support small-scale producers.

Monitoring and evaluation are major processes in their own right; detailed discussion is beyond the scope of this guide (but recommended guidance is given below). Monitoring and evaluation should be included throughout the multi-stakeholder process, involving all participants in reflecting on progress, analysing this progress against their own aims and milestones, drawing lessons, and applying these lessons in further policies and practice. In other words, monitoring and evaluation should be integrated into the full learning cycle, which is explained further in Chapter Five.

Further guidance on monitoring and evaluation

Earl, S., **Outcome Mapping – Building Learning and Reflection into Development Programs**, IDRC, 2001, (www.idrc.ca/en/ev-26586-201-1-DO_TOPIC.html).
Provides a full framework for building learning and reflection into programmes of work in the fields of development and policy influence, including a number of specific tools (note that these tools focus on behavioural outcomes rather than the impacts of those outcomes)

IFPRI, **Impact evaluation: Assessing the Impact of Policy-oriented Social Science Research**, Washington D.C., 2002, (www.ifpri.org/pubs/ib/ib5.pdf).
Specific advice on measurement of the impact of research on policy

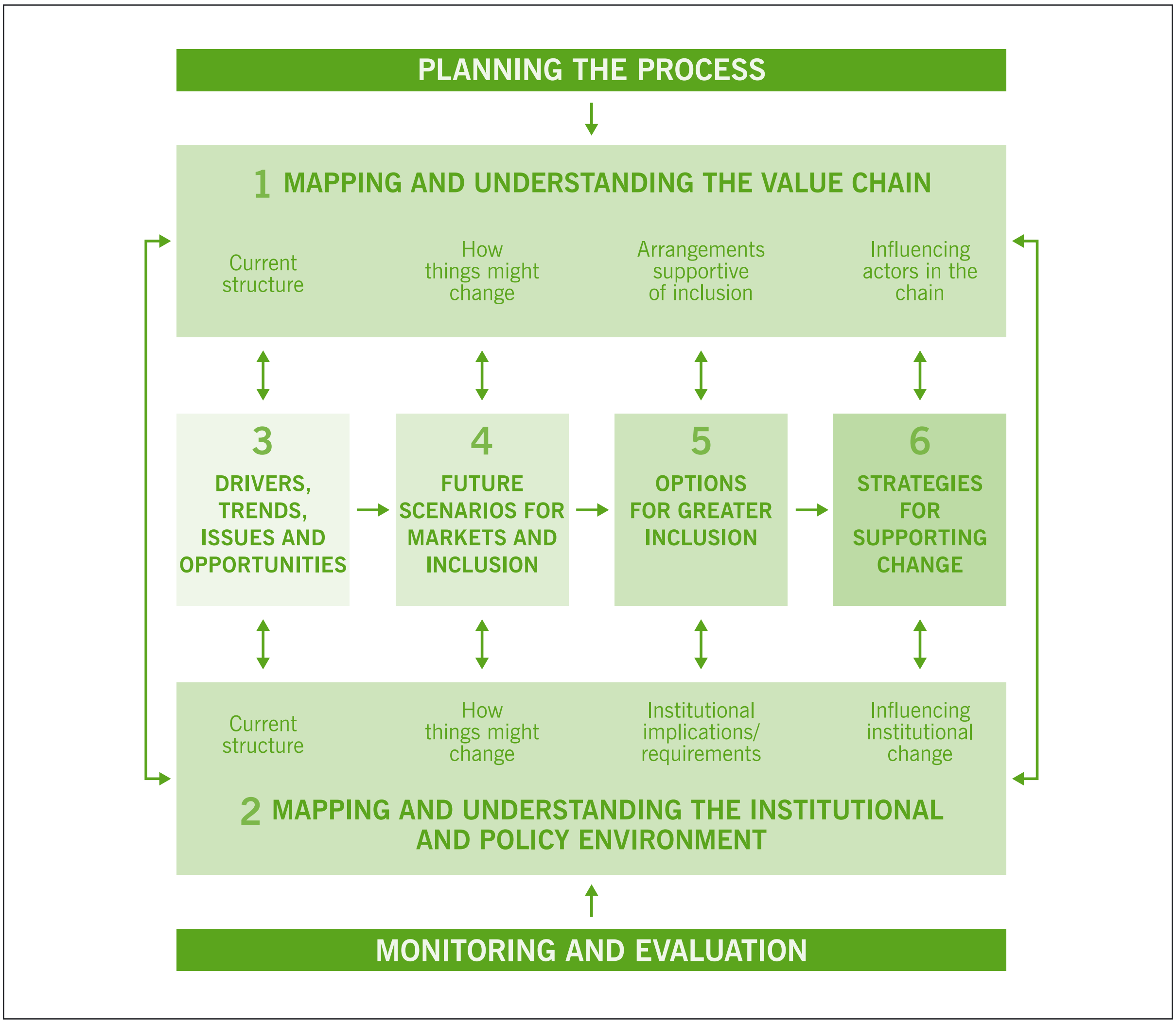
IFAD (Guijt, I. and Woodhill, J.), **Managing for Impact in Rural Development – A Guide for Project M&E**, Rome, 2002, (www.ifad.org/evaluation/guide/).
Guidance on how to incorporate monitoring and evaluation into projects that involve different stakeholder groups, to enable review of activities and accountability

Wageningen International, **Participatory Planning, Monitoring and Evaluation**, Wageningen, (http://portals.wi.wur.nl/ppme/).
Portal on Participatory Planning, Monitoring and Evaluation hosted by Wageningen International

5 The methodology in practice: a step-by-step guide

To recap from Chapter Four, the methodology combines an analytical framework (Figure 5.1) with a participatory process. This chapter explains the individual activities of the analytical methodology, giving clear guidelines on how to facilitate each step within a stakeholder workshop setting. By working through each of the activities you will be able to analyse the key institutional factors affecting smallholder inclusion in modern markets and, from this analysis, identify options and strategies for change.

Figure 5.1 Analytical framework for mapping and influencing policies and institutions in dynamic agrifood markets



The various activities in the methodology can be combined, adapted and used in a variety of ways to provide a structure for stakeholder analysis and discussion. Activities 1 and 2 form the backbone of the process. Users of the guide may want to revisit these activities several times, refining and updating their understanding of the value chain and its institutional and policy environment. Together, the four central activities, Activities 3 to 6, make up an iterative sequence: first mapping drivers, trends, opportunities and threats for including small-scale producers in today's markets, then exploring future market scenarios, then building on these insights to develop options for better inclusion (not necessarily more inclusion) and strategies to support change.

Sections 5.1 through to 5.6 provide guidance for Activities 1 to 6. For each activity you will find:

- Purpose of the exercise and expected outputs.
- Overall approach.
- Relevant terms and definitions.
- Key questions.
- Guidance on how to facilitate the activity in a workshop.
- Annotated examples.
- Resources for further details on the methods and tools.

The guidance given on the individual activities is not intended as a strict blueprint for practice, but rather a set of ideas to guide practitioners. For some of the activities there is fairly detailed guidance on one or two simple workshop processes, but these can easily be adapted or replaced by alternative tools, to which there are further references in all cases. Experienced facilitators will find that many, if not all, of the suggested processes and tools are familiar. Well-known workshop techniques, such as brainstorming and card clustering, are used in several of the activities.

There is no single correct method for any activity. The sequence and combination of the activities can also be juggled to best fit the challenges and context of a particular country or stakeholder group. Different activities may be given greater or less emphasis, or skipped altogether.

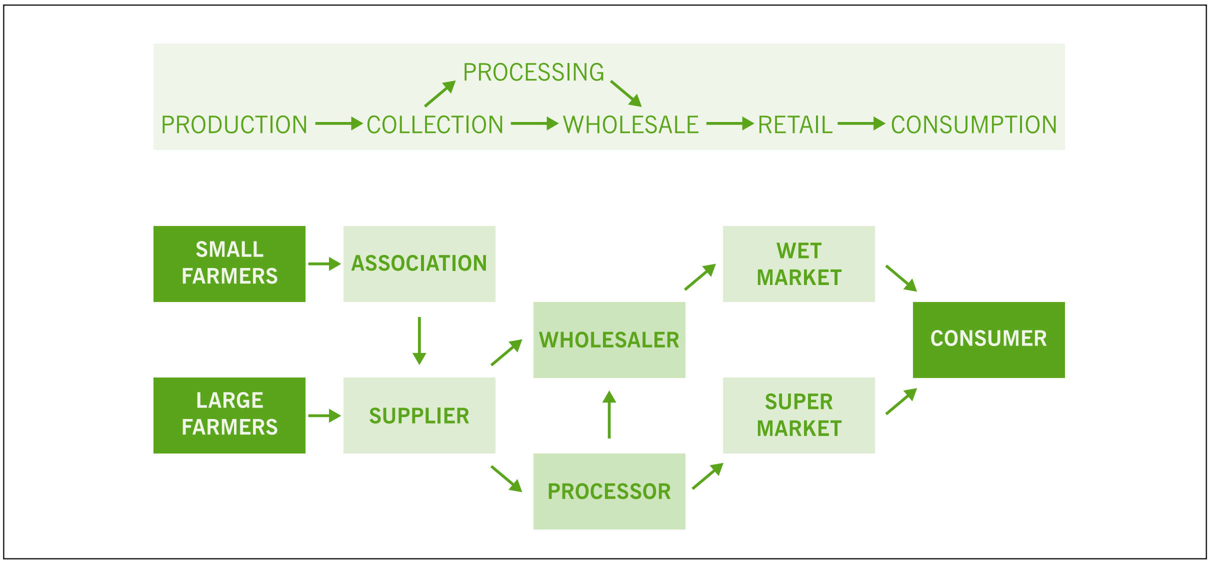
It is important to re-emphasise that the activities described in this chapter only make sense as part of a well facilitated multi-stakeholder process. The overall context for these six activities is explained in Chapter Four. For example, before getting started on Activity 1, the facilitator will want to enable introductions among the participants and to the overall concepts involved and process being used. The next chapter, Chapter Six, provides detailed guidance on running workshops and building these workshops into a multi-stakeholder process.

5.1 Activity 1: Mapping the value chain

Purpose and output

The purpose of this activity is to develop a shared understanding of the market structure for small-scale producers and other participants in the market. A value chain diagram enables the flows of products, key actors and value-adding processes in the chain to be seen clearly, ensuring that none of the key elements of the value chain are ignored (Figure 5.2). This value chain diagram forms a mutually understood platform for multi-stakeholder discussion. It also provides a framework for organising the outputs of the later activities in this guide.

Figure 5.2 Basic value chain map



Approach

The basic approach is to work together as a group to draw a box-and-arrow diagram (or more than one if necessary) to show the functions, product flows and economic actors along the value chain from small-scale producers through to end consumers.

Concepts and terms

The basic components of the value chain to capture are *functions*, *product flows* and *actors*. The basic *functions* of the market chain are production, collection, processing, wholesale, retail and consumption. These broad categories can be subdivided as needed. The set of value chain functions is a good starting point for constructing the value chain diagram. The actors in the value chain are specific stakeholder groups within each of the function categories, for example "wet market stalls" or a named agri-processing company. The *product flows* of the value chain are movement of the product between economic actors. These concepts were explored in more detail in Chapter Two.

Key questions

- What are the main stages in the value chain for the product?
- Who are the main actors at each point in the value chain?
- What are the flows of the product (and by product) between different actors?
- Where and to what degree is value added, or value lost, as the product moves along the chain?
- Which stages of the value chain are most profitable for which actors?

Facilitation guidance

The simplest technique is to draw the value chain diagram on paper (Box 5.1). The exact process used for this activity and the factual accuracy of the output depend critically on two issues: (a) whether the output is primarily for analytical purposes or primarily to catalyse stakeholder dialogue; and (b) how much information about the value chain is available from existing research papers and other sources.

Box 5.1 Workshop process: Mapping the value chain

Preparing content: Collect existing information on the functions, product flows and economic actors in the value chain (reports, transcripts of interviews and other sources).

Preparing for the workshop: Stick together flipchart pages or brown paper to make large charts to work on (e.g. 2m by 2m). Set up areas to work with wall space and flipcharts.

In the workshop:

- Identify relevant functions of the value chain—these can be used to structure the diagram.
- Identify economic actors within each function.
- Write actors onto coloured cards (if wanted, colour-code actors according to their value chain function or other criterion).
- Arrange cards on large charts and connect with arrows to show product flows (tip: start with either the production end and work forwards, or the consumption end and work backwards).
- Keep a flipchart on one side to record key issues, notes on directions of change, side comments, unresolved questions and differences.
- Record the diagram.
- If wanted, add further information to the diagram, either on the paper version or on a version captured onto computer software.

Materials: Flipchart pads, flipcharts, coloured cards, marker pens, adhesive to stick pages together and on the wall. Camera and/or computer to record the diagram(s).

Time: Allow 2-3 hours to construct a (draft) value chain diagram in a group setting.

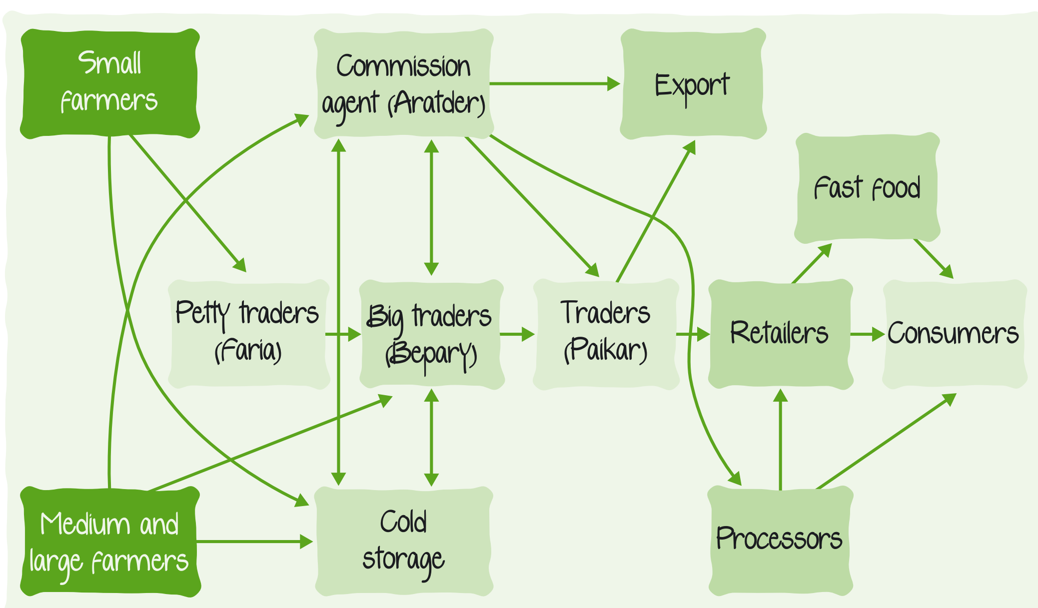
The value chain diagram generated through this process serves as a basis for the later activities in this guide. It may be important in some contexts to disaggregate the group of small-scale producers within the production function into one or more categories (e.g. high tech and low tech). It can also help to disaggregate other groups of actors in the chain (e.g. major buyers that have important differences in purchasing policies).

