Integrating Very Poor Producers into Value Chains

Field Guide | Second Edition

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ACRONYM LIST

AusAID	Australian Agency for International Development
DFID	United Kingdom Department for International Development
FAO	Food and Agriculture Organisation
FHI 360	Family Health International 360
FIELD-Support	Financial Integration, Economic Leveraging, Broad-Based Dissemination and Support
GRAD	Graduation with Resilience to Achieve Sustainable Development project
GIZ	German Agency for International Development (Deutsche Gesellschaft für Internationale Zusammenarbeit)
Ksh	Kenya shillings
LWA	Leader With Associates cooperative agreement
MYAP	Multi-Year Assistance Programme
PAGE	Promoting Agriculture, Governance, and the Environment project
PSNP Plus	Productive Safety Net Programme Plus
USAID	United States Agency for International Development
VSLA	Village Savings & Loans Association

INTRODUCTION

The Integrating Very Poor Producers into Value Chains Field Guide (Field Guide) is intended to provide the field-level practitioner with tools and applications to impact very poor households. The intended outcome of the Field Guide is to increase market engagement for very poor households, especially women, through enterprise development activities.

The Field Guide focuses on allowing practitioners to more effectively reach the very poor, defined as those persons in the bottom half of the population below the nationally defined poverty line or those living on less than the purchasing power parity equivalent of $1 per day.[1]

Value chain development methodologies have been used widely in enterprise and market development. Donors such as USAID, the Bill & Melinda Gates Foundation, DFID, GIZ and AusAID have supported this work. For development organisations, value chain development tools have been helpful, but many of the tools have not been specifically designed to support or benefit very poor producers.

APPLICATION OF THE FIELD GUIDE

The tools and discussions in this Field Guide are applicable when:

- The most strategic sectors that practitioners will be working in have been selected.
- Appropriate value chain analysis has been completed.
- Producer-level constraints have been identified as being critical in terms of strengthening a value chain and/or targeting benefits to very poor households.

This Field Guide is NOT implying that working at producer level or producer group formation are the only solutions to overcoming constraints facing very poor producers' participation in markets. The Field Guide recognises that at times there will be greater impact on poverty reduction by intervening elsewhere in the market system. The Field Guide further acknowledges that even when intervening at the producer level, this may not always translate into forming producers into groups.

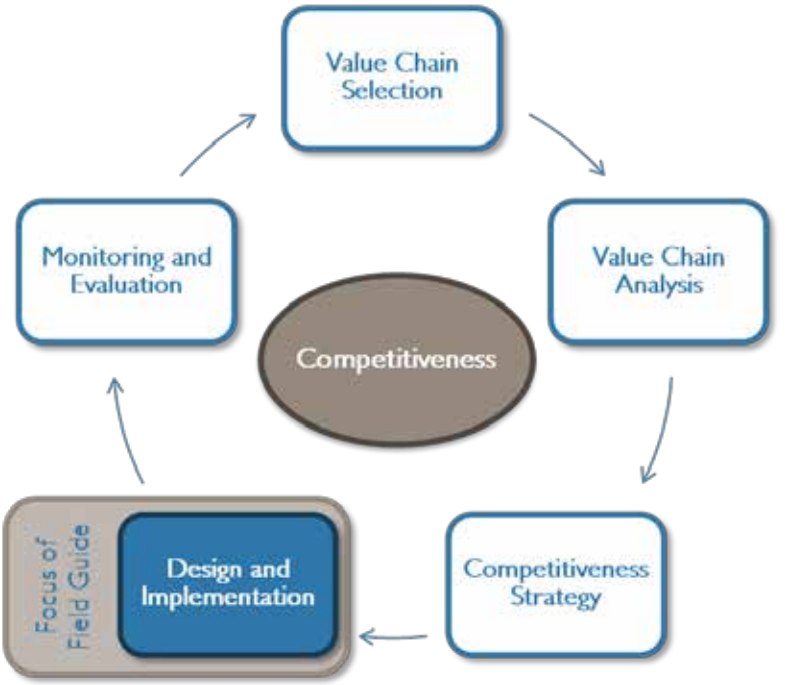
This Field Guide is applicable for use in the following contexts:

- Agricultural and non-agricultural contexts (although the focus is predominantly on agricultural production contexts)
- Development organisation project staff working with mainly rural producers

This Field Guide addresses the design and implementation phases of the value chain project cycle (as can be seen in the diagram that follows).

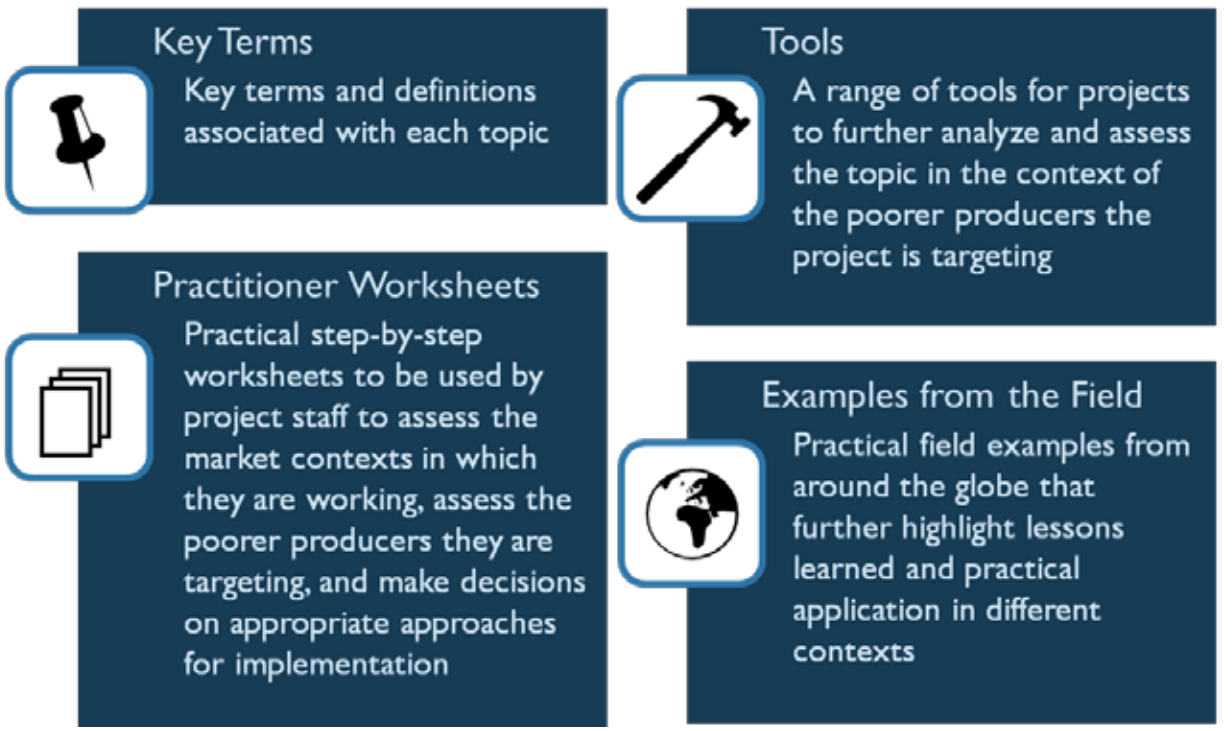
1 Microenterprise Results and Accountability Act of 2004. The International Poverty Line was redefined at $1.25 in 2008.

Figure: Value Chain Project Cycle



STRUCTURE OF THE FIELD GUIDE

Each section is organised in a similar way, generally containing the following types of information that are represented by icons to ease usability:



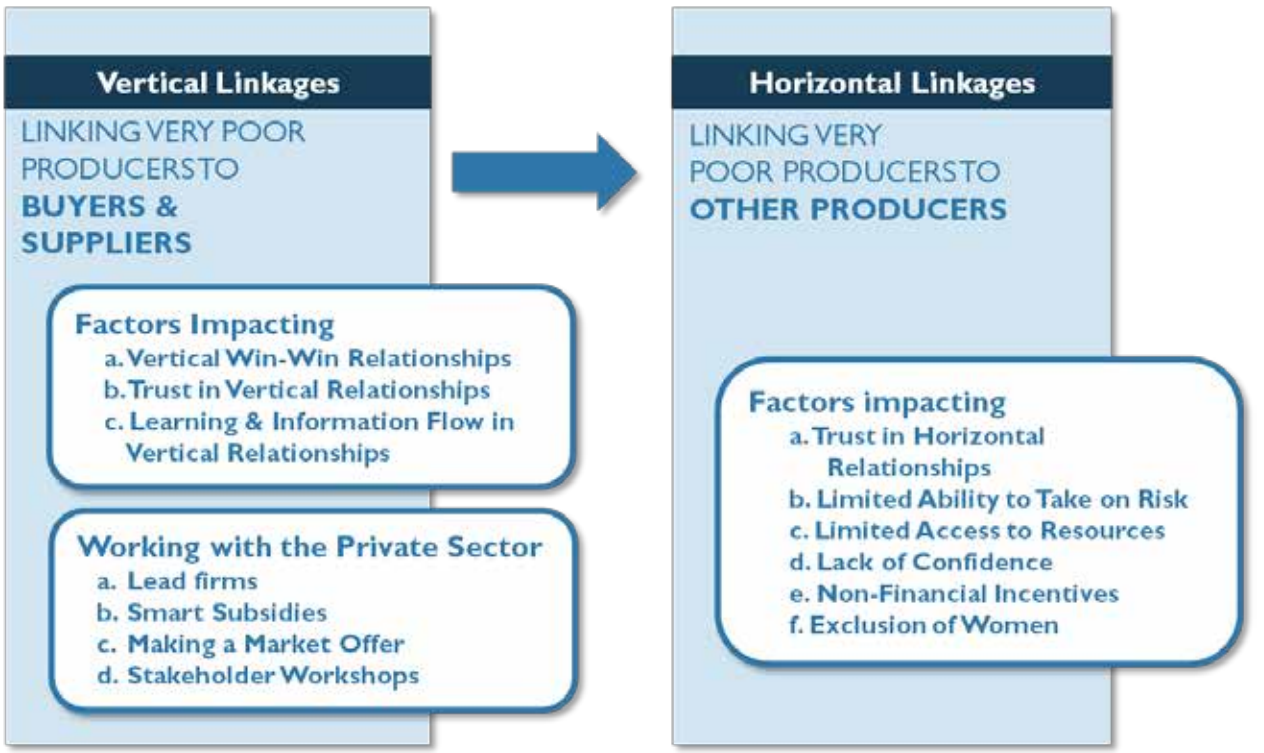
This Field Guide includes several case studies that illustrate the key messages from the toolkit. The case studies include the Kenya Value Girls Programme, the Promoting Agriculture, Governance and the Environment (PAGE) project in Sierra Leone, the Productive Safety Net Programme Plus (PSNP Plus) in Ethiopia, the ProRENDA project in Angola, a multi-year assistance programme (MYAP) in Haiti, and the Post Cylone Sidr Livelihoods Recovery programme in Bangladesh.

Practitioner Worksheets allow practitioners to apply the thinking discussed in this Field Guide to their own decision-making and contexts.

To complement this Field Guide, a Pocket Guide has been developed to provide field-level practitioners with a summary as a quick reference guide for programming ideas when working with very poor producers.

FIELD GUIDE AT A GLANCE

The following diagram summarises the key topics covered in this Field Guide. This can be used as a quick reference to the content and layout of the Field Guide. The Field Guide starts by focusing on the "harder," more tangible contractual arrangements with private sector actors, and moves to address the "softer," less tangible relationship and behaviour type issues that form the foundation for their success or failure.



I. UNDERSTANDING VERY POOR PRODUCERS

A. VERY POOR PRODUCER' VULNERABILITY AND RESILIENCY

To understand very poor producers, it is often helpful to start by trying to understand their households. Very poor producers' households are highly vulnerable to shocks; these could be in the form of environmental shocks such as droughts or floods, political shocks such as conflict or changes of policy, health shocks such as HIV and AIDS or other illness, or market shocks, such as loss of a job, currency devaluation, sudden decrease in selling price, or rising food prices. For the very poor, any sort of unfavourable circumstance could wipe out the few assets they have, and just meeting daily needs can be a struggle. They lack effective risk mitigation mechanisms, such as savings or insurance, to deal with unexpected shocks.

The objective for very poor households is to become more resilient to these shocks. This means if something goes wrong, they will have the ability to continue their lives without losing everything they have. This might mean they have enough savings so that they do not have to sell all their assets or be forced to leave everything and migrate to another area. Or it might mean they have basic health or crop insurance so they will not have to send some of their family members to work elsewhere, or lose everything they have built up, becoming entirely destitute. With very poor producers, it becomes very important for any type of analysis to take place at household and intra-household levels, rather than simply at enterprise or income-earning levels.

For this reason, very poor producers often behave in ways that might not be expected. Because the very poor are already vulnerable to shocks, they are not in a position to easily take on added risks, however small, that could threaten their basic survival. Rather than putting a priority on increasing their incomes, they may put a priority on decreasing vulnerability. This can mean decreasing the amount of economic risk that they want to take on. They might increase their savings rather than their spending, and therefore invest less in their farm or other livelihood activities. What may seem like an opportunity to a higher income producer (investing in a capital asset or technology to increase production) may seem like a large risk to a very poor producer (i.e., they could lose all of their investment and be left with nothing). The very poor producer may feel he/she cannot afford to invest time and resources in a crop that might fail or a product that could face drastically falling prices.

B. MARKET REALITIES FACING VERY POOR PRODUCERS

Very poor producers face many constraints in being able to participate in markets. These include:

- Limited capacity and resources
- Vulnerability and over-indebtedness
- Strong risk aversion
- Inadequate access to products and services
- Limited mobility and freedom
- Unequal distribution of entitlements
- Time poverty

KEY TERM

Very poor: persons in the bottom half below the national poverty line or who earn less than $1.25 per day, as measured by purchasing power parity market exchange rates

- Inexperience and shallow networks
- High transaction costs
- Limited knowledge of market
- Social exclusion/lack of empowerment

C. VERY POOR PRODUCERS' CONSTRAINTS LINKING TO BUYERS & SELLERS

Very poor producers often buy inputs in such small quantities and so infrequently that it is not profitable enough for input supply firms to make an effort to sell to them. They often produce in such small quantities that it is also not profitable enough for buyers to make an effort to buy from them. Very poor producers do not generally feel comfortable interacting with other more formal or larger businesses as they do not understand the language of business, and do not feel comfortable negotiating business contracts, or even negotiating basic pricing and ordering.

D. VERY POOR WOMEN'S CONSTRAINTS IN PARTICIPATING IN MARKETS

Very poor women face their own additional set of constraints in interacting in markets. Women are often limited from actively participating in markets and business activities owing to: risk of physical, sexual, and other gender-based violence; limited social standing or social capital in the community with limited access to certain market opportunities or group structures; social or cultural confinement and immobility; inadequate legal protection or enforcement of existing laws; traditional gender roles and expectations; and lack of control over resources (in particular, property). These and other constraints are discussed in further detail in other sections of this Field Guide.

II. THE MARKET SYSTEMS (VALUE CHAIN) APPROACH

A. MARKET SYSTEMS (VALUE CHAINS)

Market system (value chain) development involves strengthening the product-to-market systems. The objective is to increase incentives for the system to improve performance, productivity, and trade, and, ultimately, economic returns for poor producers. Many of the strategies discussed in this Field Guide are guided by principles for effective value chain development.

B. NUTRITIONALLY SENSITIVE VALUE CHAINS

Nutrition-sensitive value chain programming refers to initiatives that intentionally improve the food and nutritional security of the very poor. This could include specific consideration for the very poor in terms of the selection of crops, post harvesting processes, and processing. It is important for development practitioners to always consider food and nutritional security.

KEY TERMS

Market system (value chain): all the actors (including producers, processors, distributors, and retailers) that directly or indirectly participate in bringing a product or service from its conception to its end use in the market, as well as the extent and type of relationships between these actors

Market system (value chain) development: strengthening product-to-market systems to increase incentives for the system to improve performance, productivity, and trade, and, ultimately, economic returns for poor producers

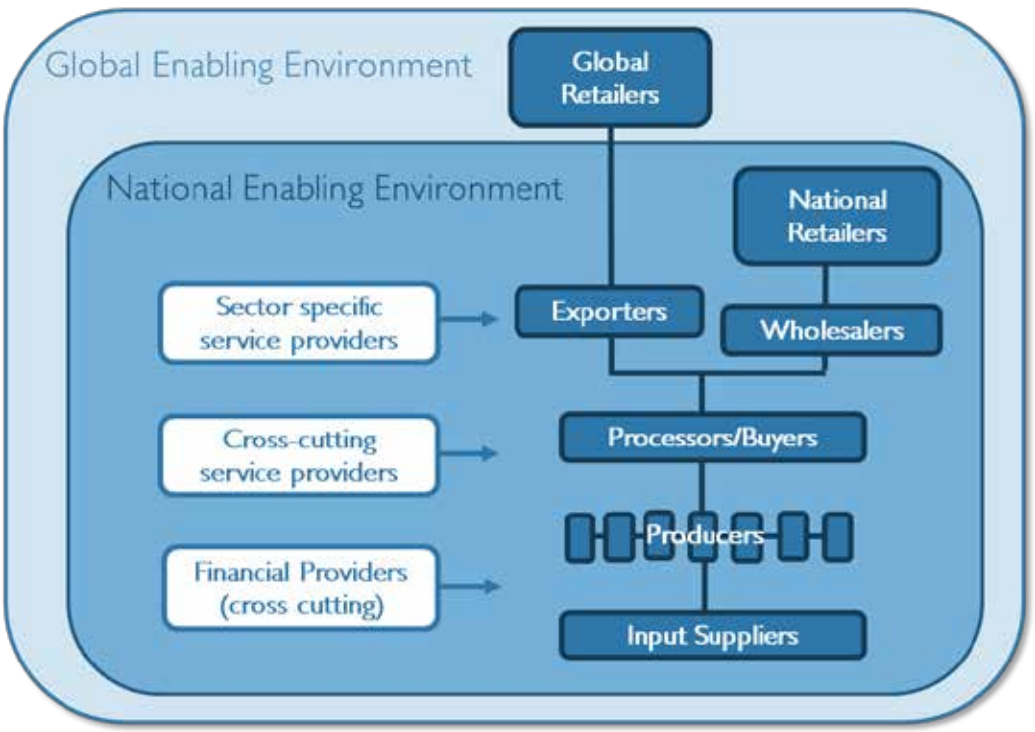
A nutritionally-sensitive value chain approach includes:

- Integrating nutritional considerations into value chain selection criteria
- Analysing dietary habits and dietary needs for local and national consumers to identify relevant nutritional gaps, and developing intervention strategies built on these assessments[2]
- Facilitating transport, packaging, and storage options that preserve and maximize nutritional value
- Supporting the processing of food crops to increase nutritional value. This could include introducing and building demand for high quality fortified food products (through product development, market research, supplementary food formulation and testing, behaviour change campaigns, technology transfer, and efforts to build regulatory reforms). In addition, it could include upgrading food crop processing through strategies for fortifying foods to enhance nutritional value of foods, working with the private sector to build sustainable markets and delivery systems for fortified foods, or improving input supplies that have higher nutritional value (such as promoting bio-fortified seeds and roots that have added nutritional value).
- Extending availability of diversified varieties and extending growing seasons (such as through the use of tunnels) to overcome the nutritional challenge of the poor only having

[2] Tools to support this include diet analysis tools, such as Optifood Tool, being developed by WHO, the London School of Hygiene and Tropical Medicine, and the USAID-funded Food and Nutrition Technical Assistance II (FANTA-2).

access to undiversified diets for the majority of the year. Practitioners can use seasonality calendars to determine what is available at different times of the year in various climates.

- Supporting the implementation of nutritional specifications and certifications,[3] or country-specific food products' nutritional requirements
- Advocating for nutritional analysis and labelling of foods where appropriate
- Applying regulations, standards, and capacity building on food quality, food regulations, food safety, and food controls
- Examining new or existing market channels to channel food crops (including fortified food products) to local and national nutritionally-vulnerable groups
- Enhancing food usage in local markets through strategies to reach infants 6-12 months old
- Facilitate community-level behaviour change as needed to improve nutritional outcomes
- Use tools to monitor and evaluate for nutritional outcomes in economic and agricultural development projects



[3] Nutritional specifications and certification examples include CODEX international standards on food safety and nutrition.

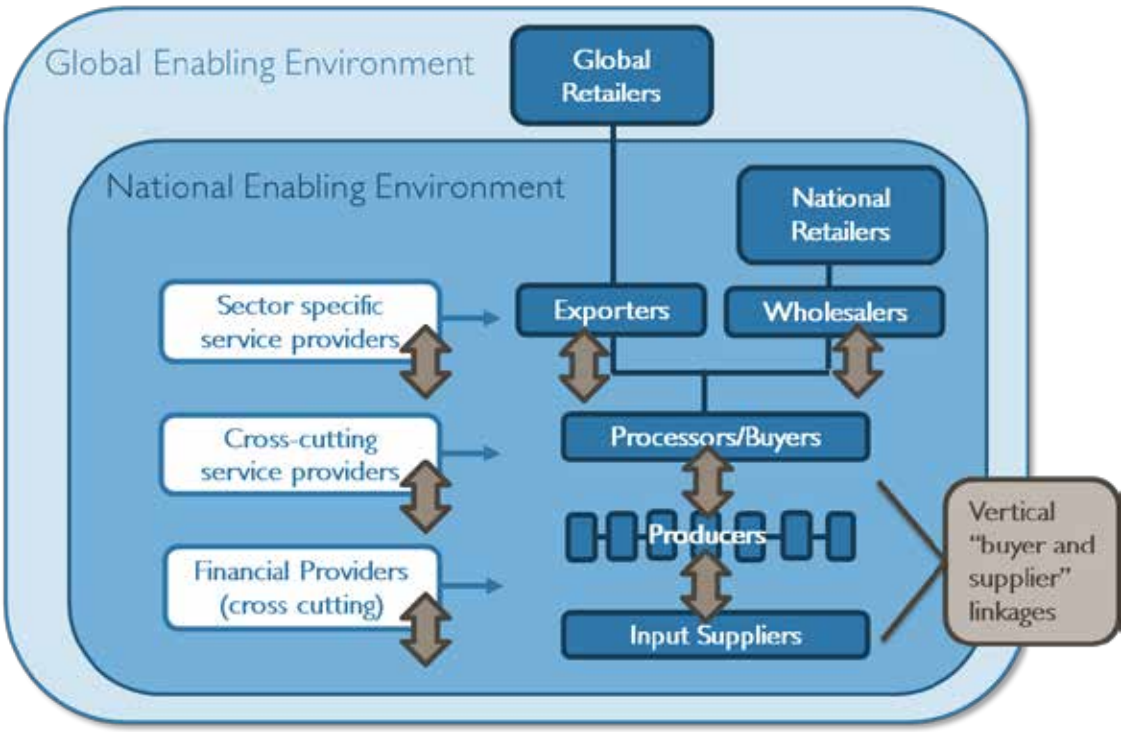
III. LINKING VERY POOR PRODUCERS TO BUYERS & SUPPLIERS

A. BUYER & SUPPLIER LINKAGES FOR THE VERY POOR

Very poor producers are linked to a range of micro, small, and medium enterprises that buy from and sell to each other, including wholesalers, retailers, exporters, traders, middlemen, input dealers, suppliers, and service providers.

KEY TERM

Buyer-supplier linkages: business relationships between firms at different levels in a value chain that buy from and sell to each other



1. WHY ARE LINKAGES WITH BUYERS AND SUPPLIERS CHALLENGING FOR VERY POOR PRODUCERS?

Challenges exist, as very poor producers:

- buy inputs in such small quantities and so infrequently that it is not worthwhile for input supply firms to make an effort to sell to them
- produce in such small quantities that it is not worthwhile for buyers to make an effort to buy from them

- do not feel comfortable interacting with larger or more formal businesses as they do not understand their business culture and norms
- do not feel comfortable negotiating business contracts, or even basic pricing and ordering
- are influenced by informal rules and norms that limit their ability to interact with other businesses or their ability to benefit from commercial transactions in any significant way

2. How Can Buyer & Supplier Linkages be Used to Benefit Very Poor Producers?

Change within market systems, such as agricultural value chains, involves shifting production systems from drawing on indigenous or local knowledge to ones that depend on technical knowledge from input suppliers or buyers and meet consumer preferences.

Besides financial benefits, mutually beneficial linkages between very poor producers and their buyers or suppliers can transfer knowledge, information, and technical, financial, and business services from one business to another. These non-financial transactions are important parts of buyer-seller relationships and are vital for practitioners to understand. The levels of trust and the volume and quality of information and services disseminated often determine the distribution of benefits between businesses and producers. Understanding the informal rules and norms that govern behaviour and transactions (including gender issues), particularly in the informal sector, becomes especially important in the context of very poor producers, as do the gender issues to be considered (discussed in more detail later in this guide).

Benefits of mutually beneficial linkages with buyers and suppliers include:

- Developing mutually beneficial business relationships
- Effective knowledge and information transfer
- Meeting appropriate quality standards
- Beneficial embedded services
- More equitable financial flows

The following table addresses strategies to facilitate mutually beneficial relationships for very poor producers with their buyers and suppliers. The table lists the outcomes of beneficial buyer and supplier linkages and the associated role of the practitioner organisation in facilitating each of these. Practical examples are given to assist understanding and applicability to practitioners' field-based contexts. Use this to identify the role that development projects can play in facilitating beneficial linkages between very poor producers and their buyers and suppliers.

Effective Vertical Relationship Facilitation Strategies

This table identifies effective facilitation strategies for mutually beneficial buyer and supplier relationships with very poor producers.

Practitioner role in facilitating beneficial buyer & supplier linkages	Practical examples
· Facilitate the development of strong, long-term, mutually beneficial business relationships that recognise and function alongside informal rules and norms that impact very poor producers	· Rather than focusing on increasing one-off sales, facilitate the development of long-term, win-win business relationships
· Facilitate the effective and smooth transmission of information and knowledge from buyers or input suppliers to very poor producers ·	· Information on quality standards and specifications, such as food regulations, food safety, food controls, or nutritional certifications · Knowledge on how to use inputs most effectively or how to use specific equipment to improve a product in a way that the final consumer would most value
· Facilitate beneficial embedded service arrangements	· Such as linkages to businesses that pay for crops before they are harvested to reduce initial cash needed by very poor producers · Such as how to comply to food safety standards or other certifications needed in order to be able to participate in the market, or how to accurately label food as required by the market
· More equitable financial flows · Facilitate more win-win financial flows in which both sides are receiving higher profits or more stable income flows	· Such as ensuring that producers can earn a living from what they get paid while buyers are still able to make adequate profits to stay in business · Such as using the receipt from a warehouse to show how much produce they have stored there (awaiting a better market price) as collateral for credit from a bank. This is referred to as the warehouse receipts model.
· Increased trust levels · Facilitate processes that increase trust	· Take small steps to slowly demonstrate trustworthiness from both sides

3. WHAT TYPES OF BUYER & SUPPLIER LINKAGES ARE MOST SUITABLE FOR VERY POOR PRODUCERS?

The most common types of vertical linkages that very poor producers might have are:

- Linkages between producers and input suppliers
- Linkages between producers and their buyers

Market linkages can range from informal agreements with local traders to formal contracts with exporters. It is important to understand the types of linkages that could exist and to determine what type of linkage would be most appropriate for a particular producer or group of producers at a particular time.

Reality check on challenges: Think about the case of a contract with an urban supermarket 50 km away to supply a certain quantity of produce at an agreed upon price. The advantages of this are that producers are guaranteed a market and a price. However, can the producers maintain a consistent supply that meets the quality standards?

Keep in mind that developing business relationships is an iterative process in which learning and reflection lead to action, which leads to more learning and reflection and potentially a different action (or type of linkage). Very poor producers will typically need to begin working quite informally with local traders to build trust and confidence. Then, as they become more confident in their own production systems over time, producers may decide to work with a higher level of buyer or search for a contract with a small supermarket. As they begin to become more capable, they may start to think about how they can sell their produce to exporters or larger, global buyers.

The field example "Taking Gradual Steps" demonstrates how important it is to take small steps in supporting very poor producers to build business relationships with others in the marketplace rather than expecting them to move too quickly in being able to take on new business relationships successfully.

Field Example: Taking Gradual Steps

In Indonesia, World Vision is working with very poor cocoa producers who are now developing relationships with Cargill and Mars. It has, however, taken some time for them to be confident in dealing with this level of buyer. The cocoa farmers started by dealing with the local collector, and then after some time, they began dealing with the wholesaler at the port, and now they are beginning to talk to the large exporters. To try to work with Cargill and Mars from the start would have been a number of steps too far ahead of the very poor producers' capabilities.

The following is a matrix of several common forms of market linkages and their advantages and disadvantages for producers. Use the matrix to help determine which form would be most appropriate for the producers with whom you are working.

Benefits of Different types of Vertical Linkages

This matrix analyses different types of linkages between poor producers and their buyers and suppliers.[4]

Type of Linkage	Collective Activity	P ADVANTAGES *for very poor producers*	O DISADVANTAGES *for very poor producers*
Producers to traders	· Producers usually act on a one-to-one basis with traders · May work together informally to bulk-up produce to reduce costs and attract larger traders	· Requires high level of trust. Such trust is likely to ensure long-term sustainability · Formal farmer organisations not usually needed · Traders may provide training in production and handling	· May need to accept short-term deferred payment · Limited access to high-value markets
Producers to retailers or their wholesalers *(including restaurant chains and supermarkets)*	· May require formal group structure, particularly when buyer does not want to deal with producers individually	· Reliable market at agreed upon price	· Must meet variety, quality, and safety specifications · Must be able to supply agreed quantities at all times (this may place producers in conflict with social obligations) · May have to accept deferred payment of up to 90 days
Producers to retailers' village agents	· A local person who is part of the community, often a successful local farmer, acts as a sales agent to a local agrodealer, and serves a large group of farmers	· Poor producers trust the local agents · Agents are able to bulk sales orders for greater efficiency for the retailer · Decreased transport costs as retailers make bulk deliveries to the agent who disseminates	· Only works in areas where retailers have established a village agent model (although project could initiate this)

4 Adapted from Shepherd, Andrew W. 2007. Approaches to Linking Producers to Markets. Agricultural Management, Marketing and Finance Occasional Paper 13. p. 8-9

Type of Linkage	Collective Activity	P ADVANTAGES *for very poor producers*	O DISADVANTAGES *for very poor producers*
		locally to farmers	
Producers to agro-processors	· Farmer groups can bulk-up produce for collection by processor · Groups can facilitate supply of inputs and provision of technical assistance	· May provide secure market at agreed price · Offers additional access to local market · Inputs may be supplied on credit · Technical assistance may be provided · Processor often provides transport · Potential for producers to sell larger volumes	· Lack of market for the processed products, thus jeopardising sustainability · Must meet variety, quality and safety specifications · Open market price may be higher than that agreed with processor · Risk of delayed payments
Producers to exporter	· Often involves grouping of producers · External assistance may be required	· Potential high returns if quality can be achieved · Inputs and technical assistance may be supplied on credit · Exporter often provides transport and packaging	· Export markets are inherently risky · Compliance with standards (e.g., organic, quality and traceability, fair trade) can be problematic, even with technical assistance
Producers to larger scale farms *(through formal contract farming arrangements)*	· Company may prefer to group producers, formally or informally, for input and output marketing and extension · External assistance may be needed to support producer groups	· Inputs may be supplied on credit. In the case of crops that take a long time to produce, such as palm oil, tree crops, or sugar, credit is essential and may be provided for subsistence expenses · Technical assistance may be provided · Crop marketing organised by company	· Companies often require external agency (bank) to finance credit provision · Frequent mistrust between producers and companies · Contracted price lower than market price may lead to side-selling · Difficulties may be experienced if development organisation withdraws

Field Example: Agrodealers use Village Agents to Serve Very Poor Producers in Kenya

In Kenya, access to inputs is a major constraint to improving farmers' yields and quality. The Kenya Markets Trust supports agrodealers in setting up village agents to serve rural farmers. The project supports agrodealers on how to select and manage local agents, who are often successful farmers themselves, to work on a commission basis to distribute inputs to local farmers. The farmers trust the agents as they are from their local community, and they learn about what inputs are available and how to apply them. The agents bulk the farmers' orders and places one large order with the agrodealer, which makes it more cost effective for agrodealers to work with poor farmers as this decreases the cost per transaction. Through village agents, agrodealers are able to provide inputs to farmers in very rural areas, and farmers are able to access inputs at a reasonable price without high transport and intermediary costs.

The worksheet that follows allows practitioners to apply their understanding of commercial linkages to their own decision-making and contexts in order to feed into their strategies on how to most effectively facilitate market development for the benefit of very poor producers.

Vertical Linkages Analysis Worksheet

Use this worksheet to analyse different types of linkages between poor producers and their buyers and suppliers.

Select type of linkage that project may consider facilitating	List advantages to very poor producers and decide if benefits outweigh risks	List disadvantages to very poor producers and decide if benefits outweigh risks
Type of Linkage	P ADVANTAGES *for very poor producers*	O DISADVANTAGES *for very poor producers*
☐Producers to traders		
☐Producers to retailers or their wholesalers		
☐Producers to retailers' village agents		
☐Producers to agro-processors		
☐Producers to exporter		
☐Producers to larger scale farms (through formal contract farming arrangements)		

Vertical Linkages Facilitation Worksheet

Use this worksheet to identify the types of linkages that the project can facilitate for benefit of the very poor producers that the project is targeting.

1. What types of linkages do very poor producers currently have with buyers or suppliers?

_____

_____

_____

2. What type of linkages with buyers or suppliers would be beneficial for very poor producers?

   _____
   _____
   _____

3. What type of linkages with buyers or suppliers would be feasible for very poor producers?

   _____
   _____
   _____

4. What limitations do very poor producers face in forming relationships with buyers or suppliers?

   _____
   _____
   _____

5. What are the risks that very poor producers will face and are they willing to face them?

   _____
   _____
   _____

6. What quality standards are necessary, and can very poor producers meet them?

   _____
   _____
   _____

7. What embedded services might be available from buyers or suppliers that will help very poor producers upgrade?

   _____
   _____
   _____

8. What informal rules or norms exist that could impact the ability of very poor producers to link to the businesses or benefit from the transactions?

   _____
   _____
   _____

9. What are other local contextual factors to consider?

   _____
   _____
   _____

4. WHAT TYPES OF CONTRACTING ARRANGEMENTS ARE MOST SUITABLE FOR VERY POOR PRODUCERS?

Different types of contractual relationships require different abilities and commitments from very poor producers. Practitioners often support very poor producers in being able to enter a particular type of agreement, which may at first seem particularly attractive and successful, but may ultimately not be matched to the capacities of the very poor producers, resulting in failure.

The goal for practitioners is to move market systems from spot interactions to more dependent and predictable market relationships governed by contractual arrangements. These shifts can provide very poor producers with important advantages through increased incomes. Such shifts can also affect gender roles and relations (as discussed in more detail in the section on gender later in this Field Guide).

Vertical Contractual Arrangements

Below are descriptions of forms of contractual arrangements that are or could become relevant to very poor producers.[5]

Name of Contract	Contract Description
Spot market *(immediate sale)*	Product is bought for cash and delivered immediately. Transactions are completely market-based. Contracts are verbal and often anonymous.
Forward contracting	A transaction where a commercial buyer and seller agree upon delivery of a specified quality and quantity of goods at a specified future date before the goods are produced. The price is agreed upon in advance.
Regular sub-contracting of suppliers	Buyer has a list of preferred suppliers (producers / farmers) with whom forward contracts are made regularly. This provides security and reduces search costs on both sides.
Outgrower schemes	A larger farm contracts with neighbouring producers to complement its own production volume. Outgrowers receive technological services but may sell to other buyers as well.
Contract production/ Contract farming	The producer / farmer works for one buyer exclusively for a particular crop/product. Product and technology are clearly specified. The producers / farmers receive the necessary inputs.

The chart that follows shows examples of typical contracting types relevant to very poor producers, some more so than others. Moving down the chart, several factors intensify or increase:

- Intensity of relationship (trust, collaboration)
- Form of communication (frequency and type of interaction)
- Level of ability (complexity of arrangement)
- Level of commitment

5 Adapted from GTZ. 2007. Value Links Manual: The Methodology of Value Chain Promotion. http://www.value-links.org/manual/pdf/valuelinks_complete.pdf p. 124

For example, contract farming requires more trust, collaboration, communication, and frequent interactions than do one-time sales.

Characteristics of Vertical Contractual Relationships

This matrix analyses different contractual arrangements relevant to very poor producers.[6]

Select type of contract project is considering facilitating	Consider characteristics and decide if contract type is appropriate for producers that the project is targeting			
Contract Type	**Intensity of Relationship** *(Trust, Collaboration)*	**Communication** *(Frequency, Type)*	**Level of Complexity** *(Ability Level Required)*	**Level of Commitment**
One time sales/spot market	*Lowest*	*Lowest*	*Lowest*	*Lowest*
Forward contracting	*Low*	*Low*	*Low*	*Low*
Regular sub-contracting of suppliers	*Medium*	*Medium*	*Medium*	*Medium*
Outgrower schemes	*High*	*High*	*High*	*High*
Contract production/ Contract farming	*Highest*	*Highest*	*Highest*	*Highest*

The worksheet that follows allows practitioners to apply their understanding of contractual relationships to their own decision-making and contexts in order to feed into their strategies on how to most effectively facilitate market development for the benefit of very poor producers.

Contract Applicability Assessment Tool

Keep in mind the characteristics of the very poor producers that the project is targeting and the characteristics of appropriate types of contracts and consider the following:

1. Which type of contract seems most appropriate for very poor producers?

   _____
   _____
   _____

6 Adapted from GTZ. 2007. Value Links Manual: The Methodology of Value Chain Promotion. http://www.value-links.org/manual/pdf/valuelinks_complete.pdf p. 124

2. What ability would very poor producers need to enter the particular type of contract?

3. What type of commitment would very poor producers need to make?

4. What would very poor producers need to put in place to fulfil the commitment?

5. What challenges might very poor producers have in fulfilling the commitment?

6. What level of trust needs to exist between very poor producers and those they are contracting with? Does this exist? If not, how can it be slowly and intentionally built?

7. What level of collaboration needs to exist between very poor producers and those they are contracting with? Does this exist? If not, how can it be slowly developed?

8. What type and frequency of communication needs to exist between very poor producers and those they are contracting with?

9. Do very poor producers have the ability or equipment to be able to communicate in the method required? If not, what support or capacity building do they need?

B. FACTORS IMPACTING BUYER & SUPPLIER LINKAGES

To build long-term, win-win market linkages between very poor producers and their buyers or suppliers, it is important to consider several factors in addition to who the very poor producers link with or the type of contracting arrangement they enter into. Critical factors to establishing successful, long-term linkages are:

- Relationships: commercial relationships should be beneficial to both sides and built on trust while recognising the informal rules and norms that impact these.
- Trust: trust is critical for commercial relationships to succeed.
- Information: when information flows freely through the linkages, both sides are better informed and able to make improvements that cater more to each other's needs.

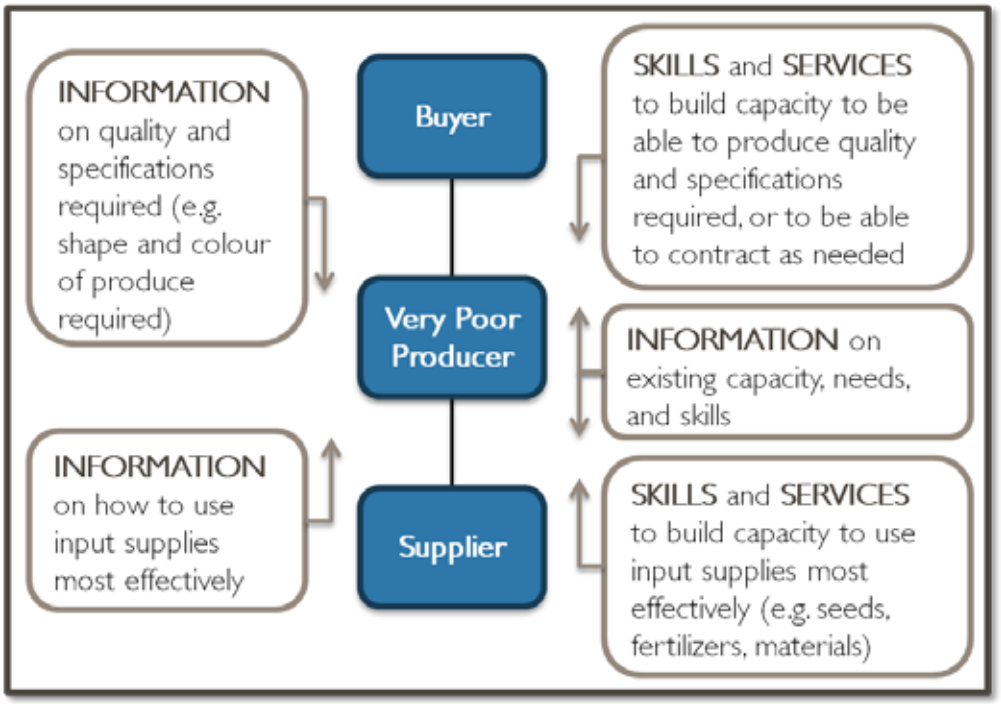
KEY TERM

Win-win relationship: each side invests something in the commercial relationship but also gains something from that investment.

1. VERTICAL WIN-WIN RELATIONSHIPS

Vertical commercial relationships are key factors affecting the way that value chains function. Strong, mutually beneficial vertical relationships allow information, skills, and services to flow along the value chain. This transfer is essential for improvements in the value chain, and particularly if very poor producers are operating or have the potential to operate in the value chain.

Figure: Transfer of Information, Skills, and Services in Beneficial Commercial Relationships



Regardless of type (contract, out-grower schemes, etc.), commercial relationships work best when they are win-win relationships. That is, each side invests something in the commercial relationship but also gains something from that investment.

Informal Rules and Norms - reality check on win-win relationships: Very poor producers may not behave as initially expected, even when what seems like a clear win-win commercial situation exists. There are often informal rules and norms within their contexts that guide the behaviour of very poor producers, even more so than the rational commercial benefit. These rules and norms may include social obligations to families and neighbours such as not excelling in business above others.

A. HOW CAN WE RECOGNISE EFFECTIVE (WIN-WIN) RELATIONSHIPS?

KEY TERM

Upgrading: the market actor invests time, money or other resources into improving their enterprise or activity

Effective commercial relationships stimulate very poor producers to invest their time, money or other resources in improving their activities. This is referred to as "upgrading." Effective relationships serve to ultimately reduce costs or increase returns. They also support the ability of producers and other businesses to be more responsive to the realities of constantly changing market conditions.

Effective and weak commercial relationships

This table compares characteristics of effective and weak relationships.

P EFFECTIVE RELATIONSHIPS *Effective, win-win commercial relationships between very poor producers and their buyers/suppliers*	O WEAK RELATIONSHIPS *Weak, less effective commercial relationships between very poor producers and their buyers/suppliers*
· Promote upgrading (investments in improvements of products or processing)	· Limit investments and improvements in commercial activities
· Reduce costs	· Increase cost inefficiencies
· Increase the breadth and depth of commercial relationships	· Limit the breadth and depth of their commercial relationships
· Support greater responsiveness to changing markets	· Limit ability to be able to respond to changes in the market
· Operate effectively within the context of informal rules and norms that govern the behaviour of very poor producers	· Continually derailed by informal rules and norms that override commercial rationale and incentives

Effective and Weak Vertical Relationship Assessment Tool

P Consider existing relationship between producer and market actor to see if it is effective. Consider which components could be further improved.	O Consider existing relationship between producer and market actor to see if it is ineffective. Consider which components could be worked on for improvement.
EFFECTIVE RELATIONSHIPS *Effective, win-win commercial relationships between very poor producers and their buyers/suppliers*	WEAK RELATIONSHIPS *Weak, less effective commercial relationships between very poor producers and their buyers/suppliers*

The worksheet that follows allows practitioners to apply their understanding of effective commercial relationships to their own decision-making and contexts in order to feed into their strategies on how to most effectively facilitate market development for the benefit of very poor producers.

Vertical Relationship Strengthening Facilitation Tool

Use this worksheet to identify key characteristics and components of different forms of contracts most applicable to the very poor producers that the project is targeting. Keep in mind the characteristics of effective and weak commercial relationships and the characteristics of the very poor producers, and consider the following:

1. Which of the very poor producers' commercial relationships are particularly effective (win-win)?

   _____
   _____
   _____

2. Which of the very poor producers' commercial relationships are particularly weak or less effective?

   _____
   _____
   _____

3. What could be done to capitalise on and expand or scale up the effective relationships?

   _____
   _____
   _____

4. What could be done to facilitate the strengthening or improvement of the less effective and weak relationships?

   _____
   _____
   _____

5. What are informal rules and norms that need to be recognised and accounted for in order to establish effective relationships?

   _____
   _____
   _____

The field example on the next page describes a scenario from Indonesia in which very poor producers formed groups in order to access markets, resulting in buyers colluding to bring prices down. Ultimately, effective commercial relationships were established after both producers and buyers realised how they could benefit each other.

Field Example: Lose-Lose to Win-Win Relationships in Indonesia

On the island of Flores in Indonesia, the relationships between a group of cash crop producers and their traditional commodity buyers became particularly ineffective (lose-lose). Traditionally, producers operated individually with very little bargaining power, sold to buyers for very low prices, and had a strong distrust of the buyers, who they felt were exploiting their cash poor situation. World Vision assisted producers to organise into groups in order to collectively market their produce. In a short amount of time (eight months), more than 40 producers were consistently selling their produce. Producer groups attracted more buyers due to the amount of produce being sold, and buyers bid against each other on price.

But buyers were concerned that the prices would continue to increase and eventually put some of them out of business. After four months, buyers colluded to drive down prices. Buyers agreed to pay a particular price, but would not arrive to collect the produce. Producers would call another buyer to pick up the produce, who would play the same game, until producers had exhausted their options of local buyers and were left with perishable produce that they needed to sell.

As a group, producers decided to hire a truck and transport the produce to the major port (four hours away) to sell directly to a wholesaler in order to cut out these buyers. Traditional buyers were shocked as to what the producers could achieve on their own. Buyers realised that their business was very dependent on the producers and that they needed to build trust with the producers. At the same time, producers learnt what it takes to trade with larger scale buyers in bigger and new markets. While they were able to secure even higher margins, it meant a whole new level of coordination, organisation, and risk that they were not accustomed to. It also became difficult during the low season to meet the quantity requirements of the larger buyers. At this time, the traditional buyers began to seek business from the producers again. World Vision facilitated discussions with the producers on the importance of working harmoniously with buyers and the need for better business relationships. The producers and buyers began to trade with each other again, although now with a fundamental shift in respect from the buyers toward the producers.

B. WHAT TYPES OF WIN-WIN ARRANGEMENTS CAN BE FACILITATED WHEN WORKING WITH VERY POOR PRODUCERS?

Support provided by buyers and suppliers to very poor producers in return for their business can form the basis of win-win business relationships. There are many different types of support or services, referred to as “embedded services,” that can be provided by buyers and suppliers. If this type of support is not already taking place, it is important to consider why and what incentive could be used to encourage these embedded services through the commercial relationships.

Embedded services represent an investment and incentive for both sides of the relationship. The buyer (or supplier) provides a much needed service to the producer, with the expectation that the

KEY TERM

Embedded services: services that are integrated into what has been set up or paid for as part of the commercial transaction between a buyer and seller (e.g., input suppliers provide training to producers on how to use fertiliser as part of price of fertiliser)

producers will sell them their higher quality products (or buy their inputs). The producers adopt the new technology or practice, or make the new investment, feeling secure that they will have a market in which to sell their improved goods at a fair price. These services are not entirely without cost: the buyers and suppliers will cover their costs by paying a slightly lower price for the products (although ultimately they would pay a higher price for higher quality products) or charging a slightly higher price for the inputs.

Types of Benefits of Embedded Services

This table shows benefits from various types of embedded services that form the basis of establishing win-win relationships.

	SUPPLIERS	BUYERS
	Benefits that it would be beneficial for very poor producers to receive from their suppliers	*Benefits that it would be beneficial for very poor producers to receive from their buyers*
Financial	· Provide supplies on credit: Suppliers allow producers to pay for the inputs at a later stage Example: Suppliers offer credit by allowing producers to pay for the inputs, such as seeds, after the harvest	· Pre-finance production: Buyers pay producers earlier than usual to support cash flow Example: Pay producers when the order is placed (rather than when the products are delivered), before the products are produced or made, allowing producers to have more money to buy better quality supplies
Training and Skills-Building Technical Assistance	· Improve use of inputs through skills-building Example: How to grow seeds so that they maximise success of germination, how to apply fertilisers in most effective way · Improve production processes through training on new production technologies · Improve use of equipment through training on new or existing equipment · Identify labour-saving technologies to reduce women's time on	· Improve knowledge and use of new equipment that adds value as required by the marketplace Example: Buyers can provide skills-building on how to use appropriate equipment that enables producers to take on new post-production activities Example: Producers receive training from buyers on farming techniques that increase quality of produce · Training on new production or processing technologies Example: Buyers train producers on farming techniques that increase quality

	SUPPLIERS	BUYERS
	household responsibilities Example: local water points, access to draft animals to pull equipment	of produce, such as training on packaging and storage options that preserve and maximize nutritional value of food crops · Training on packaging requirements Example: Training in nutritional analysis and labelling as required for participation in the marketplace
Certification/ Compliance Technical Assistance	· Support compliance and certification by providing producers with assistance in applying for certifications or complying with certain requirements by improving or changing processes Example: Support in qualifying for fair trade certification or complying to food safety regulations · Train in quality management and control	
Research and Testing	· Analysis of factors of production Example: Access to soil testing facilities that allow poor producers to determine the types of inputs, such as fertilizers, most suited to their soil	· Access to quality assessments Example: Access to quality assessments to determine quality of produce in order to grade and sell for different prices
Market Access	· Support easier access to inputs with input suppliers delivering or making seeds available closer to where the producers are · Support access to transport as lack of access to transport due to limited money, information, ready cash, ownership of a transport asset, or an established commercial relationship with a transporter creates risks on the producer side.	· Support easier access to markets with buyers picking up goods closer to where the producers are or assisting with transport for delivery of goods Example: If payment comes from traders after the sale, the cost of the transport service could be a significant challenge to the producer. · Provide advertising support · Support access to market information Example: Share market information using communication channels used by poor producers, especially women who are often the key producers in many contexts
Assured Supply / Demand	· Assure consistent supply of high quality inputs at the quantity needed	· Assure market through pre-orders Example: if a certain number of goods are produced at the quality and other

	SUPPLIERS	BUYERS
		specifications required, the buyer will definitely buy them)
Equipment Access and Maintenance	· Provide access to equipment, training, and maintenance support, to improve production processes or be able to take on new post-production activities, through direct provision, access to, or loans of equipment Example: Buyers share the costs of processing equipment that will upgrade the product to achieve higher prices.	

The timeline for realising the "wins" will vary across different win-win arrangements. Short-term investments such as the provision of quality inputs for production (e.g., fertiliser on credit) can be recovered in a single product cycle. Longer-term investments, such as assistance with fair trade certification or credit for capital equipment, take more time to realise the gains, and needs to be based on some degree of trust that the commercial relationship will continue into the future.

Embedded Services Facilitation Tool

Use the worksheet to identify strategic embedded services and strategies for facilitating these with buyers and suppliers for the very poor producers that the project is targeting for benefit.

Select type of service(s) most beneficial to very poor producers you're your project is targeting for benefit	Identify the service that the project could promote for input suppliers to provide to very poor producers. The project could promote this service with suppliers and identify incentives for suppliers to offer this service to poor producers.	Identify the service that the project could promote for buyers to provide to very poor producers. The project could promote this service with buyers and identify incentives for buyers to offer this service to poor producers.
	INPUT SUPPLIERS *Benefits or embedded services that would be beneficial for very poor producers to receive from their suppliers*	BUYERS *Benefits or embedded services that would be beneficial for very poor producers to receive from their buyers*
☐ Financial		
☐ Training and Skills-Building Technical Assistance		
☐ Certification/ Compliance Technical Assistance		

☐ Research & Testing		
☐ Market Access		
☐ Assured Supply/ Demand		
☐ Equipment Access and Maintenance		

Win-Win Buyer and Supplier Relationships with Producers

This matrix shows investments that constitute win-win relationships by very poor producers and their buyers or suppliers.

Practical Examples of Win-Win Relationships		
Input Supplier Relationships	Input Supplier ***Invests:*** provides producers with training and technical advice on the use of inputs ***Wins:*** increased sales to producers (producers who understand the product are more likely to buy it)	Very Poor Producers ***Invests:*** purchase higher quantity or quality of inputs ***Wins:*** knowledge of how to better use inputs, leading to higher quality and quantity of output
Buyer Relationships	Buyer ***Invests:*** provides producers with training on and/or basic equipment for post-harvest techniques or grading ***Wins:*** the quality and quantity of the goods they wish to purchase will improve	Very Poor Producers ***Invests:*** spend time and money on new techniques ***Wins:*** guaranteed market and price, and likely a higher price for their upgraded produce

Win-Win Assessment Tool

Use the worksheet to identify clear win-win strategies between the very poor producers that the project is targeting for benefit and investments made by buyers and suppliers.

Select market actor that project is suggesting makes a certain type of investment.

Consider an example of an investment the market actor might make and the market offer that the project can make to the market actor to incentivise him/her to take on the new behaviour.

Practical Examples of Win-Win Relationships		
Input Supplier	Input Supplier *Invests:* *Wins:*	Very Poor Producers *Invests:* *Wins:*
Buyer	Buyer *Invests:* *Wins:*	Very Poor Producers *Invests:* *Wins:*

Field Example: Partnership in Ethiopia

In Ethiopia, a socially responsible agro-processor and exporter, Ecopia, has provided embedded training services to mango producers. Ecopia recognised that the Assosa region of Ethiopia was highly productive for quality mangoes, but the high levels of supply meant farmers received very little for their efforts in growing and harvesting.

Together with World Vision Ethiopia, Ecopia trained mango producers on how to process mangoes into a variety of products such as jams, juices and syrups, which are then marketed by Ecopia to supermarkets domestically and internationally. The new skills are useful not only for Ecopia products, but also for products for local markets.

Therefore, in working with farmers in Assosa, Ecopia was able to secure a large supply of high quality mangoes, and also provide additional income opportunities through a new market for the mango farmers.

The worksheet that follows allows practitioners to apply their understanding of win-win commercial relationships to their own decision-making and context in order to feed into their strategies on how to most effectively facilitate market development for the benefit of very poor producers.

Vertical Relationship Assessment Tool

Use the worksheet to assess vertical relationships between the very poor producers that the project is targeting for benefit and their buyers and suppliers. Keep in mind characteristics of effective, win-win commercial relationships.

1. What relationships currently exist with input suppliers and the very poor producers?

   _____
   _____
   _____

2. What support or services would be beneficial for very poor producers to receive from their suppliers?

   _____
   _____
   _____

3. Are input suppliers already offering these services? If not, why not? Are there clear reasons for this or informal rules and norms governing the current behaviour? What would be the win-win incentive for them to do so?

   _____
   _____
   _____

4. What relationships currently exist with buyers and the very poor producers?

   _____
   _____
   _____

5. What support or services would be beneficial for very poor producers to receive from their buyers?

   _____
   _____
   _____

6. Are buyers already offering these services? If not, why not? Are there clear reasons for this or informal rules and norms influencing the current behaviour? What would be the win-win incentive for them to do so?

   _____
   _____
   _____

C. WHAT ARE CRITICAL CONSIDERATIONS WHEN FACILITATING WIN-WIN RELATIONSHIPS THAT INVOLVE VERY POOR PRODUCERS?

Very poor households often lack assets and have limited ability to take on additional risks, so initial win-win relationships should have quick wins for very poor producers.

In addition, social relationships are particularly important to very poor producers. Practitioners should facilitate the strengthening of social relationships – both breadth (number) and depth (extent of the relationships) to increase social capital and access to opportunities for reciprocity. Practitioners should support very poor producers, even if indirectly, to have a clear understanding of the risks involved in moving into commercial relationships.

Before entering into relationships, very poor producers should take ownership in considering the different risks involved to increase their confidence in choosing particular options. (It is very important that the development project does not take on this role.) It is important that expectations on the side of all parties are very clear. In this way very poor producers have less risk of expecting quick successes or having misaligned expectations. It is important that very poor producers do not make any assumptions about the obligations of each party in the relationship. Both parties should be very clear about how the relationship will work.

Critical Considerations for Contractual Arrangements with the Poor

This table shows critical considerations when facilitating win-win relationships with very poor producers.

	CHARACTERISTICS of Very Poor Producers	CRITICAL CONSIDERATIONS for Very Poor Producers	Practical Examples
Quick Wins	· Very poor producers need income as soon as possible as they tend to have minimal savings · Very poor producers have limited ability to take on additional financial risks until they have enough income to cover current activities	· Commercial relationships should have quick wins (successes) for very poor producers · Very poor producers should not be encouraged to make investments into activities that will take a long time to return, as they may not have the additional resources to provide support as they wait for this income	· Short-term investments (such as purchase of high quality fertiliser for production through credit extended by an input supplier) can be recovered in a single crop cycle. Producers can quickly make back the money they spent on the seeds by selling the produce as soon as it grows · Longer-term investments (such as investments in fair trade certification or obtaining credit to buy larger equipment) can take a long time to realise the gains. It may be too long for them to wait
Strengthen Social Relationships	· Social relationships are traditionally very important to very poor producers · In case of unexpected circumstances or unforeseen events, very poor producers need to be able to draw on their social networks for support	· Opportunities to facilitate the development of and strengthening of strong social relationships should be focused on as much as, or even more so, than commercial relationships · Both the number and intensity of social relationships should be encouraged to increase social capital and access to opportunities for reciprocity	· Savings groups and mutual labour societies can be encouraged as opportunities to further develop positive social networks, which also offer economic benefits

Clear Understanding of Risks	· Very poor producers need to be very clear on all the risks involved in making an investment or choosing a certain course of action, as they have limited ability to take on additional financial risks	· Very poor producers should be supported to consider the different risks involved before entering into a commercial relationship. This serves to increase their confidence in choosing particular options and to make them more aware of the risks involved	· Very poor producers might be guided into considering the risks of working with each trader or buyer
Clear Understanding of Expectations	· Very poor producers are often less familiar with commercial transactions and may be taken advantage of or expect successes too quickly	· Set very clear expectations. It is important not to make any assumptions about the obligations of each party in the relationship. Both parties should be very clear about how the relationship will work	
Understanding of Informal Rules and Norms	· Very poor producers might not appear to act rationally in making business decisions since informal rules and norms, rather than more standard business incentives, can influence their behaviour and decisions	· Conduct a careful analysis of informal rules and norms that may influence the behaviour of very poor producers	

The worksheets that follow allow practitioners to apply their understanding of win-win commercial relationships to their own decision-making and contexts in order to feed into their strategies on how to most effectively facilitate contractual arrangements for the benefit of very poor producers.

Contractual Arrangements Critical Considerations Tool

Use the worksheet to identify key characteristics and components of different forms of contracts most applicable to the very poor producers that the project is targeting for benefit.

Select characteristic(s) that particularly pertain to the producers that the project is targeting for benefit	Consider the characteristic of the most appropriate type of contractual arrangements that the project could encourage and tangible, practical examples of contractual arrangements that the project could promote
CHARACTERISTICS of Very Poor Producers	**Most Appropriate Types of Contracting Arrangements**
Quick Wins ☐ Very poor producers need income as soon as possible as they tend to have minimal savings ☐ Very poor producers have limited ability to take on additional financial risks until they have enough income to cover current activities	
Clear Understanding of Risks ☐ Very poor producers need to be very clear on all the risks involved in making an investment or choosing a certain course of action, as they have limited ability to take on additional financial risks.	
Clear Understanding of Expectations ☐ Very poor producers are often less familiar with commercial transactions and may be taken advantage of or expect successes too quickly.	
Understanding of Informal Rules and Norms ☐ Very poor producers might not appear to act rationally in making business decisions since informal rules and norms, rather than more standard business incentives, can influence their behaviour and decisions.	

Contractual Arrangements Facilitation Tool

Use the worksheet to identify appropriate facilitation of contracts most applicable to the very poor producers. Keep in mind the critical elements needed for commercial relationships to be beneficial for very poor producers because of their characteristics.

1. What type of commercial relationships would you like to see between very poor producers and their buyers or suppliers in the future?

   _____
   _____
   _____

2. What could you do to facilitate the development of these types of relationships?

   _____
   _____
   _____

3. How long will it take for each party to benefit (to see the win-win) in each case?

   _____
   _____
   _____

4. Can very poor producers afford to wait that long before benefiting? What will very poor producers do in the meantime to earn income?

   _____
   _____
   _____

5. What can be put in place so that a degree of trust can be established between each party that there will ultimately be a future benefit?

   _____
   _____
   _____

6. What type of social relationships do very poor producers currently have?

   _____
   _____
   _____

7. What types of social relationships could be strengthened?

   _____
   _____
   _____

8. How can you leverage or build on the existing social relationships to facilitate behaviour change by very poor producers or incentivise growth of their activities?

_____
_____
_____

9. What types of risks are involved for the very poor producer in each case?

_____
_____
_____

10. Is there a subtle role you can play in ensuring very poor producers are aware of the risks?

_____
_____
_____

11. Is there a subtle role you can play in ensuring that there are clear expectations on each side?

_____
_____
_____

12. What are informal rules and norms that influence the behaviour of very poor producers over and above rational commercial incentives?

_____
_____
_____

Field Example: Win-Win Commercial Relationships in Sierra Leone

In Sierra Leone, World Vision market facilitators brokered a win-win relationship between a food processor, Bennemix Food Company (BFC), and very poor women and youth. Bennemix and World Vision supported women and youth to set up viable micro-franchises that sell the Bennemix product (a nutritious blended cereal for infants). Each of the actors made different investments or contributions:

- BFC hosted trainings on general business planning and their Operations Manual, which contains product information and selling techniques. BFC provided the franchisees with inventory each month at factory price and on credit.
- Women and youth franchises made time to undergo training, and committed to running the micro-franchise and meeting monthly with both World Vision and BFC.
- World Vision provided a grant to cover start-up costs and one month of Bennemix, as well as guidance to women and youth via meetings for the life of the project.
- Each side gained something: BFC expanded the reach of its product and improved sales, and the women and youth franchises built a sustainable business.

2. TRUST IN VERTICAL RELATIONSHIPS

A. WHY IS TRUST IMPORTANT?

Building trust among market actors is one of the biggest issues that can make or break relationships and agreements. Potential participants must trust that there are benefits to working together. Both sides of any commercial relationship need assurance that business relationships will be honoured.

B. WHAT DOES MISTRUST LOOK LIKE?

Many very poor producers are part of markets characterised by mistrust, which tends to stem from:

- A history of suspicion between large private sector actors and smallholder producers
- Experience with broken informal agreements in the past (including side-selling)
- Lack of information on one side
- Delayed payments
- Dishonesty in weighing and quality
- Misunderstanding of standards, norms, accountability
- Opportunistic or exploitative behaviour
- Informal rules or norms that lead to mistrust

KEY TERM

Side-selling: producers break a previous agreement in order to get a higher price from another trader

Trust is characterised by confidence that the other businesses will honour commitments. If market prices fall, very poor producers must be assured that a buyer will not switch to buying cheaper products from other producers in the short run, but that the buyer will honour the producers' relationship built on service and quality. If market prices rise and there appears to be an advantage to very poor producers selling their produce elsewhere, a buyer needs to be assured that they will honour their commitments by not engaging in side-selling.

C. HOW DOES THE LACK OF TRUST AFFECT THE VERY POOR?

Lack of trust may be especially high when working with the very poor and other vulnerable groups. Large firms may see a lack of resources and knowledge and assume that very poor producers will be unable to meet their amount and quality commitments. Very poor producers may not feel like they have any power to negotiate price and terms that are good for them or that they will be taken advantage of by other businesses and therefore unlikely to trust in a business relationship.

Field Example: Building Trust in Mozambique by Standardising Measurements

In Mozambique, CARE and other NGOs facilitated moving the informal agricultural marketing system from selling produce measured by different-sized cans to standard weights and measurements. Buyers purchased produce in different-sized cans that benefitted the buyer, who charged one can to pay for the trader's transportation costs (only paying for four cans while receiving five). Each new farmers marketing association formed by CARE was provided a 100 kg hanging balance. It became standard practice (ultimately at a national level) to weigh all produce, and the use of other measures disappeared. Both farmers and traders felt that they benefitted from the use of standard weights. This effort increased the trust that producers had with market buyers.

D. How can I facilitate trust between the very poor and other market actors?

In many communities, the very poor are often indebted to traders or collectors who have lent money to the producers or given monetary advances for the produce before it has been harvested. Traders sometimes pay very poor producers a very low price ahead of the harvest and exploit the very poor producer's urgent need for immediate cash. For example, in Sierra Leone many farmers borrow from the buyers and traders during the lean period between planting and harvest. A local bank manager stated that, "This borrowing is one of the main reasons farmers are impoverished in this part of the country." One estimate of the lending rate was that it was double the usual bank rate. In these situations, it is often very important to address not only the nature of the relationship, but also the systemic influences (i.e., the reason that very poor producers are cash poor at certain times).