If required, additional detail can be added to the diagram to draw out specific characteristics of the supply chain, such as differences between rural and urban markets, or the relative buying power of different economic actors. One useful activity is to weight the relative volumes in diverse channels to identify where different actors are most active. Comparing the present with the recent past can help participants to consider trends in market participation by small-scale producers compared to others. For the value chain diagram to be useful, it should contain enough detail so that the group agrees that it is a fair reflection of reality, but should not be so detailed that it is difficult to interpret visually or explain verbally to people looking at it for the first time.

Examples

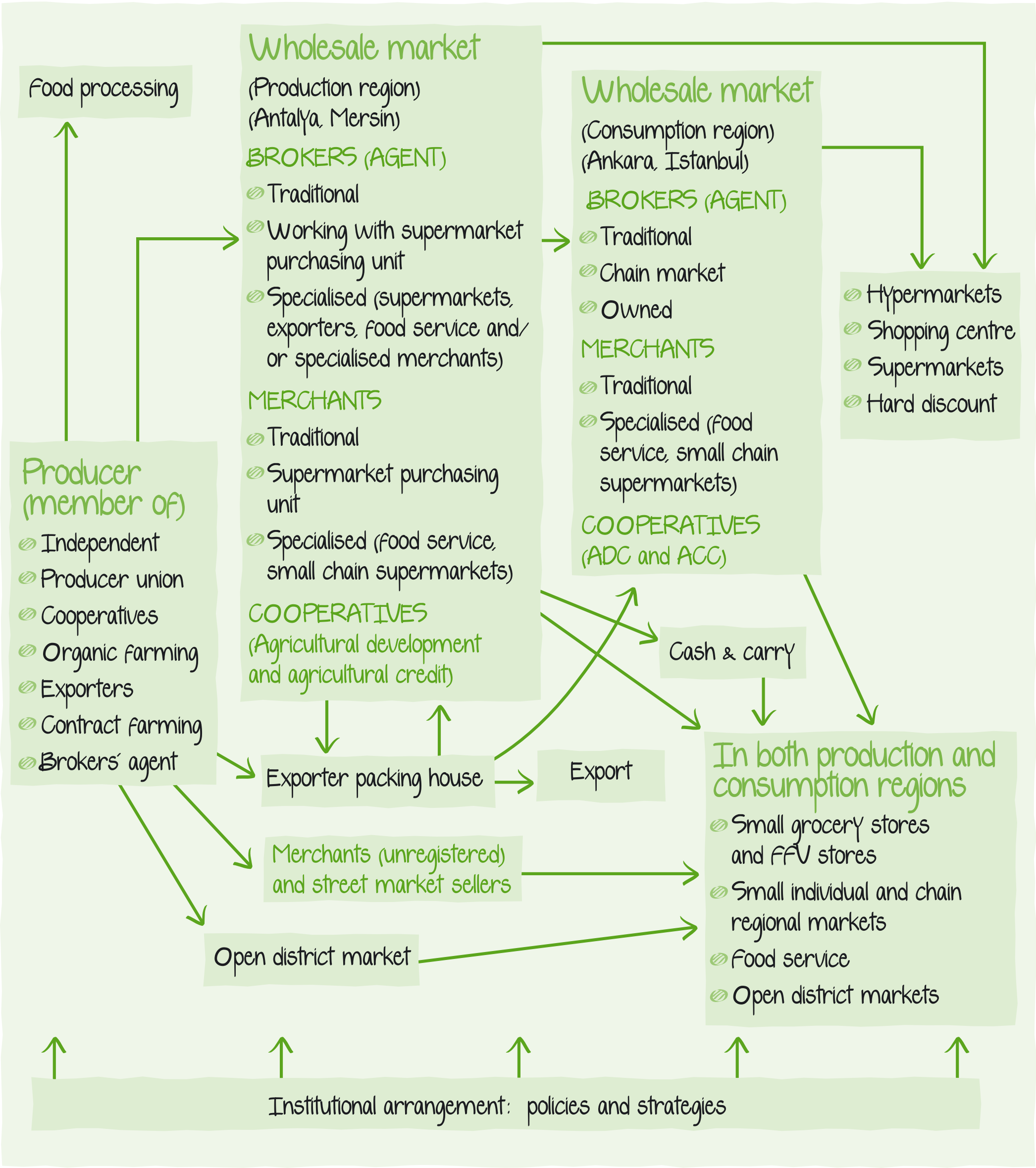
The first example is a potato value chain from Bangladesh (Example 5.1). This is a simple representation of the value chain. Its disadvantage is that it does not capture many of the features of the chain, such as the volumes traded along different channels. However, this is balanced by the advantage of clarity, making it an easily grasped tool for communication among stakeholders.

Example 5.1 Potato value chain map, Bangladesh



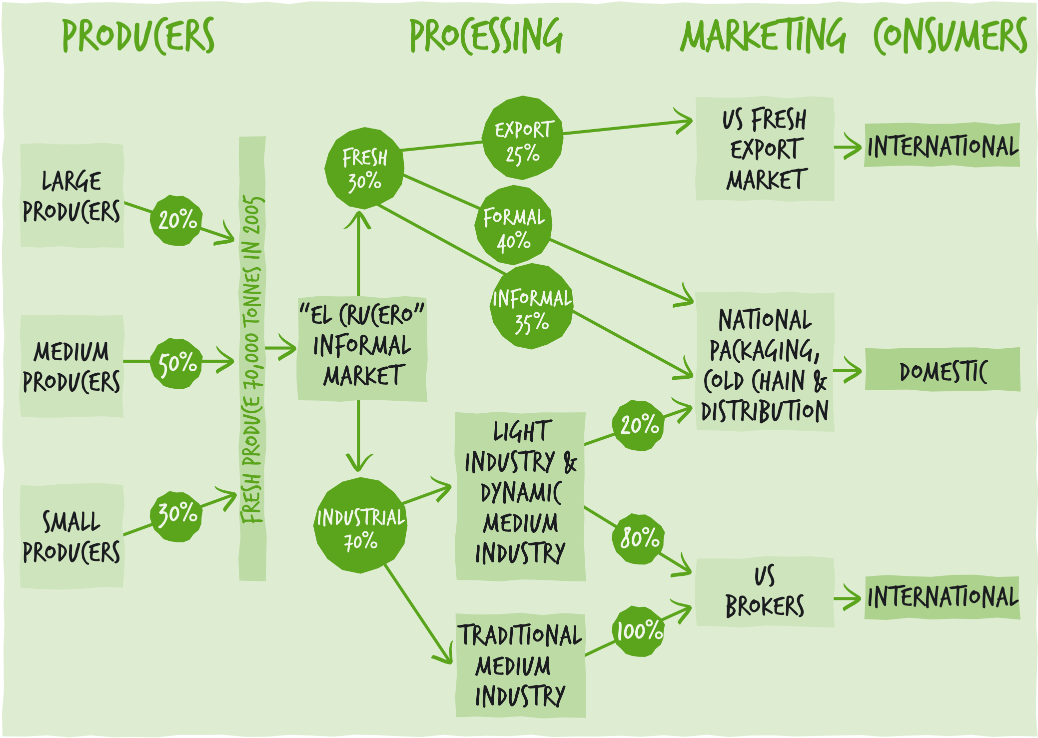
The second example is a tomato value chain from Turkey (Example 5.2). There is a limited number of categories of actors in each section of the value chain, but the number of actors within each of these is high. The value chain diagram uses colour to indicate the flows of product between the different types of actor in each segment of the chain. Even with this complexity, the diagram does not capture issues such as the proportion of product that passes through different market channels, nor the value addition at different stages. There has to be a trade-off between the comprehensibility of the diagram and the amount of information it contains.

Example 5.2 Tomato value chain map, Turkey



The third example is a strawberry value chain in Mexico (Example 5.3). This example contains additional information on the quantity of production and the percentages of product moving through different market channels. Note that this value chain diagram is about one specific value chain, in the Zamora Valley, unlike the previous two examples that represent broader scale national (Bangladesh) or sub-national (Turkey) markets.

Example 5.3 Strawberry value chain map, Mexico



Further resources on mapping value chains

Lundy, M., et al, **Increasing the Competitiveness of Market Chains for Smallholder Producers**, International Centre for Tropical Agriculture, 2004, (www.ciat.cgiar.org/agroempresas/pdf/market_chain_manual_v2.pdf).
Practical guidance on participatory understanding and improvement of smallholder participation in agricultural value chains, exploring key issues of competitiveness and innovation

SNV, CICDA and Intercooperation, **Guía Metodologica para el Analisis de Cadenas Productivas**, 2004, (www.sdc-valuechains.ch/resources/resource_en_39.pdf).
Clear and simple guidance on participatory mapping and analysis of value chains (in Spanish only)

Mayoux, L., **Trickle-down, Trickle-up or Puddle? Participatory Value Chains Analysis for Pro-poor Enterprise Development**, Enterprise Development Impact Assessment Information Service, WISE Development, 2003, (www.enterprise-impact.org.uk/informationresources/toolbox/valuechainsanalysis.shtml).
Useful further guidance on mapping of value chains, with special attention to gender issues

KIT, Faida MaLi and IIRR, **Chain empowerment: Supporting African Farmers to Develop Markets**, Royal Tropical Institute, Amsterdam; Faida Market Link, Arusha; and International Institute of Rural Reconstruction, Nairobi, 2006.
Includes simple user-friendly introduction to supply chains and value chains, many examples of efforts to integrate small-scale producers into markets, and a good list of further references for understanding and facilitating chain development

Kaplinsky, K. and Morris, M., **A Handbook for Value Chain Research**, prepared for IDRC, 2001, (www.ids.ac.uk/ids/global/pdfs/VchNov01.pdf).
A more theoretical detailed manual for all aspects of value chain analysis, including construction of value chain diagrams

5.2 Activity 2: Mapping the institutional and policy environment

Purpose and output

A wide range of institutions and policies affect value chains (as discussed in detail in Chapter Three). The purpose of this activity is to create a general understanding of the institutional and policy environment. In particular it involves identifying which institutions and policies are critical to the inclusion or exclusion of small-scale producers. The output from this step is a matrix of the public, private and civil society institutions introduced in Chapter Three, grouped according to stages in the value chain. From this matrix, the most important institutions affecting small-scale producers' inclusion or exclusion may be placed along the bottom of the value chain developed in Activity 1 (Figure 5.3).

Approach

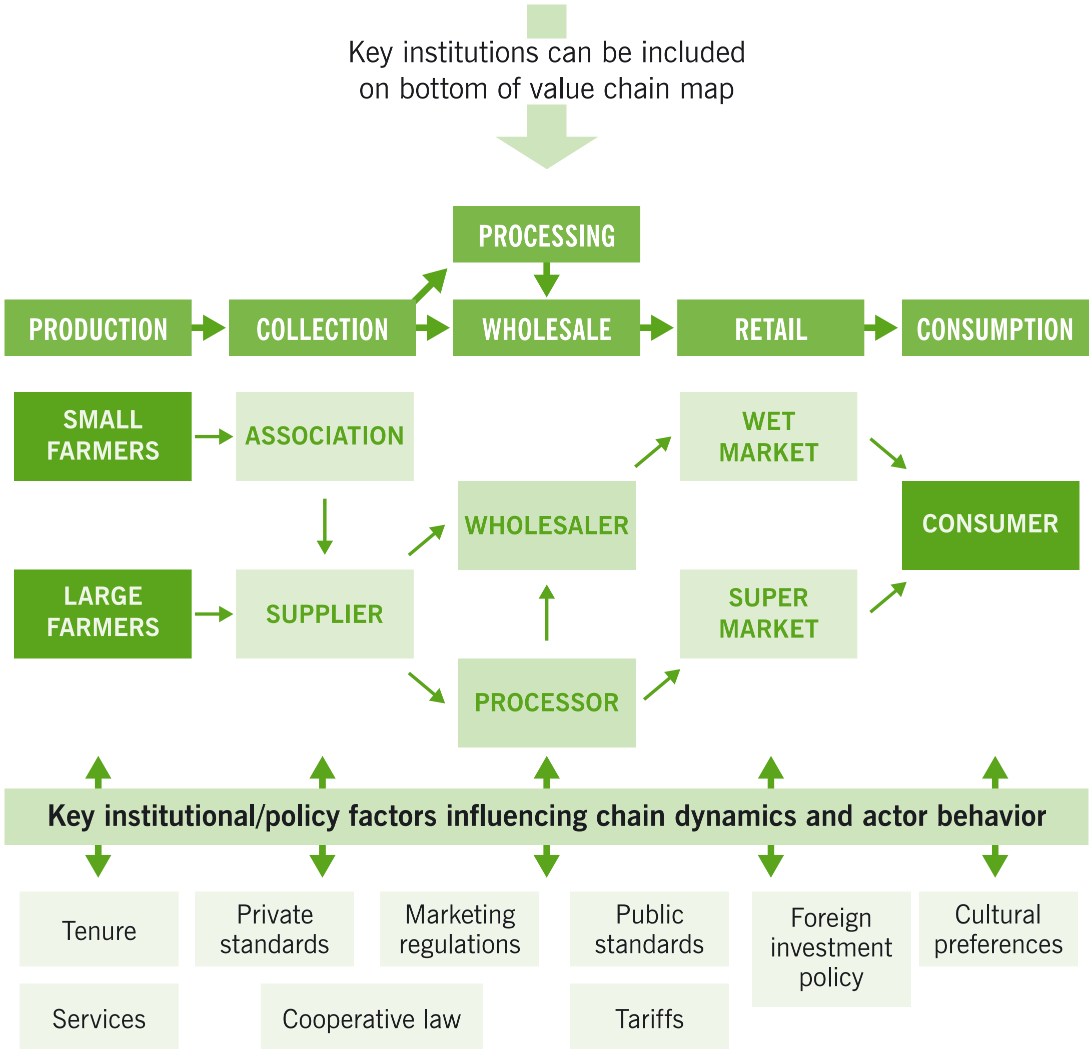
This activity involves brainstorming and card clustering, first to identify relevant institutions; and secondly to align them with the different stages in the value chain. The results are organised into the institutions matrix. The institutions can then be prioritised, using small coloured stickers, according to their influence on the inclusion of small-scale producers.

Concepts and terms

Chapter Three explored the terms institution and policy in detail. To recap briefly, institutions are "humanly devised constraints that structure human interaction". A policy is a particular type of institution, specifically "a plan of action to guide decisions or activities in order to reach certain objectives". Institutions and policies have multiple dimensions that provide useful categories for organising information and discussion—see Chapter Three.