Strategies for Building Trust in Vertical Arrangements

This table shows strategies for building trust between very poor producers and their buyers and suppliers.

Trust-building strategies	Examples and Considerations
Continuous dialog	· Forums, summits, consultations, and stakeholder workshops build trust. · Facilitating discussions between producers and other market actors about the issues that each are faced with can build understanding and improve collaboration.
Low risk and early return activities	· Start with low-risk, early-return activities that can show that each side will follow through on commitments. Incrementally expand depth and outreach as players become more open to working collaboratively and with increasing levels of trust. · Recognise that very poor producers need to make quick returns to stay involved and trust that they will ultimately benefit.

Repeated exposure to others	· Repeated exposure to others tends to build confidence that each party can be trusted.
Cross visits	· Not just telling, but showing each partner's position and situation will help both sides understand the other's needs, challenges, and objectives. Mutual understanding of each other's situations fosters trust. · For example, millers or processors can open their plants to producers and show the effect of poor quality produce on their final products. Likewise, firms can visit producers to understand the constraints that they face in growing high quality produce.
Contracts	· A formal, written agreement that stipulates all aspects of the relationship can reduce misunderstandings, as it outlines expectations and builds security.
Checks and balances	· If there are government or NGO officials that very poor producers can go to if they feel taken advantage of by suppliers or buyers, they may feel more secure in buying or selling from others. · This could include, for example, instituting a transparent way to read weights and measures so that both parties feel comfortable.
Recognise it takes time	· Realise that trusting relationships cannot be built during one workshop, or even over a couple of months. Real trust and long-term business relationships often take years.
Price incentives, payment terms, and other support for producers	· Can be used to build trust and loyalty from the producers. If the producers understand that the buyer pays fairly and on time, they are more likely to be loyal.
Loans to producers	· Providing loans and training to farmers will tie them to the contract. Loans are used by the producers to buy inputs, and training is provided by the buyer up front. When it is time to sell, farmers are obligated to sell to the buyer because of the loans they received.

Vertical Relationship Trust Building Facilitation Tool

Use the worksheet to identify facilitation activities that can develop trust between the very poor producers that the project is targeting for benefit and their suppliers and buyers.

Select strategy that project may decide to encourage	Consider examples of activities or approaches that could be implemented and consider market actors that may have an incentive to implement the activity or approach
Trust-building strategies	**Activities and market actors with the incentive to implement:**
☐ Continuous dialog	
☐ Low risk and early return activities	
☐ Repeated exposure to others	
☐ Cross visits	
☐ Contracts	
☐ Checks and balances	
☐ Price incentives, payment terms, and other support	
☐ Access to loans	

E. UNDERSTANDING AND DEALING WITH SIDE-SELLING

Side-selling is a particularly important issue when working with the very poor. Side-selling occurs when producers renege on a previous agreement in order to get a higher price for their production from another trader. The very poor are likely to put aside any previous agreements if a better price is offered, as they are more likely to face more urgent needs for cash.

Price incentives, loans, and other support for producers can be used to build trust and loyalty from the producers. If the producers understand that the buyer pays fairly and on time, they are more likely to be loyal.

It is sometimes thought that if buyers provide loans for farmers to buy inputs and technical training, this will tie them to a contract. When it is time to sell, farmers are expected to sell to the buyer because of the loans they received. If there is no additional benefit to actually complying with the contract, very poor producers may intentionally side-sell to avoid repaying the loan.

Field Example: Addressing Side-Selling in Indonesia

Producer groups in Indonesia decided to form loose collectives that allowed producer group members to undertake side-selling if necessary. Most producers would sell collectively within the group, but on occasion, producers might need to sell earlier than the prescribed market day in order to meet urgent cash needs for things such as health care. The constitution within these producer groups allowed farmers the freedom to sell outside of the group for such urgent needs.

This arrangement was possible as the producer groups would only strike up a deal with traders one or two days prior to the sale. Therefore, any side-selling earlier in the week would not affect the volumes being committed to the traders through the producer groups. This arrangement has worked well for these producer groups, and side-selling has become less of an issue over time because the incentive to sell collectively has enabled producers to lessen their need for quick cash. As they are earning more by selling collectively, they are learning to save additional money to cover urgent needs.

Field Example: Addressing Side-Selling in Sierra Leone

The PAGE project in Sierra Leone addressed the issue of side-selling by facilitating an advance payment to the farmers. In one scenario, the buyers paid the producers the prevailing market price at peak harvest time, which is often relatively low, so the farmers received initial payment right away. When the buyers eventually re-sold at a higher price, they paid a commission to the farmers. In a second scenario, the buyers received credit from their buyer (in this case, the World Food Programme), which they used to pay the farmers the higher price right away. When the buyers in turn re-sold the produce to WFP, they used the proceeds to pay off the initial credit.

3. Learning & Information Flow in Vertical Relationships

The opportunity and ability to learn are essential for improving value chains as a whole as well as for individual actors within the chain. Learning and acquiring new knowledge often occurs through relationships within the value chain.

A. TYPES OF INFORMATION NEEDED

The types of information that producers need varies from how to best use inputs such as seeds and fertiliser, to what prices they can expect for different grades of their production. The buyer determines product quality and specifications for which he or she is willing to invest a certain amount of money. Such immediate market requirements include: price, quality, delivery time, design, quantity, reliability, flexibility, and grading of products into quality categories. The exact requirements vary from sector to sector and are subject to negotiations between buyer and seller.

Types of Information Needed

This table shows types of information needed by very poor producers from buyers and suppliers.[7]

Information needed from BUYERS		Information needed from SUPPLIERS	
Price	· One that benefits both sides, probably linked to current market information. Within a contract context, price is often set ahead of time.	Price	· If suppliers are willing to provide bulk quantity discounts, producer groups have an incentive to engage in bulk buying.
Method of payment	· Delayed payments can be especially difficult for very poor producers	Method of payment	· Producers prefer cash on delivery
Quantity	· Minimum and maximum amounts	Quantity	· Often very poor producers need smaller quantities than commercial firms provide—smaller packaging allows them to buy suitable quantities
Quality	· Size, shape, colour, dry/wet, packaging, etc., depending on the product. This is particularly important as producers can sell a significantly lower quantity or at a lower price if they do not meet necessary quality standards. It can take several years for producers to qualify for sale to certain larger buyers.	Quality	· Producers need to know the quality of inputs so they can weigh cost and benefits of making a larger or smaller investment
Use of the product	· How will their products be used after they are sold? Will it be processed? Will it be repackaged? This can help to identify new markets or buyers.	Use of inputs	· Information on best way to use and apply inputs Example: many producers dilute pesticides or fertilisers in order to make

7 Adapted from CRS Collective marketing guide p. 54

Information needed from BUYERS		Information needed from SUPPLIERS	
			them last longer, which results in them not being as effective
Timelines	· One big supply or ongoing supply, etc.	Availability	· Very poor producers need inputs close to their farms to reduce the cost of transportation and that are available at the time of year as everybody else, e.g., fertiliser. · In some circumstances only certain producers are able to access certain inputs, such as when poorer producers are able to access inputs because of their poverty status.
Embedded services	· Will the firms provide inputs, extension services, credit, etc.?	Embedded Services	· What embedded extension services can be provided to the producers? Example: Do they provide training or information on the quality, packaging, or specifications that the market requires?
Transportation	· Who is responsible? · What are the best methods of transportation for the product? Example: Which transportation methods preserve and maximise the nutritional value of produce?		
Failure to comply clauses	· Unintended failure to comply means that there needs to be clarity on how to accommodate unexpected failures on either side (e.g., crop failure due to lack of rain). · Intended failures to comply include side-selling and re-	Failure to comply clauses	· What are the implications if the supplier's inputs do not work? Example: What happens if the seeds do not grow properly? It is important to determine the cause—faulty inputs or incorrect

Information needed from BUYERS		Information needed from SUPPLIERS	
	selling inputs rather than using them to meet end market specifications		use by producers?
Penalties for not fulfilling the contract	· What are the penalties and who will administer these for non-fulfilment on either side? Example: What happens if all the chickens die and the producers are not able to deliver the promised quantity of poultry meat? Example: What happens if the seeds do not grow properly and the producers cannot deliver the required amount of produce?		

Information Flow Facilitation Tool

Use the worksheet to identify facilitation activities to enhance efficient and effective flow of information between the very poor producers and their buyers and suppliers.

1. Consider the types of information needed from buyers. 2. Identify market processes that can be supported, if possible, that will regularly make this information available to producers. 3. Support producers in understanding why they need this information and how to get it from buyers.		1. Consider the types of information needed from suppliers. 2. Identify market processes that can be supported, if possible, that will regularly make this information available to producers. 3. Support producers in understanding why they need this information and how to get it from suppliers.	
Information needed from BUYERS		**Information needed from SUPPLIERS**	
☐Price		☐Price	
☐Method of payment		☐Method of payment	
☐Quantity		☐Quantity	
☐Quality		☐Quality	

☐Use of the product		☐Use of inputs	
☐Timelines		☐Availability	
☐Embedded services		☐Embedded services	
☐Transportation		☐Transportation	
☐Failure to comply clauses		☐Failure to comply clauses	
☐Penalties for not fulfilling the contract			

INFORMATION AND THE VERY POOR

Information gathered by or for very poor producers will most likely need some interpretation and explanation with follow up steps. Farmers will not always be able to make clear sense of price, volume, quality, variety data, etc., without some explanation of why it is important and how that information can be used. For example, if poor producers were to learn that a particular variety of tomato is worth more than the variety they currently produce, then the big question is, "so what?" That information is almost useless unless it is accompanied by guidance or a potential plan for how the producers can acquire the improved tomato seeds. The role of the market facilitator is to support structures that can assist producers to make sense of the market information and to help develop a plan for the producers. Additional information presented in a visual way might be needed for producers to understand it. For example, it might be necessary to visually illustrate the difference between different varieties of mangoes to explain the differences, or to illustrate a value chain and where the locations are in relation to the village, so that it is easy for the very poor producer to understand. Producers may also benefit from accessing information on more selling options for their produce and ways to contact other buyers. To promote greater participation in markets by women, practitioners can support access to information sources that are in close proximity to and available at times when women can access them and that use communication channels most commonly used by women.

B. FACILITATING SUSTAINABLE AND EFFECTIVE INFORMATION FLOW

To achieve sustainable and effective information flow, the goal is not to have one exchange of information, but to end up with a long-term, continuous flow, so that producers always know where to go for access to the information they need to be competitive.

Field Example: Sharing Market Information in Villages in Bangladesh

In World Vision's Cyclone Livelihoods Recovery Project in Bangladesh, at least two to three members of the group were tasked with collecting price information from their own contacts in the larger markets through mobile phones, radio, or TV. They update a price information board in their villages with prices of specific crops at least every two weeks during the harvest season. Whenever any of them has the opportunity to visit district or local level markets, they work with the local market management committee to collect price information. The collected information is used for making decisions for selling produce (vegetables, bananas, etc.) and buying inputs (seeds, fertiliser, fuel, and supporting materials). The prices are also used to negotiate for better prices with middlemen or agents. This system has worked particularly well with the green banana producers that initiated selling in groups by themselves.

I. WHY IS IT IMPORTANT FOR PRODUCERS TO COMMUNICATE WITH MARKET ACTORS?

Development organisations can facilitate communications between producers and market actors that can ensure that producers are not taken advantage of. At the same time, development organisations need to be careful not to get between market actors over the long term by trying to negotiate with lead firms on behalf of producers (or vice versa). There are several potentially negative consequences of over-involvement of development organisations:[8]

- Problems for the implementer if market linkages do not materialise as expected
- Potential confusion created on both sides
- Delay of the formation of sustainable relationships
- Creates the potential for corruption to occur

Development organisations need to build the capacity of producers or create the conditions for producers to communicate with other value chain actors, especially input suppliers and buyers.

II. HOW CAN PRODUCERS MAINTAIN ONGOING COMMUNICATION WITH MARKET ACTORS?

A mobile phone can be very useful for producers in communicating with market actors, especially when those market actors are a considerable distance from the producers themselves. Most communities worldwide, including very poor communities, contain someone with a mobile phone. Sometimes producer groups may decide to collectively purchase a mobile phone for the purpose of communicating with buyers and service providers.

Producer representatives can either call buyers or send them a text message to find out market prices, communicate the quality and quantity of products, and negotiate deals without having to leave the village. This method of communication is obviously more likely once there are established relationships and a level of trust between the producers and buyers. There are a number of benefits to this type of telecommunication:

- Can considerably lower transaction costs

8 Lusby, Frank. 2008. "Working with Lead Firms within the Value Chain Approach." USAID microReport 144, p. 6

- Not harvesting unless there is a deal agreed on beforehand
- Not having to use transport to get to market for negotiating and possibly returning with product

} Can access a large number of potential buyers quickly
} Can access potential buyers in places they might not be able to travel to
} Can access regular market information from their village
} Can access technical information and other service providers
} The cost of the phone can be shared amongst producer group members

III. NEGOTIATIONS AND THE VERY POOR

The very poor often do not have the confidence to negotiate with buyers and suppliers. Development organisations have a key role in helping to improve the negotiation ability of producers over time. It is important to recognise that although producers may not have the required negotiation skills from the start, they will be developed over time as the producer representative gains confidence through experience. Development organisation market facilitators can play a coaching and mentoring role with producer representatives so the producers can increase their knowledge, ability and confidence.

Initially, the development organisation market facilitator will play a hands-on role in facilitating meetings with other market actors, gathering market information and mobilising producer communities. All of these activities are done together with the producer group leaders with the understanding that over time, the producer groups will take more and more responsibility for these activities. As the producer groups become more proficient and begin to see results, they will also gain more trust and support from their communities.

Proximity influences transaction costs, the frequency of contact, information flow, and building of trust, etc. It is a key issue for geographically and socially isolated groups and for women who have many demands on their time and limited mobility. Thus, the development organisation needs to find local input suppliers, extension agents, and output market buyers who are willing to come to local communities to relate to the very poor. This is not always possible, but is optimal for very poor producers and other vulnerable groups.

Who should negotiate?

Negotiations could be conducted by representatives of the producer group, representatives of the market actor, or neutral third parties. Clearly, not all the producers can be involved in negotiating with traders and buyers. Farmer groups and clusters of groups can assign specific members of their groups with the authority to undertake market visits and negotiate on their behalf. Sometimes two members are nominated in order to increase transparency and reduce the risk of one member not representing the interests of other producers—having two members on the committee increases trust amongst producers.

Field Example: Building Negotiation Skills

On the island of Flores in Indonesia, World Vision market facilitators have been working with producers to build their skills in understanding markets and negotiating with market buyers. It has taken time to build the confidence of the local producers, as they typically had a strong distrust of collectors, who are regarded as being dishonest and exploitative.

The negotiation skills of producers have been improved through a coaching and mentoring arrangement with World Vision affiliated market facilitators. They have trained producer group representatives over time to manage relationships with buyers and to bargain on price and other conditions. The market facilitators have been able to demonstrate how to collect pricing information, how to negotiate and establish trust and how to attract new buyers. Over time, as the producers formed into groups and bulked their products, and as they attracted new buyers to the region, the producer group representatives began to see that they had more power than before and actually had an opportunity to bargain with buyers. The producers were able to understand their critically important role in the value chain. This gave them a more accurate perspective for dealing with other market actors.

What makes negotiations effective?

Good negotiations result in a satisfactory agreement for both sides. Many contracts are unsuitable when first developed and are improved through trial and error over a period of several years. Successful contract negotiation generally requires:

- Background information. Producers have sound information to enable them to negotiate. This includes knowledge of their own costs of production, which requires recordkeeping, an idea of gross margin, of prevailing market prices, and how to convert these to farm gate prices.
- Expectations. Both sides must have realistic expectations.
- Understanding contract terms. Each party to the contract needs to understand the terms. Producers can face significant difficulties with understanding some of the terms such as required quantities. An important role for development organisations is to make sure that the contract is understood by the producers. Each party should also clearly understand the penalties for not meeting contract terms.
- Understanding each other's risks. Producers need to have a good appreciation of the risks that the other party to the agreement faces and an understanding of the implication of those risks for themselves. For example, if the producers are taking a loan from a financial institution, they need to clearly know the financial penalties for late payment on the loan.
- Clear specification of responsibilities and time schedule. Activities must be clearly specified with a time schedule. Under contractual arrangements, producers have to be able to synchronise production to ensure that the product is available when the agro processor, retailer, or fast-food restaurant wants to receive it. This often requires the ability to work to strict planting schedules that specify planting material availability, planting dates, amounts to be planted, harvest date, and expected yield.

C. WORKING WITH THE PRIVATE SECTOR

By working with the private sector, market facilitators have an opportunity to have long-term beneficial commercial relationships formed between very poor producers and other value chain actors. However, there can be a number of challenges to facilitating the formation of those commercial relationships. Several of the strategies addressed below include working with lead firms, leveraging embedded service arrangements, and making strategic use of smart subsidies.

I. LEAD FIRMS

Lead firms are companies that lead in innovation and technology to make the industry more competitive. They ideally already have links to poor producers. Lead firms could be informal or formal buyers, traders, input suppliers, processors, exporters, or even large-scale farms.

KEY TERM

Lead firms: companies that lead in innovation and technology to make the industry more competitive

What can lead firms do for producers?

Linking lead firms with very poor producers can help them access much-needed innovation and technology within a particular value chain. Lead firms can provide technical assistance, credit, inputs, and other support as part of the business relationship.

What are strategies to work with lead firms?

- To engage a lead firm, market facilitators can send a Request for Proposals (RFP) to potential lead firms (the criteria in the section that follows can be used for selecting lead firms responding to the RFP)
- One possible way to extend lead firm sales into more remote areas is to provide a voucher system in which very poor producers have a voucher that is subsidised by the market development programme—the lead firms have the incentive to provide inputs to these producers because of the additional market demand that the producers have from the vouchers
- Lead firms should recognise producer effort as an investment in any joint work undertaken

What are some criteria for selecting lead firms?[9]

- Commercial linkages with a large number of very poor producers (or potential). The more potential linkages with very poor producers, the greater the leverage and potential for large-scale impact.
- Sufficient financial strength and long-term perspective. If the lead firm is financially stable, they are more likely to be able to make the needed investments and willing to be patient in waiting for results to materialise.
- Strong demand for their products and ability to compete in end markets. If the lead firm knows the end market well, they can provide technical guidance and ensure a steady market for the producers.
- Potential to influence their industry. If they can influence others in the industry to enter in similar relationships with producers, the number of total producers impacted will continue to grow. They are generally seen as being respected thought-leaders in the business community.

9 Lusby, Frank. 2008. "Working with Lead Firms within the Value Chain Approach." USAID microReport 144. p. 5

- Acceptable reputation. A poor reputation can hurt the programme; a good one minimises the risk of problems due to unethical behaviour and increases the chance of solid relationships and a strong and healthy business.
- Willingness to cooperate.
- Incentive to work with producers. The firm's management has shown interest in working with very poor producers. The management sees developmental results with very poor households as part of their mission as a business.

Lead Firm Assessment Tool

Use the worksheet to identify characteristics that signal the potential for a success in forming business relationships with lead firms that can benefit the very poor producers that the project is targeting for benefit.

Consider the characteristics that demonstrate the highest success rate when working with lead firms	Consider the characteristics that demonstrate the lowest success rate when working with lead firms
HIGH success rate	**LOW success rate**
c lead in innovation and technology	c not leaders in innovation and technology
c existing links to large number of poor producers	c have very few or no links to large number of poor producers
c can provide technical assistance, credit, inputs, and other support as part of the business relationship	c cannot provide technical assistance, credit, inputs, and other support as part of the business relationship
c can help the very poor producers to access much-needed innovation and technology	c cannot help the very poor producers to access much-needed innovation and technology
c is financially stable, can make the needed investments and willing to be patient in waiting for results to materialise	c is not financially stable, cannot make the needed investments, and is impatient about getting results in the very short term
c high demand for their products with a steady market for the producers	c low demand for their products with an unsteady market for the producers
c respected thought-leader in the business community	c not recognised as respected thought-leader in the business community
c good reputation	c poor reputation
c can influence others in the industry to enter into a similar relationships with producers	c does not have much influence over others in the industry
c willingness to cooperate with project	c no willingness to cooperate with project
c shown interest in working with very poor producers	c has not shown interest in working with very poor producers

II. SMART SUBSIDIES

Smart subsidies are used to build capacity or incentivise the market system to provide products and services to selected populations on a long-term, sustainable basis. In the short term the smart subsidies are used to buy down risk. Subsidies can be a powerful tool to help very poor producers form and maintain commercial relationships. However, if used for too long or too often, producers can begin to rely on the subsidies rather than respond to the quality and quantity of products and services the market wants.

KEY TERM

Smart subsidies: Financial or in-kind support that reinforces the development of beneficial commercial relationships by mimicking normal transactions and increasing the benefit of the transaction for one or both parties involved

The direct provision of services—such as transport to market, or assets and inputs—such as trucks or fertiliser, are generally incompatible with commercially sustainable ventures because they distort the market. However, in the absence of subsidies, commercial actors often have few incentives to engage with very poor producers.

Examples of smart subsidies

Subsidy	What it is	Why it could be useful	When to use it	Example
Cost share	Development organisation provides a % of the private firm's expansion of services to very poor producers	Provides sustainable services to producers if the business finds the services profitable over the long term	When strong private sector lead firms are posed to expand to the development organisation's target population and geographic zone	Katalyst provided a cost share to firms to expand services to underserved populations in Bangladesh
Vouchers	Development organisation, through a local business or institution, provides very poor producers with credit to purchase goods and services	Extends services to very poor households without the capacity to purchase	Include very poor producers such as those identified with malnourished children. Beneficiary lists can be used for distribution of the vouchers.	A food security program in Afghanistan provided vouchers to very poor households to buy certified wheat seeds at a discounted price
Community-level assets	The community may have commonly held public land that can be used by very poor	The arrangement can help very poor households to increase their income without owning assets	Land or other community assets are available. Very poor households can	World Vision Sierra Leone advocated for unused community-owned inland valley swamps to be allocated to

Subsidy	What it is	Why it could be useful	When to use it	Example
	households for productive purposes		make productive use of the land or other asset	youth and women. They pay the community 10% of what they make from the land
Cash/asset transfers	Government or development programme provides a cash or productive asset to very poor households	For very poor households, assets provide a stream of income	When very poor households cannot build assets in the project time period without asset transfers	CARE Ethiopia provides a food payment for households to have time to build an asset base

When can smart subsidies be used?

- Only when absolutely necessary
- To accelerate a process that would otherwise take a long time
- In recovery contexts, after disasters
- With very poor producers who would not be served by other value chain actors

What are some characteristics of smart subsidies?

- Unknown to the producers—should mimic real-life market interactions
- Phased out approach—build exit strategies into all subsidies. Withdraw subsidies gradually: in the first year, a voucher may be worth the full value of an input. But after the first harvest, the next voucher may be worth 75 per cent of the value of the input, requiring producers to pay 25 per cent. The next harvest will reduce the vouchers worth to 50 per cent, and so on.
- Have the group pay for the resources over time (this will encourage mobilising savings or accessing credit)
- Short term
- Limited in size and scope

How are smart subsidies used?

Less Poor

- Use subsidies to create demonstration effects, decreasing risk for enterprises in the market system to assume new behaviours and ultimately crowding-in other market actors.
- Use subsidies that incentivise the supply of and demand for products and services (e.g., “supply subsidies” that provide training, discounted inputs, or underwritten loans, and “demand subsidies” that decrease the risk for users to initially purchase products such as time-limited vouchers).
- Recognise there are more market actors to work through in delivery of subsidies.

- Emphasise market mechanisms through which the subsidy is provided, and keep funder of the subsidy as invisible as possible to allow relationships, rules, and norms that govern commercial transactions to emerge.

Very Poor

- Use subsidies to create demonstration effects of the outcomes of particular behaviour and decrease the risks for households to assume new behaviours, including learning how to have commercial relationships, even as consumers.
- Use subsidies that build and protect financial assets, and build human and social capital to enable the very poor to start participating in markets (e.g., by decreasing risk in making investments), stabilising consumption levels, or stemming asset de-accumulation (e.g., food or other asset transfers).
- Recognise there are fewer market actors to work through in delivery of subsidies.
- Decrease programme visibility and increasingly emphasise market mechanism though which subsidy is provided as households transition out of poverty to allow relationships, rules, and norms that govern commercial transactions to emerge.
- The amount of the subsidy should be determined to be enough to move the very poor producer to the tipping point at which they begin making a profit.

The field example on the next page explains a cost share subsidy between Katalyst, a multi-agency development project, and Syngenta, a large agricultural inputs supply company, which resulted in wins for both the private sector supplier and poor vegetable producers in Bangladesh.

Field Example: Information Flow as a Project Focus in Bangladesh

The performance of Bangladesh's important vegetable sector is undermined by very low productivity at farm-level. As a result, income is very low and poverty rates high. Katalyst, a multi-agency development project, conducted a value chain analysis in which it specifically examined sources from which producers get information about how to use fertilisers and pesticides, and how to grow and harvest vegetables. Apart from sharing information with each other and other sources (extension services, media, NGOs, etc.), supply retailers were identified as a major source of information. It was concluded that an intervention should target knowledge and information services embedded within the value chain as a means of addressing the productivity problem.

Katalyst partnered with Syngenta, a large supply company for agricultural inputs such as fertilisers and pesticides. Under a mutual agreement, costs were shared for the development and delivery of a three-day residential training programme for retailers on a range of generic and product-specific issues, reflecting both wider development as well as narrow commercial goals. Katalyst made significant technical inputs on training content and process, but the organisation and delivery of training—the main part of the project—was managed directly by Syngenta.

Over a two-year period, 480 supply retailers, 20 percent of all Rangpur retailers, serving approximately 200,000-350,000 producers, were trained. Costs for the training were split 60/40 between Syngenta and Katalyst. As a result of the intervention:

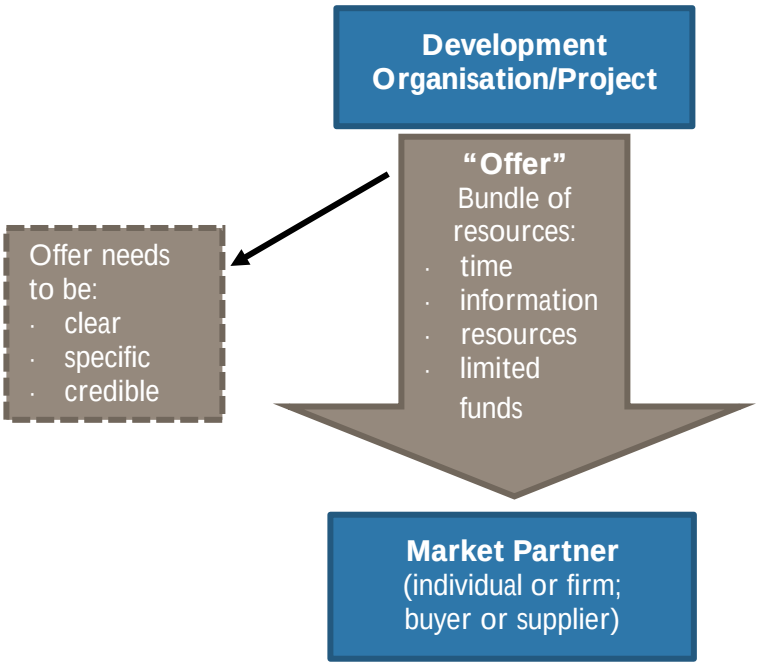
- Producers' perception of their experience with retailers' service has improved
- Retailers have greater self-confidence, place more emphasis on advice and information, have better customer relations and, in most cases, increased sales
- Syngenta's sales have grown three to four times faster than in other regions. The strategic importance of knowledge and information in the supply-chain has been re-emphasised. Syngenta plans to invest in retailer training throughout the country

Other input suppliers, who have often lost out competitively in the short-term, are now showing positive signs of interest in retailer training. This is the critical issue—"crowding in"—in determining wider market change.

- What are the implications for a market facilitator?
- Where there is funding, the cost share model should be considered; companies extend training to more poor and rural producers
- When funding ends, companies should be able to continue the services if it is profitable to do so
- If funding for cost share is not available, still explore with companies the possibility of extending training and technical services to producers in more rural and poor areas than currently served. Companies' willingness to do this is often surprising.

D. MAKING A MARKET OFFER

WHAT ARE EFFECTIVE APPROACHES IN INITIATING DIALOGUE AND PARTNERING WITH THE PRIVATE SECTOR?



To most effectively facilitate sustainable commercial relationships and linkages, practitioners often need to facilitate initial relationships between producers and their buyers, suppliers, or other market actors. This can involve identifying key market actors to partner with, sharing the vision of a partnership, and supporting the initial steps in partnering. This initial support could comprise some type of shared investment by the project in order to incentivise commercial entities (such as the buyers, sellers or very poor producers themselves) to start acting in a certain way or taking on certain roles. Approaching commercial entities about this type of investment and partnership is often referred to as "making a market offer."

KEY TERM

Market offer: Offer presented by a practitioner to an individual or firm (the market partner) of an appropriate bundle of resources (time, information, linkages, limited funds) to be provided by the practitioner's project to help reduce the risk of failure for the business in a commercial transaction in exchange for their willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change, and ultimately benefit very poor producers

The practitioner's market facilitation offer to a lead firm needs to include time, information, linkages, and possible limited subsidised funds. The practitioner presents this offer to lead firms as their potential market partners with the purpose of helping to reduce the risk of failure in the lead firm's commercial transaction in exchange for their willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change.[10]

The project should be clear about several things:

- "Who is the offer aimed at?" Who is the market partner? Is it an individual or a firm?
- "What can they expect to get?" What is the offer: time, information, linkages, and limited funds?
- "Why should someone want what we've got?" What is the incentive to partner from a business perspective and not a social responsibility perspective? Is this sustainable in the long term?

10 USAID Value Chain Facilitation Training, ACDI/VOCA, 2010.

- "What do we expect in return?" What is expected in exchange for the partners' willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change?
- "How would the offer and partnership advance wider system change?" How will the sector benefit and change overall?

The worksheet that follows allows practitioners to apply their understanding of approaching the private sector to make a market offer to potential project partners for the ultimate benefit of very poor producers.

Market Offers for the Private Sector Tool

Use the worksheet to consider effective approaches when working with the private sector to promote win-win relationships with very poor producers.

Keep in mind the guidelines for making market offers and the characteristics of the very poor producers that the project is targeting for benefit, and consider the following when approaching the private sector or assisting very poor producers to do so.

1. Who is the offer aimed at? (Who is the market partner? Is it an individual or a firm?)

   _____
   _____
   _____

2. What could they expect to get? What are we offering? (Be detailed on what the offer is. Explain whether it is time, information, linkages, limited funds, or a combination of these.)

   _____
   _____
   _____

3. Why should someone want what you have as the market facilitator? What is their incentive to partner? (What is the business benefit for them? Is this likely to continue for the long term?)

   _____
   _____
   _____

4. What do you expect in return as the market facilitator? (For example: invest in and make changes in their capacities and practices.)

   _____
   _____
   _____

5. How would the offer and partnership benefit and change the sector overall for the benefit of very poor producers? (How will the sector benefit and change overall? How will this benefit very poor producers?)

_____
_____
_____

6. How can you, as the market facilitator, ensure that the offer is clear, specific, and credible?

_____
_____
_____

See Annex A for a template of a Memorandum of Understanding for a Cost Share Arrangement between a project and a private sector business.

E. STAKEHOLDER WORKSHOPS

KEY TERM

Stakeholder workshop: A structured, facilitated discussion with participants from various parts of the industry with the goal of designing an action plan for making the target industry more competitive.

I. WHAT ARE STAKEHOLDER WORKSHOPS?

Stakeholder workshops are structured, facilitated discussions with participants from various parts of the industry with the goal of designing an action plan for making the target industry more competitive. They are typically facilitated after a value chain analysis has been conducted in order to have key value chain actors understand any recommendations from the analysis and make a plan for the sector moving forward. They can be used when there are recognised constraints within the value chain, such as marketing bottlenecks between producers and buyers.

II. WHEN DO WE USE STAKEHOLDER WORKSHOPS?

Stakeholder workshops can be very beneficial under the following conditions:

- Market actors at all levels of the value chain have the potential to recognise similar issues that hinder the efficiency of the value chain.
- The government is actively supportive of pro-poor private sector development (where government needs to support activities and strategies emerging from workshop or where government is already a significant market actor).
- There is a willingness of participants to work in collaboration to improve the whole sector.
- There are market actors interested in the needs of very poor producers.
- The workshop can be held within a reasonable distance for very poor producers to travel, especially female producers.
- At the beginning of a value chain development project, and at semi-regular intervals from then on (e.g., annually, semi-annually) are most useful times for stakeholder workshops.
- Local NGOs are present and willing to be involved.
- Producers and other market actors are able to attend without major disruption to their activities.

Stakeholder workshops may not be an option under the following conditions:

- There is a tangible animosity or history of violence between different market actors
- Market actors are totally dismissive of producers and not likely to change their views

- Producers have to travel unreasonable distances to attend the workshop
- Producers and market actors are in a very busy period (e.g., harvest time)

III. WHAT IS THE COMMON FORMAT OF STAKEHOLDER WORKSHOPS?

Stakeholder workshops can take the following format:[11]

- Introduction of participants and explanation of the purpose and format of the workshop
- Presentation of the value chain with general information including the value chain map
- Discussion of what a more competitive value chain would look like
- Presentation of the major findings of the value chain analysis, including constraints and opportunities identified during the analysis
- Discussion to determine the causes of the constraints
- Participatory identification of action needed to achieve this vision of a more competitive value chain
- Agreement on next steps

IV. HOW DO WE PREPARE VERY POOR PRODUCERS FOR STAKEHOLDER WORKSHOPS?

It is important that the producer groups are ready for the opportunities that the stakeholder workshop can provide. When the consumer is satisfied, the businesses of both the seller and the buyer will grow. The value chain can only satisfy the consumer when the value chain actors cooperate. This is the idea that underlies any attempt at building relationships.

Producers should understand how value chains work. Specifically, they should:[12]

- Understand the chain as a network of specialised enterprises that need each other to make money.
- Acknowledge the position of other chain actors, and respect that their interests are also legitimate.
- Understand the need for cooperation rather than fighting against each other.
- Understand that sellers and buyers may have interests that are opposed to one another - a high price and a low price, respectively. Nevertheless, they also have a shared interest - that is, to satisfy the final consumer in an effective and efficient way.
- The producer's representatives need to be prepared but not instructed on what to say. They should be aware of the purpose of the workshop and the importance of being able to voice their opinions and concerns.

Things to consider in preparation include:

- The goal of the stakeholder workshop. An important message to convey to the representatives is that they are going to have an opportunity to meet other market actors to address market problems and possible solutions.
- Making explicit and discussing sensitive social and political issues that could affect the interactions and negotiations with other public and private actors (for example caste exclusion or political violence)

11 USAID. Guide to Facilitating Stakeholder Workshops

12 KIT, Faida MaLi, IIRR. 2006. Chain Empowerment: Supporting African Producers to Development Markets. Accessed June 10, 2011. http://www.mamud.com/Docs/chains.pdf. p. 155-6

V. HOW ARE PRODUCER REPRESENTATIVES SELECTED?

Selecting good producer representatives for the stakeholder workshop is an important process as a way to ensure that the needs of very poor producers are considered in the way commercial relationships are structured within the value chain. Representatives should:[13]

- Have the trust of the other producers
- Represent the opinions of others, especially very poor producers
- Have the ability to participate effectively without personal biases
- Articulate and communicate well with other market actors
- Be able to go back to the community to report and share with others the key points and findings of the discussion
- Be able to relate to the key barriers and proposed solutions
- Be known and trusted by market actors

At least two representatives from the producers should be chosen to attend the stakeholder workshop, making up about half the number of participants. So a workshop that has more than 30 participants can have up to seven producer group representatives. The actual number of producers will depend on the size of the workshop. Fewer producers run the risk of having their opinions outweighed by other market actors, and they could end up feeling marginalised. Take into account that very poor producers are likely to be quieter than other participants, and therefore more rather than fewer participants should attend the workshop.

The stakeholder workshop participants who often talk the most are government representatives, NGO representatives, and technical experts (i.e., research institutes and universities). Market traders are sometimes reluctant to say much as they do not want to release too much information or draw attention to themselves—but if they are drawn into the discussion, they will often provide some very insightful information on the functioning of their level of the value chain.

VI. STAKEHOLDER WORKSHOPS AND VERY POOR PRODUCERS

Participating in stakeholder workshops can seem especially difficult for very poor producers. They may feel out of place and that their opinions will not be taken into consideration.

Guiding Principles for Conducting Stakeholder Workshops[14]

This table highlights guiding principles for facilitating stakeholder workshops that include very poor producers.

General Facilitation of Stakeholder Workshops	
Guiding Principal	**Practical Application**
Keep it short and simple	· Participant time is valuable. Focus on activities that stakeholders have an incentive to overcome, whether or not there is an external subsidy. · Workshops should never exceed two days. Some workshops can be done in two or three hours.

13 Practical Action. 2010. Learning from Practice: Lessons on Facilitating Participatory Market Mapping Workshops, 5.
14 USAID. Guide to Facilitating Stakeholder Workshops, www.microlinks.org.

General Facilitation of Stakeholder Workshops	
Guiding Principal	**Practical Application**
Emphasise short-term activities	· Successful execution creates incentives for participants to come together to work on longer-term solutions to constraints
Plan for sustainability	· Make it clear that the process you are initiating will only work when stakeholders take ownership of it. Make sure you focus on activities of which stakeholders will quickly take ownership.
Pick participants carefully	· Focus on those stakeholders who have or could have incentives to drive solutions. If there are not clear incentives to drive upgrading, your participants will not be able to take ownership of the process. · Per diems should not be offered. If per diems are the incentive, you will not get the buy-in and commitment of market actors and businesses that you need.
Prepare well	· Spend more time on selecting the right participants, convincing them of the merits of participating, and on the identification of opportunities and constraints in the value chain analysis.
Reward champions	· Reinforce the behaviour of stakeholders coming together to develop plans by arranging press coverage, project and public recognition. Use the opportunity for the press to follow-up on action plan results as an incentive for stakeholders to implement their action plans in a timely manner. Local stakeholders are generally responsive to local feedback.
Move seamlessly from planning to action	· Make sure that action plans include who, what, when, and follow-up. · Where project resources are available, follow up quickly with technical assistance. Lack of follow through, especially early on, can lead to stakeholder disillusionment.
Look for incentives in transactions	· Find individuals for whom new business services have commercial value. · Emphasise new business relationships as an indicator of success. · Nothing motivates as quickly as opportunities with relatively quick returns.
Find the balance between quick and catalytic	· The development of a shared industry vision is an important part of the process but is often best built upon short-term results. Private sector ownership of a strategy to build industry competitiveness is a process with many steps: the first ones are often small and must be successful.
Do not feel pressured to resolve conflicts	· It is more important to help participants understand the conflicts, as the stated conflict is rarely the real issue. Instead of trying to resolve the conflict, hold to the goal of clarifying the perceptions, including assumptions and facts. However, facilitators should not let the conflict get out of hand during the workshop.
Address the underlying issues	· In public, people may ask a question that is one step away from the real question. Try to address the real question to get real commitment.
There is no one right way	· It is critical for the facilitator to refrain from preconceived notions of the "right" process. Always keep in mind the end destination: increased collaboration and specific action plans. How you get there will be determined by the stakeholders.

General Facilitation of Stakeholder Workshops	
Guiding Principal	**Practical Application**
Be genuine	· Although some stakeholders will try to push the facilitator into an expert role, it is important not to accept it. If you do, conflict will be seen as a question for the expert to answer rather than as different perceptions that need to be understood by each of the participants. · The skill of being able to communicate effectively will be the most valuable tool the facilitator can leave with the participants.

Ensuring Participation of Very Poor Producers in Stakeholder Workshops	
Guiding Principal	**Practical Application**
Invitation to producers should not come from the project	· Very poor producers will be more willing to attend if they feel that the other value chain actors want them there.
Discuss social and logistical aspects of the workshop with producers	· Seemingly simple things such as what to wear or what to do during a coffee break can be very overwhelming. Walk the participants through what they should expect at the event.
Run specific sessions to address producers' constraints	· It will be easy for the producers' voices to be unheard if they are not specifically addressed.
Conduct multiple workshops	· Conduct multiple workshops on an ongoing basis. · Through repeated interactions and continually revisiting issues, producers start to feel more comfortable and confident in sharing their needs.
Use small group work	· During the workshop it is useful to break into small groups that allow very poor producers to participate more confidently in a smaller group of people, rather than having to speak out in front of the whole workshop. If done early, this is particularly useful to build the confidence of the very poor producers.
Use participatory workshop tools to give all equal voice	· When prioritising information, it can be very useful to utilise methods such as getting participants to write their views anonymously on paper, which the facilitator will then read out loud or voting by putting a dot next to the selection on paper.
Provide translation	· In some places, very poor producers are marginalised due to their ethnicity or language, and in such cases, it will be necessary to have an effective translation option to ensure they can communicate effectively in the workshops.
Address issues	· Provide for logistics or sensitisation around women's involvement if it

around women's involvement	involves women traveling long distances on their own, staying overnight at hotels, or interacting with men, particularly where it is less common for women to interact with men directly or travel on their own. (See the section on the Exclusion of Women later in this Field Guide for more practical examples to address issues around women's involvement.)

Field Example: Effective Stakeholder Workshop Strategies

Examples from several contexts include:

- In Ethiopia, CARE conducted multiple and regular workshops on an ongoing basis. Stakeholder workshops were held for each value chain in each region on a quarterly basis. Although the market facilitator helped to prepare the producers for the meetings, it was the repeated exposure that helped the very poor feel comfortable sharing their opinions.
- In India, ACDI/VOCA rewarded champions and facilitated a system where local stakeholders kept a check on industry developments by providing frequent press releases to the media who then followed-up to see what stakeholders are actually doing.
- In a Sierra Leone cocoa summit facilitated by World Vision, the government made radio announcements to encourage producers to attend. In this way, World Vision ensured that the invitation for producers to attend was not coming from the development organisation. World Vision also devoted an entire breakout session to how to strengthen producer groups to ensure that producers' voices were specifically addressed.
- In many parts of the world, Action for Enterprise, a U.S. NGO that has been conducting stakeholder workshops using value chain approaches, helps stakeholders identify services that they can offer for a fee or as a way to expand their market as a way of prioritising solutions that stakeholders will implement quickly.

IV. LINKING VERY POOR PRODUCERS TO OTHER PRODUCERS

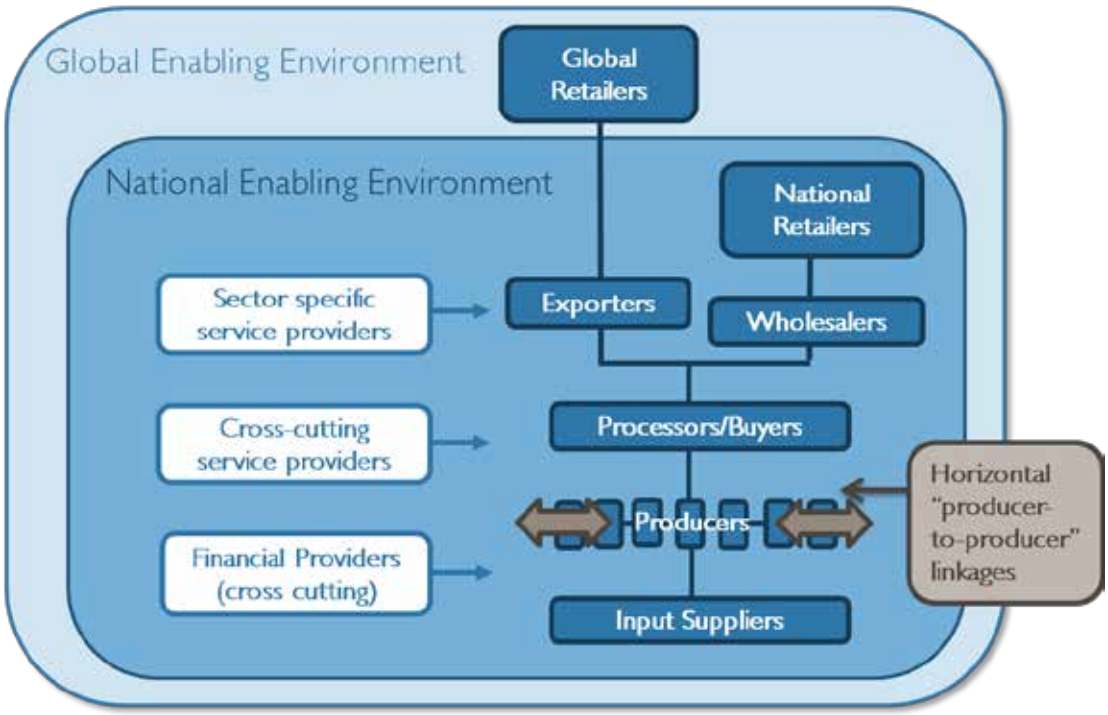
Very poor households face many challenges to successful participation in markets. They lack assets (physical, financial, and social) and information, face social exclusion, have low self-confidence, and have a limited ability to take on additional economic risk.

A. PRODUCER-TO-PRODUCER LINKAGES

KEY TERM

Producer-to-producer linkages: business relationships between firms at the same level in a value chain that buy from and sell to the same people

Very poor producers can be linked to other producers through informal linkages or more formal arrangements, such as producer groups. When very poor producers are a part of producer groups, they can overcome barriers to market entry.



Field Example: Working with Producer Groups in Post-Conflict Angola

For smallholder farmers in post-conflict Angola, the ability to break out of very small input purchases and to stabilize incomes is not an easy task. The majority of very poor farmers are informal, have limited access to financial services, and in general may not be functionally literate. This means in the market they are unable to get fair prices from buyers or sellers, and as a result they are missing out on opportunities to increase their profitability. They generally lack the confidence to take on risks and make investments that will grow their incomes.

In response, World Vision's Bill & Melinda Gates Foundation-funded ProRENDA project adapted a multifaceted approach to increase smallholder farmer incomes. This approach focused on increasing access to information (about inputs, markets, and techniques), building better relationships between farmers and suppliers & buyers, and critically, increasing the roles of women and youth in associations to allow them to leverage resources they would not have access to as individual smallholders. Together these activities mitigated some of the risks perceived by smallholder farmers and increased their confidence to demand more competitive prices—both from suppliers and from buyers.

Among ProRENDA's activities were farmer business schools/training-of-trainers, demonstration plots as proof of the viability of new techniques, seed banks to increase access to better inputs, adult literacy training to increase business planning and confidence of the farmers, savings groups to increase access to finance, and the diversification of incomes to increase the resiliency of vulnerable groups in the face of droughts and other shocks. Read Case Study Five in Annex B for more details.

How Can Linkages with Other Producers be Used to Benefit Very Poor Producers?

Building horizontal linkages among very poor producers is one way to involve them in value chain activities. As part of a producer group, very poor producers can share assets, information, and risk, as well as obtain access to a variety of services and inputs. Linkages can improve upon weak economies of scale and address social issues of empowerment. Informal groups especially can offer an entry point through which quick wins can be generated.

Operating as part of a group can assist very poor producers in building the confidence necessary to be active participants in markets. Producer groups are effective in improving the knowledge and skills of their members in a range of activities, in improving access to information, in helping members access lump sums of cash through savings and/or credit, and in linking producers to wider commercial networks. Producers operating in groups can negotiate discounts, as they can buy inputs such as seeds and fertiliser in bulk, can group together to buy a piece of equipment, and can also access discounts in post-harvest storage facilities.

Productive and effective producer-to-producer linkages (horizontal linkages) involve longer-term cooperative arrangements among firms that include interdependence, trust, and resource pooling in order to jointly accomplish common goals.

Benefits of mutually beneficial horizontal linkages include:

- Utilising economies of scale
- Achieving reduced transaction costs
- Experiencing sharing of risks
- Benefitting from collective learning
- Increasing bargaining power
- Increased social capital to offset shocks

Benefits of Horizontal Relationships

This table shows areas to capitalise on in effective producer-to-producer relationships.[15]

Benefits to Leverage	Practical Example of Producer-to-Producer linkages
Leverage cheaper and easier access to buyers, suppliers, and support	*A single farmer doesn't produce enough to fill a truck to bring produce to market; 50 producers together would likely have enough to fill the truck.* *Buyers usually don't like to work with many small suppliers: they often prefer to work with groups that can supply a large quantity in one transaction.*
Improve bargaining power	*A single farmer representing a larger group has more influence in negotiations with traders or transporters than when acting alone.* *Increased bargaining power accompanies buying or selling in bulk.*

15 Adapted from Robbins, et al. 2008. Advice Manual for the Organisation of Collective Marketing Activities for Small Scale Producers. USAID, CRS, NRI. Chapter One.

Benefits to Leverage	Practical Example of Producer-to-Producer linkages
Lower transaction costs *(for buyers and producers)*	*With a rented truck, groups of producers can access more formal buyers, and bypass informal traders who often pay very low prices at the farm gate.* *If buyers are able to purchase products that have been collected from multiple producers at a central point, it decreases the costs for the buyer as they do not have to travel to individual producers.*
Improve quality control	*Producers can obtain support in meeting appropriate quality standards to increase level of efficiency in post-harvest handling.* *When bringing their produce together, producers can gain a reputation for higher quality by sorting and grading their produce by size, quality, or other criteria from the market.*
Increase production	*Many producers do not produce as much as they could because they cannot afford the necessary inputs, or they are afraid of not being able to sell all of their production. Collective buying and selling can address this.*
Access savings or credit	*Producers are often able to access lump sums of cash through savings or credit. Banks are sometimes more likely to lend to groups of borrowers, particularly if the group has its own saving programme.*
Purchase equipment and services together	*Producers can pool their resources to build collective storage facilities, buy machinery or equipment that they could not afford individually, or obtain group discounts on inputs such as seeds and fertiliser.*
Negotiate and access discounts	*Group participation can result in access to discounts for post-harvest storage facilities, or for buying inputs such as seeds and fertilisers in bulk.*
Obtain easier access to training and other services	*It is easier for agencies providing training services to teach a group rather than each producer individually.*
Pool resources to share assets	*Producers can pool their resources to share the use and ownership of equipment and other assets.*
Share labour	*Producers can share time and labour to obtain assistance in working their land (such as planting) or repairing equipment. Could be informal or in the form of shared labour schemes.*
Improve access to moral support	*Producers can increase the moral support provided from their peers when working with other producers.*
Improve access to knowledge by learning from each other	*Producers can learn from each other, improving their knowledge and skills across a range of areas.*
Improve access to information	*Producers can increase their access to information by pooling information sources, sharing information, and learning from each other.*

Benefits to Leverage	Practical Example of Producer-to-Producer linkages
Link to wider commercial networks	*Producers can access wider commercial networks by pooling with other producers.*
Share risk	*Producers can share the risk of taking on transactions by pooling resources.*
Build confidence to be active market participants	*Working with other producers or belonging to a producer group can help to build the confidence necessary to be active participants in markets.*
Increase access to information and skills for upgrading	*A producer that is connected to a group is more likely to be exposed to new production techniques or technologies than if s/he was alone.*
Exert influence	*Groups of producers can often exert more political influence to improve government services such as repairing roads or improving the services that schools & clinics provide.*
Increase social capital	*Collective activity can strengthen social cohesion and trust within a community.*

Producer-to-Producer Facilitation Tool

Use the worksheet to identify outcomes and activities that the project can facilitate to promote and leverage effective producer-to-producer relationships for very poor producers.

Identify solutions to constraints experienced by producers	Identify practical activities that the project can promote, support, and leverage through facilitation of producers to work together. Do not select all the options, but only those that are most strategic for the current stage of your project given the areas in the market that could leverage the greatest systemic change.
Benefits to leverage	**Practical activities to facilitate**
c **Leverage cheaper and easier access to buyers, suppliers, and support**	*Facilitate market actors to incentivise and empower producers to be able to:* c *pool their resources to obtain group discounts on inputs such as seeds and fertilizer* c *pool their products to sell in bulk for increased prices* c *pool their products to provide one large delivery rather than several small deliveries to a buyer* c *share more affordable transport options by combining products* c *other:*_____
c **Improve**	*Facilitate market actors to incentivise and empower producers to be able to:*

Identify solutions to constraints experienced by producers	Identify practical activities that the project can promote, support, and leverage through facilitation of producers to work together. Do not select all the options, but only those that are most strategic for the current stage of your project given the areas in the market that could leverage the greatest systemic change.
Benefits to leverage	**Practical activities to facilitate**
bargaining power	c *negotiate with traders or transporters as a group* c *exert increased bargaining power when they buy or sell in bulk* c *other:*_____
c **Lower transaction costs** *(for buyers and producers)*	*Facilitate market actors to incentivise and empower producers to be able to:* c *share transportation costs to be able to access more formal buyers, and bypass informal traders, who often pay very low prices* c *deliver products from multiple producers to one central point for easier access by buyers to decrease their costs as they do not have to travel to individual producers* c *other:*_____
c **Improve quality control**	*Facilitate market actors to incentivise and empower producers to be able to:* c *obtain support in meeting appropriate quality standards to increase efficiency in post-harvest handling* c *gain a reputation for higher quality by combining their products and sorting and grading by size, quality, or other characteristics demanded by the market* c *other:*_____
c **Incentive to increase production**	*Facilitate market actors to incentivise and empower producers to be able to:* c *produce as much as they can because they can afford the necessary inputs through bulk-buying* c *have the confidence that they can sell all of their produce by combining their products for collective buying and selling* c *other:*_____
c **Access savings or credit**	*Facilitate market actors to incentivise and empower producers to be able to:* c *access lump sums of cash through savings or credit* c *access loans from banks that are more likely to lend to groups of borrowers, particularly if the group has its own saving programme* c *other:*_____
c **Purchase equipment and services together**	*Facilitate market actors to incentivise and empower producers to be able to:* c *pool their resources to build collective storage facilities* c *pool their resources to buy machinery or equipment that they could not afford alone* c *other:*_____

Identify solutions to constraints experienced by producers	Identify practical activities that the project can promote, support, and leverage through facilitation of producers to work together. Do not select all the options, but only those that are most strategic for the current stage of your project given the areas in the market that could leverage the greatest systemic change.
Benefits to leverage	**Practical activities to facilitate**
	_____
c **Negotiate and access discounts**	*Facilitate market actors to incentivise and empower producers to be able to:* c *access discounts for post-harvest storage facilities or for buying inputs such as seeds and fertilisers in bulk* c *other:*_____ _____
c **Obtain easier access to training and other services**	*Facilitate market actors to incentivise and empower producers to be able to:* c *obtain training services to teach a group rather than individual producers.* c *negotiate discounts as they can buy inputs such as seeds and fertilisers in bulk.* c *access post-harvest storage facilities, as together they can fill the storage facility.* c *other:*_____ _____
c **Pool resources to share assets**	*Facilitate market actors to incentivise and empower producers to be able to:* c *pool their resources to share the use and ownership of equipment and other assets.* c *other:*_____ _____
c **Share labour**	*Facilitate market actors to incentivise and empower producers to be able to:* c *share time and labour to obtain assistance in working their land (such as planting) or repairing equipment. Could be informal or in the form of shared labour schemes.* c *other:*_____ _____
c **Improve access to moral support**	*Facilitate market actors to incentivise and empower producers to be able to:* c *increase the moral support provided from their peers when working together.* c *other:*_____ _____
c **Improve access to knowledge by learning from each other**	*Facilitate market actors to incentivise and empower producers to be able to:* c *learn from each other, improving their knowledge and skills across a range of areas.* c *other:*_____ _____
c **Improve access to information**	*Facilitate market actors to incentivise and empower producers to be able to:* c *increase their access to information by pooling information sources.* c *share information between each other and learn from each other.* c *other:*_____

Identify solutions to constraints experienced by producers	Identify practical activities that the project can promote, support, and leverage through facilitation of producers to work together. Do not select all the options, but only those that are most strategic for the current stage of your project given the areas in the market that could leverage the greatest systemic change.
Benefits to leverage	**Practical activities to facilitate**
	_____
c **Link to wider commercial networks**	*Facilitate market actors to incentivise and empower producers to be able to:* c *access wider commercial networks by pooling with other producers.* c *other:*_____ _____
c **Share risk**	*Facilitate market actors to incentivise and empower producers to be able to:* c *share the risk of taking on transactions by pooling resources.* c *other:*_____ _____
c **Build confidence to be active market participants**	*Facilitate market actors to incentivise and empower producers to be able to:* c *build the confidence necessary to be active participants in markets.* c *other:*_____ _____
c **Increase access to information and skills for upgrading**	*Facilitate market actors to incentivise and empower producers to be able to:* c *be exposed to new production techniques or technologies.* c *other:*_____ _____
c **Exert influence**	*Facilitate market actors to incentivise and empower producers to be able to:* c *exert more political influence to improve government services such as repairing roads or improving the services that schools and clinics provide.* c *other:*_____ _____
c **Increase social capital**	*Facilitate market actors to incentivise and empower producers to be able to:* c *strengthen social cohesion and trust within a community.* c *other:*_____ _____

Linkages between producers can take multiple forms, including:

- } Linkages promoted by leading producers
- } Linkages through formal producer groups
- } Linkages through informal producer groups
- } Linkages through cooperatives

Field Example: Need for Formal Producer Groups in Some Contexts

In some contexts, producers need to be in groups in order to access certain services or benefits. In Angola, producers are only able to access loans if they are members of a producer group. In other cases, such as in Sierra Leone, very poor producers are only able to access free government inputs, such as seeds, if they are members of an officially registered group.

The table that follows discusses several of the forms that producer linkages with other market actors can take and notes the advantages and disadvantages in each case.

Analysis of Types of Producer Linkages

This table shows advantages and disadvantages of different types of producer-to-producer linkages for very poor producers.[16]

Type of linkage	Collective Activity	Advantages	Disadvantages
Linkage promoted by leading producer	· Producers usually function as informal group, coordinated by one or a few leading producers	· Producers have output, and sometimes input, marketing taken care of · Greater negotiation power with larger quantities	· Leading producer may pull out of the venture · Payment may be deferred if buyers send payment to leading farmer · There may be power issues between strong and weak producers
Linkages through formal producer groups	· Producers may link directly with each other through formal, registered producer groups	· Potential for producers to sell larger volumes · Potential for producers to buy in bulk	· Greater recordkeeping, reporting, tax and registration requirements
Linkages through informal producer groups	· Producers may link directly with each other through informal, unregistered	· Can take advantage of economies of scale through purchase of inputs, technical assistance, etc.	· Producer groups may not be able to access contracts as they are unregistered

16 Adapted from Shepherd, Andrew W. 2007. Approaches to Linking Producers to Markets. Agricultural Management, Marketing and Finance Occasional Paper 13. p. 8-9

Type of linkage	Collective Activity	Advantages	Disadvantages
	producer groups	· Can provide support to one another, learn from each other, and draw on relationships in time of need	
Linkages through cooperatives	· Producers may link directly with the cooperative or through other groups	· Inputs, technical assistance, etc. may be supplied on credit · Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative · Potential for producers to sell larger volumes	· Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and managerial assistance run out

Consider the characteristics of the very poor producers that you are working with and the characteristics of the linkages in this table, and ask yourself:

- Are formal groups necessary?
- What are the risks that very poor producers will face and are they willing to face them?
- What embedded services might be available to help very poor producers to upgrade?

Producer Linkages Assessment Tool

Use the worksheet to assess different forms of producer-to-producer linkages most applicable to very poor producers.

Consider type of producer-to-producer linkages to support	**Note the advantages of the type of producer linkage and consider whether the these outweigh the challenges**	**Note the disadvantages of the type of producer linkage and consider whether these outweigh the benefits**
Type of linkage	Advantage	Disadvantage
c **Linkage promoted by leading producer**	c Producers have output, and sometimes input, marketing taken care of c Greater negotiation power with larger quantities c Other:	c Leading producer may pull out of the venture c Payment may be deferred if buyers send payment to leading farmer c There may be power issues

Consider type of producer-to-producer linkages to support	**Note the advantages of the type of producer linkage and consider whether the these outweigh the challenges**	**Note the disadvantages of the type of producer linkage and consider whether these outweigh the benefits**
Type of linkage	**Advantage**	**Disadvantage**
	_____ _____ _____ c Other: _____ _____ _____	exerted between stronger and weaker producers c Other: _____ _____ _____ c Other: _____ _____ _____
c **Linkages through formal producer groups**	c Potential for producers to sell larger volumes c Potential for producers to buy in bulk c Other: _____ _____ _____ c Other: _____ _____ _____	c Greater recordkeeping, reporting, tax and registration requirements c Other: _____ _____ _____ c Other: _____ _____ _____
c **Linkages through informal producer groups**	c Inputs, technical assistance, etc., may be supplied on credit c Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative c Potential for producers to sell larger volumes c Other: _____	c Producer groups may not be able to access contracts, as they are unregistered c Other: _____ _____ _____ c Other: _____

Consider type of producer-to-producer linkages to support	**Note the advantages of the type of producer linkage and consider whether the these outweigh the challenges**	**Note the disadvantages of the type of producer linkage and consider whether these outweigh the benefits**
Type of linkage	**Advantage**	**Disadvantage**
	_____ _____	_____ _____
c **Linkages through cooperatives**	c Inputs, technical assistance, etc. may be supplied on credit c Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative c Potential for producers to sell larger volumes c Other: _____ _____ _____ c Other: _____ _____ _____	c Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and managerial assistance run out c Other: _____ _____ _____ c Other: _____ _____ _____ c Other: _____ _____ _____
c **Other:** _____ _____ _____	c Other: _____ _____ _____	c Other: _____ _____ _____

B. FACTORS IMPACTING PRODUCER-TO-PRODUCER LINKAGES

Several factors impact the effectiveness and efficiency of linkages between very poor producers. These include issues around trust, the limited ability of producers to take on risk, very poor producers' limited access to resources, and lack of self-confidence dealing in markets.

1. Lack of Trust in Horizontal Relationships

A. Why is trust important?

KEY TERM

Social capital: trust, norms, networks, and relationships among people that can be used to solve common problems

One of the most important success factors for collective activity is internal trust and social capital among producers in a producer group. The successful adoption of collective marketing techniques depends more than anything on the willingness of producers to trust each other and make decisions based on common goals. For example, two producers sharing a plough can get the same amount of work done with less physical capital. The trust and relationship between them means they do not each have to buy a plough.

B. How can I help to build trust among very poor producers?

The building of trust and the adoption of transparent and fair systems must be addressed and agreed upon from the outset when producers start working together in producer groups (whether an informal producer group or a more formal association or cooperative). This can be done through:

- Clear communication of members' roles and expectations
- Clear understanding of the group's goals and vision
- Shared vision of a business plan
- Continued communication to keep members informed and involved
- Processes to deal with issues or concerns (one way to do this is to designate one member of the leadership team as a confidential person to whom members can take problems)
- Conducting business-like meetings, following a clear agenda, and having written minutes
- Clear agreement on penalties if roles are not fulfilled or if someone has done something outside of the agreement
- Regular review and reflection events to learn from experience and evaluate the way things are working
- Regular rotation of group leadership to lessen potential for corrupt practices

Field Example: Building Trust among Producers through Routine Communication in Indonesia

In Indonesia, producer groups supported by World Vision activities hold reflection and evaluation meetings every four to six weeks to review their activities and evaluate their future plans. These meetings provide an opportunity to build trust within the group, as members are able to ask questions and discuss issues in a safe and open environment. Producer group representatives (those who deal with buyers on the group's behalf) are asked to provide a report of their activities, the way they have disbursed funds, and to list the different buyers they have contacted. This transparency not only informs the group and builds their capacity; it also fosters increased confidence and trust in each other.

2. LIMITED ABILITY TO TAKE ON RISK

A. WHY DO THE VERY POOR HAVE LIMITED ABILITY TO TAKE ON ADDITIONAL ECONOMIC RISK?

Very poor households are continually facing situations of high economic risk.[17] The reason for this is that very poor producers:

- could lose the few assets they have as a result of any sort of unfavourable circumstance, and just meeting daily needs may be a struggle
- lack effective ways to overcome the financial or economic risks, such as using savings or insurance, to deal with unexpected events, such as an illness, loss of a job, or a natural disaster
- are not in a position to take on added financial risks, however small, that could threaten their basic survival as they are already vulnerable to unexpected events

Field Example: Graduating from Food Aid and Productive Safety Nets in Ethiopia

The majority of chronically food insecure households in Ethiopia are located in rural areas; they are dependent on rain fed agriculture, face a variety of production constraints, lack access to financial services, markets, information, and linkages to other stakeholders. A one-time "graduation" from food aid will not be sufficient if it does not also ensure that beneficiaries do not fall back into chronic food deficiency due to emergencies such as drought, family illness, deaths, etc. The USAID-funded Productive Safety Net Program Plus (PSNP Plus) was based on a Graduation Pathway Model, which puts together a package of interventions and executes them in a particular sequence. This package and sequence helps chronically food deficient households first become food sufficient (although still vulnerable), and ultimately to become food sufficient and resilient (able to cope with shocks). As they progress on this graduation pathway, they are linked with mainstream business, finance, training, and other services provided by private, public, or other actors.