Figure 5.3 Institutional matrix mapped onto a value chain diagram

Institutions	Stage in value chain					
	Production	Collection	Wholesale	Processing	Retail	Consumption
Public						
Private						
Civil society						
Cultural						



Key questions

- What are the main formal and informal institutions affecting the functioning of the chain and the inclusion or exclusion of small-scale producers?
    - Government laws regulations, standards and taxes.
    - Government service and infrastructure provision.
    - Private sector standards and business practices.
    - Policies, services and advocacy of civil society organisations (including producer organisations).
    - Informal market and business relations.
    - Cultural norms, values and behaviours that influence consumer preferences, business practices and producer organisations.
- How do these institutions function?
    - To provide **meaning** and ideology that determine how stakeholders understand and interact with modern and traditional markets.
    - As **associations** to achieve shared goals for the value chain.
    - As a basis for **control** over interactions among direct market actors and other stakeholders.
    - As recurring **actions** by individuals and organisations.
- What are the main institutional incentives for retailers to procure or not from small-scale producers?
- What are the main institutional factors supporting or undermining the capacity of small-scale producers to compete effectively in modern and traditional markets?

Facilitation guidance

Given that this is one of the first steps in the stakeholder process, the idea is to develop a broad understanding of the institutional environment and which institutions are likely to be most important. Avoid creating confusion, which may happen if you try to identify all institutions and policies. Instead, initially focus only on the most important ones.

The concept of institutions as explained in this guide may not be well understood by all stakeholders. Consequently giving some explanation, using practical examples, and discussing the concept with participants will be important to achieve a good result from this step. Many participants are likely to be more familiar with formal institutions such as organisations and government laws and policies. It is important to emphasise the important influence of informal and cultural institutions. There may also be a tendency for stakeholders to be more critical of others' institutions than their own. Inviting stakeholder groups to look closely at the institutions that they control or influence will lead to a more open and constructive process.

The facilitator may prompt thinking and discussion by asking questions such as "Does the private sector offer any extension services to small-scale producers?", "Do family ties affect procurement?" or "Are there any initiatives to foster consumer awareness?"

This step can be done to varying degrees of depth, depending on the purpose and time available. One strategy is to draw up a matrix of institutions and then to map these onto the value chain (Box 5.2). Alternatively, it is possible to by-pass the matrix and simply add key institutions directly onto the bottom of the value chain map.

This activity is iterative and will need to be revisited at different stages while using the methodology with different stakeholder groups. For instance, as issues are explored in further detail in later activities, it will often be necessary to look in more detail at specific institutions.

Box 5.2 Workshop process: Mapping institutions onto the value chain

Preparing for the workshop: Prepare a matrix (but without headings in the columns and rows). Set up value chain diagram on the wall.

In the workshop:

- Introduce participants to the definition of institutions, some examples and the categories that will be used in the exercise (e.g. public sector, private sector, farmers' organisations, civil society, cultural institutions).
- Allow some discussion, plus changes to the categories if necessary.
- Give each participant an equal number of cards, post-it notes or scraps of paper (e.g. three each) and ask them to write down examples of institutions and pin these under the correct heading in the matrix.
- Allow participants to look at and discuss the results, adding and rearranging cards as needed.
- To select the key institutions to map onto the value chain, score or rank the cards. With a small working group, this can be done collectively. For a larger group, a voting technique may help. For example, give every participant three stickers to put on the card or cards of their choice then count up the numbers of stickers on each card.
- Take the top ranked institutions in each category (e.g. the top three) and ask participants to map these beneath the value chain pinned to the wall, depending on which part of the value chain is most affected by that institution.
- Facilitate discussion of the institutional mapping by asking questions such as "What kinds of impacts do different institutions have on actors in the value chain?" and "What are the main institutional incentives for retailers to procure or not from small-scale producers?"

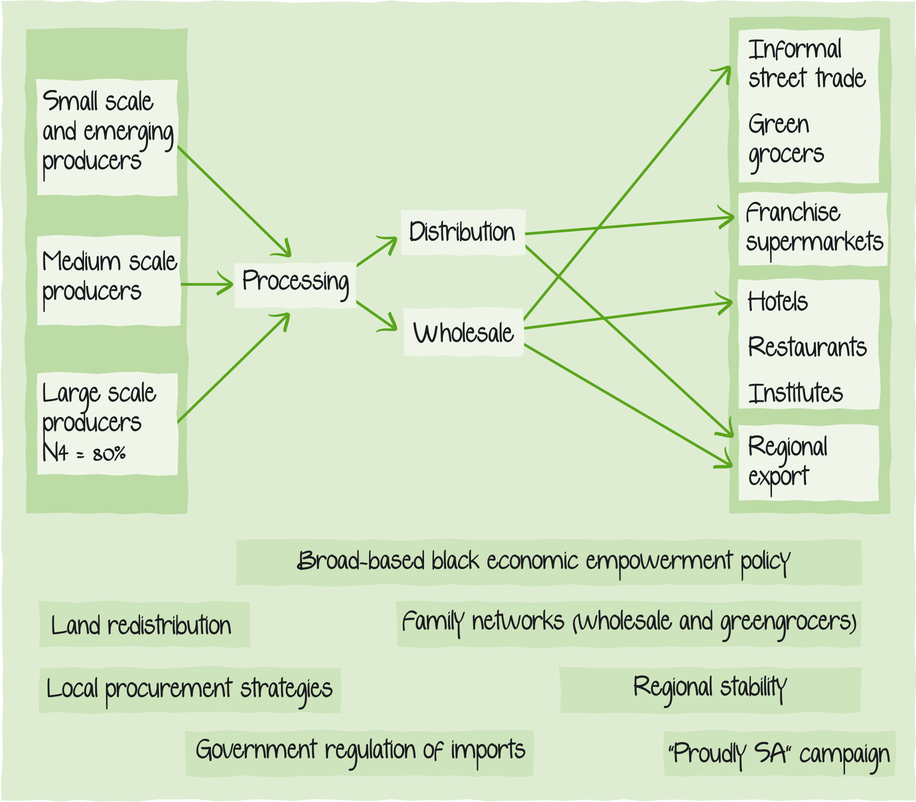
Materials: Pinboard (or wall + adhesive), cards/post-its/paper scraps, pens.

Time: Allow 1-2 hours. Full discussion of the range of institutions could take considerably longer.

Examples

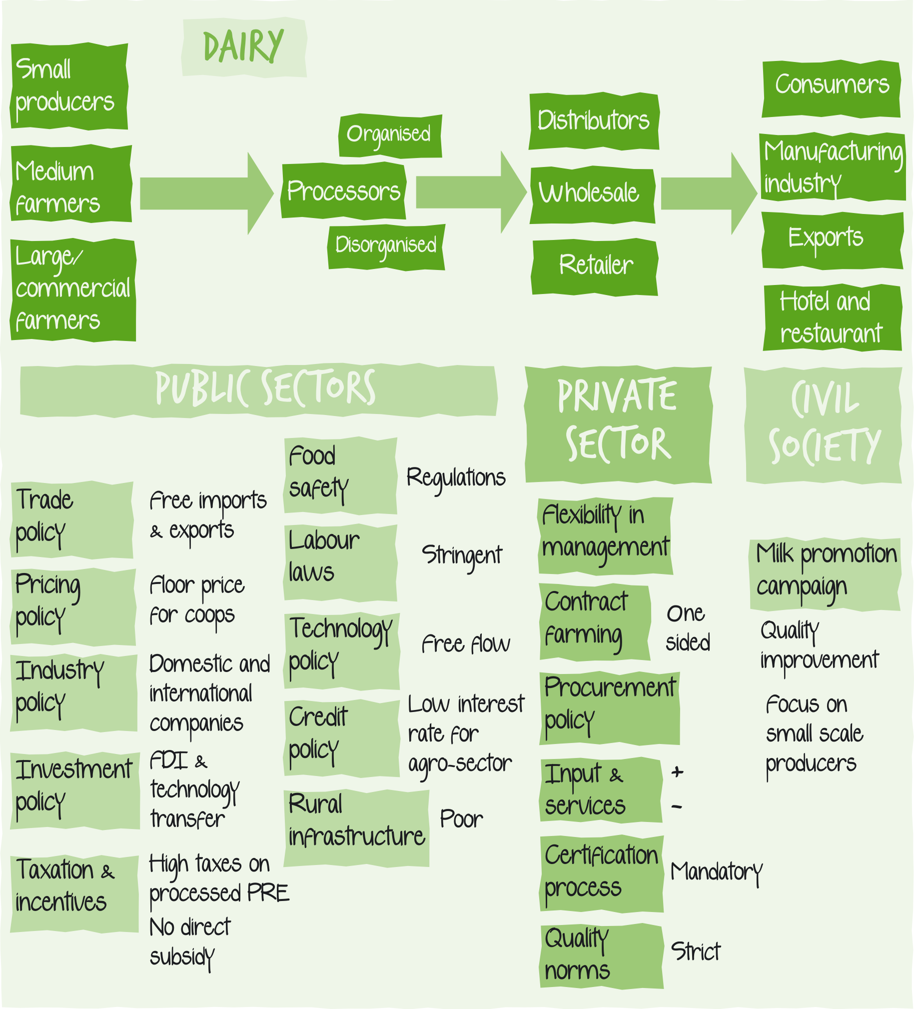
The first example is from the tomato market in South Africa, based on a highly simplified value chain (Example 5.4). Below the value chain, key institutions have been mapped. Four of these are governmental: (1) land reform affects producers most and hence is marked at that end of the chain; (2) all businesses, large and small, need to adhere to broad-based black economic empowerment policy, so that is marked across the chain; (3) two key private sector strategies are "local procurement" at the production end, and "Proudly SA" at the retail end; and (4) regulation of government imports. Two other important institutions are the cultural institution of family-based greengrocers, and the broader international dimension of regional stability.

Example 5.4 Value chain and institutional map: the tomato market in South Africa



The second example is of the dairy chain in India (Example 5.5). Once again, using a simplified value chain diagram as the starting point, participants have identified an array of critical institutions affecting the value chain. Note that they have not matched the various institutions to different parts of the chain, and that they have included institutions of relevance to the whole market, not just to small-scale farmers. Different colour cards are used to indicate different types of institutions: public sector, private sector, civil society and cultural and implicit institutions. Participants have also written a brief comment beside each institution to show its relevance and trends.

Example 5.5 Value chain and institutional map: the dairy sector in India



Further resources on mapping policies and institutions

Innovation Network, **Mindmapping in 8 Easy Steps**, (www.thinksmart.com/mission/workout/mindmapping_intro.html).
Mindmaps are a diagrammatic alternative to lists and tables for mapping policies and institutions

Mayers, J. and Bass, S., **Policy that Works for Forests and People**, IIED, London, 1999, (www.iied.org/pubs/pdf/full/9276IIED.pdf).
Appendix 1 of this document provides a simple framework for analysing policy in terms of contexts, actors, processes, content and impact

5.3 Activity 3: Mapping drivers, trends, issues and opportunities

Purpose and output

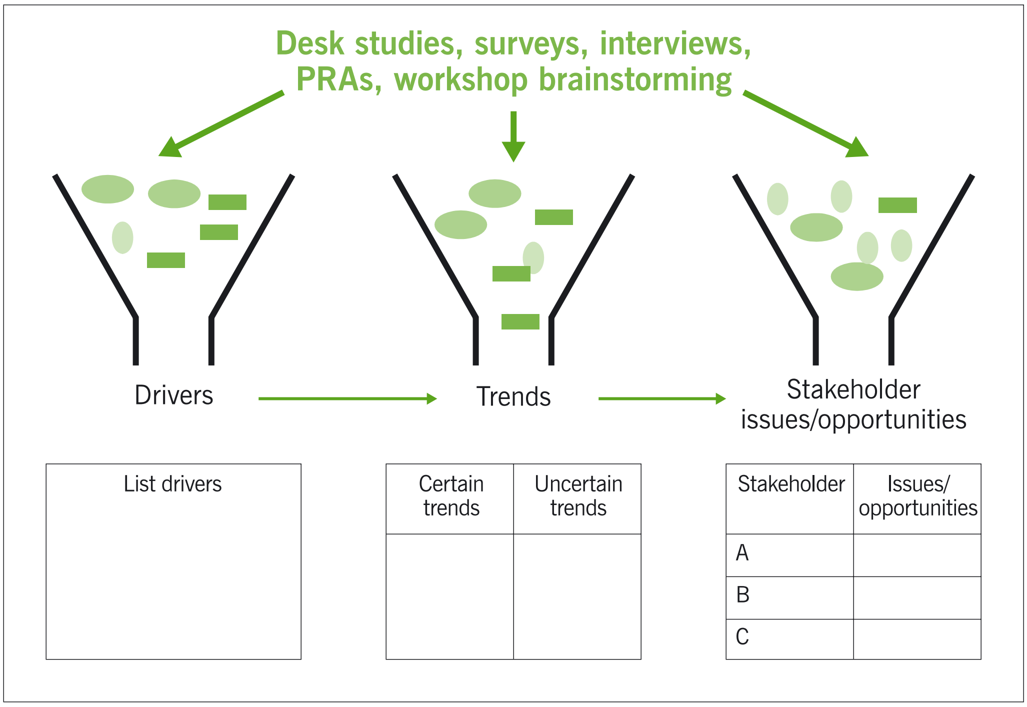
The purpose of this activity is to understand the overall market environment for the value chain being examined. What are the major drivers bringing about change? How are these translating into trends in procurement strategies, prices, standards, or profits for different market players? And what are the implications (issues and opportunities) of these trends for different actors in the chain?

Chapter Two introduced a number of the generic market drivers and trends along with the associated issues and opportunities for different stakeholders. However, it is important to do this analysis for a specific value chain in a specific context. Chapter Two provided background that will be helpful in asking the right questions and stimulating discussion.

There are three sets of outputs from this activity (Figure 5.4):

1. A list of key drivers.
2. A list of trends, some of which may be certain, and others which will be uncertain. Looking at uncertainties is an important part of the scenario analysis done in Activity 4.
3. A table that lists different issues and opportunities for different stakeholders faced with these trends.

Figure 5.4 Identification of key drivers, trends, issues and opportunities



Approach

In a workshop situation this activity can be simply done by brainstorming ideas with participants and then clustering these using the card technique. It may also be useful to rank the lists from most to least important. As listed above, this activity has three parts, which can be accomplished as follows:

1. Identifying the main drivers influencing the market (resulting in a set of clustered cards, which can then be labelled and ranked to give a prioritised list, see Figure 5.4).
2. Identifying the market trends associated with those drivers (resulting in a list or matrix).
3. Identifying the key issues for the main groups of market actors, plus any other key stakeholders such as government.

Concepts and terms

Broadly speaking, *drivers* are the factors that cause change in value chains and the institutions and policies that affect markets, while *trends* are the directions of change caused by drivers (see Chapter Two for an explanation of some of the main drivers and trends in modern agrifood markets). Many of the major drivers lie outside the value chain and its immediate institutional environment—perhaps broader scale institutional factors such as upcoming elections or regional factional violence, or non-institutional factors such as HIV or avian flu. The facilitator needs to help participants to consider the full "big picture", looking beyond their usual professional sectors and timeframes to consider some of the major global drivers and trends affecting markets.