PSNP Plus does this by first identifying feasible value chains that are viable considering the needs and capacities of chronically food insecure households. This is followed by the establishment of Production Marketing Associations and training of small producers in a variety of skills, including value chain related technical training, group organization and management, governance and transparency, and business, market, and financial literacy. Systems are put into place for on-time market information (Market Information Platforms), and technical assistance on productivity and quality is mobilized through government agencies and the private sector. PSNP Plus found it critical to engage the government and private sector actors in the project, for example, by invitations to project retreats and planning meetings, joint field trips, and multi-stakeholder platforms to troubleshoot the day-to-day problems and bring the various market actors together to build subsector relationships. In addition, microfinance was made more accessible through a dual track approach that included: 1) organizing households into Village Savings and Loan Associations and linking them to formal microfinance institutions, and 2) linking the PSNP households directly to MFIs and cooperatives. Read Case Study Four in Annex B for more details.

17 This refers to activities and behaviour that have economic risk, such as investing in something that could lead to losing crops or savings, rather than physical risk, such as behaviour that could lead to contracting HIV/AIDS.

B. How does this impact their ability to participate in markets?

Very poor producers often behave in ways that we might not expect. Rather than prioritising increasing their incomes, they may prioritise decreasing their risk by lowering their spending and investing less in their farm or other livelihood activities and increasing their savings. What may seem like an opportunity to a higher income producer (investing in equipment or technology to increase production) may seem like a large risk to a very poor producer (she could lose all of her investment and be left with nothing). Very poor producers cannot afford to invest their time and resources in a crop that may fail or a product that may face drastically falling prices.

C. What can I do to assist very poor producers to be comfortable taking more risks?

- Encourage multiple sources of income, so that if one fails, or is not as lucrative at a certain time, there will still be income coming to the family from another source. Taking on a range of low-profit activities, rather than one highly profitable activity, ensures more consistent income as time goes by, ensures less risk of the only income source failing, and overcomes the impact of only receiving income during certain seasons. Producers should be encouraged to take on different types of activities that provide income streams, such as upgrading to higher value trading functions, and including both off- and on-farm enterprise activities.
- Encourage specialisation across several products. To maximise their incomes and benefit the sector that they are working in, it helps if very poor producers focus on and specialise in a particular product. To maintain multiple sources of income, they could specialise within a small group of products or activities, rather than intensifying their focus on one product at the expense of others, or rather than having 20 products that they handle without being competitive in any.
- Link to food aid and food transfers where, without the initial food support, very poor producers would not be able to focus on the other activities. In Ethiopia, the PSNP Plus project provides an initial food package or food voucher for a limited time until producers graduate to a stage where they are able to continue without the food support.
- Promote crops for consumption and the market. Balance the need to earn income with food consumption so very poor producers do not eat their chickens or calves, sell their start-up equipment to access money for food, and fail to put aside money to save. With access to food, they may be able to take on the economic risk of investing in a new activity. Do not assume that all households should be growing their own food to eat rather than taking on other activities and buying food instead, or that all producers are also good gardeners. Encourage food crops that provide the requisite nutrients needed by households and that can be profitable, or intersperse highly nutritious food crops with high value cash crops. If market facilitators work to promote a high value crop, the producers need to have enough other nutritious food crops available to feed themselves and their families in case produce prices drop, deals are broken, the rains do not come, or insects damage the high value crop. In Ethiopia, household gardens or smallholder farms are used to grow food crops to provide the household with food while also providing the producer with crops to sell at the market.
- Promote food consumption for the family and livestock first, rather than holding food back that has market and income potential. When very poor producers calculate the revenue being generated from their farms or household gardens, they should first include a calculation of what

food is consumed by the family, then what is subtracted to be fed to the family's livestock, and only then what is available for the market.

- **Start with small, low-risk activities.** Low economic risk activities often provide less money, but are far more comfortable for very poor producers as a starting point before moving into higher risk activities that can make more money. A producer may feel more comfortable drying mangoes and selling these, as this is a lower risk activity with less new knowledge and financial capital needed, than with starting up a wild mushroom farming operation, even if that sector offers large returns. Producers want to be sure they have food on the table for their families, and are not necessarily ready to invest the time or money needed for the larger operation.
- **Connect to markets with low barriers to entry and low risks.** These are often (but not always) local markets - even if they offer lower returns. Starting with and doing well in these markets helps to build skills and confidence to move into more risky options.
- **Focus on activities with short-term, frequent returns,** rather than having long periods without income. Helpful information includes the seasons of various crops so that producers can grow several crops that draw income throughout the year, or methods to extend growing seasons, such as drying or juicing, and therefore result in longer periods with income. Supplying honey to a local supermarket may appeal more to a very poor producer than supplying woven baskets once a year to an international exporter, even if this yearly sale would be more profitable. Similarly, growing vegetables that take eight weeks to produce a return would be preferred to planting coffee plants, which, although of higher value, take five years to grow.
- **Build on existing resources, skills, and behaviours,** so the vulnerable household will feel confident and will require comparatively less time and financial investment. In the World Vision PAGE project in Sierra Leone, staff worked with very poor producers who were already selling cocoa to the informal sector buyers, organising the producer groups to sell directly to more formal sector marketing companies at a higher price.
- **Use smart subsidies** to decrease risk, encouraging producers to adopt a new behaviour or invest in a new technology.
- **Connect to formal safety net initiatives**, such as supporting access to micro-health insurance, food or cash transfers, or government pension schemes.
- **Facilitate community-level traditional safety nets** such as extended families or neighbours providing food, other resources, or assistance to very poor households. This might include informal insurance mechanisms to protect land or equipment, or shared labour groups to collectively help each other during times of need. Market facilitators need to work with producer group leadership to ensure that powerful community members or traders do not take advantage of female-headed households when they need food or other resources.
- **Facilitate coaching and mentoring.** Very poor producers can learn to understand the market system and the nature of risks through informal or formal mentoring from other local persons, such as more established female micro entrepreneurs supporting younger female entrepreneurs just starting an enterprise.
- **Arrange exposure visits with other producers** to learn from peers by seeing examples of producers in similar settings using new techniques. For adults, peer learning is often one of the most effective ways of learning.
- **Support participatory research and analysis.** If producers are included in market analyses, they are more likely to understand the risks involved and to use new techniques or buy improved tools.

Risk Reduction Planning Tool

Use the worksheet to identify practical activities to address the very poor producer's limited ability to take on risk.

Identify what solution you could focus on addressing	Identify practical actions on how this could be done	Identify who in the market could do, advocate for, or support this
c Encourage multiple sources of income		
c Encourage specialisation across several products		
c Link to food aid and food transfers		
c Promote crops for consumption and the market		
c Promote food consumption for the family and livestock		
c Start with small, low-risk activities		
c Connect to markets with low barriers to entry		
c Focus on activities with short-term, frequent returns		
c Build on existing resources, skills, and behaviours		
c Use smart subsidies		
c Connect to formal safety net initiatives		

Identify what solution you could focus on addressing	Identify practical actions on how this could be done	Identify who in the market could do, advocate for, or support this
c Facilitate community-level traditional safety nets	_____ _____ _____	_____ _____ _____
c Facilitate coaching and mentoring	_____ _____ _____	_____ _____ _____
c Arrange exposure visits with other producers	_____ _____ _____	_____ _____ _____
c Support participatory research and analysis	_____ _____ _____	_____ _____ _____
c Other: _____ _____ _____	_____ _____ _____	_____ _____ _____
c Other: _____ _____ _____	_____ _____ _____	_____ _____ _____

3. LIMITED ACCESS TO RESOURCES

Very poor producers generally lack the assets required to participate in markets. They also often do not have access to basic services.

HOW CAN I HELP VERY POOR PRODUCERS MITIGATE THE PROBLEM OF LIMITED RESOURCES?

} Facilitate access to provisions from safety net programmes. This may mean advocacy with government or NGO safety net staff to include extremely poor families from the targeted communities in the safety net programme.

} Form groups to help them access current services that currently do not reach them (e.g., government Ministry of Agriculture extension programmes). Be aware of the services or programmes being offered in the country. Forming groups can help ensure the very poor benefit from these services. In Sierra Leone, groups have to be registered with the government in order to receive services such as agricultural extension or distribution of seeds and tools. The World Vision PAGE programme helped farmers form groups so that they could access these provisions.

} Facilitate access to vouchers. Vouchers provide more accountability than cash because they have to be redeemed for a particular service from particular vendors. They also allow for market

interactions to take place—the very poor are consumers with the power to "buy" something. Rather than just taking a hand-out, they are participating in the market.

- **Leverage ability to provide and share labour.** Informal labour groups can provide the labour and motivation to engage in larger projects that are not feasible for individuals. Participation in such groups helps accomplish tasks that previously weren't possible without hired labour, and develops stronger relationships that can be called upon in times of need.
- **Facilitate access to a transfer of a productive asset** for the very poor households that have no or very few productive assets. For example, in Angola, World Vision provided initial seed "starter packs" of improved crop varieties of annual agricultural and horticultural crops (self-fertilising or open-pollinated crops) to the very poor.
- **Be creative with the assets and skills that the very poor do have.** Undertake an asset-mapping exercise to identify potential opportunities for leveraging assets. A group of disabled people in Sierra Leone knew the blacksmith trade and could make tools, but they were unable to work any land. In exchange for tools, other very poor households would work the disabled blacksmiths' land, and both groups were better off for the exchange. Also, by becoming part of the economy, these groups can reduce the stigma they face.
- **Look for potential linkages with buyers or suppliers** who can often provide embedded services (e.g. training, inputs on credit) that can reduce initial cash needed.
- **Generate capital through savings.** Savings groups can provide the opportunity to save for start-up capital from small income generating activities.
- **Utilise in-kind rotating schemes** such as seed banks or animal banks with goats and other livestock. At harvest time or after reproduction of animals, the initial beneficiary has to "pay back" the assets received, with interest, to other members of the community. For example, a part of the harvest has to be given as seed to other community members.

Field Example: Loan Guarantees as an Incentive for Financing to Very Poor Producers in Angola

In the post-war context in Angola, World Vision used a loan guarantee scheme to ensure credit for the most vulnerable in 2004. By 2010, the government credit scheme adopted the same principles of managed credit on a national level. ProPlanalto, funded by USAID and Chevron from 2004 to 2006, provided a loan guarantee at 10 per cent together with 5-10 per cent savings from the loan beneficiaries as an incentive to financial institutions to lend to very poor producers. In the second cycle of credit, the beneficiaries assumed the 20 per cent savings/loan guarantee to the bank. This was possible given their increased capability and the crucial need to ensure future sustainability in the granting of loans by financial institutions.

Field Example: Private Sector Providing Inputs and Training to Very Poor Producers in Ethiopia

In Ethiopia, CARE identified a private sector firm that could benefit from outsourcing part of its production to very poor producers. CARE worked with a larger-scale pig farmer to recognise where the very poor in his community could add value to his business. Raising pigs for meat is a technical process that requires specific conditions, feed, etc. However, raising the pregnant mother pigs and birthing the piglets is not as demanding, and most very poor households can take on the task successfully. The private sector farmer "sold" the pregnant pigs to very poor households, and provided the necessary inputs and training to take care of them. He then bought back the piglets at a price that took into account the inputs and mother pig that he had originally provided to the very poor households. In this way, the private sector farmer could focus on the harder part – raising the pigs for meat. The necessary, but less difficult and intensive task of raising the pregnant mother pigs was taken over by poor households. Because the poor households were provided with inputs and advice upfront, they did not need to have many initial resources.

Field Example: In-Kind Banks to Access Inputs and Equipment in Angola

In Angola, World Vision has facilitated the setting up of rotating in-kind banks. Communities of smallholder farmers, organised into associations or solidarity groups, manage seed banks of improved varieties of crops with vegetative propagation (such as improved varieties of cassava, sweet potato, Irish potato, bananas and fruit trees, multiplier onions, shallots, garlic, and Portuguese kale). In the first cycle of multiplication, a third of the beneficiary farmers receive a "starter pack" of seeds supported by other agricultural inputs (e.g., fertiliser). Farmers have access to technical assistance from the community seed banks.

Communities also manage in-kind banks to access animal traction pairs and equipment, goats, and other small livestock. At harvest time or after reproduction, the initial beneficiary has to "pay back" the assets received, with interest, to other members of the community. Usually the pay back is double the quantity initially received. (If 100 kg of potato seed is received by the primary beneficiary, when he harvests 900 kg of seed he returns 200 kg to be distributed to two other members of the community at 100 kg each.) Peer pressure is exercised to ensure that the seed return from the first cycle of multiplication is made available to the other smallholder farming families and that all members of the community ultimately benefit.

Limited Resource Strategic Planning Tool

Use the worksheet to identify resources that the very poor do have and practical actions to leverage these.

Identify resources, skills and attitudes the very poor have that can be leveraged	Identify practical actions that the project could encourage or facilitate to address the limited resources of the very poor
c Time c Labour c Social networks c _____ c _____ c _____ c _____ c _____ c _____	c **Facilitate access to provisions from safety net programmes** Which ones: _____ _____ _____ How could you facilitate access: _____ _____ _____ c **Form groups to help them access current services that currently don't reach them** Which ones: _____ _____

Identify resources, skills and attitudes the very poor have that can be leveraged	Identify practical actions that the project could encourage or facilitate to address the limited resources of the very poor
c _____ c _____ c _____ c _____ c _____ c _____	How could you facilitate access: _____ _____ _____ c **Facilitate access to vouchers** For what purpose: _____ _____ _____ How you can facilitate access or set up of voucher programme: _____ _____ _____ c **Leverage ability to provide and share labour** _____ _____ _____ c **Facilitate access to a transfer of a productive asset** Which assets: _____ _____ _____ How can you facilitate access: _____ _____ _____ c **Be creative with the assets and skills the very poor do have** _____ _____ _____ c **Look for potential linkages with buyers or suppliers that can provide services to support the very poor** Which buyers or sellers: _____ _____ _____ What support can they provide: _____ _____ _____

Identify resources, skills and attitudes the very poor have that can be leveraged	Identify practical actions that the project could encourage or facilitate to address the limited resources of the very poor
	c **Generate capital through savings** _____ _____ _____ c **Use in-kind rotating schemes** _____ _____ _____ c Other: _____ _____ _____ c Other: _____ _____ _____ c Other: _____ _____ _____

4. LACK OF CONFIDENCE

A. WHY DO VERY POOR HOUSEHOLDS LACK CONFIDENCE?

Very poor producers often do not feel ready to integrate into markets because they lack market confidence, feeling uncertain about management, negotiation, organisational skills, basic numeracy and literacy, and analytical skills. They often face a social stigma from society for being very poor and can also lack social confidence. After hope, confidence is one of the most important factors that enables very poor producers to cope with change and to negotiate with people who are perceived to wield greater power.[18]

B. HOW TO INCREASE THE CONFIDENCE OF VERY POOR PRODUCERS

} Choose initial activities that are simple, have a high chance of success, are quick to produce results, and have observable success so members become comfortable with higher risk later.

} Foster social relationships as particularly important among the very poor to improve self-esteem, confidence, and opportunities for reciprocity. Savings groups are one way to do this. It

18 Boquiren, Marian and Ivan Idrovo. 2008. Facilitating Behaviour Change and Transforming Relationships, Field Application of Key Value Chain Principles. USAID microReport #141. p. 9

is useful to assess existing informal groups and networks that the very poor belong to in order to build on these. It is important to not assume social exclusion but rather to build on what already exists and what is already important to the very poor.

- Focus on building basic skills. Training in functional literacy and numeracy can build confidence and prepare very poor producers to better participate in markets.
- Build market literacy. Understanding the market is an important step in preparing very poor producers for market relationships. If the producers in a producer group are well informed of updated prices and trends in the market, they are better able to bargain with potential buyers. One way to build market literacy is to have participatory market research teams that are led by development organisation staff. The information gathered through real interviews with market actors is very helpful for producers in understanding the way markets work. To build the producer groups' collective market literacy, the market facilitator can build group capacity to maintain information on prices, trends, and buyers. Producers in World Vision's MYAP in Afghanistan have changed their behaviour from accepting the first price quoted to them in the market for their produce to checking with a number of traders before finalising a sale. The MYAP provided market price information to the producers initially, but over time, the producers gained the confidence to check several traders on their own for the best price.
- Match very poor producers with mentors from the community to build skills and confidence and reinforce lessons received in training. It helps to hear the same message from multiple sources. The mentoring relationship increases social capital in the community that can be drawn on in times of need, and helps to build trust.

Field Example: Benefits of Mentorship in Indonesia

Producer representatives have been mentored over the course of two years to become confident negotiators and leaders within their communities in a World Vision project in Indonesia. A young man from Duntana village in Indonesia explains, "I feel like a new man. Over the past two years I have learned how to understand the market, how to contact the different buyers and negotiate with them on price, and how to organise my community so that we are able to meet the requirements of our buyers. Two years ago, I would not believe that I could be serving my community in this way. I am confident in representing my community and getting the very best deal for us. We are seeing our lives improve as we are earning more from our farms. We are sending our children to school with the right equipment, we are sending more young people to university than we ever have before, and we have more hope for our future and what we can achieve."

Field Example: Building Confidence through Basic Literacy and Numeracy in Sierra Leone

Very poor producers in Sierra Leone reported that the most valuable skill for improving their business was the ability to sign their names and understand how many zeros there are in 1 million. World Vision supported training on functional literacy and numeracy for members of savings groups. The development of these basic numeracy and literacy skills brought the very poor producers one step closer to having the confidence to participate in a market.

5. NON-FINANCIAL INCENTIVES TO PARTICIPATION

There are non-financial incentives for very poor producers to connect with other producers, with other market actors, or with a development organisation's programme.

A. EDUCATIONAL INCENTIVES

Educational incentives work when producers:

- broaden their education by learning new information (as they have often had limited educational opportunities)
- receive training and mentoring
- have an opportunity to work with new people and learn from those with whom they would not ordinarily be engaged

For example, in a CARE Ethiopia project, some beneficiary households do not want to graduate because they may lose the training and mentoring benefits that the project provides.

B. SOCIAL INCENTIVES

Social incentives work when:

- the activity might be seen as honourable or courageous
- shame of potential failure may be a strong disincentive
- there is risk of potential loss of important social relationships by mixing business with social relationships
- there are opportunities to build broader commercial networks (often constrained due to time, proximity, and social norms)
- there are risks with interactions across class, ethnicity, and gender lines

Field Example: Livelihoods for Very Poor Girls and Young Women in Kenya: The 'Girl Effect'

In parts of Kenya, many factors combine to perpetuate cycles of poverty for households, including high HIV and AIDS rates, inappropriate policies, inadequate rainfall combined with frequent flooding in parts of the region, rapid population growth, lack of utilization of agricultural land or farm inputs, environmental degradation, and inaccessibility of credit. Among the poor are a large number of orphans and other vulnerable children, including households headed by girls and young women 14-24 years old.

In response, the Value Girls Program, funded by USAID and the Nike Foundation and implemented by Cardno Emerging Markets under its Kenya Business Development Program, a locally registered NGO, empowered girls and young women in Kenya through economic enhancement and social development. This program illustrated the possibility for a powerful social and economic change brought about when girls have the opportunity to participate in their societies—the "Girl Effect." Applying a value chain approach as a "pathway out of poverty," the program applied a phased implementation strategy (i.e., start small and then scale-up), a strong market orientation, and the need and willingness of the program to remain flexible and adapt to a dynamic business environment. Smart subsidies were important to effectively integrate young women into promising business sectors. The program also integrated broader social skills-building in order to take into account the special requirements of a vulnerable group in implementing a value chain approach. Read Case Study One in Annex B for more details.

6. EXCLUSION OF WOMEN

Although gender constitutes impacts on both men and women, this Field Guide focuses on issues impacting women specifically, as at poor producer level challenges relating to participation by women are often the most common. This in no way implies that issues relating to men are less important.

A. WHY DOES WOMEN'S PARTICIPATION IN MARKETS MATTER?

Women are often critical to the operation of a smallholder farm (women are estimated to produce half of the world's food[19]). Given women's critical role in value chains, restrictions on their mobility, relationships, and access to information can lead to less efficient and productive value chain functioning. Despite their critical role in agricultural activities and household well-being, women tend to have limited influence over decisions about the use of household income. However, they are usually responsible for ensuring that children are cared for and well-nourished. Women have been found to use more of household income for the direct benefit of children and family.[20] Male

19 M. Williams, Gender Mainstreaming in the Multilateral Trading System: A Handbook for Policy-Makers and Other Stakeholders, London: Commonwealth Secretariat, 2003.
20 The SEEP Network. 2004. "The Emerging Role of Microfinance Programs in Mitigating the Impact of Natural Disasters: Summary Findings of an Impact Assessment of World Vision's Ethiopian Affiliate." Progress Note 4.

members of the household need to be engaged so that both genders in a household are working together for the well-being of the children of the household.

B. How can changes in the market impact women?

As practitioners work to stimulate growth and competitiveness in markets for the benefit of poor producers, changes can take place that are considered positive, but which may ultimately have unintended consequences on women. These include the introduction of new technologies that can change labour patterns, time allocation, and income control, and shifts to high-value crops that can alter patterns of control over resources and benefits.

It is important to take these into consideration and recognize how to minimize their negative impact on women and household relationships.

Impacts of Changes in Markets on Women

This table shows possible unintended impacts of improvements in market systems on women.

Improvement in market system (value chain)	Impact on women's relationships within the household
Introduction of new technologies and agricultural practices	· **Change labour patterns** Example: Women may be spending less time clearing land or weeding, and therefore have more time for household activities or to interact with buyers. In contrast, very poor, landless women may not have the income opportunities that they used to have as day labourers providing land clearing and weeding services. · **Change time allocation** Example: Women may be spending less time in the field and more time managing household activities, including finances. · **Change safety conditions** Example: Women may have to use heavier and less safe equipment leading to higher rates of injuries or occurrences of incidences such as miscarriage.
Shifts to high value crops	· **Alter control over resources** Example: Women may have less ability to decide how much produce goes to market and how much is retained for the family to consume. Men may want to maximise income and hence may not want to use their crops, a potential income source, as food for the family. This is particularly challenging when higher value crops may not be food crops, but rather cash crops, which could leave the household more food insecure. A solution could be to always promote that households still produce a minimum amount of food crops.

Improvement in market system (value chain)	Impact on women's relationships within the household
	· **Alter control over benefits** Example: As incomes increase, women may experience increased conflict over decisions about how much money to spend on food for the family versus other expenses that men may find to be more important, leading to higher incidence of physical abuse for women.
Introduction of new market channels	· **Change time allocation** Example: Women may need access to childcare to be able to participate in markets more actively. Example: Women may risk decreasing the ability to nurse babies for a healthy length of time if they have to travel to areas or undertake tasks without their babies. · **Change routes travelled** Example: Women may need to travel on less safe routes to access new markets or inputs.
Introduction of new storage facilities	· **Change of control of food resources** Example: Warehousing receipt programs and other off-farm storage programs decrease women's ability to retain produce as food for the household.
Formalisation of contracting instruments	· **Formalisation of ownership of land and equipment** can change household dynamics · **Increased pressure for women to transact with sex** as a form of contract compliance
Introduction of more formalised financial requirements	· **Change income control** Example: Contract farming, certain cooperative memberships, and warehouse receipts programs, for example, often require the opening of a bank account. Bank accounts are often opened in the name of the man heading the household. Buyers often make payments directly into these bank accounts. This removes women's knowledge of what income is being received and women's access to the income. Women may therefore not be in favour of more formal financial structures that could decrease their control over income. · **Change financial management** (owing to formalisation of household financial management practices) Example: By supporting or requiring transparent record-keeping systems in households, women can no longer hide how they are allocating income and are no longer able to get away with spending as much on food, medicines, or school fees.

The impact on women's relationships in their households can be addressed by, for example, ensuring that women have access to appropriate structures that can support their new role in the household or the new challenges that could arise.

Identify Unintended Impacts of Market Growth on Women Worksheet

Use the worksheet to identify potential challenges for poor women producers that could result from strengthening markets.

Identify market changes that could result from project interventions (directly or indirectly)	Identify potential impacts on women and their relationships with others in their households, as well as potential strategies to alleviate or address resulting challenges
Market changes	**Potential Impacts**
c **Introduction of new technologies and agricultural practices**	c **Changed labour patterns** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ c **Changed time allocation** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ c **Changed safety conditions** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
c **Shifts to high value crops**	c **Altered control over resources** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ c **Altered control over benefits** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____

Identify market changes that could result from project interventions (directly or indirectly)	Identify potential impacts on women and their relationships with others in their households, as well as potential strategies to alleviate or address resulting challenges
Market changes	**Potential Impacts**
c **Introduction of new market channels**	c **Changed time allocation** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ c **Change routes travelled** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
c **Introduction of new storage facilities**	c **Change of control of food resources** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
c **Formalization of contracts**	c **Formalized ownership of land and equipment can change household dynamics** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ c **Increased pressure for women to transact with sex as a form of contract compliance** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
c **Introduction of more formalized financial requirements**	c **Change income control** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____

Identify market changes that could result from project interventions (directly or indirectly)	Identify potential impacts on women and their relationships with others in their households, as well as potential strategies to alleviate or address resulting challenges
Market changes	**Potential Impacts**
	c **Change financial management** Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
c Other: _____ _____ _____	c Other: _____ _____ Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____

C. WHAT PREVENTS WOMEN FROM PARTICIPATING MORE?

Women are often limited from actively participating in markets and business activities owing to:[21]

- Risk of physical, sexual, and other gender-based violence
- Limited social standing or social capital in the community with limited access to certain market opportunities or group structures
- Social or cultural confinement and immobility
- Inadequate legal protection or enforcement of existing laws
- Traditional gender roles and expectations
- Lack of control over resources (in particular, property)
- Informal and formal roles and requirements in marriage
- Lack of time as they are often otherwise occupied with income generation as day labourers, housekeepers, maintaining the household, and child bearing and rearing
- Social perceptions that link household responsibilities with women's work

21 Value Chain Wiki: http://apps.develebridge.net/amap/index.php/Women_and_the_Value_Chain_Approach

Field Example: Taking Photos of Women-Only Trainings in Bangladesh

Female co-facilitators took pictures with the female workshop participants in a Bangladesh Cyclone Livelihoods Recovery workshop. Copies were made so that the female workshop participants could show their neighbours and family members that they were taught by women and shared hotel rooms with women.

D. HOW TO ENSURE GREATER PARTICIPATION OF WOMEN

The table that follows shows strategies for increasing women's participation in markets, particularly through participation in producer groups.[22]

Strategies to encourage participation by women

This table shows strategies to ensure greater participation by women in markets and producer groups.

Constraint faced by women	Strategies to encourage women's participation	Practical actions to address factors contributing to the constraints to achieve more active participation by women in markets and producer groups
Lack of time due to numerous women's household responsibilities Lack of access to support services Time and mobility constraints	· Design the logistics of participation around women's circumstances and needs	**General**: · Share market information using communication channels used by women · Identify labour-saving technologies to reduce women's time on household responsibilities (e.g. local water points, access to draft animals to pull equipment) · Design alternative service delivery for those not producing or in groups (e.g., women acting as rural sales agents not involved in producer groups) · Consider and accommodate time constraints, since women are often responsible for domestic labour as well as productive activities. Encourage market times and venues to allow for easy access and participation by women · Support access to information sources that are close proximity to and available at times when women can access them. **Producer groups specifically:** · Announce information about participation in groups using communication channels used by women

22 Rubin, Deborah, et al. 2009. Promoting Gender Equitable Opportunities in Agricultural Value Chains. USAID. p 36

Constraint faced by women	Strategies to encourage women's participation	Practical actions to address factors contributing to the constraints to achieve more active participation by women in markets and producer groups
		· Hold meetings at times and in venues that support women's participation · Provide for shared child-care while group meetings are being held · Encourage membership fees to be at a level and payment schedule that women can manage
Social or cultural confinement and immobility Social perceptions that link household responsibilities with women's work	· Reduce the cultural barriers to women's participation	**General:** · It is critical to gradually obtain the buy-in and support of men so that women's empowerment is not seen as a threat to the status quo. Bring men into the conversation about the importance of women's empowerment **Producer groups specifically:** · Create women-only groups, if appropriate, to encourage the entry of more women into the market where it is unacceptable for women to intermingle with men that are not family members · Facilitate women-only meetings, where appropriate, if it is not possible to create women-only groups
Traditional gender roles and expectations Prevented from filling leadership positions in groups because of discriminatory social attitudes toward women's leadership and scepticism about or cultural issues associated with women's ability to lead men	· Encourage membership and leadership criteria that allow women's participation	**Producer groups specifically:** · Advocate for processes that enable women to be more fully involved as both participants and leaders, such as ensuring that training on governance addresses women's leadership roles · Investigate potential barriers to women's leadership positions within groups. These may be explicitly spelled out in the rules or by-laws, or they may be informal. For example, do meeting times or eligibility requirements prevent women from leadership positions? · Encourage membership to be based on output (e.g., litres of milk for sale or baskets of tomatoes) rather than access to factors of production (e.g., legal title to land or registered ownership of animals) · Encourage a change from exclusive membership criteria to a more graduated membership, which is based on increased quality and quantity of product delivered to an association, to allow women to gradually gain access as they become more involved · Encourage official membership of women, not just

Constraint faced by women	Strategies to encourage women's participation	Practical actions to address factors contributing to the constraints to achieve more active participation by women in markets and producer groups
		as wives, but rather registered in their own names (not their husbands'), such as women who are household heads (primary breadwinners, second wives, or where husbands are not present for various reasons) · Include programme targets on the percentage of members who are female and who serve in leadership positions within the group · Encourage adoption of gender-sensitive practices and policies (such as non-discriminatory membership or gender-sensitive technical trainings)
Limited social standing or social capital in the community Social perceptions of women's capabilities	· Build women's skills, confidence, and social capital	**General**: · Link women with support structures and networks that build their social capital, skills, and business confidence · Design awareness raising campaigns to promote women's leadership in business · Leverage existing women's groups as a means of delivering training and conducting other capacity building activities, such as visiting demonstration sites. The groups provide a comfortable environment where women can learn among peers and further build their social capital.
Lack of land ownership by women Lack of access to productive assets and working capital (e.g., seeds and fertiliser) Lack of control over resources (property) Inadequate legal protection or enforcement of existing laws Lack of access to services from producer associations because membership	· Address lack of ownership and control of assets by women	**General**: · Build the capacity of or work with entities that advocate for women's rights, such as raising awareness on land ownership rights, advocating for equitable land distribution, and supporting better enforcement of existing legislative framework on land policy **Producer groups specifically:** · Encourage membership requirements that do not require land ownership, which would often exclude women's participation · Advocate for rules to allow non–producer members to attend trainings and access benefits, which will still allow women to join and benefit where they have been traditionally excluded because of lack of certain assets or land rights

Constraint faced by women	Strategies to encourage women's participation	Practical actions to address factors contributing to the constraints to achieve more active participation by women in markets and producer groups
requires land ownership		
Lack access to financial capital because lack assets for collateral	· Address lack of access and ownership of assets by women	**General:** · Work with lending institutions to design loan products for women, such as the use of non-land assets in lending
Little opportunity to network and develop business relationships with buyers or suppliers	· Leverage existing buyer or supplier relationships and build on the trust in these to embed additional services	**General** · Mobility constraints or social norms may reduce the frequency of face-to-face contact for women with their suppliers or buyers.

Field Example: Increasing opportunities for women in producer groups

Dairy cooperatives in many areas often indirectly exclude participation by women by limiting membership to only one member per household, which must be the head of household. This is most often determined to be a man. Cooperatives often only provide training to the formal cooperative or association members. This results in excluding women from the training, even though they are most often the ones actually performing the productive activities within the household. Projects have supported women by encouraging cooperatives to change membership criteria to allow individuals rather than simply households to join, or by expanding training activities to members' families.

Women's Participation Improvement Tool

Use the worksheet to identify practical activities that the project can facilitate to promote the participation of women among very poor producers.