Sample questions

- What are the key factors at international, national and local level that drive changes in markets?
- As a result of these drivers, what trends do we see in markets today?
- How are these trends affecting different actors in the market chain?
- Which issues matter most for different stakeholders?

Facilitation guidance

This activity makes use of card techniques: individual brainstorming and recording onto cards, followed by group-wide organisation of these cards into clusters, followed by ranking if necessary. Tips on these kinds of workshop techniques (also used in Activity 2) are given in Chapter Six.

In some cases, participants may find it difficult to distinguish trends from the drivers behind those trends. Encourage participants to move on with identifying the range of drivers and trends involved rather than getting absorbed in arguments over what constitutes a "driver" and what constitutes a "trend". When discussing the trends, consider which of the trends are fairly certain (clearly anticipated directions and rates of change) and which are less certain (could go in unpredictable directions or at unpredictable rates of change).

When moving onto issues and opportunities, encourage participants to consider the different issues that affect different actors in the market chain (and other relevant institutional actors). It is best to limit participants to a fairly short list, say five key issues for each stakeholder group. This exercise is a useful way to identify points of conflict and synergy, so encourage participants to draw out these points when discussing the stakeholder issues.

Examples

The first example shows a table of drivers and trends in the dairy chain in India (Example 5.6). Note how the set of drivers includes government, private sector and cultural institutions, and both national and international dimensions. The trends similarly consider the market as a whole, including the processors, retailers and large-scale producers. In a second chart (Example 5.7) the workshop participants have drawn out the key issues for each of the major stakeholder groups involved in the value chain.

Example 5.6 Drivers and trends in the dairy value chain in India

DRIVERS

- Rising income - diet diversification
- Increasing population
- Quality consciousness
- Trade liberalisation
- Comparative/competitive advantage
- Instrument for poverty alleviation
- Export opportunities/ import threats
- Government policies and incentives
- Large vegetarian population
- FDI/MNCs/JVs/. . .

TRENDS

- Scaling up - big/small
- Exports and imports both increasing
- Increasing domestic market size
- World prices are increasing
- Entry of private players
- Increasing share of organised sector
- Increasing emphasis on food safety and quality
- Profitability for farmers?

Example 5.7 Key issues for stakeholders in the dairy value chain, India

STAKEHOLDERS	KEY ISSUES
Producers (small)	Access to market, technology, credit, inputs and services Lack of bargaining power Competition (large farms/imports)
Middlemen	Livelihood loss Pole vaulting of producers (recovery of losses)
Processors	Competition (global, local) Access to technologies, capital and markets Supply of raw materials
Wholesalers and retailers	Competition with modern chains Logistics and supply chain management
Supermarkets	Raw material supplier (quality, quantity and prices)
Consumers	Food safety Prices Consistent availability

Another example of drivers and trends comes from the potato market in Bangladesh (Example 5.8). The participants have reversed the questions and asked first what the observable trends are, and then what the drivers might be behind these trends. This method works very well, particularly if there is any disagreement or confusion in the group about the difference between a "driver" and a "trend".

Example 5.8 Drivers and trends in the potato market, Bangladesh

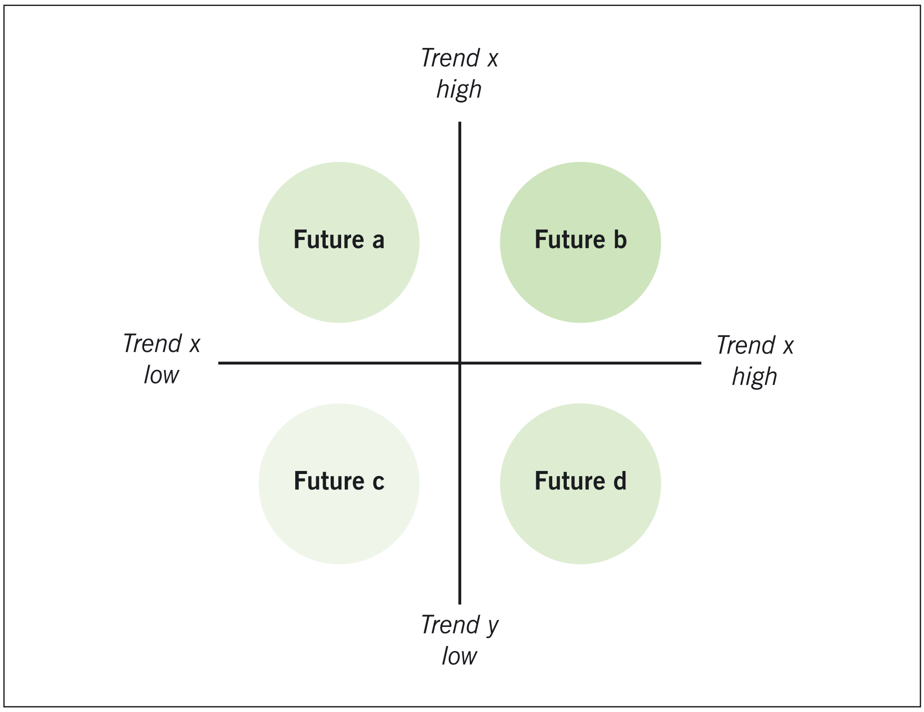
WHAT ARE THE KEY TRENDS IN THE FRESH (WHOLESALE AND RETAIL) AND PROCESSED POTATO MARKETS?	WHAT ARE THE DRIVERS OF THESE TRENDS?
Increased consumer demand for quality Expanding export market opportunity Expanded agro-business using more raw materials Improved infrastructure Changes in market structure (more middlemen/intermediaries) Quality assurance of modern retail markets Better value chain management and vertical integration Changes in technology Decrease in public support to farmers Increases in cost of production	Global spill-over effects Increasing purchasing power Changes in consumer demand and lifestyle Media exposure Growth in exports Public policy supporting farmers Changes in production and processing technology

5.4 Activity 4: Mapping future scenarios

Purpose and output

The purpose of this activity is to explore possible futures for agrifood markets and small-scale producers, given the enormous uncertainty and dynamism of today's markets. Exploring what is likely to happen in the future enables public policy and business strategies to be developed in advance ("anticipatory policy"). The output of this activity is an annotated scenario diagram (Figure 5.5).

Figure 5.5 Basic future scenario diagram



Approach

This activity involves identifying two key uncertainties among the drivers and trends affecting the market and then using these to construct four possible future scenarios. Constructing these scenarios forces participants to think beyond the known here-and-now into imagining unknown but possible futures. The exercise is about "big picture" analysis rather than specific focused problem-solving.

Concepts and terms

The term future scenario is open to a variety of interpretations. Here we use it as an umbrella term for the assortment of future-oriented analyses (examples include scenario mapping, visioning, future search and risk assessments). Simple future scenario models provide a structure for stakeholders to debate the direction and certainty of market trends, and to anticipate more desired and less desired outcomes for small-scale producers. Models of possible and probable futures are useful because they give a clear shape to otherwise disconnected ideas and stories of what the future will bring.

Sample questions

- Based on today's major trends, what will the market be like for small-scale producers in ten years' time?
- What are the big uncertainties and risks, for example possible major international shifts in product supply and demand?
- What are the preferred visions for small-scale producers and rural development? Given the major trends, will small-scale production be feasible under future conditions?

Facilitation guidance

Carrying out a full future scenario projection and analysis can be a complex (but rewarding) exercise—see the list of references for further guidance. A simple version is a facilitated discussion of trends and uncertainties in order to reach a shared notion of the possible futures for small-scale producers and markets (Box 5.3). The two uncertainties chosen to start the activity should be drivers or trends that are unpredictable enough that completely different directions are possible within the next decade or so. For example:

- An uncertainty in policy, such as whether government will remove tariff barriers.
- An uncertainty in business strategy, such as how many multi-national retailers are likely to establish or expand operations in the country.
- An uncertainty in environmental conditions, such as the likelihood that rainfall patterns and hence crops will change as a result of global warming.

It is crucial to choose uncertainties that participants agree are critical to the future of the market, and that are unknown enough that very different outcomes are possible. Avoid choosing uncertainties that are simply not that important, or which could be important if they happened but are extremely unlikely.

The simple future scenario diagrams can be made more useful for anticipatory policy by taking the analysis a step further. For desired scenarios we can ask: what needs to be put in place to achieve this scenario? For negative scenarios, what needs to be put in place to avoid the scenario from occurring? Coupling a future scenario exercise with empirical research (e.g. on how different types and degrees of retail regulation have affected small-scale producer inclusion in other countries) can provide compelling policy advice. Future scenarios can be used like this to help identify ways of including small-scale producers better, as discussed under Activity 5.

Box 5.3 Workshop process: Simple future scenarios

Preparing for the workshop: If possible, have a value chain diagram and checklists of policies and institutions to hand as a resource for use in the workshop. In the workshop:

- Prompt participants with a broad question to trigger group discussion and identification of anticipated changes in the market. Use an exact time span, such as a decade, to encourage more specific thinking (this can be derived from Activity 4, which identified key trends and drivers).
- Record key points under the headings "Trends", "Drivers" and "Uncertainties" on a flipchart or whiteboard visible to everyone.
- If necessary, prompt participants to consider the bigger picture beyond their own sphere of influence (e.g. regional or international market trends).
- Agree on two major trends or uncertainties to consider. Choose trends or uncertainties which are not too closely dependent on each other, and which could go in two contrasting directions in the future.
- On a flipchart or whiteboard, draw and label a horizontal axis and a vertical axis to represent each of these two key trends or uncertainties.
- Label the polar ends of the axes to show the possible extremes of future outcomes after ten years, or some other chosen timeframe (e.g. "Market share for foreign retailers remains less than 10%" at one end and "Market share for foreign retailers rises to over 75%").
- Summarise verbally what each of the quadrants means because of the intersection of the two axes (e.g. "high FDI + high producer subsidies", "high FDI + low producer subsidies", "low FDI + high producer subsidies", "low FDI + low producer subsidies").
- Facilitate discussion of the implications for small-scale producer inclusion within each of the four quadrants created by the two axes.
- Note keywords describing the four outcomes within the quadrants on the flipchart and keep a separate record of other key points arising from the discussion.

Materials: Flipcharts (at least two) or whiteboard, marker pens.

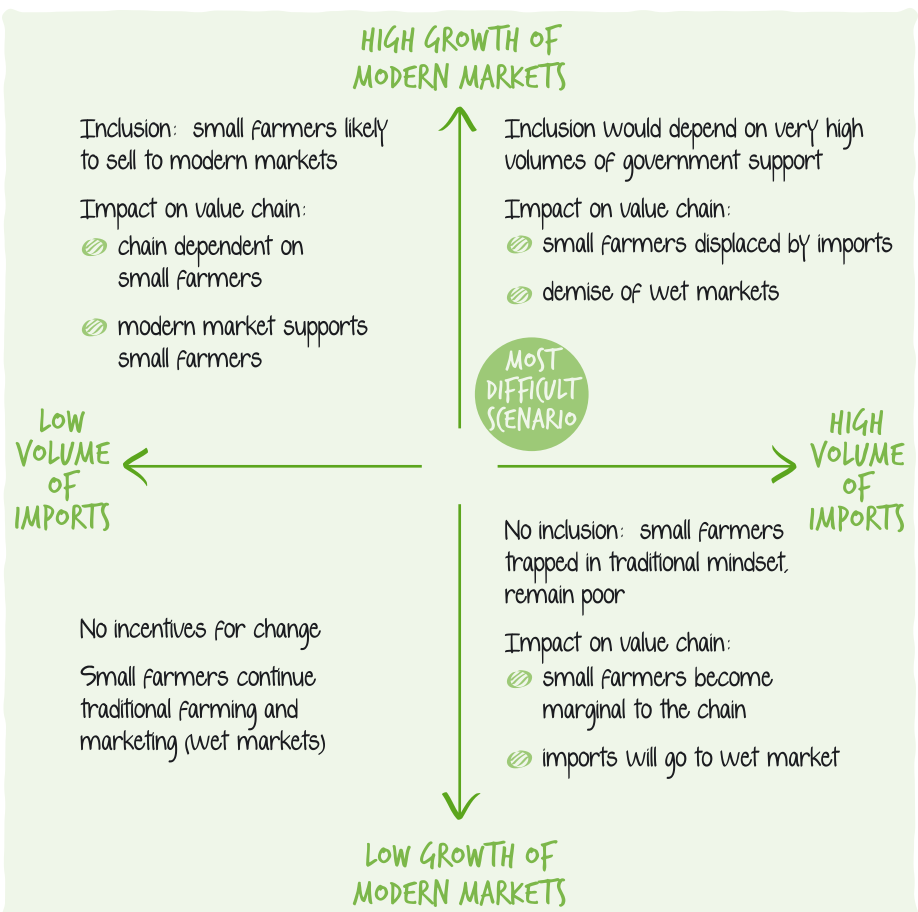
Time: Allow up to an hour to identify key trends, drivers and uncertainties and one to two hours to construct and discuss future scenarios.

Examples

The first example considers the tomato market in Indonesia (Example 5.9). It looks at two key uncertainties for the next decade: the extent to which the vertically integrated modern market will expand its market share, and the proportion of local demand that will be supplied by imports. Inclusion of small-scale producers in tomato marketing is possible under all except one of the scenarios (high imports, low development of modern markets). It is also clear that most government support will be needed if modern markets become dominant and are able to meet much of their supply through imports.

The second example is based on the highly dynamic market for potatoes in Thailand (Example 5.10). The two key uncertainties identified by participants were: (a) whether or not farmers will become entrepreneurs in the market, taking advantage of new business opportunities in this rapidly developing market; and (b) whether infrastructure development linking rural farmers to urban markets will really come about. The four resulting scenarios show that entrepreneurship by small-scale producers will not occur without infrastructure development, as the burden of risk will remain too high.

Example 5.9 Future scenarios for the tomato market in Indonesia



Example 5.10 Future scenarios for the potato market in Thailand

Further resources on future scenarios

Shell International, **Scenarios: An Explorer's Guide,** 2003, (www.shell.com/static/royal-en/downloads/scenarios_explorersguide.pdf).
Guidance on conducting a long-term stakeholder process to generate a set of alternative future scenarios (in story form)

Wollenberg, L. et al, **Anticipating Change: Scenarios as a Tool for Adaptive Forest Management**, CIFOR, Bogor, 2000, (www.cifor.cgiar.org/acm/methods/fs.html).
A step-by-step guide for using scenarios as a tool to help stakeholder groups to envisage and plan for the future. Particularly suitable for use with small-scale producer groups

Mind Tools Ltd., **Decision Tree Analysis – Choosing Between Options by Projecting Likely Outcomes**, London, (www.mindtools.com/dectree.html).
A different approach to future scenarios based on predicting the outcomes of sequences of decisions

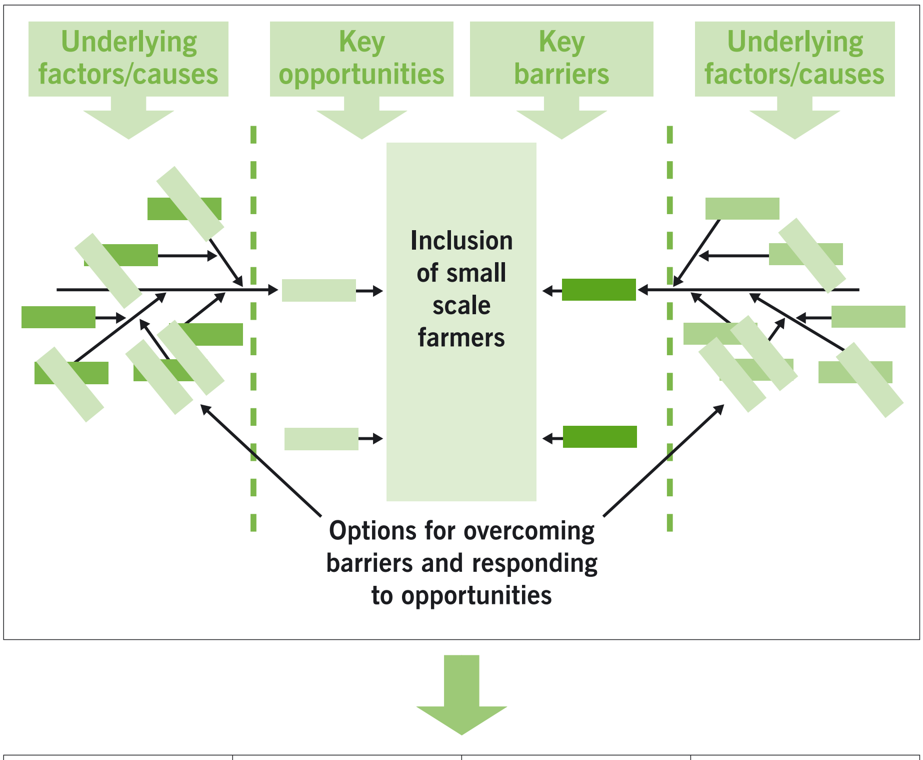
5.5 Activity 5: Mapping options for better inclusion

Purpose and output

The purpose of this activity is to identify specific options that could enhance the opportunities for small-scale producers in modern markets. This activity uses the analysis of the background context done in Activities 1 to 4. Having already explored key institutional factors, drivers, trends, issues for different stakeholders and scenarios, it is now possible to look at the key opportunities and key barriers to smallholder inclusion. By understanding the underlying factors or causes of these opportunities and barriers, potential interventions can be identified.

There are three outputs from this activity (Figure 5.6): a force field analysis of opportunities and barriers, a set of cause-and-effect diagrams that explain the underlying reasons for the main opportunities and barriers, and a table that summarises key options for better inclusion.

Figure 5.6 Identification of options for inclusion



Options for inclusion	Institutional implications	Required action	Responsible actors

Approach

This activity links together two participatory tools, force-field analysis and cause-and-effect mapping (problem tree analysis). By looking at the underlying causes, common issues will emerge that can become the focus for intervention. This activity deliberately looks at both problems and opportunities.

The activity requires revisiting the institutional analysis to understand what institutional change is required to realise opportunities and overcome barriers.

It is also possible to rank the main options identified in terms of their importance. Some discussion will be important about whether individual options on their own will have an impact or whether a whole package of interventions is required.

Concepts and terms

The general term *option* is used deliberately for two reasons. Firstly, it is broader than simply public policy recommendations. It also encompasses a wider (and often more immediate) set of actions that can be undertaken by a range of stakeholders—in many instances individuals and organisations represented within the multi-stakeholder group. Secondly, it expresses the notion that, given the uncertainty of markets and the variety of small-scale producer preferences, an array of possible responses is more useful than a more proscribed and prescribed list.

Barriers are the factors that exclude small-scale producers from the value chain, while *opportunities* are factors that provide space or support for better inclusion of small-scale producers.

Facilitators who are accustomed to using SWOT (strengths-weaknesses-opportunities-threats) analysis will know the distinction between strengths and weaknesses as internal factors and opportunities, and threats as external factors. It is up to the individual facilitator to use this four-way distinction, or simply to use one positive category (opportunities/strengths/advantages) and one negative category (threats/weaknesses/disadvantages).

Key questions

- From the analysis of Activities 1 to 4, what are the key opportunities for, and barriers to, the inclusion of small-scale producers in the value chain?
- What are the main underlying factors (causes/reasons) for these opportunities and threats?
- What are the key options for intervening to enhance the inclusion of small-scale producers?

- What could change in current institutions and policies to allow a better set of market options for small-scale producers?

- More specifically, what could change in x (name a specific economic actor, stakeholder group, policy or business strategy) in order to bring about y (name a specific goal for small-scale producers, such as ability to meet production criteria of a buyer)?

Facilitation guidance

This activity moves from a broad understanding of how markets are undergoing rapid change (and the implications for different stakeholder groups) to developing a clear understanding of what this means for small-scale producers, followed by generation of a realistic set of options to make the most of opportunities and to minimise threats. The success of the activity depends critically on good analysis. Participants need to collaborate on the links between problems, causes and effects. This should be based not on their own market interests or political positions, but on the real evidence about where and how smallholders are included in modern and traditional markets. Actual facts and figures are key facilitation tools here.

The specific approach will depend on the analysis done by the stakeholder group involved. For a "big picture" analysis, build on the future scenarios developed in Activity 4. For example, from the four scenarios generated in the simple future scenarios exercise (Box 5.3), identify the best-case scenario. From here it is possible to identify options for moving from the other scenarios, particularly from the worst-case scenario or from the most likely scenario, towards the best-case. Each option can be specified in terms of the policy changes and actions that could bring about the stated (preferably quantitative) shift from one scenario to another. Generating a clear set of options will provide a strong policy message for governments, businesses and civil society organisations.

For a more problem-specific analysis, build on a threats and opportunities analysis (e.g. expressed in a force-field diagram or problem tree). Force-field diagrams (Box 5.4) identify and rank the different opportunities and threats. Cause-and-effect diagrams go further to explore the factors underlying a particular problem (Box 5.5). Note that cause-and-effect diagrams can take a long time to construct, so it may be best only to use this tool where a key opportunity or threat calls for much closer analysis. For example, it might be useful to explore an important technical issue such as finance or application of quality standards.

The next step is then to brainstorm and map options for change onto the diagram. This can be done at a basic level by placing cards with solutions next to stated threats or problems on the diagram (see template below). For a more in-depth analysis seeking more specific solutions, a solutions tree can be used (Box 5.6).

Box 5.4 Workshop process: Force-field analysis

Preparing content: Decide on the appropriate level of question(s) for analysis (e.g. a very broad question such as "What are the forces for and against market inclusion for small-scale producers?" versus a narrower question such as "What are the forces for and against small-scale producers' ability to sell produce to a tight network of preferred suppliers?"). Since facts and figures are a key resource here, make sure that a resource person and/or resource materials are available for the workshop.

Preparing for the workshop: Set up wall space or flipcharts with the question/goal centrally arranged (see examples).

In the workshop:

- Working preferably in small groups (maximum six people), identify key forces for and against the central goal (e.g. "market inclusion" in the broad case above and "sale to future tight networks of preferred suppliers" in the narrow case).
- Write these on cards and arrange them on either side of the central goal.
- Identify the most crucial three forces "for" and "against" change, or rank the whole set—note the rankings on the cards.

Materials: Flipchart pads, coloured cards (preferably cut into arrow shapes with different colours for "for" and "against" forces), marker pens, adhesive to stick pages together and on the wall. Camera and/or computer to record the diagram(s).

Time: Allow 1 hour.

Box 5.5 Workshop process: Cause-and-effect mapping

Preparing content: Gather checklists of key institutional issues and other drivers to use to prompt participants.

In the workshop:

- Pin a card with the central problem (e.g. "Small farmers excluded from markets") at the centre of the pinboard (or wall).
- Identify the threats associated with this problem, either together as a group or individually, and write these on cards.
- If there are a lot of cards, rank them in order to concentrate on the most important factors (these three steps are equivalent to force-field analysis).
- Decide which of the cards (possibly all of them) show the threats that are the immediate causes of the central problem and pin these in a line on one side of the central card.
- Work methodically through the set of threats to identify the underlying causes of each. Write each underlying cause on a card and pin into place to show chains of causality.
- Since the various threats and underlying causes might interact and overlap, the diagram could get complicated, in which case it might help to use arrows to show the links and/or directions of causality.
- Keep a category on one side of the developing problem tree for broader constraints that limit the possibilities for small-scale producers but cannot be influenced by any of the economic actors and policy actors involved.
- Review the final layout and revise if necessary.
- Record the diagram.

Materials: Pinboard (or wall + adhesive), cards/post-its/paper scraps, pens, arrows (e.g. arrow-shaped post-its, pre-cut cards, pieces of string or coloured wool). Camera, paper and/or computer to record the diagram(s).

Time: Allow 1-2 hours if working in small groups on sub-sections of the overall issue of small-scale producer inclusion; longer for bigger questions and larger groups.

Box 5.6 Workshop process: Solutions tree

Preparing for the workshop: Ensure that there is a large, legible copy of a problem-statement diagram, such as a force-field analysis, problem tree or future scenario. Alternatively, select one issue, threat or opportunity to work on and summarise this clearly on a card.

In the workshop:

- Pin up the problem statement (diagram form or single card).
- Work in exactly the same way as for a problem tree (Box 5.5), but devising logical hierarchies of options and solutions rather than causal hierarchies of problems. Usually this is based directly on the problem tree, devising a solution to each problem of the problem tree, but using an alternative starting point such as a future scenario diagram or problem statement is also possible.
- Identify immediate, general options for dealing with a chosen problem, threat or scenario, or for making the most of an existing or future opportunity.
- Work methodically through the set of general options to identify more practical and specific actions to undertake. Write each specific action on a card and pin into place to show causal links to achieve the higher level options.
- Keep a category on one side of the developing solutions tree for overarching constraints and assumptions.
- Review the final layout and revise if necessary.
- Record the diagram.

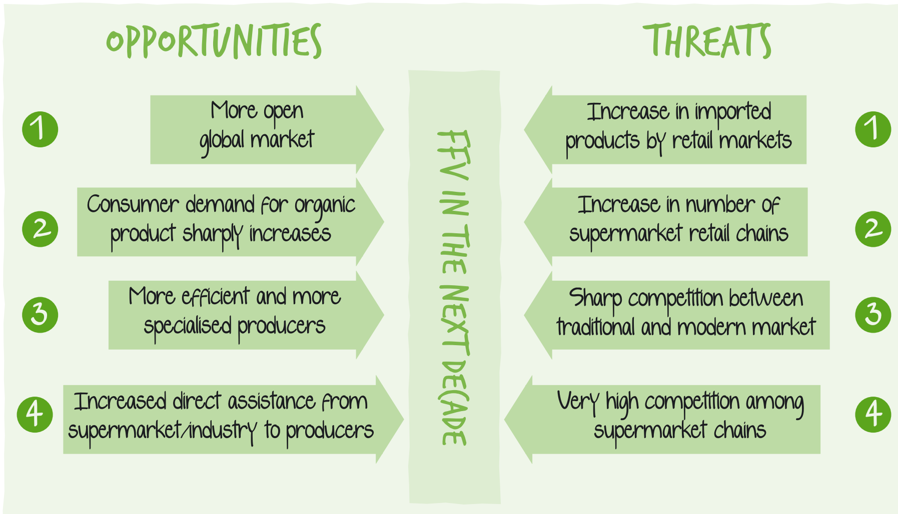
Materials: Pinboard (or wall + adhesive), cards/post-its/paper scraps, pens, arrows (e.g. arrow-shaped post-its, pre-cut cards, pieces of string or coloured wool). Camera, paper and/or computer to record the diagram(s).

Time: Allow 1-2 hours if working in small groups on sub-sections of the overall issue of small-scale producer inclusion; longer for bigger questions and larger groups.

Examples

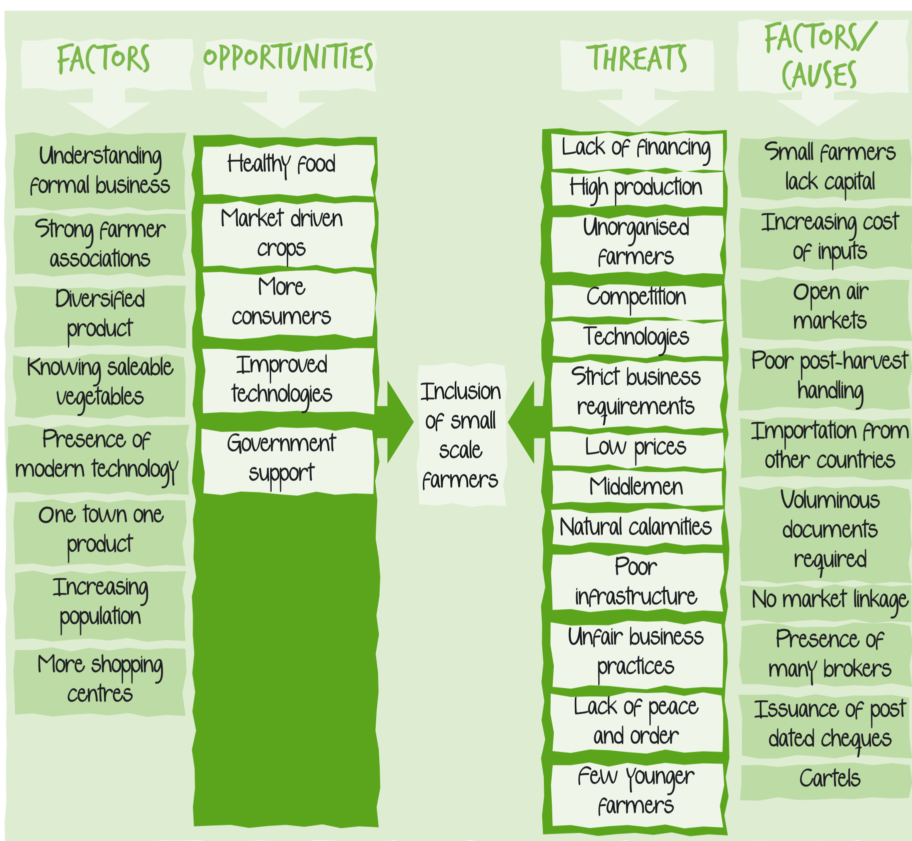
The first example shows a force-field analysis, with an example from the fresh fruit and vegetable market in Indonesia (Example 5.11). Participants were asked to think forward over the coming decade and to identify and then rank the main opportunities and threats for small-scale producers. Notably, the more open global market is both the number one threat and the number one opportunity.