Identify key constraints faced by women in the community to consider in strategies	Identify practical actions that the project could encourage or facilitate to address factors contributing to more active participation by women
Constraints faced by women	**Practical strategies to encourage women's participation**
c Lack of time owing to numerous household responsibilities c Lack of access to support services c Social or cultural confinement and immobility c Social perceptions that link household responsibilities with women's work c Traditional gender roles and expectations c Prevented from being leaders in groups because of discriminatory social attitudes toward women's leadership or issues associated with women's ability to lead men c Limited social standing or social capital in the community c Social perceptions about women's capabilities c Lack of land ownership by women c Lack of access to productive assets and working capital	**General:** Reduce the cultural barriers to women's participation: c Share market information via communication channels used by women c Identify labour-saving technologies to reduce women's time spent on household responsibilities (e.g., local water points, access to draft animals to pull equipment) c Design alternative service delivery scheme for those not producing or in groups (e.g., women acting as rural sales agents who may not be involved in producer groups) c Other: _____ _____ Addressing time and mobility realities: c Encourage market times and venues that allow for easy access and participation by women c Support access to information sources that are close proximity to and available at times when women can access them. c Other: _____ _____ Build women's skills, confidence, and social capital: c Link women with support structures and networks that build their social capital, skills, and business confidence c Design awareness raising campaigns to promote women's leadership in business c Other: _____ _____ Address lack of ownership and control of assets by women: c Build the capacity of or work with entities that advocate for women's rights by raising awareness of land ownership rights, advocating for equitable land distribution, and supporting better enforcement of existing legislative framework on land policy c Other: _____ _____ Address lack of access to assets by women:

Identify key constraints faced by women in the community to consider in strategies	Identify practical actions that the project could encourage or facilitate to address factors contributing to more active participation by women
Constraints faced by women	**Practical strategies to encourage women's participation**
(e.g., seeds and fertiliser) c Lack of control over resources (particularly property) c Inadequate legal protection or enforcement of existing laws c Lack access to services from producer associations because membership requires land ownership c Lack access to financial capital because lack assets for collateral c Other: _____ _____ _____ c Other: _____ _____ _____ c Other: _____ _____ _____	c Work with lending institutions to design loan products for women, such as the use of non-land assets in lending c Other: _____ _____ **Producer Groups:** Design logistics of participation around women's circumstances and needs: c Announce information about participation in groups through communication channels used by women c Hold meetings at times and in venues that support women's participation given their time and mobility challenges c Provide for shared child-care while group meetings are being held c Other: _____ _____ Encourage membership and leadership criteria that allow women's participation: c Encourage membership fees to be at a level and on a payment schedule that women can manage c Create women-only groups, if appropriate, to encourage the entry of more women into the market where it is unacceptable for women to intermingle with men that are not family members c Facilitate women-only meetings, when appropriate, if it is not possible to create women-only groups c Advocate for processes that enable women to be more fully involved as both participants and leaders, such as ensuring that training on governance addresses this c Investigate potential barriers to women's leadership positions c Encourage membership based on output (e.g., litres of milk for sale or baskets of tomatoes) rather than access to factors of production (e.g., legal title to land or registered ownership of animals) c Encourage a change from exclusive membership criteria to a more graduated membership, which is based on increased quality and quantity of product delivered to an association to allow women to gradually gain access as they become more involved c Encourage official membership of women (not just wives), such as women who are household heads (primary breadwinners, second

Identify key constraints faced by women in the community to consider in strategies	Identify practical actions that the project could encourage or facilitate to address factors contributing to more active participation by women
Constraints faced by women	**Practical strategies to encourage women's participation**
	wives, or where husbands are not present for various reasons) c Encourage membership requirements to not require land ownership, which would often exclude women's participation c Advocate for rules to allow non-producer members to attend trainings and access benefits, which will still allow women to join and benefit where they have been traditionally excluded because of lack of certain assets or land rights c Encourage adoption of gender-sensitive practices/policies (e.g., non-discriminatory membership, gender-sensitive technical trainings) c Include programme targets on the percentage of members who are female and who serve in leadership positions within the group c Other: _____ _____ c Other: _____ _____ c Other: _____ _____

Field Example: Increasing Participation of Women in Markets in Angola

To increase the participation of women in selling crops such as potatoes, onions, and beans in Angola, World Vision supported processes that had traditionally excluded women. Female-headed households were encouraged to participate in field days at farmer demonstration plots so that they could learn new production techniques. Women-only or women-friendly trainings were organised with agricultural extension officers once a month in areas where it was not customary for women to be included in meetings with men. Women were supported in developing more skills as traders of crops in informal markets rather than simply producers, as women were found to already be very active in the informal marketing of crops.

V. OTHER ANALYSES & OPPORTUNITIES

Several other opportunities exist to support very poor producers in linking to and scaling up their activities in markets. These include supporting analysis of gross margins, or leveraging organic farming and fair trade opportunities.

A. GROSS MARGIN ANALYSIS

Gross Margin is a measure of net income for a farm, fishery, or livestock activity. For example, analysing gross margin per acre is an indication of plot level performance, that is, how well farmers did on their land with the resources that were available to them.

1. HOW IS GROSS MARGIN USEFUL TO POOR PRODUCERS?

Farmers can compare this over time to see if they are doing better or worse. In addition, farmers can use gross margin comparisons to compare how income could differ if different farming practices are implemented. Projects can track these figures to see the impact of their investments over time.

Gross margin analysis is an effective tool to convince poor producers to change their attitudes and behaviour. For example, by seeing the difference in yields and income that can be generated by using a new input or doing something in a different way, poor producers may start trusting a new technology or method more. If poor producers can work out how to use gross margin analysis to compare the returns between using traditional ploughing versus ripping, or not doing weeding versus using certain herbicides, they can start assessing the benefits of the new methods or inputs.

If farmers access new markets or adopt new technologies and management practices, then the value of their sales will increase. Production costs will also decrease, resulting in an increase of gross margin per unit of land or animal. Increased gross margins signify greater production and productivity of agriculture products, with associated increases in supply of products and income of farmers.

2. WHO CAN DELIVER GROSS MARGIN ANALYSES?

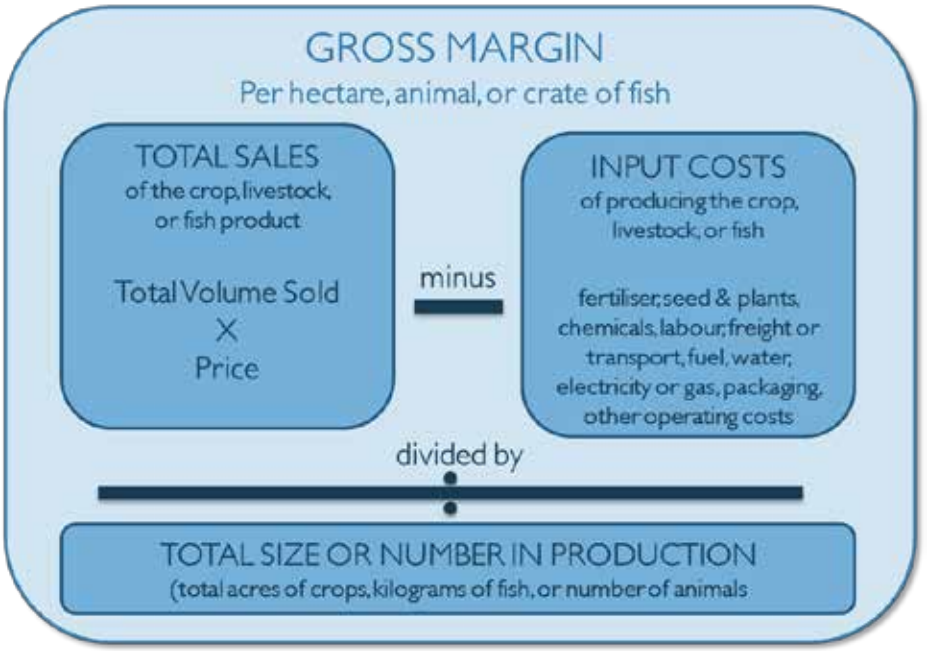
Although calculating gross margins would ideally be conducted by a poor producer directly, in reality, poor producers, such as small scale farmers do not always have the ability to carry out complex calculations. They often do not feel comfortable with basic mathematics, do not have access to calculators - even on cell phones, and in most cases do not know the actual size of their farm land – a key necessity in being able to calculate gross margins.

When working with very poor producers, it is helpful to reflect on the type of entities in whose interest it may be to extend gross margin support to very poor producers. Market actors with the skills and incentives to support poor producers in calculating gross margin scenarios may include: extension agents who want to provide better agricultural support, agrodealers who may want to show farmers why they should invest in new or more inputs, or buyers who might want to show farmers what they need to do to increase quality and yields and ultimately earn more income. Development projects could work with these entities to build their understanding of how this service to farmers could ultimately benefit their own businesses, and support them in how to do

gross margin analyses for farmers. Tracking changes in gross margins could be of great interest to a buyer who tracking the status of the farmers in their buying regions, or to agrodealers to track how much farmers can afford. In both cases the project could work with these input suppliers or buyers in how to capture this type of data, which the project could then draw from for its own monitoring data.

3. How to calculate Gross margins

Gross Margin is a measure of net income for that farm, fishery, or livestock activity. It is calculated as the difference between the total sales and the variable costs.



Many farmers are unsure of the size of their plots. Farmers can be supported in measuring their land by stepping out the plot size, or, where possible, using smart cell phone applications that help to measure land size.

B. Organic Farming

Producers groups may want to consider becoming organically certified. In organic farming, hand weeding replaces herbicides, integrated pest management replaces pesticides, and composting replaces chemical fertilisers.

1. Why Are Very Poor Producers Suited to Farming Organically?

Very poor producers involved in agricultural production (through small plots in rural areas or small urban gardens) are in a position to take advantage of organic farming. They tend to have an intimate knowledge of their small plots—they know the soil conditions, pests, and weather better than large-scale producers could ever know their land, and are often in a position to use more sustainable,

natural methods to manage their land and produce.[23] Many have not used chemical fertilisers or pesticides as they have not been able to afford or access these. And they typically have the labour necessary to comply with organic standards, thereby opening the possibility of earning a premium price in the market.

2. WHAT ARE KEY CONSIDERATIONS REGARDING ORGANIC CERTIFICATION?

Many very poor producers may not find it advantageous to produce organically. Many may not be able to meet the specific product standards regarding growing conditions. The costs of certification can be very high. Not all produce has sufficient organic market demand. Research on the markets and standards for a particular product must be done, and the potential benefits need to be compared with the costs of certification.

C. FAIR TRADE

1. WHAT IS FAIR TRADE CERTIFICATION?

KEY TERM

Fair trade: trading arrangements based on dialogue, transparency, respect, fair pricing strategies, and safer working conditions that benefit very poor producers in particular

Producer groups may want to consider becoming fair trade certified. Producers have to be certified to sell products with the FAIRTRADE Certification Mark to show that the producers and traders have met fair trade standards. They are then eligible to sell their products at fair trade prices. These prices are calculated to ensure that the price paid to producers will cover their costs of sustainable and fair production. The price is generally set to include a premium, which is to go into a communal fund to improve social, economic, and environmental conditions.

2. HOW DO PRODUCERS BECOME FAIR TRADE CERTIFIED?

The entire value chain, from producers to consumers, is audited to ensure the whole chain is compliant with fair trade standards. Fair trade certification, therefore, requires commitment throughout the entire market system, and not just at producer level. Producer groups have to qualify for the general standards that apply to all producers, and the standards for each particular product they wish to sell at fair trade prices. One of the requirements to meet the standards, for example, is that producer groups have to be democratically controlled by their members, i.e., every person has direct voting rights or is represented by a delegate that votes on behalf of several people.

3. WHAT ARE KEY CONSIDERATIONS REGARDING FAIR TRADE CERTIFICATION?

Not all groups may find it advantageous to become fair trade certified. Being certified does not guarantee that producers will sell their product to the fair trade market at a premium price. Producers will need support, preferably through local organisations, to determine if there are buyers prepared to pay an increased price in the areas where they can sell to justify the costs that it takes to

23 Adapted from: Harper, Malcolm 2010. Inclusive Value Chains: A Pathway Out of Poverty. Series on Economic Development and Growth, Vol. 4. World Scientific.

become fair trade certified. There are ongoing annual costs such as paying for an annual audit, investing in improvements each year, and accessing fair trade markets. Some producers may not be able to meet the specific product or management standards, and the costs of certification can be high. Research on the markets and standards for a particular product must be done, and the potential benefits need to be compared with the costs of certification.

Field Example: Fair Trade and Organic Certification of Very Poor Producers in Haiti

In Haiti, producers and exporters of mangos received assistance in accessing fair trade and certified organic specialty markets. This involved contracting certification expertise and agencies for both organic and fair trade markets, developing appropriate internal control systems, and training producer organisations in management and maintenance. World Vision supported processes whereby producer groups in the Central Plateau became certified for organic production and fair trade participation, and could re-establish the certifications (which must be renewed on a yearly basis). Appropriate technical assistance and certification costs were subsidised through donor funding. Key to sustainability has been the interest and commitment of a mango exporter, that was also certified and has continued to support the producer groups with training and facilitated organic and fair trade re-certification after some of the groups lost it through non-compliance with organisational and control systems. Key to maintaining and sustaining the relationship between very poor farmers and the exporter is the transfer of internal control systems to the producer groups, with groups hiring managers capable of maintaining the systems. World Vision facilitated access to business skills training for mango producer groups by developing business plans and hiring qualified managers.

ANNEXES

ANNEX A. TEMPLATE FOR A COST SHARE ARRANGEMENT

Memorandum of Understanding Template for a Cost Share Arrangement between a Project and Private Sector Business

Memorandum of Understanding
between
_____ (name of the project) **and** _____ (name of the company)

This Memorandum of Understanding (MOU) is entered into on this **… day of …** *(month),* **…** *(year).* It concerns the collaboration between the ("***Project***") and ("***Company***").

WHEREAS

1. The *Company* is interested in promoting the production, marketing, and sales of high-quality … produce (*i.e. fruits, vegetables, grains, meat, etc.)* using appropriate technology.

2. Under their corporate responsibilities, the *Company* expressed interest in supporting communities to earn income by participating in … (*the value chain*) income generating activity.

3. The *Project*'s goal is to … (*specific project goal*). To accomplish this goal, the *Project* facilitates linkages between the targeted very poor producers with reliable markets.

4. The two parties enter into this agreement to collaborate in a commercially-driven out-grower scheme for organised groups in the farming/production of … (*specific produce*) in … (*the name of the district and the country*)

It is understood that the out grower scheme will involve:

- Mobilisation and organisation of the targeted very poor population into viable producer groups
- Designing and planning of the out grower scheme. This will involve joint identification of areas to be targeted and commodities to be focused on
- Preparation and administration of win-win farming contracts that fully recognise the concerns of the producer groups for assured market and predictable price for this product as well as the *Company*'s need for assured quality and volume of supplies
- Provision of ancillary services such as material inputs and extension services to improve the quality and yield of product

- Capacity development activities that reinforce the importance of contractual relationships
- Monitoring of programme progress and performance on a regular basis to determine areas requiring improvement for continued sustainability of the out grower scheme

NOW THEREFORE, … *(Project)* **AND …** *(Company)* **AGREE TO THE FOLLOWING ROLES:**

1. The *Company* will provide technical assistance to *Project* producer groups for effective implementation of the out grower scheme.
2. The *Company* will prepare and administer longstanding contracts with the producer groups, ensuring that each party is fully aware and adheres to their contractual obligations.
3. The *Company* will train the producer groups in …… (*specific produce*) production, quality control, and packaging. In addition, the *Company* will provide …… (*specific services and/or goods*). The cost of the additional …… (*services and/or goods)* will be provided to the producer groups on credit. A repayment schedule will be agreed upon by the *Company* and the *Project*.
4. The *Company* will purchase the produce per contractual terms agreed upon with the producer groups and will provide the *Project* with regular information on progress and performance of the programme.

Role of the Project

1. The *Project* will provide the materials needed as specified by the *Company*.
2. The *Project* will provide regular and efficient disbursement of funds as agreed to allow the smooth operation of the programme.
3. The *Project* will facilitate provision of expert technical assistance in producer groups formation and extension-related issues to improve both production quality and quantity of …… (*specific produce*).
4. The *Project* will attend regular consultative meetings with the *Company* and any other relevant parties on the operation and management of the programme.

Operationalising

The *Project* shares the similar interest as the *Company* in commencing such an initiative immediately. To operationalise this agreement, the parties agree to the following steps:

1. The *Project* and the *Company* will hold joint design and planning meetings, including any necessary field visits to determine specifics in: geographical coverage, commodity focus, cost sharing arrangements, and expected results, among others.
2. The *Project* and the *Company* will prepare a budget for activities indicating specific areas requiring funding support from the *Project*, as well as appropriate levels of cost-sharing.
3. The *Project* will launch the partnership with formal subcontracts with producer groups to assist the *Company* in the initial agreed-upon activity area. Based upon the success of the

pilot initiative, subsequent contracts and commodities may be identified for expanded scope.

4. Changes in terms of this agreement shall be only in the form of written and signed amendments agreed to and signed by both parties.

Either party committed to this agreement may terminate the agreement in part or in full after providing 90 days' notice and reasons for doing so in writing to the other party.

The parties agree to the conditions of this MOU by signing this document and affixing it with their respective official stamps.

On behalf of the *Project*:

_____ _____
Country Representative Date

Witnessed by: _____ _____
Date

On behalf of the *Company*:

_____ _____
Executive Director Date

Witnessed by: _____ _____
Date

ANNEX B. CASE STUDIES

In order to illustrate the principles of strengthening vertical and horizontal relationships, the next section includes several case studies.

CASE STUDY 1. LIVELIHOODS FOR VERY POOR GIRLS AND YOUNG WOMEN KENYA VALUE GIRLS PROGRAMME - THE 'GIRL EFFECT' *CARDNO EMERGING MARKETS*

The Value Girls Programme empowers girls and young women in Kenya through economic enhancement and social development. It illustrates the possibility for a powerful social and economic change brought about when girls have the opportunity to participate in their societies—the "Girl Effect."[24]

Following are the key principles and early lessons of targeting girls and young women with a value chain approach as a pathway out of poverty. The programme applies a phased implementation strategy, a strong market orientation, and smart subsidies to effectively integrate young women into promising business sectors. It also integrates broader social skills-building in order to take into account the special requirements of a vulnerable group in implementing a value chain approach. The project reached 1,300 girls during its second year (which includes the pilot phase) and is currently scaling up to reach more girls and boys based on lessons learned from the pilot.

A. BACKGROUND

Programme Overview	
Where	Kenya, Kisumu, Lake Victoria Region, Nyanza and Western provinces
When	2008-2012
Who	Girls and young women, age 14-24 years
Goal	Improve girls' and young women's opportunities to increase income and improve their safety and security by facilitating access to alternative livelihoods
How	The programme applies a systematic approach with a strong emphasis on empowering girls to start-up and manage microenterprises through market-led value chain development
Implementer **Funding**	Cardno Emerging Markets USA, Ltd. Nike Foundation (2008-2012) USAID Global Development Alliance cooperative agreement (2010-2012)

The programme is being implemented by Cardno Emerging Markets USA, Ltd., under its Kenya Business Development Programme, a locally registered NGO. The overarching goal of the Value

24 The Girl Effect is a trademark of GirlEffect.org.

Girls Programme is to improve the socio-economic welfare of girls and young women by increasing and strengthening their participation in proven, high-return segments of a select number of value chains. The programme helps young women explore and undertake livelihoods in the horticulture and poultry value chains. In addition to increasing the girls' economic welfare, the project provides other benefits, including:

- raising their profile within their communities
- strengthening specific life skills
- improving their overall confidence and self-image
- protecting their assets
- providing them with an opportunity for mentoring and a social network

SOCIO-ECONOMIC BACKGROUND

In Kenya, pockets of deep poverty are dispersed all over the country, including in the Nyanza and Western provinces, which are close to Lake Victoria. Poverty in the Lake Region is perceived to be caused by many factors, including high HIV/AIDS rates, inappropriate policies, inadequate rainfall combined with frequent flooding in parts of the region, rapid population growth, lack of utilisation of agricultural land or farm inputs, environmental degradation, and inaccessibility of credit. The result is that the Lake Victoria region hosts some of the poorest communities in Kenya. Available information on the poor is not disaggregated by age or sex, but suggests that among the poor are a large number of orphans and other vulnerable children, including households headed by girls and young women age 14-24 years. In Bondo, for example, 47 per cent of poor households (26,660) are headed by young widows. The corresponding proportion of poor households headed by young widows in another district, Busia, is an overwhelming 64.8 per cent, or 81,679 households. Suba district has 44.7 per cent (33,564) of poor households headed by young women.

B. WHAT DID WE SET OUT TO DO?

I. IMPACT STATEMENT

By meeting girls where they are, equipping them with valuable skills, and exposing them to viable business opportunities in high growth sectors, the project will improve their opportunities to increase income and improve their safety and security by facilitating access to alternative livelihoods.

Cardno works with a variety of stakeholders to spend programme funds locally, building local capacity and providing ongoing business support by developing local market and financial linkages.

II. DESIGN AND ANALYSIS

The Value Girls Programme uses a market-based approach, which includes a lean staff and a Market Intervention Fund to facilitate access to business development services. Through a phased approach, the programme plans to reach more than 2,000 girls in the Lake Victoria region.

In its initial phase, the programme conducted several sector studies, including poultry and vegetable value chain analyses. The extensive data generated from these analyses provided the vision of how to set up and test the model to economically empower young women and document learning.

Peer Mentoring: The Value Girls Programme introduced mentoring by established female entrepreneurs in the community to guide young girls into entrepreneurship. Mentors provide value chain preparedness to youth already engaged in promising value chains serving as role models.

In designing the Value Girls Programme, Cardno wanted to ensure that the structure enabled measurement of success and lessons learned not only at the end of the programme, but throughout the entire life of the project. Thus, Cardno's method for monitoring and evaluating the programme includes a range of tools and methodologies to inform the programme design, as well as to continuously refine and improve implementation and determine its impact. Some of these methodologies are:

- Value chain and girls' situational analysis: Girls and girl-focused organisations in the intervention area conducted qualitative and quantitative research with experts in the fish, vegetable, and poultry value chains to refine the programme and generate baseline data.
- Baseline and endline surveys: Qualitative and quantitative surveys were conducted at different phases of programme implementation and on a rolling basis within the girls' groups to provide insight into its impact on the young women, their families, and their communities.
- Ongoing focus group interviews: The project conducts discussions with approximately 25 per cent of the young women's groups on a quarterly basis to probe specific issues that the young women face with their enterprises.
- Stock-taking: The project team meets with various stakeholders to formally review important findings and challenges, and formulate adjustments to the programme for the next group of girls enrolling.

C. PILOT PHASE

I. FOUNDATIONAL ACTIVITIES

Foundational activities at the programme's pilot locations in Busia and Suba districts began in October 2009 and ended in May 2010. In collaboration with the girls, key stakeholders, and the Nike Foundation, Cardno developed a detailed plan to improve the economic situation of girls in Western and Nyanza provinces in Kenya. The foundational activities that the project undertook with the girls before they launched their enterprises in the poultry and vegetable value chains included:

- recruitment and mobilisation of the girls
- organisation of girls into learning and production groups and clusters
- registration of groups and clusters with the local government
- group enterprise and financial literacy training
- savings mobilisation
- mentoring

II. BUSINESS ACTIVITIES

The specific objectives of the business activities are to:

- build and protect the girls' social assets

- strengthen girls' financial capabilities
- develop business skills to prepare girls to manage poultry and vegetable production enterprises
- build the girls' confidence and decision-making skills to navigate difficult social and business environments

Working through local organisations and the Kenya private sector, the programme provided education, technical training, and technical assistance to develop the girls' business skills. An important part of the activities has been focused on providing the girls with access to current agricultural productivity technologies and inputs. The programme has also provided access to finance by partnering with local banks and microfinance institutions. In certain instances, these partnerships have resulted in the development of a loan product tailored specifically to the needs of these young women to start their businesses. Cardno has designed a sustainable business model and continues to provide ongoing business support through the facilitation of technical training and development of market and financial linkages provided by the Kenya private sector.

III. SCALE-UP ACTIVITIES AND NEXT STEPS

The Value Girls Programme activities under USAID/Kenya Global Development Alliance began in June 2010 and include scaling up programme activities by working with larger numbers of girls and young women to improve their financial literacy, to develop better crop and animal husbandry skills, strengthen their collaboration through groups, and link them to lucrative markets. They also broadened activities aimed at reducing the potential for men and boys to disrupt activities in the vegetable and poultry value chains by proactively engaging them.

Private sector partnerships have proved to be instrumental for successful implementation. The programme has strong ties to the private sector, including banking and agriculture sectors. For example, partnerships with Kenya Women Finance Trust, Jiinue, and the Cooperative Bank provide access to tailored loan products and financial literacy training. The production clusters have been an effective entry point for business activities that require collaboration, such as leasing land and mobilising capital. In addition, KenChic Ltd, a poultry company in Kenya, sells the girls high quality day-old chicks and provides training on poultry management. KickStart, a local non-profit organisation, provides affordable water pumps and high quality training on vegetable production as a business.

Learning As You Go: The unique design of the Value Girls Programme allows it to not only measure its successes and lessons learned at the end of the programme, but throughout the entire life of the project. It can be used as a successful model for achieving effective and sustainable results when targeting vulnerable populations.

Through the Market Intervention Fund, the programme invited registered organisations to bid as facilitators. The three organisations that were selected as a result of this bid have been working since February 1, 2011 to recruit additional girls into the programme: Jiinue Holdings Limited, which worked with the programme during the pilot phase, was considered for scale-up of its successful work; Inches, a local NGO; and Rheal Solutions. By September 2011, the programme was operating at 41 beaches on Lake Victoria (a significant increase from eight beaches during the pilot), reaching 1,204 new girls. The girls are organised into 230 groups of five to six members, and 55 clusters, which have 15-30 members. Of these

clusters, 17 have been registered with the local government. In addition, 163 mentors out of the current 220 have been formally trained in mentoring to support the newly recruited girls. One of the key learnings from the pilot was that the mentors added great value to the girls' lives, but they needed training. To this end, the programme refined its mentor training programme, ensured that each group of five to six girls selected a mentor of their choice, and made mentoring training a priority in its sequence of events. The mentors play a critical role in creating programme awareness in the communities and strengthening group cohesion, savings mobilisation, and loan repayment performance.

The programme puts a strong emphasis on training and capacity building in preparation for enterprise start-ups. Within the last year, 674 girls have been trained in financial literacy, which is delivered by the three financial institutions: Jiinue Holdings Ltd., Cooperative Bank, and Kenya Women Finance Trust. The programme has also invested in developing the capacity of the Value Girl mentors using various methods to support them on how to become effective mentors.

Access to Finance: The project in Kenya has used various approaches to address the issue of access to finance. These approaches include revolving funds, savings, and a loan guarantee fund to stimulate lending to young women participating in the programme. The programme partners with Jiinue Holdings, a local NGO, to guarantee loans for the necessary working capital so young women can start their enterprises. In addition, Jiinue credit officers encourage the girls to develop and maintain a savings culture by training participants in financial literacy, with a focus on savings, micro credit, and enterprise management, using a curriculum and style that is suited to fit their needs. (See sheet at the end of case study for more info.)

Having observed that the young women who had the moral support of their boyfriends or husbands were more successful in the programme, Value Girls has been working to integrate boys and men in the programme while continuing to prioritise the young women. Cardno believes that this will promote more equitable gender norms and further reduce the potential for boys or men to undermine activities focused on girls: "changing a girl's life requires changing his mind." The goal is to further support specific activities for boys and men that serve as a key incentive to promote more equitable gender norms while addressing the critical issue of idle youth (particularly boys) becoming more prone to violence.

Currently, the programme is incorporating consultative discussions with supportive husbands into the group formation training. A series of role plays are being used to initiate dialogue and demonstrate how girls can communicate programme activities to their husbands in an effective and clear way. The programme is also conducting regular discussions and role playing to address how to negotiate controlling income generated from the enterprises, as well as dispelling negative rumours about ongoing programme activities. Through the programme's interventions, some men have been helping their wives to save and actively encouraging their participation, thus increasing retention and improving meeting attendance.

D. ISSUES AND RECOMMENDATIONS

I. TARGET GROUP SPECIFIC ISSUES

The majority of girls and young women in this programme had either no livelihood activity or were engaged in economic activities that were not particularly beneficial or safe for them. Although this

group of young women is inexperienced in enterprise management, they are openly excited about engaging in a meaningful economic activity that can enhance their economic independence. It was clear from the beginning that the girls are interested in starting their enterprises as soon as possible despite their need for in-depth training. As a result, the preparatory training has been revised to make it shorter and more practical.

A high dependency mentality (such as expecting a "sitting fee" to attend meetings) proved to be a difficult but critical attitude to combat, and it greatly contributed to girls dropping out at the beginning of the programme. However, a decision to stick to a market-oriented programme and refuse sitting fees, while difficult to apply, has slowly caught on and has led to recruitment of the most motivated girls. The introduction and use of smart subsidies, such as matching grants of additional chicks for successful chick breeding and a guarantee facility for the loans, both unknown to the young women, have also been instrumental in shaping the proper incentives within the programme.

Targeting girls by age proved to be a complicated process. Difficulty in verifying ages and the tendency of communities to challenge the programme's targeting criteria made this task even more complex.

II. LACK OF LOCAL CAPACITY

It has become evident that the quality of facilitators is critical to the success of the programme. A lot of time and resources have been invested to build capacity of the facilitators, which continues during the scale-up phase. A comprehensive orientation on the programme methodology, as well as thorough training, is provided to all participating facilitators. The establishment of the Market Intervention Fund to support activities that address gaps in the value chains is a key driver in achieving maximum impact. The fund provides initial start-up support to private sector players such as banks, input suppliers, local consulting companies, NGOs, and community-based trainers to implement different components of the programme so that activities can continue beyond the life of the project.

III. ACCESS TO FINANCE

Programme staff observed that the young women shared a fear of loans. This is consistent with the perception of loans that the programme had to face during the pilot phase. The girls were unwilling to take loans, expressing concern that they would be unable to repay. Value Girls worked with its partners to educate girls on loans and do rigorous analysis of responsible loan size, which helped address their fears. Another obstacle was that the majority of young women did not have official government issued IDs and were unable to receive loans due to bank requirements. To address this challenge, the programme worked with a local microfinance organisation to provide loans on the same terms to the girls who could not access capital from a formal institution. Now nearly 50 per cent of the girls have both government issued IDs and formal bank accounts.

IV. UNEXPECTED RESULTS

- Despite their youth and inexperience with business, the girls are capable, resourceful, and successful in their chosen activities. To the programme's surprise, the girls had a very strong aptitude for raising chickens and protecting their assets. In the pilot phase, some girls had a chick mortality rate of less than 1 per cent, better than many experienced poultry farmers in the region. The girls have proven to be motivated in starting their enterprises. They appreciate the

training but have voiced the need to begin enterprise activities sooner, in order to engage in more practical application alongside the training and to see tangible benefits earlier. As a result, training modules are being revised to make them simpler, shorter and more practical. It has been important to explain from the beginning what the project will provide, what is expected of the girls, and the timeline of activities so that expectations of programme activities are clear from the outset.

- It has become evident that girls who receive support from their spouses or boyfriends are more successful in managing their enterprises. Many husbands helped the young women build chicken houses. Thus, it is important to involve spouses and community members from the beginning. Participation in the programme not only affects girls directly, but it also changes household dynamics, which is why all key household members need to be integrated into the programme from the onset.
- Value Girls communicated messages beyond the young women themselves. The initial success of the programme influenced the views of communities. Initially, some of the girls' spouses disagreed with their participation in the programme and required them to drop out; however, once enterprise activities began, the spouses saw the benefits of participation and encouraged the girls to join again.
- Involving girls in a participatory way in each part of strategy development has proven to be essential. The girls were involved during the inception phase and continued to provide input throughout the pilot, including participating in the scale-up workshop in August 2010. The girls' feedback, whether in a formal or informal setting, has been invaluable. It has given them a sense of ownership, increased their voice, and provided valuable lessons on programme structure and implementation.

E. CONCLUSIONS

Value Girls has adopted the following guiding principles for implementation:

- Market-Based Approach: One of the key guiding principles while using a market-based approach when integrating very poor producers into value chains is the need and willingness to adapt to a dynamic business environment. This necessitates the project making decisions quickly and remaining flexible. The market-oriented approach aims to reduce subsidies (or use them smartly) and creates an environment conducive to the success of the girls in their enterprises by strengthening important parts of the market system. This approach also puts girls "in the driving seat," and their initiative, effort, and entrepreneurial spirit is one of the major prerequisites for success. It can therefore be inferred that the girls' confidence is increasing since, through their own initiative, they are undertaking brand new enterprises, saving, and even borrowing money from each other. They are also borrowing small microloans from formal microfinance institutions—all new activities for them.
- Meeting the girls where they are: Introducing alternative sources of incomes in a region with a high poverty rate, where most of the girls and young women are engaged in the fish sector, could simply not be done without Cardno's willingness to meet the girls where they are. In Western Kenya, that means starting at the beaches, developing programme schedules that are conducive to the situation of the girls, and meeting with them in spaces that are safe. At the initial stage, this work includes mobilising girls and young women, gaining their trust, identifying strong mentors, sharpening their business skills, and supporting them to undertake activities in the poultry and vegetable sectors.
- Mentors are of great support to the girls and to the programme team. The mentors have been a key factor for strengthening the girls' confidence, expanding their social networks, and

providing them with practical learning in poultry and vegetable production. The success of the programme is directly linked to the quality of the facilitators working on the ground and the structured formal mentorship programme. The support that the girls receive from their mentors has been invaluable—the mentors encourage them in their day-to-day tasks, provide practical advice, follow-up on a variety of issues on behalf of project partners, encourage women to stay in the programme, and take part in mobilising more girls.