Example 5.11 Force-field analysis of the fresh fruit and vegetable market in Indonesia



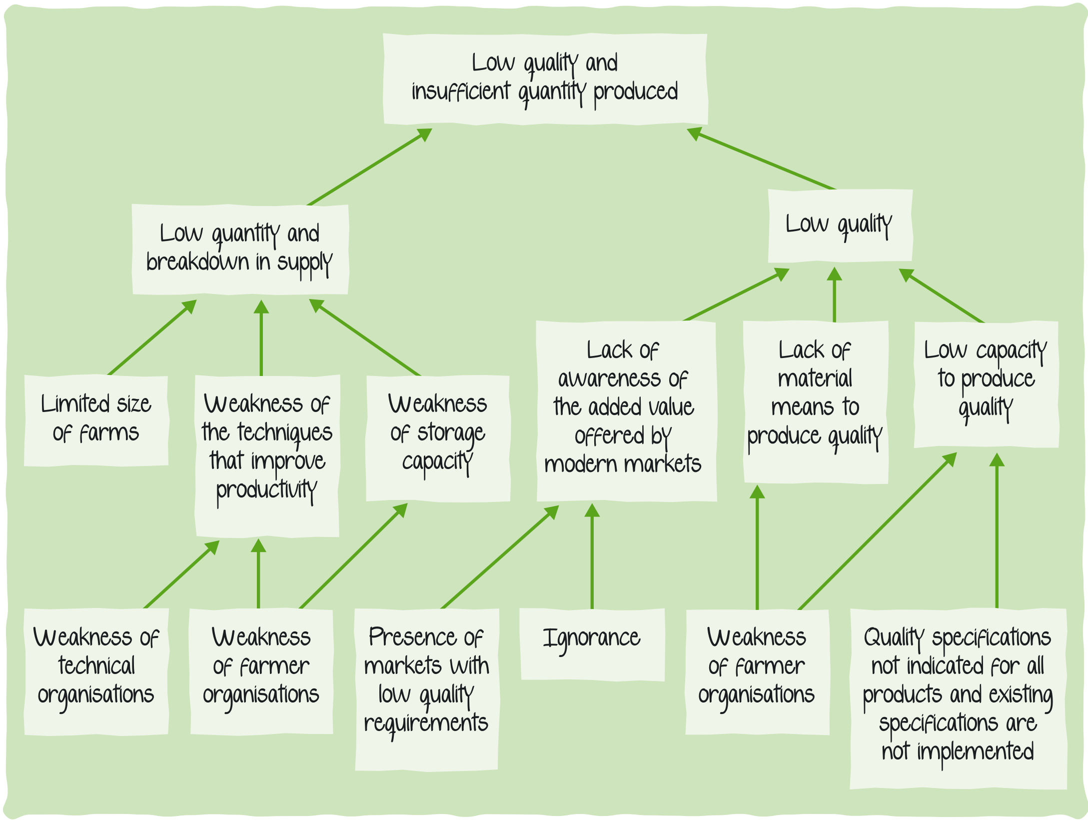
A second example of a force-field diagram comes from the vegetable sector in the Philippines (Example 5.12). The participants have come up with a number of opportunities and threats, but not ranked them. They have also identified the factors and causes behind the threats. Note that they have not linked specific underlying causes with specific opportunities and threats. Sometimes it is too complicated to sort out the pathways of causality among a densely interlinked set of factors. Sometimes, though, it is useful to tease out the specific chain of causes behind a key threat or opportunity. To do this you can use cause-and-effect analysis, shown in Example 5.13.

Example 5.12 Force-field analysis of the vegetable sector in the Philippines



The example of a cause-and-effect diagram (Example 5.13) shows the set of causal factors behind one central problem: insufficient production of high quality produce by small-scale producers in the fresh fruit and vegetable sector in Morocco. Note how the underlying problems are institutional: lack of professional organisations, markets with poor quality standards and a culture of ignorance among producers and buyers.

Example 5.13 Cause-and-effect diagram: problems with fruit and vegetable quality in Morocco



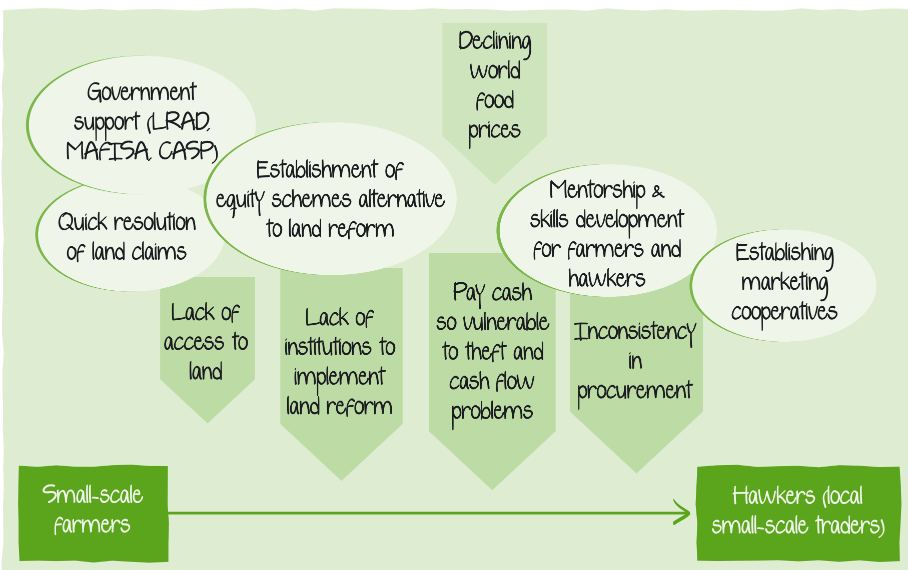
The next example (Example 5.14) is one section of an extended exercise identifying options for better inclusion of small-scale producers in tomato markets in Turkey. This section deals specifically with the challenge of formal standards in the value chain. Note how a simple tabular format is used rather than the visual techniques used in the previous two examples. The tabular version allows more detail to be recorded.

Example 5.14 Options to improve smallholder inclusion in the tomato market, Turkey

THREAT TO SMALL-SCALE PRODUCERS	OPTIONS FOR BETTER INCLUSION
Threat 1. Standards National adoption of quality and buying standards that may not be met by small-scale producers EUREPGAP inspectors have international certificates but no legal authority in Turkey Agree national standards and not just assume EUREPGAP	Traceability and standards could be put in place within wholesale market systems Register all actors to foster traceability Producers should be better educated through consultancy services. Consultancy firms and producer unions should work together Hence a law on consultancy should be drafted and implemented Land consolidation will increase produce quality a implications for small-scale producers?

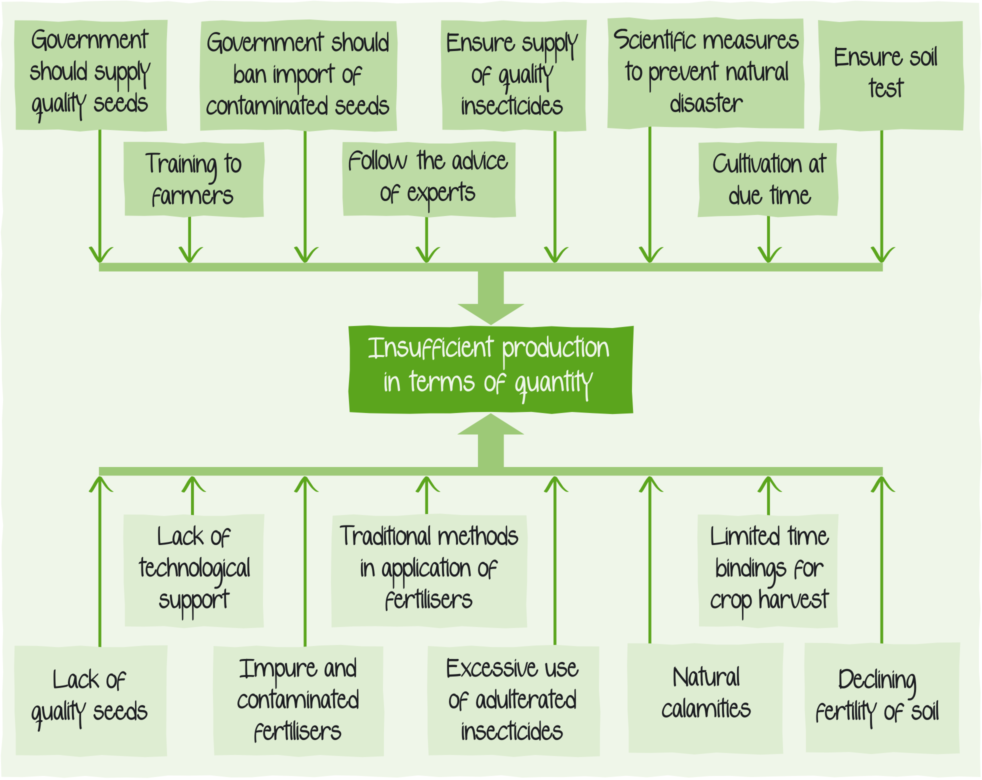
The second example is from another tomato market, specifically the channel through which small-scale producers sell to rural hawkers in South Africa, a market option with good potential. In this example, workshop participants have mapped options (the ovals) directly above the threats (arrows) on the force field diagram (Example 5.15).

Example 5.15 Threats and opportunities for small-scale tomato producers in South Africa



The third example comes from the potato value chain in Bangladesh (Example 5.16). These participants have developed a solutions tree instead of mapping options for inclusion straight onto the problem tree. Note how each solution exactly mirrors and responds to the opposite problem on the problem tree (this is, in formal terms, the correct approach for developing a solutions tree, but it is also possible to have a looser relationship between the problem tree and solutions tree).

Example 5.16 Problem and solutions trees for the potato value chain in Bangladesh



Further resources on force-field analysis and problem trees

Mind Tools Ltd., **Force-field Analysis – Understanding the Pressures For and Against Change**, London, (www.mindtools.com/pages/article/newTED_06.htm).
An explanation of the force-field analysis technique

Wageningen International, **Participatory Planning, Monitoring and Evaluation: Problem Tree**, Wageningen, (http://portals.wi.wur.nl/ppme/?page=1136).
An explanation of the problem tree technique

5.6 Activity 6: Mapping strategies to support change

Purpose and output

The purpose here is to identify realistic strategies for bringing about desired changes, based on the options identified in Activity 5. This entails stakeholders designing an effective and realistic strategy to achieve change within their own institutions and to influence others. There are two possible outputs: (1) an action plan for participants who are present and ready to commit to action (Table 5.1); or (2) a stakeholder action matrix—an analysis of possible actions by a broader selection of stakeholders, given the incentives offered by the market and other institutions (Table 5.2).

Table 5.1 Action planning matrix

What?	Who?	When?	Conditions/risks

Table 5.2 Matrix of stakeholder power, incentives and ways forward for better inclusion of small-scale producers

Stakeholder (actor or organisation)	Realm of influence	Relative power	Factors that will motivate change (incentives)	Actions and tactics to maximise incentives and enable change

Approach

Central to this activity is identifying how different actors may support or block change and then designing a strategy for maximising support and overcoming blockages. This involves understanding who has power and how this power is being used. In some situations change may come through open dialogue between stakeholders. In other situations power imbalances and inequalities may require approaches that empower groups so they can confront inequalities and have their rights respected.

Concepts and terms

A *strategy* is simply an overall plan of action (indeed, the terms policy and strategy are often used interchangeably). Here we treat a strategy as a collection of feasible actions. Of course a more structured plan may be preferred, depending on how far participants are willing and able to develop a cohesive, binding course of action within the stakeholder workshop.

Key questions

- Now we know what options make most sense for small-scale producers, how do we achieve them? Who needs to act, and where and when do they need to take action?
- What is likely to motivate different decision-makers to put in place a preferred option for small-scale producers? What tactics can we use to communicate with and convince these decision-makers given their own priorities and incentives?

Facilitation guidance

Tools for developing strategies for change are highly varied. There is a large body of theory and experience, referenced below, on communication strategies, advocacy strategies, research-into-policy strategies and other approaches for influencing the public, private and other sectors. The most basic tool, which participants can use to plan their own actions, is to develop a simple action plan in matrix form (Table 5.1). Note that action plans developed in stakeholder workshops should be viewed as indicative rather than final. It is only worth developing detailed action plans—ones that include deadlines and resource commitments—within a stakeholder workshop if the participants have the mandate of their organisations to commit to courses of action.

Developing strategies that involve other stakeholders can also be a useful exercise. However, the challenge here is to move beyond a wish-list of actions that would happen in an ideal world to a more realistic set of possible actions, preferably backed up by tactics to help the actions happen.

Participants might find that it helps to do a stakeholder analysis of the different actors and organisations in the value chain to understand what needs to change and what kinds of influences are likely to bring about that change. This type of analysis can provide the basis for practical, politically astute planning for change in favour of small-scale producers. A simple but thorough stakeholder analysis of agencies (not only of companies, but also of competition commissions, producer organisations, civil society lobby groups and so on) can look at their realms of influence, power, incentives and relationships to see where change is possible and what tactics will enable this change (Box 5.7). A more detailed stakeholder analysis could include the institutional meanings, associations, controls and actions associated with different stakeholders (see Chapter Three).

A final step in this activity could be to collect the tactics that participants identified (preferably including named organisations and individuals from among the group), and then to map these into an action planning matrix (Table 5.1). In this way participants have a clear, agreed set of strategic next steps after the workshop.

Box 5.7 Workshop process: Mapping stakeholder power, incentives and ways forward

Preparing content: Collect existing lists and details of stakeholders (economic actors in the value chain + indirect stakeholders), policies and institutions from earlier exercises.

Preparing for the workshop: Prepare matrices on paper (may need to stick flipchart pages or brown paper sheets together).

In the workshop:

- Identify key stakeholders for consideration, e.g. relevant to a particular policy or stage of the value chain.
- For each stakeholder, discuss and note in turn their realm of influence (which aspects of the value chain or institutional environment they are involved in); relative power (a simple score could suffice here, or else more detailed information on sources of power or other factors); and the factors that would motivate them to instigate, commit to or maintain positive changes towards involvement of small-scale producers.
- Looking at the set of stakeholders as a whole, note their relationships. Create an additional network diagram on a separate sheet if useful.
- Finally, identify specific ways forward arising from what is known of stakeholders' power, motives and relationships.
- The ways forward can be incorporated into participants' plans for practical action (i.e. what must participants or other actors do to bring about the desired changes in stakeholders' behaviour?)

Stakeholder (actor or organisation)	Realm of influence	Relative power	Factors that will motivate change (incentives)	Actions and tactics to maximise incentives and enable change

Materials: Flipchart pads or brown paper, marker pens, adhesive to stick pages together and on the wall. Computer to record the matrix.

Time: Allow 1-2 hours for a focused analysis.

Examples

The first example comes from Morocco, from a multi-stakeholder workshop considering small-scale producer issues in a number of value chains (Example 5.17). The set of options identified for better inclusion of small-scale producers were collated in a simple table to indicate which actors and organisations needed to take action on which issues. Note the inclusion of government, private sector and civil society, including producer organisations.

Example 5.17 Strategies for change for small-scale producers in Morocco

Farmers are encouraged to form groups	CT, COMADER, ODECO, chambers of agriculture, local authorities, local NGOs
Partnership between small/medium producers and supermarkets on the basis of specific needs and specifications	Supermarkets, COMADER, OPA
Revitalisation of agricultural extension	Agricultural training centre, NGOs, OPA, S tech MADRM, CFA
Specific support to small/medium producers who produce for structured markets	S tech MADRM , GMS
Improvement of traditional distribution networks and some barriers to imports	Ministry of the Interior, local authorities, MCI, private, MADRM, COMADER
Dedicated sources of finance for farmers who invest in innovative techniques to raise the quality of their produce	Micro-credit NGOs, banks
Research contracts with universities on specific needs	INRA, IAV, ENA
Land tenure	Ministries of Agriculture and Interior, Ministry of Justice
Legal protection and support	OPA, external trade, finance, COMADER, Customs, local authorities, national agency for land tenure protection

Example 5.18 Strategies for improving finance options for small-scale producers in Bangladesh

Challenge: Dependency of farmers on traditional market players for credit/finance		
Background of the challenge	**Actions to face the challenges**	**Who should take the actions**
Lack of self-finance or capital	Low interest rate loans	Insurance companies and private lenders: review loan conditions
Lack of timely availability of capital	Granting sufficient time for farmers to return the loan	Government: reinsurance of loans and special agricultural loan scheme
Chronic indebtedness	Loan without mortgage	Farmers' associations and NGOs: raise concerns of farmers
Farmers offered lower than the right price	Crop insurance provided by insurance companies that are reinsured by the state	
Giving up almost half of crops to money-lenders to repay conditional loans	Farmers' associations without government interference	
Investable capital reducing in relation to collateral		
Farmers hardly have any tangible assets for mortgage or loans		

The second example comes from Bangladesh, and focuses on a specific challenge for small-scale producers: lack of alternative sources of upfront finance (Example 5.18). The participants in this case have grouped a set of issues, actions and actors for a holistic approach to solving the problem. Again, note the inclusion of a variety of actors. This kind of output does not give a great deal of detail on specific actions to be taken by specific parties, nor a more strategic analysis of their different incentives to take action. However, it does provide a clear communication tool to take beyond the workshop to other audiences.

The third example, from the Philippines, delineates the roles of different stakeholder groups within a strategy to which they are all committed (Example 5.19). It does not include timelines or details of resource commitments (staff time, finance), but does provide a clear set of "next steps" for all concerned.

Example 5.19 Roles of different stakeholders in developing "priority clusters" in the fresh fruit and vegetable market in the Philippines

Strategy	ROLES		
	Government	Private	NGO/civil society/academe
Development of priority clusters (vegetables, mango, other products)	**Department of Agriculture**	**Farmers'/producers' organisations**	
	- ACEF fund - creation of an express lane (eg PO as collateral) - Extension and training - good agricultural practices - quality improvement/ post harvest - Market facilitation - market information - market linkage assistance - Infrastructure - access roads - cold chain - Assist in identification of priority clusters	- Organise - Commit to requirements/ protocols of clusters; meeting market requirements (discipline and cooperation)	- Assist in cluster development (link their agro-enterprise programmes with priority clusters eg Catholic Relief Service; UP in Mindanao) - Assist in identification of priority clusters
	Department of Trade and Industry	**Modern market**	
	- Financial linkage (small business guarantee fund) - Market facilitation - market information - market linkage assistance - assist in identification of priority clusters	- Consider PO (purchase order) as collateral - Provide information on requirements to producers (quality, terms, timing, volume) - Review/negotiate terms of payment - Win-win under cluster arrangement (lower risk with cooperation and assistance for priority clusters)	

Further resources on mapping strategies to support change

Start, D. and Hovland, I., **Tools for Policy Impact: A Handbook for Researchers**, ODI, London. 2004, (www.odi.org.uk/RAPID/Publications/Documents/Tools_handbook_final_web.pdf).
A compendium of tools for communicating, marketing, networking and lobbying to achieve influence of research messages on policy

Veneklasen, L. and Miller, V., **A New Weave of Power, People & Politics: The Action Guide for Advocacy and Citizen Participation**, World Neighbors, 2002.
Tools for civil society organisations to plan and implement advocacy with the recognition of power dynamics and alliances

Mayers, J., **Stakeholder Power Analysis**, Power Tools Series, IIED, London, 2005, (www.policy-powertools.org/Tools/Understanding/SPA.html).
Guidance on the many aspects of stakeholder analysis, including a number of specific tools to use with stakeholder groups

Nash, R. et al, **Mapping Political Context: A Toolkit for Civil Society Organisations**, ODI, London, 2006,
(www.odi.org.uk/RAPID/Publications/Documents/Political_Context_Toolkit_web.pdf).
Presents nine tools, including stakeholder analysis, for helping to understand the role of power and politics in policy processes

Chevalier, J. M. and Buckles, D., **Social Analysis Systems²**, (www.sas2.net).
Provides a framework and tools for process management and action for complex challenges that require collective understanding and action

6 Additional tips for facilitating multi-stakeholder processes and workshops

The previous chapter explained in detail the steps in the institutional and policy mapping methodology, and how they could be facilitated in a workshop setting. This chapter provides additional background and tips on facilitating multi-stakeholder processes and participatory workshops[1].

6.1 Background to multi-stakeholder processes

To improve the opportunities for small-scale producers, it is very clear that government, business and civil society organisations must understand each other and work together. In today's world it is generally difficult for government to bring about change and implement policies if there is opposition from the business or civil society sectors. The nature of the global economy gives corporations much economic power and political influence. Likewise the capacity of civil society for advocacy and for engaging in media campaigns that influence consumer and voter opinions also gives it much power. These different powers can either work with or against each other. If there is constructive engagement there is space for innovation and institutional change. If these powers are working against each other, institutional change can become almost impossible.

> **Reasons for undertaking an MSP**
>
> - To seek different perspectives for resolving complex problems
> - To resolve conflict
> - To build trust and understanding
> - To promote innovation
> - To generate commitment for action
> - To cope with rapid change
> - To move beyond fixed positions
> - To discover common ground

It is for these reasons that over the last decade there has been rapidly growing interest in multi-stakeholder processes and many other similar but differently named approaches. Central to all these approaches is the notion of bringing together different stakeholders (actors) who have an interest in a problem situation and engaging them in processes of dialogue and shared learning and collective action.

A multi-stakeholder process (MSP) has the following characteristics:

- Deals with a defined "problem situation" or development opportunity (the boundary and focus may expand or contract during the process).
- Involves the stakeholders involved in or affected by this "problem situation" /development opportunity.

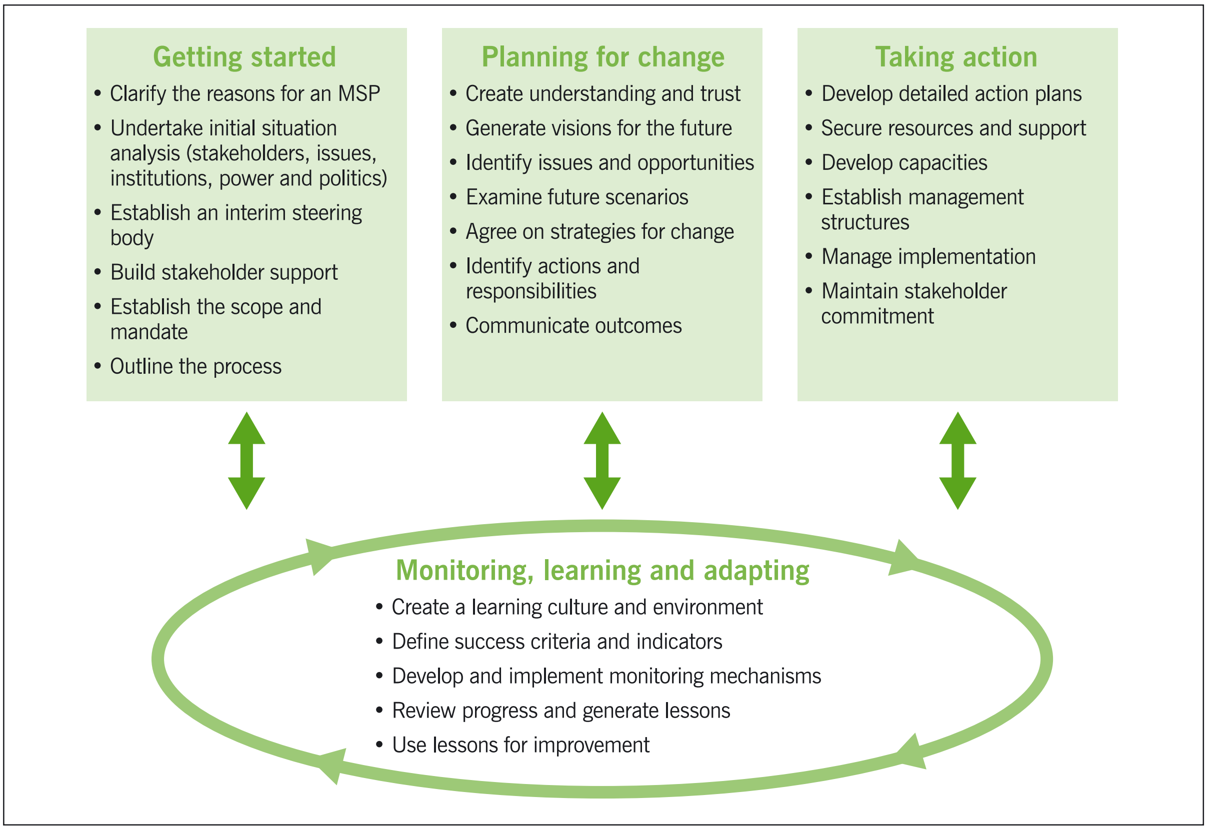
- Works, as necessary, across different sectors and scales.
- Follows an agreed yet dynamic process and timeframe.
- Involves stakeholders in setting "rules" for constructive engagement.
- Works with the power differences and conflicts between different groups and interests.
- Engages stakeholders in learning and questioning their beliefs, assumptions and previous positions.
- Balances bottom up and top down approaches.
- Makes institutional and social change possible.

The term "multi-stakeholder process" implies engaging with all the different stakeholder groups who have an interest in or are affected by the "problem situation". However this does not mean that all meetings and workshops will always have all the different stakeholder groups present. Very often it will be necessary to work with just one group of stakeholders first before bringing different groups together. It will also often be necessary to have meetings and engage individually with key people.

There is a lot to think about when designing an MSP. How do you get going with a multi-stakeholder process? Who should you involve at the start? Are you dealing with major conflicts or big differences in power between the stakeholders? What sort of information and analysis is needed to move the process forward? Is a short-term or long-term process needed? What sorts of meetings, workshops and events will be needed? Importantly, the design must be flexible and adjusted as the process unfolds.

There is no simple recipe for a good MSP. However, through experience some important lessons have been learned about a few of the key ingredients. Figure 6.1 illustrates the stages of a multi-stakeholder process and some of the key considerations for success at each stage. For example many multi-stakeholder processes go wrong because of false expectations and lack of initial understanding of different stakeholder interests. Having the wrong group of people involved on an initial steering committee can spell disaster for a whole process. When planning it is important to work with stakeholders' visions of the future and not become bogged down in a mire of problems. Often processes fail because they do not move from the planning phase to implementation and interest and momentum is lost. If all those involved are not aware of how they will judge success and the process is not carefully monitored there is also a risk of failure. Thinking carefully about each of the checklist points will help avoid these and many other difficulties.

Figure 6.1 A checklist for designing and facilitating multi-stakeholder processes



A multi-stakeholder process is much more than just a one-off workshop. It involves a whole series of interventions and activities over time to create the conditions, trust and understanding for different stakeholder groups to work together, reach collective decisions and take collective action.

There are many factors related to the institutional (policy, legal, funding, government agency, cultural) context that will dramatically affect any multi-stakeholder process and must be carefully considered. Often forgotten is the issue of political, economic and social power of different groups and how these power dynamics influence conflicts. The facilitator needs to be sensitive to such dynamics and guard against negative effects.

Further resources on multi-stakeholder processes

Wageningen International, **Multi-stakeholder Processes: Building your Capacity to Facilitate Multi-stakeholder Processes and Social Learning**, Wageningen, (http://portals.wdi.wur.nl/msp/).

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Pruitt, B., and Thomas, P., **Democratic Dialogue: A Handbook for Practitioners**, CIDA, IDEA, OAS and UNDP, 2007.

Dealing with differences in capacity and power

Different stakeholders or different groups of stakeholders will often have very different levels of capacity and power. For example, the chief executive officer of a retail firm is in a totally different situation to the leader of a small-scale farmers' co-operative. Some individuals may be much more articulate and better able to communicate their ideas and concerns than others. Some groups may have the resources to easily pay for their time in attending events, while for others participation means significant personal financial cost. Because of their position some individuals or groups may have easy access to government decision-makers, while others have none.

If capacity and power differences are not carefully considered, a multi-stakeholder process may simply further marginalise and disadvantage the weaker groups.

Some ways of dealing with this include:

- Working with less powerful groups to help them clearly establish their concerns and issues and prepare to present them.
- Actively supporting the capacity development of some groups with financial and other resources.
- Building trust and understanding between different groups so that more powerful groups may become more supportive of others.
- Stopping or changing a process where there is a high risk of further undermining the interests of the less powerful.
- Providing groups with professional support in researching, documenting and presenting their case.
- Facilitating processes in a way that ensures all groups have equal space for contributing.

It should be recognised that a multi-stakeholder process will be a political process. Different groups will be trying to figure out where there is a common interest and where they need to protect their own interests. The point of a multi-stakeholder process is to find higher order common goals and then work back to find solutions that have mutual benefits.

Managing conflict

Conflict is inevitable in a multi-stakeholder process. It is not necessary a bad thing; indeed conflict is often the source of motivation for change. The challenge is to manage conflict in a constructive way.

A starting point is to understand the reasons for the conflict. One model of conflict management makes a distinction between conflict caused by: a) disputes over the validity of information; b) personality differences; c) competing interests; d) structural issues related to laws, roles and responsibility time constraints; e) differing values. It is beyond the scope of this document to go into further detail. However the key point is to try to understand the underlying sources of conflict; different types of conflict will require different strategies for resolving them.

Conflict will often go through a process of first being dormant, then erupting and intensifying before it is either resolved or settles down into a stalemate. Dormant conflict can often be even more disruptive to the process than open conflict.

In facilitating a multi-stakeholder process it will often be necessary to deal with two types of conflict. One is the deep-seated conflict that may exist between different stakeholder groups because of perceived competing interests or differing cultural traditions and values. The other is the conflict that may erupt between people during a stakeholder workshop or meeting. This latter may be related to the first, or it could just be the frustration of one person with another whom they perceive as being too dominating.