- Apply a phased approach: Cardno's experience working with vulnerable populations has proved that applying a phased approach—that is to start small and then scale-up—to programme implementation is an optimal way of managing risk. To do otherwise means exposing girls and young women to additional and unnecessary risks. Thus, the Value Girls Programme ***developed*** its plan, ***piloted*** a variety of interventions, ***documented*** these interventions, ***refined*** its strategies and then ***scaled-up*** only those interventions that proved to be sound and effective. Additionally, this methodology ensures that programme resources are predominantly invested in results producing interventions.
- Ensure the sustainability of programme activities: Programmatic sustainability is deeply rooted in both expectations and incentives. While the former deals with each individual beneficiary, in this case girls and young women, the latter deals with the mechanisms introduced into a given system, in this case a value chain. To properly address both expectations and incentives, the Value Girls Programme is based on: 1) the knowledge that external funding will come to an end within a reasonable period of time, 2) appropriate targeting, 3) self-selection of programme participants, and 4) limited and smart subsidisation.

Indicative Term Sheet: Revolving Fund for the Value Girls Programme

Purpose of the fund: To provide quality, better cost, and timely financial and non-financial services to girls and young women between age 14-24 years who are undertaking viable enterprises.

Fund Manager: Jiinue Holdings, Ltd., a small micro credit and training company based in Nakuru, Kenya. Jiinue has successfully piloted a revolving fund worth $6,600 during the project pilot phase as well as played a facilitative role to assist girls to undertake poultry and vegetable enterprises.

Training: In collaboration with the programme and other financial service providers, Jiinue credit officers will train the young women in financial literacy, with a focus on savings, micro credit, and enterprise management, using a curriculum and style that is suited to fit their needs.

Savings: Jiinue will encourage the girls to develop and maintain a savings culture. All girls under the Jiinue scheme will be encouraged to save a minimum of Ksh. 200 ($2.60) on a monthly basis.

Proposed Features of the scheme to include:

Fund Limit	Ksh. 7 million ($93,333)
Loan Tenure	1 month to 1 year
Security	Group guarantee and a spouse signatory
Membership Fee	Ksh. 250 per girl
Loan Size	Ksh. 2,000-40,000 ($26-533) per girl
Application Fee	A processing and application fee of Ksh. 250 or 4% of the loan,

	whichever is higher, shall be charged to the applicant. 2% of this processing fee will serve as a risk management fund in case of death.
Savings	An upfront savings of 10% of the loan borrowed. Subject to a minimum saving of Ksh. 500 or 10% of the loan requested, whichever is higher
Appraisal Fee	None – to be covered by the processing fee
Grace period	3 months before the first loan instalment is due
Annual Review Fee	None – seasonal credit

In addition to the above product, 30 per cent of the revolving fund will be given to women outside the target group. These loans shall be given at an interest rate of 20 per cent to women entrepreneurs who either borrow as individuals or offer collateral in a group system. The purpose of these loans will be to support the growth of the intervention fund by generating additional income and building good will among the communities.

Rationale for the revolving fund: The pilot phase undertaken by the Value Girls Programme has made it clear that girls and young women between the age of 14-24 years can undertake viable enterprises. However, they need reliable and affordable sources of financing. During the pilot phase, the project developed a partnership with two commercial banks and facilitated access to micro loans for 187 girls. Only 40 per cent of these girls qualified to take loans from the commercial banks; the other 60 per cent of the girls were financed through the programme's revolving fund, which was set up at the realisation that these girls, who were saving consistently and were eager to undertake their enterprises, could not access loans from the banks. The girls could not qualify for loans primarily because they lack the National Identification Card, which is required by banks to access their services. As the pilot progressed, it became clear that the products the banks are providing, while somewhat tailored to the girls enterprises, were taking too long to process. Jiinue Holdings, Ltd. sees a gap that is not being filled by the commercial banks, and it would like to fill this gap by providing the product mentioned above, which it believes will meet the needs of the girls while providing a potentially sustainable source of finance. The Value Girls Programme would like to support this intervention, which is in line with its goals, using funds from its Market Intervention Fund. Funding for this intervention would be provided to Jiinue in line with the programme's fund policies. Jiinue will also receive technical assistance to ensure that the fund is set up and managed in a manner that ensures its transparency, growth, and sustainability.

CASE STUDY 2. AGRICULTURAL PRODUCTIVITY CONTEXT PROMOTING AGRICULTURE, GOVERNANCE, AND THE ENVIRONMENT (PAGE) PROJECT *WORLD VISION SIERRA LEONE*

Programme Overview	
Where	Sierra Leone
When	2008-2012
Who	Smallholder cocoa producers, most of whom are vulnerable, including war widows and youths
Goal	Address production-to-market transactions and develop competitive agricultural and rural enterprises using the value chain approach
How	Through savings groups, farmer field schools and producer organisations, entrepreneurial training, and improved access to markets

A. BACKGROUND

This case study highlights the role of the facilitation role of the development organisation to ensure that stakeholder workshops take place. In the project, a national level stakeholder summit took place to address the constraints and opportunities of the national cocoa value chain in Sierra Leone.

Sierra Leone is recovering from a civil conflict that crippled agricultural production and disrupted service provision countrywide. Recovery has been moderate, with an average growth rate of about 6 per cent per annum.[25] Agriculture accounts for 46 per cent of gross domestic product and more than 30 per cent of export earnings. It is also by far the largest employer, providing employment for more than 30 per cent of the national workforce.

Agriculture has traditionally been the principal source of income, employment, and foreign exchange for the economy. Pre-war Sierra Leone was an important cocoa exporter, with the crop contributing significantly to the economic landscape. Cocoa is produced by smallholder farmers in the Eastern province of Sierra Leone. About 75 per cent of the producers are smallholder farmers with average farm sizes between 2.7 and 3.3 hectares.[26] Although these farmers traditionally pursue mixed livelihood strategies, cocoa remains the major source of income for their households. According to the PAGE marketing study,[27] net returns to family labour were substantially greater than the going wage rates, ranging from 50-400 per cent higher than the hired labour ($48-$194) per hectare.

The most significant change in the cocoa sector after the war was the increase in the number of female owners of cocoa farms resulting from the deaths of their spouses. Decline in both production and quality of cocoa beans began in the 1990s and deteriorated during the war years of 1990-2002, when cocoa farms were abandoned.

25 Government of Sierra Leone 2010, National Sustainable Agriculture Development Programme (NSADP)
26 USAID PAGE 2009, Baseline Survey of Tree Crops Production and Marketing in Kailahun, Kenema, Kono districts
27 ibid

B. WHAT DID WE SET OUT TO DO?

PAGE is implemented by a Consortium of NGOs (ACDI/VOCA, ARD, and World Vision) led by ACDI/VOCA and funded by USAID. The PAGE project seeks to address production-to-market transactions and develop competitive agricultural and rural enterprises using the value chain development approach. Activities include:

- Conduct a general baseline survey of tree crops to identify production, marketing, and institutional needs in the cocoa, coffee, and oil palm sectors and to establish baseline parameters for monitoring and evaluation of policy reforms and project implementation.
- Strengthen existing farmer groups: establish new groups, and scale up producer companies. This involves training farmers in organisational skills, basic management, gender mainstreaming, literacy and numeracy skills, and facilitating the formation and management of savings groups.
- Map the cocoa value chain to determine a clear picture of the current situation, showing ongoing activities in the sub-sector, the actors involved, and identifying the key businesses and other stakeholders driving (or with the potential to drive) development of these markets.
- Identify constraints and opportunities for improving the operation and growth of the cocoa market and the specific stakeholder organisations that can assist with the implementation of the interventions. This resulted in the establishment of more cocoa farmer field schools that were later transformed to producer companies. Private sector firms in cocoa were also provided with grants to support additional farmer/group training in cocoa quality control and the "Rain Forest Certification" programme, thereby providing a higher price to producers.

C. WHAT ACTUALLY HAPPENED?

Several consultancy reports and a study of the cocoa sector were completed and validated by the Ministry of Agriculture, Forestry, and Food Security (with the help of World Vision). Further discussions with other organisations led to an agreement that a more inclusive process would be of benefit to the development of the cocoa sector, and the Cocoa Working Group was born. This group, comprised of key NGOs and donor-supported projects, held several planning meetings, during which a schedule for the Cocoa Summit and the terms of reference for its facilitator were developed and agreed upon by key stakeholders.

I. SMALLHOLDER FARMERS AND THE SUMMIT

An invitation to the Cocoa Summit was announced over community radio stations in the cocoa producing areas, asking each producer company to send two to four representatives. In addition to the government announcements, PAGE ran announcements on community radio stations for its farmers and facilitated the selection of beneficiary cocoa farmers. Groups were encouraged to send innovative farmers with some experience in the industry and understanding of the burning issues facing farmers. Participants from these groups contributed significantly, providing unique insights into the conduct of business by the buying and commission agents. They provided an understanding of why smallholder farmers lacked the motivation to produce high quality cocoa beans. One farmer said, "When the buyers come to our village they don't talk about grade 1 cocoa, they just weigh the cocoa bags and pay us. So some of us decided to increase the weight of the bags through other means so we can get extra money."

The Cocoa Summit organisers ensured that smallholder farmers were equally represented in the different groups during the breakout sessions. In addition, representative farmers were briefed about the terms of reference of each group discussion before the various breakout sessions.

Unfortunately, the main emphasis on the needs of small producers was lost during the summit when the focus changed to the needs of the big players in the cocoa value chain. Although they wanted to let the government take the lead, the NGOs ensured that small producers were represented in the breakout sessions. The small producers brought out issues such as:

1. Commission agents were not delivering credit provided for farmers by local exporters to secure cocoa beans before the cocoa harvest season, but instead blamed farmers for side sales and defaulting on agreements.
2. Commission agents were undercutting the price to the farmers by as much as 60 per cent, taking advantage of farmers' lack of access and knowledge of market information (information poverty).
3. Poor farmers felt exploited and would steam the cocoa beans rather than ferment them—since quality did not attract premium price, farmers did not see the need to adopt good fermentation and drying practices.
4. Small producers would soak the beans to increase the weight since commission agents emphasised weight rather than quality and farmers do not see any incentive to sell quality cocoa, which would be lower in weight.
5. Price is not known by the producers so commission agents offered any price to farmers.
6. Some of the producer companies formed by PAGE compete on price with established local buyers to maintain their membership base and bargaining power.

II. WHAT WENT WELL AND WHY?

The consultation process, though long and difficult, turned out to be very fruitful as it brought all the key players, including the private sector, to the table to discuss issues of common interest. This concerted effort by an organically-formed group brought harmony and coordination in a sub-sector that was disjointed and uncoordinated in its effort to address the needs of the very poor.

The two-day Cocoa Summit attracted participants from throughout the cocoa value chain—smallholder cocoa cooperatives, producer companies, buying agents, exporters, extension workers, NGOs, financial institutions, researchers, support institutions, government officials, traditional leaders from cocoa producing chiefdoms, District Council officials, donors, and development partners. The agenda developed by the Cocoa Working Group was discussed with the facilitators and was then circulated to the key stakeholders, including some of the producer groups, ahead of the summit.

Key issues during the plenary session were highlighted and noted by the facilitators who guided the deliberations and ensured issues discussed were pertinent to all in the sector. These key issues formed the themes for the breakout sessions over the two days of the Cocoa Summit. During the deliberations there was consensus among participants for a common vision. It was generally agreed that the realisation of this vision requires improvements in the quality and quantity of cocoa produced in Sierra Leone. Very poor households will benefit from higher levels of participation in

producer organisations through increased bargaining power and training in skills such as literacy and numeracy, basic management, marketing, and group savings.

The Cocoa Summit was successful because all stakeholders were linked to a shared set of concerns and a vision for the future. There was agreement on an action plan to ensure the realisation of the common vision:

1. Improving quality, quantity, and competition
2. Establishing traceability and sustainability
3. Forming and strengthening producer associations
4. Accessing financial services
5. Forming a cocoa producers and traders association

There was concern about follow-up after the summit, so participants agreed that the Cocoa Working Group, which includes small producers' representatives, should continue to work with the Ministry of Agriculture, Forestry, and Food Security and the Ministry of Trade and Industry. One of the immediate activities was to provide a summary of the Cocoa Summit to the ministers and to ensure that the Action Plan agreed upon at the summit is executed in a timely manner.

D. ISSUES AND RECOMMENDATIONS, AS DISCUSSED AT THE SUMMIT

I. ISSUE: QUALITY, QUANTITY, AND COMPETITION

Sierra Leone's biggest competitive gap is the inconsistency of cocoa bean quality. The local cocoa market is driven by volume-based transactions in the absence of price incentives for quality. This situation prevailed over the last two decades, resulting in lower quality cocoa beans. The summit participants agreed that the lower export price resulted in poor quality. As Mr. Sarh Sorie, the Chairperson for the Bassankoen Producer Company explains, "Before the formation of our groups and eventually producer company, the price we could get for cocoa was so low it was not worth harvesting or fermenting the cocoa properly. During the hunger season traders were offering us a bag of rice (50 kg) valued between Le140, 000–180,000 in exchange for a bag of our cocoa (70 kg) valued at Le250,000-350,000. Many of us abandoned our trees. Some farmers resorted to selling poor quality since the price we were paid was not based on good quality cocoa beans. It was a very difficult time for us as life was very insecure."

à Recommendation: The summit acknowledged the need for improvements in the quality and quantity of cocoa produced in Sierra Leone. It emphasised the need for this to happen in a competitive environment that provides the right mix of support and incentives to diverse players. The various public and private sector initiatives that have been launched to train and improve the traditional practices of smallholder producers should be intensified and sustained. Regular cocoa price announcements are made on community radio stations. Group based training will empower small producers to bargain collectively for better prices for premium products.

II. ISSUE: TRACEABILITY AND SUSTAINABILITY

Consumers of cocoa end products (especially chocolate) are taking an increasing interest in the conditions under which the foods they consume are produced. Companies are therefore searching for ways to credibly show their commitment to environmental sustainability. This interest is driving the exporters and importers of Sierra Leone cocoa beans to demand evidence of traceable,

sustainable produce. Certified producers and traders must demonstrate traceability through detailed documents that show where a product was produced and where it was sold.

à Recommendation: As cocoa traceability becomes ever more important to the production of quality food, Sierra Leone must continue to train producer companies[28] and producer groups[29] to participate in management and production strategies at the community level. Each producer group should organise its members around the common objective of producing quality, traceable cocoa under sustainable conditions.

In order to distribute payment to each farmer equitably, producer groups working with private sector firms and investors should maintain a traceability database. The database should track the level of training received by each farmer and the sales transaction (number of bags of cocoa beans each member contributes to the group's sale). Private firms and investors should partner or enter into joint venture agreements with producer groups to select cocoa processing and bagging centres to avoid "mixing," and thereby enhance quality control, traceability, and job creation, especially for young people.

III. ISSUE: PRODUCER GROUPS

Under all foreseeable scenarios, the number of producer groups needs to increase if farmers are to play a strategic role in the production process and gain a fairer share of the revenue. These groups, formal or informal, help very poor producers take advantage of donor and government programmes and technical assistance.

à Recommendation: Traceability and sustainability systems are difficult to realise without well-organised producer groups. In this regard, a number of activities to facilitate traceability can take place within producer groups. These might include clustering of farmers into similar socioeconomic strata, pre-diagnostic audits to establish precisely what needs to be done to achieve certification, and pre-certification capacity building.

IV. ISSUE: ACCESS TO FINANCIAL SERVICES

The lack of access to credit from financial institutions to purchase planting materials is a frustrating situation for smallholder producers. Salone Microfinance Trust (SMT) provides only 15 per cent of its portfolio to agriculture, and the microfinance industry as a whole provides only 5 per cent to the rural farm sector.[30]

Current pre-financing options lock small producers into a tangle of debt and dependency on commission agents who manipulate prices. As a result, farmers lack the incentive to make additional investments of time and effort to properly process cocoa beans.

à Recommendation: The Cocoa Summit concluded that more effort is needed at multiple levels to connect financial institutions with cocoa producers and traders to develop the sector. Producer companies and producer groups that have contractual agreements with exporters and/or importers should be able to secure funding from financial institutions even if this requires government credit

28 These are farmer organisations that have registered legally and hold a business license.
29 Farmer-Based Organisations are recognised by the Ministry of Agriculture, Forestry, and Food Security, Ministry of Social Welfare, and the District Councils through a registration process but do not hold a business license.
30 Personal communication with Mr. David Shodeke, Executive Director, Salone Microfinance Trust December 2011

guarantees to underpin these relationships. Some exporters and projects are considering piloting a warehouse receipt programme for cocoa.[31]

V. ISSUE: COCOA PRODUCERS AND TRADERS ASSOCIATION

Participants at the Cocoa Summit discussed the fragmentation of the sector and the absence of an industry association to advance the collective interests of those whose livelihoods depend on the cocoa industry, as well as to efficiently channel information to all stakeholders, especially smallholder producers. Such an association could play a key role in formulating and enforcing codes of practice and standards, lobbying for necessary changes, facilitating learning and sharing across the sector, and representing the small producers and the cocoa industry externally.

à Recommendation: The government should support the establishment of the Cocoa Association with a public-private partnership providing the technical know-how to ensure that proper governance structures are in place. It is important that this body is driven by the private sector to ensure fair representation along the value chain.

E. UNEXPECTED RESULTS

The high turn-out at the summit exceeded expectations, and the participation and openness of the local exporters to hear critical comments about their trading activities in the sector was unexpected. Their contribution to the deliberations was helpful in understanding the existing pre-financing system and provided farmers a better understanding of how to navigate the system to their advantage. For example, they should directly contract with local buyers to ensure price is paid for quality and they should ensure that pre-financing conditions are clear to all parties and payments are direct.

Knowledge and information sharing: small farmers now have access to agricultural information and technologies, which in turn enhances their production. The benefit of fermenting and drying centres in improving grades and enforcing standards was shared by private sector participants, encouraging producer organisations to set up these units. Further, the summit also discussed the use of mobile phones to access local and international market information as well as dissemination of improved practices and timing of activities throughout the farming calendar for cocoa.

F. CONCLUSION

A partnership between the private and public sectors needs to spearhead the formation of producer groups and producer companies that include very poor households to increase their bargaining power and market penetration and provide quality and timely information on prices. Democratically-run producer companies and producer groups provide better access to risk management for the producers as well as better prices, access to labour, and inputs. The continued success of the cocoa industry and the effective implementation of the action plans depend on the timely provision of and access to financial services.

31 Zambian Agricultural Commodity Agency Ltd. (2002), Facilitating Smallholder Access to Warehouse Receipt Systems in Zambia: Review of Options. Prepared by the Natural Resources Institute, UK. Also in 2009, USAID initiated grain warehouse receipt system in Ghana; the Ghana Cocoa Board is also piloting the warehouse receipt system for cocoa farmers.

Knowledge sharing should go beyond the formal public sector extension system and utilise the various agents and intermediaries who interact with small farmers and other stakeholders in the innovation system so that the knowledge and information required by farmers to innovate can be provided and linkages developed. In this respect, the organisational innovation presented by farmer field schools and producer organisations in integrating the provision of several services to farmers, including advisory services, is very important.

CASE STUDY 3. FOOD SECURITY CONTEXT: MARKET LINKAGES WITH EXPORT FIRMS
HAITI MULTI-YEAR ASSISTANCE PROGRAMME
WORLD VISION HAITI

A. BACKGROUND

Mangos are Haiti's largest agricultural export, with more than $10 million in sales per year. The export market for mangos is demanding because exporters prefer to work with suppliers that can provide large volumes of mangos with consistent quality. Small producers do not produce enough as individuals to supply the exporters directly.

World Vision, under the multi-year assistance programme (MYAP), financed by USAID's Food for Peace initiative, is committed to increasing very poor producers' income in Haiti's Central Plateau. WV has assisted Haitian mango growers to increase marketable produce through post-harvest loss reduction measures and encouraged higher and more stable prices through forward contracting between producer groups and mango exporters.

B. HOW DID THE PROGRAMME INCORPORATE VERY POOR PRODUCERS?

The programme undertook several activities to link very poor producers to markets, including facilitating the development of business relationships with exporters, encouraging farmers to adopt improved post-harvest practices, and helping the groups to get organic and fair trade certifications.

- Support for setting up a mango collection system through the group's marketing agents. The project provides technical assistance to different actors in the Central Plateau mango value chain. The programme helped the producers organise to put in place the collection, cleaning, and grading of the mangos so that what they produced met the exporter's requirements.

- Training for producers so they have access to fair trade and organic markets in the U.S. and Europe. Producers and exporters received assistance in accessing specialty markets (fair trade and certified organic). This involved contracting certification consultants and agencies for organic and fair trade markets, developing appropriate internal control systems, and training producer organisations in management and maintenance.

  Producer groups in the Central Plateau were certified for organic production and fair trade participation, with appropriate technical assistance and certification costs subsidised through donor funding. One exporter was also certified, which became a sustainable link between the producer groups and the certifiers after project funding ended. The project assisted the groups and the exporter to re-establish the certifications (which must be renewed on a yearly basis), as well as provided business skills training to the mango groups.

- Initiatives to increase production. Production-enhancing activities were implemented to increase both per tree production as well as the number of trees producing fruit. Several new mango plantations were started, using locally purchased seedlings from seed producers, and planting in orchards using a survival subsidy to ensure tree permanence. This survival subsidy involved setting up a system of periodic payments to farmers based on the number of healthy trees remaining in a field over time, which encouraged farmers to take care of

their trees. Grafting techniques were taught to farmers so they could graft improved mango varieties onto existing rootstock of lower producing trees.

} Contracts with exporters. Contracts between the producers and the exporter were developed under the MYAP to make terms, conditions, and responsibilities clear to all parties in written form. The specific objective of the agreements was to support ongoing work by the exporter in producer group compliance with fair trade and organic certification requirements, address post-harvest issues, and make investments in new mango production to expand supply over the medium and long term. The indirect objective of the agreements was to strengthen the sustainable market link between producer groups and the exporter (such that the producer groups, or other groups in the same zone, will be able to increase the supply of mangos, reduce post-harvest losses, and maintain the required procedures and internal control systems largely on their own). A copy of the agreement is found below.

C. WHAT WENT WELL AND WHY

Benefits flowed through to producers in terms of higher and more stable farm gate prices. A fair trade premium of 10 per cent of the producer price is given by the buyer-participants to support community social projects. The U.S. supermarket chain Whole Foods has taken a special interest in the Haiti mango programme and during the 2011 mango season imported three 50,000 lb. containers per week of certified fair trade and organic mangos. This was sufficient incentive for very poor mango producers to participate in the programme and engage with the groups. Exporters were similarly motivated, since this expanded their mango market contacts in the U.S. and resulted in direct agreements with large supermarket chains like Whole Foods.

D. ISSUES AND RECOMMENDATIONS

Given the large size of the investment by the exporter, there is a reluctance to facilitate expansion of the concepts and lessons learned to the broader community, with a preference for retaining the relationships and knowledge for future business purposes. Given the costs of innovation, it seems that some sort of expiring “patent” procedure might be necessary, after which the lessons learned and relationships should be more widely shared with the industry.

E. LESSONS LEARNED/CONCLUSIONS

1. There are significant specialty market opportunities that increase the value of production and incentivise resource poor farmers. However, they involve increased costs in terms of maintaining practices and records to sustain certifications, which themselves bring additional costs from the certifying agencies.
2. The system has been sustained over seven years, but not without difficulties and setbacks. Key to sustainability has been the interest and commitment of the mango exporter, who has continued to support the producer groups with training and facilitated organic and fair trade re-certification after some of the groups lost status through non-compliance with organisational and control systems. Key to maintaining and sustaining the relationship between very poor producers and the exporters is the transfer of the internal control systems to the producer groups and the ability of the groups to hire managers capable of maintaining the fair trade certification systems adequately.

Memorandum of Understanding
Between AGRIDEV and EXPORT FIRM A
Mango Production and Marketing Activity

Context and rationale

Haitian *Francique* mangos have reached the shelves of both mainstream and niche markets in the U.S. following the acquisition of organic and fair trade certifications for mango producer groups and one key exporter. Organising formal producer associations and federations was undertaken by the Hillside Agriculture Programme beginning in 2000, and those initial efforts paid off with the establishment of new supply relationships. The termination of the Hillside Agriculture Programme in 2007 left some activities in process but not yet sustainable, particularly those related to producer group management in order to meet organic and fair trade certification standards. In the interim, Export Firm A and its associates have endeavoured to maintain and sustain the producer relationships and have succeeded in re-establishing previously lost fair trade and organic certifications. Maintenance and strengthening of those relationships and continuance of the certifications programme is key to continued growth of exportable mangos and increasing producer incomes.

The Haitian mango supply chain faces a number of challenges and difficulties. The principal challenges include:

- The mango producer groups established under the Hillside Agriculture Programme have struggled to maintain the established internal control systems that enable the organic and fair trade certifications. This is due in part to withdrawal of critical programme support before the required management changes were fully adopted, as well as increasingly stringent requirements by certifiers, particularly for organic produce.
- Haitian (exportable) mango production is well below potential, with insufficient plantings, and 50-70 per cent of the fruit damaged or of poor quality due to problems during the harvest, transport, treatment, and packing stages.
- Post-harvest practices are deficient, including farm-level picking and transport techniques, inadequate preparation for shipping to the packing plants, as well as deficiencies in washing, hot water treatment, sorting, and packing at some of the plants. All of these deficiencies combined contribute to the high loss and rejection rates stated above. Previous training programmes were targeted toward mango farmers, when in fact the production is often sold to Madame Saras[32] before harvest and managed by hired pickers.

Scope

The specific objective of this partnership is to support ongoing work by Export Firm A and associates in producer group compliance with fair trade and organic certification requirements, address post-harvest issues, and make investments in new mango production to expand supply over the medium and long term. A more general indirect objective of this agreement is to strengthen the sustainable market link between producer groups and Export Firm A such that the producer groups, or other groups in the same zone, will be able to increase the supply of mangos, reduce post-harvest losses, and maintain the required procedures and internal control systems largely on their own.

32 Informal traders who buy from the farm gate at very low prices.

Specific work activities under this agreement to be undertaken by the sellers (mango producer groups) include:

1. Provide necessary support/labour for the collection of ___ dozen of good quality organic mangoes from participating farmers between the months of March-July ___.
2. Allocate, maintain, and supply the necessary labour force for the planting of ___ hectares of mango orchards on land that belongs to participating farmers between the months of March-September___.
3. Purchase mango seedlings from a private nursery to be developed with the support of Agridev.
4. Maintain mango orchards according to best production practices as developed and recommended by Agridev.
5. Organise the harvest according to a schedule that will be established with the buyer, and supply the necessary labour to properly harvest and pack mangos.
6. Organise collection so that it complies with the quality standards required by the technicians and the quality requirements of the buyer.

Specific work activities under this agreement to be undertaken by the buyer (Export Firm A) include:

1. Develop and negotiate an advance purchase contract with the sellers specifying the prices, quantities and quality characteristics of mangos to be supplied by the sellers.
2. Purchase supplies of mangos collected and meeting quality requirements.
3. Provide transport from field collection centres to the packing plant according to an agreed schedule with seller.
4. Hire and train a field supervisor who will oversee the field collection, field packing, and transport activities.
5. Partially subsidise the maintenance of mango orchards established by sellers through payment of a periodic survival subsidy, possibly using fair trade premium as a source of funds.
6. Facilitate communication between producer groups and the certifying organisations (FLO and Ecocert).
7. As appropriate, support producer training activities in internal control systems management and certification compliance, post-harvest practices, and mango production activities.
8. Assist sellers to open accounts in a local financial institution for sales proceeds and other payments.

Specific work activities under this agreement to be undertaken by WV/Agridev include:

1. Train sellers in the importance of technical aspects of the organic and fair trade certification processes, in collaboration with Export Firm A and its associates.
2. Provide technical and financial support for establishing mango orchards, including supply of seedlings, design of production plans and farmer training in mango production best practices.
3. Cost share with buyer the tree survival payment for two seasons.
4. Cost share half the salary of the buyer's field supervisor for one season.
5. Develop and support system of collection and transport of mangos from the trees to the collection centres.
6. Ensure compliance of the groups and exporter in meeting the terms and conditions of the contracts/agreements established for fruit procurement during the season. Troubleshoot as necessary.

7. Assist sellers and buyer to address issues raised by the organic and fair trade certifiers.
8. Provide timely responses to issues as they arise, particularly when other intermediaries compete for the same harvest.
9. Train sellers in administrative procedures and accounting
10. Maintain a continuous field presence throughout the entire mango harvest season, moving from location to location around the region as the season progresses.

Budget

The agreement included a budget to implement the agreement.

CASE STUDY 4: FOOD SECURITY CONTEXT: GRADUATION FROM FOOD AID PRODUCTIVE SAFETY NET PROGRAMME PLUS
CARE ETHIOPIA

Programme Overview	
Where	Ethiopia. Amhara, Oromiya, Tigray, Dire Dawa and SNNPR regions.
Who	Food aid recipient households. Locally called Productive Safety Net Programme (PSNP) beneficiaries.
Goal	PSNP Plus aims to contribute toward the graduation of more than 47,000 households currently receiving food aid from PSNP by building their productive assets and enhancing their ability to cope with emergencies (drought, family illness, etc.).
How	Through four strategic interventions: Microfinance, Value Chains, Water and Sanitation, and Enabling Environment

A. BACKGROUND

The Productive Safety Net Programme Plus (PSNP Plus) is a USAID-funded project that aims to assist chronically food insecure households to graduate out of the government of Ethiopia's safety net programme (PSNP) by improving their access to financial services and functioning markets. Realising the importance of water and sanitation in lifting the poorest households out of poverty, a water and sanitation component was added one year after the start of the project. The majority of chronically food insecure households in Ethiopia are located in rural areas, are dependent on rain-fed agriculture, face a variety of production constraints, and lack access to financial services, markets, information, and linkages to other stakeholders.

B. WHAT DID WE SET OUT TO DO?

Goal: The PSNP Plus aims to contribute toward the graduation of 47,422 households currently receiving food aid from PSNP by building their productive assets and enhancing their resiliency. The project attempts not only a one-time graduation from food aid, but also strives to ensure that the beneficiaries do not fall back into chronic food deficiency due to emergencies such as drought, family illness, deaths, etc. There are four programme objectives to achieve this goal:

1. Improve access to finance so very poor households can engage in profitable economic activities
2. Open market opportunities so the targeted households get a fair and sustained return on their economic activities
3. Improve their access to water and sanitation so their health and productivity improves
4. Learn what policies, strategies and interventions effectively lift poorest households out of extreme poverty and disseminate the lessons so policies and programmes of the government, other donors, and all stakeholders improve.

The PSNP Plus strategic framework is based on a Graduation Pathway Model, which puts together a package of interventions and executes them in a particular sequence. This package and sequence is expected to help chronically food deficient households to become food sufficient (although still vulnerable), and ultimately to become both food sufficient as well as resilient (able to cope with

shocks). As they progress on this graduation pathway, they are linked with mainstream business, finance, training and other services provided by private, public or other actors.

KEY PROJECT COMPONENTS

Linking poor households to markets through value chain development: The programme starts by identifying feasible value chains that are viable considering the needs and capacities of chronically food insecure households. The value chains identified were honey, white pea beans, livestock fattening, and cereals production. This is followed by the establishment of Production Marketing Associations and training of the small producers in a variety of skills, including value chain related technical training, group organisation and management, governance and transparency, and business, market and financial literacy. The households receiving the training are provided with productive assets and inputs through a loan from microfinance institutions or cooperatives. Systems are put into place for on-time market information (Market Information Platforms), and technical assistance on productivity and quality is mobilised through government agencies and the private sector. To engage the government and private sector actors in the project, several activities were carried out, including invitations to project retreats and planning meetings, joint field trips, and multi-stakeholder platforms. Multi-stakeholder platforms were established in each region in order to troubleshoot the day-to-day problems and bring the various market actors together to build sub-sector relationships. These multi-stakeholder groups meet on a quarterly basis and include representatives of PSNP Plus participant households.