It is also important to understand that there is a continuum of conflict with differing strategies for dealing with them. For example, some conflicts end up only being resolved through the legal system while even more severe conflicts result in violence and war. Multi-stakeholder processes, quite understandably, generally work at the other end of the spectrum where there is space for discussion, negotiation, and arbitration. Some major conflicts have been resolved through dialogue and stakeholder processes; however this type of process requires highly specialised skills.

When resolving conflicts and helping people to negotiate, focus on:

- Separating the people from the problem.
- Interests rather than positions.
- Generating a variety of options before settling on an agreement.
- Insisting that agreements be based on objective criteria.

In fact multi-stakeholder processes are essentially based on these principles. A well designed and facilitated multi-stakeholder process will automatically help many conflicts surface and be constructively resolved.

Further resources on conflict management

Potter, B., **From Conflict to Cooperation: How to Mediate A Dispute**, Ronin Publishing, 1996.
Practical advice for facilitators

Warner, M., **Complex Problems, Negotiated Solutions: Tools to Reduce Conflict in Community Development**, ITDG Publishing, London, 2001.
Tips for multi-stakeholder processes that include farmers, businesses and government

6.2 Running a successful workshop

Any multi-stakeholder process will involve a series of workshops and meetings. The following tips will help to make workshops and meetings more time effective, productive, and rewarding.

General structure for workshops

- Explain the background and context for the workshop, and the intended outcomes.
- Get participants to introduce themselves and, if appropriate, conduct some sort of "ice breaker" that establishes rapport between participants and generates a few laughs.
- Explain the agenda and process of the workshop and the role of the facilitator.
- Invite participants to make a statement about what they would like to see achieved from the workshop. For example, pose the question. "What would make this workshop a success for you?" If necessary and appropriate, revise the agenda based on participants' needs.
- Move through the activities of the institutional and policy mapping methodology that have been chosen for the particular workshop.
- Clarify the outcomes from the workshop and agree upon future actions.
- Ask participants to provide a written evaluation of the workshop (optional).
- Close the workshop by inviting participants to say what the workshop has meant for them.
- Write up the workshop and provide a report to participants as soon as possible. Listing the participants as authors reinforces the sense of shared ownership of the process.

Working with different sized groups

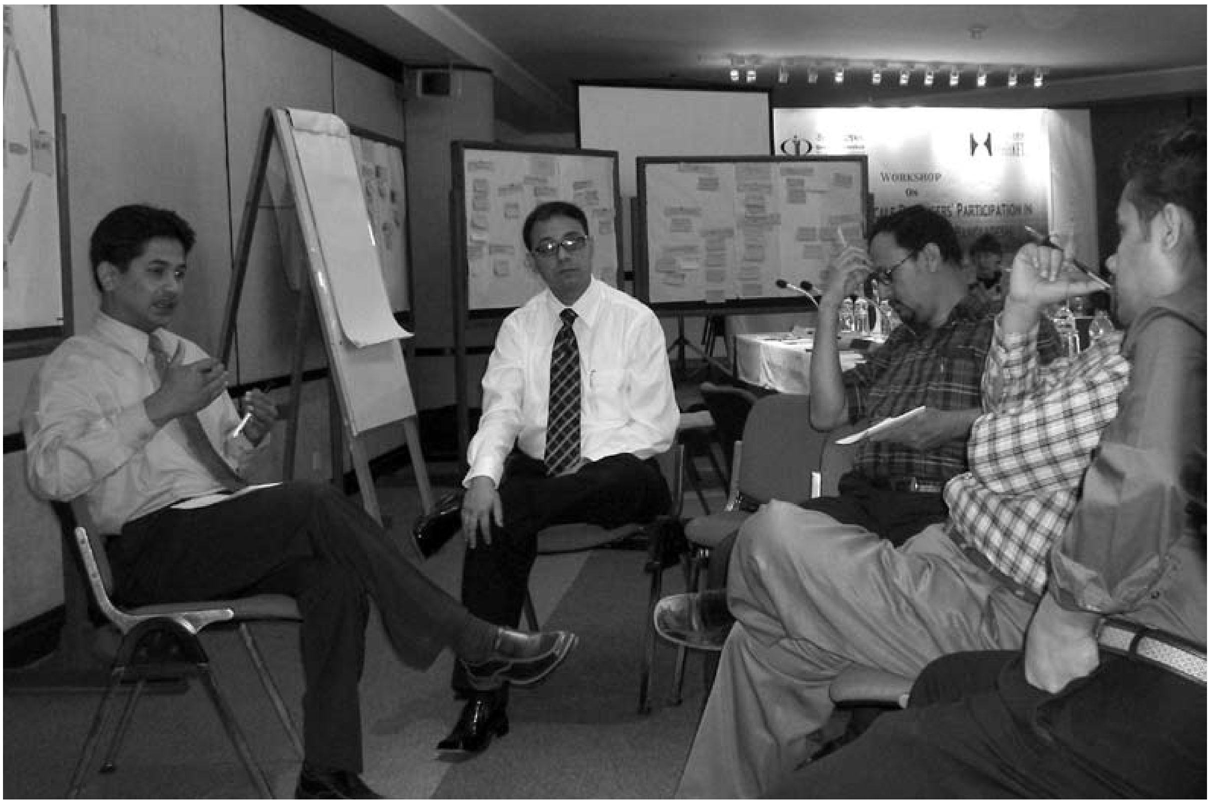
An ideal number for an interactive workshop is between 20 and 25 people. This enables the workshop to be structured around three or four small groups and it makes for easy plenary discussion. With this number you get a good balance between diversity of ideas and representation, while still having an easily manageable group size.

In many situations it will be necessary to work with much larger groups. It is quite possible to have an effective interactive workshop with 70 or 80 people. However, with larger groups you will have to lower expectations about what can be achieved in a given period of time. Reporting back from small groups and simply marshalling people in and out of coffee and lunch breaks all takes much longer.

To make larger workshops a success consider the following:

- Use co-facilitators to work with the small groups.
- Reduce the reporting back from small groups to just a few key points.
- Use a “market place” for sharing the work of small groups, whereby participants walk around the room to see what other groups have done.
- Keep very strict time management and make it clear at the beginning of the workshop that this will be necessary.
- Use small buzz groups of three or four people within a larger plenary discussion; this will give everyone a chance to get talking.

Figure 6.2 A small multi-stakeholder group works together on key issues in the potato chain in Bangladesh



Making the best use of participatory tools

There are numerous different participatory tools that can be used in a workshop. If you refer back to the institutional and policy mapping methodology in Chapter Five you will see that each step in the methodology uses at least one participatory tool. Tools such as brainstorming and card clustering have been used in a number of the steps. To get the best out of participatory tools select the right tool for the right purpose, ensure a logical flow between different tools and have good facilitation.

The Rule of Seven

Research indicates that at a maximum the human brain can cope with about seven different ideas at once. Probably not by coincidence small groups of seven people work best. When structuring ideas, synthesising information or making lists, keep to about seven key points.

Using a tool well makes all the difference. For example when brainstorming, ask people to think quietly or talk to their neighbour before getting responses from the whole group. Initially go around the whole group asking for a response from everyone. This will ensure a contribution from everyone and prevent a few people's ideas dominating. Using the card clustering technique can be a very powerful way of synthesising many ideas and coming to a group consensus on important issues. However, if the cards are grouped according to already formed categories the facilitator has in their mind, rather than what the cards are actually saying the power of the process is undermined. It is always important to give very clear instructions and if the tool is being used in small groups the facilitator should go to each group to check that the task has been understood. It is often helpful to provide small groups with printed out instructions of what is expected of them, including timing.

Additional tips

- Be clear about the objective and intended outcomes of the workshop for:
  - The participants.
  - The funding body, client or wider community.
  - The facilitator and organisers.
- Have a well-prepared but flexible plan, including alternative scenarios—think carefully about the structure and sequence of activities and discuss this with others to improve it.
- Have very clear instructions and focusing questions for each session. It is usually best to have these written up so people can refer back to them.
- Keep it as simple as possible.
- Be very time conscious; don't be too ambitious about what can be achieved.
- Avoid over-facilitation where people feel like they are being manipulated into an outcome that they do not fully agree with.
- Use activities to create an atmosphere that breaks down barriers between people and reduces the feeling of threat.
- As far as possible, record all material on butchers' paper and stick finished sheets to the walls. This reminds people where the workshop is up to and gives them something to refer back to.

- Appoint helpers to write up discussions in detail—the summarised versions on butchers' paper are often not detailed enough when it comes to writing the workshop report. Write up the workshop as soon as possible.

- When working with larger groups, have assistant facilitators who are trained in the techniques being used and are well prepared for their role.

- Alternate between small groups and plenary sessions, but don't overdo it.

- Frustration and conflict are healthy parts of a workshop, learn how to manage them and don't be frightened.

- Take risks with workshops and don't worry too much about getting it perfect. People like to talk together and share their ideas; if they have had this opportunity, the chances are they will have found the workshop worthwhile.

Further resources on participatory methods

Pretty, J.N. et al., **Participatory Learning Action – A Trainer's Guide for Participatory Learning and Action**, IIED Participatory Methodology Series, London, 1995.

Chambers, R., **Participatory Workshops – A Source Book of 21 Sets of Ideas & Activities**, Earthscan Publications Ltd., London, 2002.

Spencer, L.J., **Winning Through Participation – Meeting the Challenge of Corporate Change with the Technology of Participation**, Dubuque, Iowa, 1989.

Wageningen International, **Multi-stakeholder Processes Portal**, Wageningen, (http://portals.wdi.wur.nl/msp/).

Enhancing Ownership and Sustainability – A Resource Book on Participation, IFAD, ANGOC, CIRDAP, SEARSOLIN, MYRADA, IIRR, 2001.

6.3 Logistics

Here are some tips about organising workshops other events. We will look at venue, timing and scheduling, and budgeting. The logistical considerations should not be overlooked, as good organisation is one of the keys to success.

Venue

Chose a suitable venue: the right atmosphere, no distractions, space for small group work and plenary sessions and lots of wall space or display boards for attaching butchers' paper or cards.

A local venue offers advantages in terms of gathering information and attracting local people. Consider factors such as comfort, support equipment (photocopier, telephone, fax) and cost. The available options are rarely perfect, so consider the implications of this for the effectiveness of the workshop. It is always advisable to visit the venue before the event so that you can be prepared for any limitations (such as seating arrangements or sources of distraction).

Timing and scheduling

Try to make sure the main activities of the multi-stakeholder process do not coincide with busy periods of the year that might exclude key stakeholders. Hold meetings, workshops and interviews at times suitable to group members. Consider the special needs of different stakeholder groups in terms of timing. For example, women may have responsibilities which stop them from participating at particular times. Organise activities well in advance and give people plenty of notice.

Be aware of the participants' energy levels and concentration abilities, and be prepared to alter the programme if it becomes apparent that the planned timing is no longer suitable. Don't forget that people need time to unwind.

Workshop materials

- clock
- butchers' paper
- whiteboard
- coloured cards, half A4
- overhead transparency projector, film and pens
- sticky notes (assorted sizes)
- blu-tack
- masking tape
- name tags
- marking pens (lots)
- laptop computer (for recording a workshop as it proceeds)
- refreshments

Budgeting

If you need to develop a budget for a multi-stakeholder process or workshop, consider the following:

- Human resources (organising, professional facilitator, documentation).
- Equipment (telephone, fax, photocopies, paperwork).
- Workshop materials (see box).
- Venue (meeting room, meals, beverages).
- Sitting fees if necessary.
- Transport and travel costs of participants.
- Catering.

[1] This chapter draws on Woodhill, J. and Van Vugt S., **Facilitating Multi-stakeholder and Institutional Change Processes: A Societal Learning Perspective**, Wageningen International Occasional Paper, Wageningen International, Wageningen, The Netherlands, 2008.

Appendix 1

List of Chain-wide Learning Events

Chain wide learning events held over the period 2006-2007 supported by the Regoverning Markets programme. All reports are available at www.regoverningmarkets.org.

Bangladesh
Sarwar, G., Islam, R., Nisha, N.S., Mondol, M.M., Proctor, F.J. and L.N. Digal, **Policy and Institutional Mapping for Small-scale Producers' Participation in Dynamic Markets in Bangladesh**, 2007, Unnayan Onneshan, Bangladesh, with the Regoverning Markets Programme, Workshop Report, 26pp.

Indonesia
Natawidjaja, R.S., Sulistyowati, L., Deliana, Y., Perdana, T., Mukti, G.W., Proctor, F.J. and J. Woodhill, **Policy and Institutional Mapping for Small-scale Producers' Participation in Dynamic Markets in Indonesia**, 2006, CAPAS, Padjadjaran University, Indonesia, with the Regoverning Markets Programme, Workshop Report, 44pp.

Morocco
Sbai, A., Hamimaz, R., Chohin-Kuper A., Proctor F.J. and S. Vermeulen, **Policy and Institutional Mapping for Small-scale Producers' Participation in Dynamic Markets in Morocco**, 2007, Targa-Aide, Morocco, with the Regoverning Markets Programme, Workshop Report, 65pp.

Pakistan
Ramay, S.A., **Policy and Institutional Mapping for Small-scale Producers' Participation in Dynamic Markets in Pakistan**, 2007, Sustainable Development Policy Institute, Pakistan, with the Regoverning Markets Programme, Workshop Report, 24pp.

Philippines
Digal, L.N., Hualda, L.A.T., Balgos, C.Q., Locquiao, M. and C. Francisco, **Linking Small Producers to Modern Markets: Policy and Institutional Mapping Workshop**, 2007, University of the Philippines in Mindanao and Department of Agriculture, Philippines, with the Regoverning Markets Programme, Workshop Report, 65pp.

South Africa
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Turkey
Koç, A.A., Aksoy, S., Proctor F.J. and J. Woodhill, **Policy and Institutional Mapping for Small-scale Producers' Participation in Dynamic Markets in Turkey**, 2006, Akdeniz University, Turkey, with the Regoverning Markets Programme, Workshop Report, 22pp.

Appendix 2

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Eaton, D. and Meijerink, G., **Markets, Institutional Change and the New Agenda for Agriculture (Markets, Chains and Sustainable Development – Strategy & Policy Paper 6)**, Stichting DLO, Wageningen, 2007.

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Modern agrifood markets are dynamic. Rapid changes in how food is produced, processed, wholesaled and retailed affects the entire value chain – from producer to consumer. Particularly in countries with developing and emerging economies, the pace of change brings significant challenges for small-scale producers, policy makers and business.

This guide provides concepts and tools for working with actors along the entire value chain so that modern markets can be more inclusive of small-scale producers and entrepreneurs. It:

- Explains the drivers of change in modern agrifood markets
- Provides a framework for analysing how institutions and policies shape the risks and opportunities for small-scale producers and entrepreneurs
- Shows how to design multi-stakeholder processes that help actors from along the chain work together to realise common interests and secure domestic and regional markets inclusive of small-scale producers and entrepreneurs
- Offers practical ideas for facilitating workshops and policy dialogues

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