Linking poor households to microfinance: Two tracks are used to make microfinance accessible to the targeted households: 1) organising the households into Village Savings and Loan Associations (VSLAs) and linking them to formal microfinance institutions (MFIs), and 2) linking the PSNP households directly to MFIs and cooperatives. VSLAs are promoted to introduce saving behaviour, credit culture, and solidarity among project participants, and help them start income generating activities. The households use microfinance loans to acquire productive assets and inputs for value chain activities. VSLA internal loans are used by their members to start income generating activities, such as petty trade, food processing, and selling, which reduce their risks and vulnerability.

Water and sanitation services: The project added the water and sanitation component, realising the importance of access to good quality drinking water and overall sanitation among project participants toward achieving food security goals. Access to good quality water helps the beneficiaries by making more time available for economic activities as well as by making it possible to cultivate home gardens and cash crops. Improved sanitation enhances their health, allowing people to put more time and effort into economic activities and reducing their healthcare costs.

C. WHAT ACTUALLY HAPPENED?

I. WHAT WENT WELL AND WHY?

The project organised 27,000 households into 1,747 production marketing groups and provided training on leadership, group formation, recordkeeping, financial literacy, and business skills. The production marketing groups were organised using standard solidarity group formation processes. They were also provided with technical training in production technologies, post-harvest handling, and product quality, grading, and marketing.

Working with the private sector in developing value chains is a key strategy of the project. As such, several individual businesses and associations (beekeeping association, livestock association) were identified and recruited to partner in project activities. Multi-stakeholder forums were organised quarterly at a regional level for each value chain. At these forums, farmers, traders, and government agencies discuss issues and opportunities, develop action plans, and make recommendations.

The results show that savings behaviour of participants has improved, leading to significant accumulated savings. The group and individual savings have been used to start various income generating activities. The portfolio at risk has remained under 10 per cent, and the MFIs have begun to see chronically food insecure households as a potential market segment. The MFIs have changed their lending terms to meet the needs of this segment.

As a result of the project, the PSNP Plus households have begun to transition from traditional subsistence farming to market-based, modern production systems, paying attention to market information, quality, quantity, and cost effectiveness. The producers are getting together to access inputs and sell outputs collectively. Private sector businesses have also begun to see the opportunities in working with PSNP Plus households. The multi-stakeholder platforms have built relationships and trust among value chain actors, enabling them to collectively address constraints.

Longitudinal impact studies have indicated that VSLA members have used their group savings to engage in different on- and off-farm income generating activities, and this has been very effective in reducing their vulnerability to weather and other risks.

II. WHAT DID NOT GO AS EXPECTED AND WHY?

In most value chains, the volume of production, the quality of products, and the cost of production remained unfavourable, and traders were not motivated to sell to regional, national, and international markets. The main reasons for this were that production marketing groups were still too weak to standardise production and do business with the private sector; there was a lack of intermediary business infrastructure such as collection centres and grading, and there was inadequate participation of the private sector during production (e.g., through embedded services or other arrangements). Although the selected value chains were validated for their feasibility for selected locales, a business analysis was not done to assess their profitability and viability given the unique economic and social conditions of the targeted households. The project's outcomes have also been negatively impacted by the lack of households' motivation to graduate from food assistance. Project beneficiaries do not want to graduate from PSNP food and technical assistance benefits because they think that the asset accumulation is not large enough to deal with the next drought or other family emergency.

III. APPLICATION OF VALUE CHAIN PRINCIPLES TO REACH THE POOREST

Commercial as well as social relationships were fostered by the project. Financial, market and business literacy was provided through training and study trips. Private sector partners were incentivised to work with the project beneficiaries by co-financing some of their marketing activities.

D. ISSUES AND RECOMMENDATIONS

I. REDEFINE GRADUATION

The project aimed to graduate about 70 per cent of the beneficiaries out of PSNP food aid within the three-year project period. This proved to be an overly ambitious goal. In addition, it did not

consider sustainable graduation and pathway benchmarks for graduation. When determining graduation benchmarks for assets, income, weather, and other risks should be taken into account. It could also be useful to set targets for different stages toward graduation. These targets can be different values of asset accumulation and income or other household assets and capabilities, behavioural changes, business and social linkages, and status of their income generating activities.

II. PRODUCTION & MARKETING ASSOCIATION FORMATION

Production and marketing associations (farmers' associations) were found to be extremely useful to not only efficiently deliver project services, but also to empower the beneficiaries to reap the benefits of doing business as a group with the private collectors, traders, and processors. However, weak production marketing groups are not better than none. To strengthen the production marketing groups, it is necessary to train them not only on value chain related production and marketing business activities, but also on group organisation and management, business and financial literacy, governance, solidarity, transparency, and how to link to and access services from government and other sources. To ensure ownership and interest from members, it is important to require the members to pay a fee or contribute time or some other contribution they can afford.

III. SELECTION OF THE VALUE CHAINS

The project used value chain analysis and stakeholder validation while making final selection of value chains. In retrospect, we realise that the value chain analysis needs to be complemented by business analysis, food security and vulnerability analysis, and other poverty analyses to ensure that the selected value chains have high potential in general, but also that they fit into the socio-economic contexts and capacities of the targeted beneficiaries. The project's longitudinal impact study also showed that when working with very poor households, it is necessary to offer more than one value chain as well as other informal income generating activities so they are able to diversify their risks. VSLAs have been proven very effective in diversifying such risks by way of making it possible for the beneficiaries to engage in a variety of income generating activities using their group savings.

IV. ENGAGING THE PRIVATE SECTOR

The project started by engaging the private sector on the marketing side of value chain development. The experience, however, shows that they need to be engaged in both the marketing and production sides to ensure proper quality, cost, and quantity of the produce. Traders and processors can participate on the production side of the value chain through embedded services, trader contracts, contract farming, and other activities.

CASE STUDY 5. POST-CONFLICT CONTEXT: WORKING WITH PRODUCER GROUPS
PRORENDA PROJECT
WORLD VISION ANGOLA

Programme Overview	
Where	Central Plateau, Angola
Who	Smallholder farmers and other value chain actors in the potato, onion, bean, and carrot value chains
Goal	Smallholder farmers in the central highlands in Angola will increase their annual income from potatoes and other high value crops through competitive value chains
How	Through a value chain approach, improve the input and output market linkages of producer groups with the private sector by facilitating improved market information, contracting with private sector produce buyers, linking local female informal traders to major markets, training producer groups in business planning and business management, increasing adult literacy—particularly women, improving production technologies, and documenting best practices

A. WHAT THE PROJECT DID

I. IMPROVED INFORMATION FLOW AND KNOWLEDGE OF EFFECTIVE PROCESSING PRACTICES AND MARKETING STRATEGIES

The ProRENDA project staff worked to increase smallholder farmers' knowledge of market demand characteristics and the ability to meet this demand through post-harvest assembly, quality control, and storage. These efforts included training farmers to process and grade the produce in the field. Some farmers remarked that learning how to do grading in the field was one of the most helpful parts of the project. Training encouraged the farmers to have the produce properly packed.

The ProRENDA project also worked to develop or supplement existing market information services to disseminate reliable product price and flow information and train value chain actors to use this information. A price bulletin contains price and availability information for transport and inputs.

The project identified industry champions through the value chain analysis to upgrade the selected value chains, conduct key stakeholder workshops, and elaborate common annual action plans and pre-negotiation of regular supply contracts, with the goal of facilitating 20 commercially beneficial linkages. Commercial linkages are being developed with the formal sector, but most commercial linkages ended up being informal. It is estimated that 85 per cent of the trading linkages in vegetables are through the informal sector. Thus, project staff members are focusing more of their efforts on promoting informal commercial linkages. This includes facilitating more of the women in

communities to be involved in the female-dominated informal trading linkages in the potato, bean, and onion value chains.

The project identified and addressed value chain constraints and opportunities and facilitated linkages along the value chain by training producer group leaders and value chain actors with an emphasis on increasing the role of women and youth in the value chains. The project had workshops for the value chain actors to improve efficiency of trading along the value chains with a focus on input supply to farmers and output market buyers of farmers' produce. The ProRENDA market manager has completed training in marketing skills with 110 farm leaders and intends to double that number in the next year.

II. STRENGTHENED THE CAPACITY OF PRODUCERS TO DEVELOP BUSINESS RELATIONSHIPS

Producers' ability to develop business relationships will ensure access to credit, inputs, and output markets during and after the project.

Farmer Business Schools. ProRENDA used farmer business schools to strengthen the organisational structure of producer groups, enhancing the ability of farm households, associations, and cooperatives to function as successful business entities. Organisational capacity building courses included leadership, business management, finance, transparency, and basic accounting, including training in the development of business plans to improve access to input and output markets, value chain financing by commercial banks, and bulk supply of inputs from wholesale suppliers.

Replication. The producer group leaders replicate the training they received from the extension officers with others in the association. The 110 lead farmers use "Farming as a Business" modules to train some members of their associations—generally 35-40 producers per producer group—over three to four days. The total number of farmers trained is 3,850-4,400.

Associations typically have between 60-100 persons from a village and are legal entities registered by the government. Cooperatives are owned by member associations. ProRENDA is working with three cooperatives. The intention was to have 60 legally registered associations. Two and a half years into the project, 48 farmers' associations had been legalised, and an additional 12 had their applications submitted and were in process of approval with the government authorising office. With legal registration, the associations can sign a contract to order fertiliser in bulk. Also, the government's credit campaign provides a loan guarantee for financial institutions to lend to producers, but the guarantee is only for associations and not smallholder producers as individuals.

Business planning. The ProRENDA staff members have conducted business planning for associations and cooperatives. As part of the business planning process, the ProRENDA staff dialog with the associations and cooperatives about their strengths, weaknesses, opportunities, and threats. The staff will follow up with the associations and cooperatives to ensure they are actually following their business plans. Since business plans provide a management tool for the associations, the leaders in the associations can utilise the plans for both credit from the bank and to grow their business activities. The staff plan to finalise business plans for the two cooperatives. Further, ProRENDA staff plan to work with the associations to have simple business plans for 100-120 associations.

Access to Financial Services. ProRENDA staff facilitated the linkage of the associations with financial institutions for credit to the association through the government's credit campaign. Since the loans could only be made to associations and not individual producers, having a strong association is critical for the group discipline to pay back the loans. Some of the associations were late in paying, so ProRENDA staff encouraged payment of these late loans. In fact, ProRENDA staff recognised that ongoing cash flow from savings and credit to buy fertiliser for potato production was the single most important factor in increasing income.

Functional Literacy. In order to improve the producer group members' literacy, especially the confidence level of women to start and grow their enterprises, functional adult literacy training will be provided for all members of the 220 farmer organisations.

III. INCREASED QUANTITY OF MARKETED SMALLHOLDER PRODUCTION

Marketable production by very poor producers was increased by enhancing their capacity to identify and adopt crop technologies, inputs, and production practices that meet market demand specifications. Particular attention was paid to demands around the quality of produce and timing of sales, as well as environmental issues.

Demonstration plots. The ProRENDA staff members have provided training for the identification of appropriate crops and technologies and the planning and scheduling of regular and diversified production of these crops to meet market specifications. The project worked with 220 lead farmers to establish demonstration plots—each farmer had six crops, totalling 1,320 demonstration plots.

The project established key linkages along the value chain among producer groups, seed multipliers, and distributors of other crop production inputs. Potato seed multiplication activities in the project have been built on previous World Vision capacity building activities.

Seed banks. Seed banks were set up for the distribution of both potato and onion seeds. One positive development is that 80 per cent of the seed banks are run by women. In both potato and onion seed banks, the objective was to introduce improved varieties of crops in a sustainable manner that have potential to generate income for smallholder farmers. Seed banks are established in interested communities by the ProRENDA extension agent. ProRENDA staff members provide the seed stock to very poor households who grow the stock and provide part of their seed stock to other very poor households in the seed bank.

Potatoes. The Community Seed Bank project has been highly successful in providing seed of improved varieties of potato to almost 2,000 smallholder farming families, of whom 30 per cent were female-headed households. Each seed bank involving 20 smallholder farmers received 100 kg of improved potato variety seed. At harvest, these primary beneficiaries were required to return 200 kg of seed, which was then distributed to other community members. The project was also successful in establishing 154 field demonstrations and building the capacity of 9,240 smallholder farmers in production technologies, processing, storage, seed selection, marketing of potatoes, and management of gravity fed irrigation systems. Over two years, the project has improved the livelihoods and food security of 10,527 persons.

The sale of potatoes from the second cycle of production by the primary beneficiaries generated an estimated increase in mean income of $690 annually for 1,042 families. This sustainable increase in

income and farming productivity will be replicated in future seasons and will allow almost 2,000 smallholder families to thrive and be economically able to provide for themselves and their communities. This is done in a way that contributes to meeting the health and educational needs of children in particular.

Onions. ProRENDA also provided onion seeds to very poor households. These households were the poorest in the communities and did not have the financial capacity to buy onion seed in the market. Onion seed was distributed to test and demonstrate different varieties, compare seed onions with multiplier onions, and provide a one-time incentive to onion production from seed, which is a crop mainly cultivated and marketed by women. As with the potato seed, beneficiaries have to pay back twice the amount received in the form of in-kind seed to other community members. They also have to purchase their own seed in future seasons.

IV. CROSS-CUTTING ISSUE: INCORPORATING WOMEN INTO THE VALUE CHAIN

Gender is a cross-cutting theme for all of the above activities. The ProRENDA staff members have placed a major emphasis on empowering women. Given the rural nature of the extension officers' activities and the persons who applied for the job, only one of the 19 extension officers is female. She spends 100 per cent of her time on gender and health issues in the project. The project design has 60 per cent female participation across all project activities. The reason for focusing on female participation in the project is that children's well-being is impacted more when the mother or female caregiver is involved in increased income and production.

ProRENDA is successfully increasing the role of women in the production and marketing of potatoes, onions, and beans. One project focus is to increase the role of women in informal output market trading from the target communities.

Women-only meetings. Lead farmers are supposed to be training all members, but some are not fully including female-headed households from their producer groups in the trainings. Women in the farmer associations indicated that they have a limited voice in leadership and meetings of the associations. They have expressed that they get very little direct information from the ProRENDA extension officer, because he only meets with the male leadership of the farmer's association. As a consequence, ProRENDA extension staff will be holding a women only meeting on marketing every other month so that the women receive directly from the extension officer the information on how they can become involved or increase their efforts in producing and marketing potatoes, onions, beans, and other crops.

Women's leadership. Also, the project is working to increase the voice of women in farmer associations, including serving as officers in the associations, encouraging female-headed households to participate in field days at the demonstration plots, and selecting villages to have pilot demonstration plots run by literate female-headed households.

Seed banks. Eighty per cent of the seed banks are run by women who pass on their produce to others in the seed bank. Female-headed households represented 30 per cent of families and benefited directly from the intervention since normally men control potato seed.

Savings groups. Women are disempowered because they cannot read, write, or sign their names. Many very poor and rural women are further economically disempowered from earning income for

the family from marketing activities. To empower very poor rural women, the project's literacy teachers will form voluntary savings groups in some of the literacy classes that also include very poor households. The groups will save and lend within the group. To facilitate the ongoing formation of savings groups, community leaders will be trained in the methodology.

B. CONCLUSIONS/LESSONS LEARNED

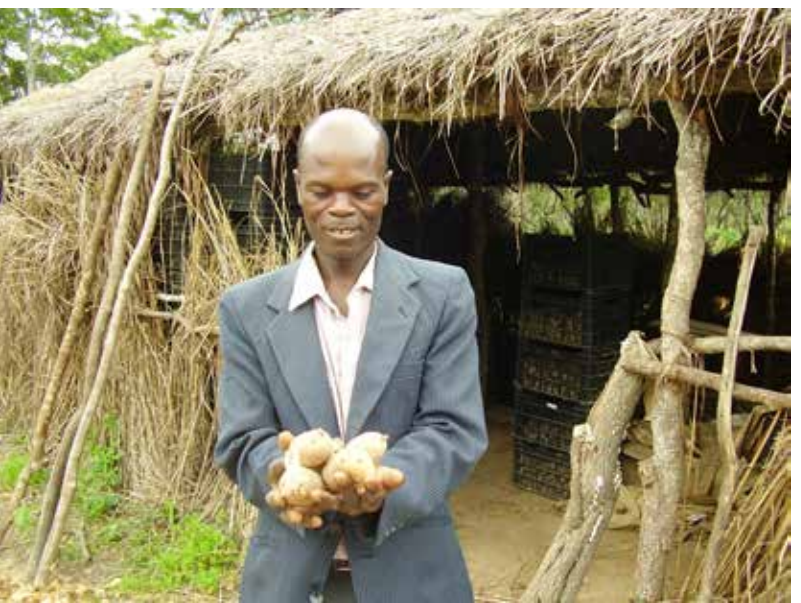
Access to improved inputs. Plant diseases, bacterial infections and viruses represent a serious threat to the yields of potatoes, onions, and beans and can wipe out gains made in the project. World Vision Angola extension officers have been instrumental in teaching the association members how to better grow their potatoes, onions, and beans. Smallholder farmers need access to inputs that provide effective protection and curative action for crop protection.

One way to facilitate access to quality inputs is to set up seed banks. The potato seed banks allowed female-headed households and other vulnerable households to produce potatoes. These seed banks remove the limitation of a lack of access to quality seed potatoes. Without the seed banks, these female-headed households would not have the money or market linkages to purchase high quality potatoes seed.

Diversification of income. Diversifying income sources by participating in other value chain functions helps households and rural communities become more resilient to drought and other shocks. In order to facilitate rural economic development, projects should promote a diversity of production, trading, and retail in each village.

For many countries, the informal sector remains the main marketing channel for fresh vegetables. To improve farm incomes, more rural women need to become involved in marketing their own and other producers' farm produce (e.g., trading). Non-production income can help raise family income and mitigate risk against the wide variations of farm income that depends on weather and prices. The women can start locally and then expand into trading farm produce with large urban markets.

Access to financial services. In addition to agricultural production, rural families need access to financial services to provide a safe place to save, insurance to mitigate against risks, and credit to grow their enterprises. The most amazing stories from the project have been from women who received bank credit through village banks. Their lives have changed dramatically by growing their enterprises from loans. Clearly, well-managed credit is important to growing rural enterprises in both the agriculture and rural non-farm sectors.



CASE STUDY 6. RECOVERY CONTEXT: WORKING WITH PRODUCER GROUPS CYCLONE LIVELIHOODS RECOVERY PROJECT
WORLD VISION BANGLADESH

Programme Overview	
Where	Southwest Bangladesh
Who	Vegetable growers from vulnerable rural households affected by the category 4 Cyclone Sidr
Goal	Achieve viable and sustainable rural livelihoods through recapitalisation of assets, technology transfer, market linkages, and creation of income opportunities.
How	Through a market-driven approach, which included capacity-building for increasing the organisational capacity of poor farmers and their adoption of improved production technologies, ensuring more efficient marketing of their products, and increasing their bargaining power.

A. ACTIVITIES

I. FORMATION AND DEVELOPMENT OF PRODUCER GROUPS

A total of 5,000 commercial vegetable growers were chosen to start value chain activities because of their relative advantage over other producers in that they possess resources (land of at least 2,000 sq. meters and tools) that they can use to increase their production, have relative capacity, and have potential to engage with regional markets. Village-based groups were formed informally through the facilitation of staff at the beginning of the project. Meetings were used to discuss the groups' purposes, the advantages of collectively buying inputs and selling products in bulk, and plans for organising themselves for mutual benefits and savings mobilisation. As the groups matured, they adopted a set of bylaws that would govern their actions and relationships. Basic documents are maintained by each group, including profiles of members, record of participation during meetings, minutes of discussions, and savings records. Developing producer groups increased social capital.

Producers were linked to the government agricultural extension office, which provided them with input support in the form of seeds, fertilisers, supplies, and technology training. In order to increase producers' knowledge of and expectations regarding input quality, the project disseminated government technicians' specifications for agricultural inputs. This includes information on the specific varieties or species of trees, seeds, livestock, etc., that best suit geographic and seasonal variation. The producers participated in technical quality checks on the inputs they received, including physical examinations and germination tests.

II. COLLECTIVE PURCHASING AND MARKETING

Before the programme, 93 per cent of farmers bought their inputs individually, as not many were aware of the benefits of collective buying. During the project period, awareness of the benefits gradually increased, although opportunities to actually buy inputs collectively were limited to simple tools and additional trellis supplies, since planting materials, fertilisers, and seed packages were provided to the producers by the project during the first cycle.

Collective Marketing Success

Four of the 20 members of the Jobai Surjomukhi Farmers Somity of Gazalia Union group decided to pool part of their harvest of bitter gourd and sell it in the central market in Dhaka. The Dhaka market is more than 200 kilometres from Kachua, so they used the services of a wholesaler agent who helped the group reach the Dhaka market. Farm gate prices during that season were Tk 10/kg, while at the Dhaka market they were Tk 20/kg. Although they had additional expenses in the form of transport, labour and market tax, the profit they realised from the sale was higher because prices for their product were double their usual selling price. They have also agreed to set aside a small amount of their savings as a Group Disaster Fund.

The producer groups were encouraged to sell in bulk. The wholesaler agents in town and district markets only offer farmers a good price if their produce reaches a minimum of 100 kgs per transaction. This bulk price is 50 per cent higher in local markets and 100 per cent higher in the capital city as compared to the prices farmers receive by selling individually at the farm gate. A review of marketing practices among 24 groups of vegetable producers for the April-July 2010 market season showed that only two groups (8 per cent) had actually tried selling their bitter gourd produce in bulk, meaning many members missed the opportunity to earn more. However, this is an improvement over the period before the project, when the producers had almost no experience in group marketing of farm produce.

Finally, farmers were encouraged to grade their products by classifying them according to sizes, colour, texture and other attributes that command better prices during marketing.

The creation of producer groups and the practice of bulk buying and selling resulted in an increase in family income. Farmers are now able to obtain better prices for their products by bulk buying and bulk selling as well as by grading their products according to quality. Producer groups (as opposed to individual producers) attracted more wholesalers and retailers, resulting in higher selling quantities, and thus, higher prices.

III. MARKET DEVELOPMENT

The programme performed a facilitative role in building the relationship between product suppliers and producers. By working with the production input suppliers for crops, livestock, and agricultural tools, farmers were introduced to better quality seeds, suppliers, and machines. Agricultural tools and machinery service providers supplied power tillers, power pumps, and manual spray machines to 700 groups of farmers.

Producers were introduced to extension service providers and technicians of other institutions, from whom they received training on crops, livestock, and fishing technologies. Increased adoption of improved technologies has improved product quality and increased its attractiveness or demand in higher value markets like the district and the central markets in Dhaka.

Finally, the project facilitated market linkage workshops, training on market access methods, and market observation trips among service providers and farmer groups to improve market literacy. Retailers, wholesalers, and agents working within the village, district-level, and central markets have interacted with producers.

IV. SUSTAINING MARKET PRICE MONITORING & PRICE INFORMATION DISSEMINATION

At least two to three members of the group were tasked with collecting price information from their own contacts in the regional markets through mobile phones, radio, or TV, and were responsible for updating a price information board in their villages with prices at least every two weeks during the harvest season of specific crops. Whenever any of them has the opportunity to visit district-level markets, they work with the local market management committee to collect price information. The collected information is used for making decisions for selling products (vegetables, bananas, etc.) and buying inputs (seeds, fertiliser, fuel, supporting materials, etc.) The prices are also used to negotiate for better prices with middlemen. This system had worked particularly well with the green banana groups that initiated selling in groups on their own.

B. RECOMMENDATIONS

While the programme has made a substantial contribution to increasing market literacy and the benefits of working in groups among small producers, it also recognises the challenges it faced during implementation:

- Incorporate a strategy of working with service providers and private input suppliers to effectively work with farmers' groups. Although farmers received training from government extension workers on the recommended technical specifications of quality inputs, maintaining this vigilance and quality remained a challenge. To improve the sustainability of the training to farmers, the project should use more private sector input suppliers to train farmers to ensure awareness on input quality.
- Need more time to increase awareness among producers on improving market access and bargaining power and to work with market players.
- Encourage and support entrepreneurship among market actors to invest in improving storage and handling and product processing.
- Seek sustainable ways of providing technology support by training community members/ leaders in providing technology services such as para-veterinarian/barefoot livestock technicians or lead farmers who can demonstrate specific production technologies.

ANNEX C: PRODUCER GROUP BUSINESS PRACTICES ASSESSMENT TOOL

1. BACKGROUND

Below is an example of an assessment survey tool[33] that a market facilitator can use to determine the level of capacity of a producer group or community-based organisation.

1. Name / title of organisation	
2. Type of organisation	
Agricultural Firm	
Savings and Loans Association	
Producer Organisation	
Local Marketing Association	
Apex Marketing Association	
Women's Association	
Youth Association	
Other (specify)	
3. Location details of organisation	
Community/Village: Chiefdom: District:	
4. Date of the organisation's establishment	
5. How many staff does the organisation have?	
Full-time staff: Part-time staff: Volunteers:	
6. Size of the organisation's target population	
7. Name of project staff member conducting the assessment	

8. Organisation partner		
Partner 1	**Partner 2**	**Partner 3**
9. Date of assessment		
10. Name and position of persons participating in the assessment		
Name	**Title**	**Organisation**

33 Adapted from CRS, RII-CIAT. 2007. Preparing Producers to Engage with Markets: 5 Key Skills.

2. LEADERSHIP, GOVERNANCE, AND STRATEGY

How does the organisation select leaders, make decisions, and resolve conflicts? (Circle ONE relevant box for each question.)

Question		Capacity score			
		0	1	2	3
1. Constitution	Do you have a written constitution accepted and approved by all the members of the organisation?	No constitution	Some rules/principles written down	Written constitution exists but wasn't widely approved	Written constitution approved by representatives of the community and organisation
2. Governing committee / board	Do you have a committee/ board that meets and makes decisions that guide your organisation's development?	No committee, no meetings	Committee established, but it never meets	Occasional meetings, but rarely agree on any decisions	Regular meetings with useful guidance and decisions made for the organisation
3. Mission and values	Do you have a mission and set of values that are clearly understood, agreed and approved by all the members of the organisation? If so, how are they used?	No clear mission/values	Can describe the mission/ values of the organisation, but they have never been agreed or written down	Mission and/or values written down long ago, but few people were consulted or understand them now	Mission and values were agreed by all stakeholders, and are regularly used to guide decisions about projects and activities

Score	1	2	3	Total
Section				
Explanation/Comments				

3. FINANCES

How does the organisation plan and manage its finances and budget?
(Circle ONE relevant box for each question)

Question		Capacity score			
		0	1	2	3
1. Finances	*Does your organisation keep written accounting of income and expenses that can be presented on demand?*	No accounts kept	Records kept of money received and spent, but difficult to know how much money is held at any one time	Accounts kept up-to-date and balances and statements are prepared at the end of the year	Balances and statements prepared quarterly. At year end, presented to external stakeholders for review and possible approval
2. Bank account	*Does your organisation have a bank account to hold its funds?*	No bank account, all funds managed in cash	Someone's personal account used for any funds	Bank account registered in org's name, which requires authorised check signatories	Manual record of all payments (cashbook) is kept and compared with all bank statements
3. Financial control	*Who is responsible for approving expenditure and issuing cash?*	One person	Two people	Two people with oversight from another person	Two or more people with oversight from several people
4. Budget and cash flow planning	*Does your organisation prepare, monitor, and review a budget?*	Budgets are prepared for every funding proposal but not used for anything else	Budgets are set to decide how much to spend on all project and organisation costs to ensure there is money for future plans	Budgets are presented annually for approval to a board or representative group of members	Every six months budgets are compared to money already spent and planned cash flows
5. Reporting requirement	*Do you provide accurate financial reports on time to donors?*	No experience of having to submit donor reports	Reports are submitted but always late and with incomplete information	Some reports get submitted on time but are often incomplete or get queried by the donor	Reports always submitted on time and always meet all donor requirements
6. Profit	*What increase in profit have you had over the last year?*	None	Up to 10%	10-20%	More than 20%

Score	1	2	3	4	5	6	Total
Section							

Explanation/Comments

4. ORGANISATIONAL STRUCTURE

How do you organise for your work?
(Circle ONE relevant box for each question.)

Question		Capacity score			
		0	1	2	3
1. Constitution	*Does your organisation involve a number of salaried staff and volunteers who have different areas of responsibility?*	Fewer than five volunteers run the entire organisation	Five to 15 volunteers with different roles, some lead/manage the organisation	One full-time staff person is paid a salary and organises all the other volunteers	One to two full-time staff are paid salaries, and volunteers all have different, fixed areas of responsibility
2. Staff and volunteer development	*How do you ensure that staff and volunteers support and motivate each other and have sufficient skills?*	No meetings or trainings. Low skill levels, as volunteers only do basic work	Few meetings. Volunteers sent for training only occasionally	Occasional meetings to share lessons and support each other. Training is provided informally and externally	Regular meetings (monthly), training and team-building activities to keep staff and volunteers motivated
3. Office and equipment	*Does the organisation have its own office, meeting space and equipment for handling administration and writing reports? What equipment does the organisation have?*	No office, no equipment	Occasional access to another office and equipment	Office & equipment (computer plus printer) shared with another organisation or individual	Own office and equipment (computer plus printer)

Score Section	1	2	3	Total

Explanation/Comments

5. PLANNING, PROJECT DESIGN, AND MANAGEMENT

How do you develop, manage, and evaluate your projects?
(Circle ONE relevant box for each question.)

Question		Capacity score			
		0	1	2	3
1. Strategic planning	*Does the organisation have a long-term strategic plan developed with participation of all or most staff/ stakeholders?*	No strategic plan	Document that describes briefly what the long-term goals and objectives are and how they will be achieved	Strategic plan (2-5 years) that was developed by a consultant or by a few senior staff members	Strategic plan (2-5 years) that was developed in a participatory manner, involving most staff and stakeholders
2. Action plans	*Does the organisation plan implementation of its activities, involving all people concerned?*	Organisation mainly responds to immediate needs, with little planning	Occasional short-term planning, e.g., major events or monthly activities	All ongoing activities are normally planned in advance with all staff and volunteers	Annual work plans are developed and agreed upon with community members, volunteers, staff, board
3. Project and proposal development	*Are you satisfied with the quality of the projects you develop? Does the organisation deliver on the contracts it has with other value chain actors?*	Organisation responds to immediate needs, with no project framework, funded proposals, or contracts	Funding has been received for one successful proposal mainly developed by an outsider. No contracts	Funding has been received for at least one proposal in the last three years, developed within the organisation. At least one contract in the past year with other value chain actors	Funding received for at least two proposals developed internally in the last three years, each with needs assessments, activity plans, and budgets. At least two contracts in the past year with other value chain actors
4. Monitoring and evaluation	*Does your organisation have a functioning M&E system?*	No, organisation does not do M&E for any of its activities	Organisation mainly responds to immediate donor requests for M&E data, ad hoc, with little planning	Organisation has an M&E system, is collecting data on an ongoing basis, and is reporting to donors	M&E system is documented (i.e., plan is available) and data inform management decisions and provide feedback to the community/ other stakeholders

Score	1	2	3	4	Total
Section					
Explanation/Comments					

6. NETWORKING AND ADVOCACY

What relationship does your organisation have with other local, national, and international players in your area, and how do you work together to influence others?
(Circle ONE relevant box for each question.)

Question		Capacity score 0	1	2	3
1. Advocacy	*Do you carry out advocacy activities to influence those in power to change conditions or policies that influence your work?*	Haven't thought about local policies or conditions. Little or no targeted advocacy work done in the past	Have only mobilised general public for support or awareness raising, but nothing targeted at key people or institutions in power	Have developed targeted activities toward certain groups or policies but have lacked evidence, community voice, or strength of numbers	Have done convincing evidence- or consultation-based advocacy, mobilising allies and using many different communication methods
2. Broader context and potential partnerships	*Does your organisation work with local government, private, or community organisations?*	Work in isolation. No knowledge of local policies, strategies, or work of others	Some knowledge of local government policies and of other local organisations who are mainly seen as competitors	Understand national and local policy and strategies of other organisations working in this area. Have personal contact with a few other relevant people/ organisations	Have effective partnerships working together, sharing resources, or referring clients to local government, private, or community organisations

Score Section	1	2	Total
Explanation/Comments			

7. TECHNICAL CAPACITY

What experience does the organisation already have in their area of work?

ANNEX D: PRODUCER GROUP CONSTITUTIONS

1. WHAT ARE CONSTITUTIONS AND WHY DO GROUPS NEED THEM?

A basic set of rules is essential for any producer group. A constitution is a written document that clearly explains what is expected from the group members and what they can expect from the group. It reminds members of the group's objectives and ensures everyone's interests are heard. A constitution governs the group's activities based on democratic principles.

2. WHAT BASIC ELEMENTS SHOULD BE INCLUDED?

The complexity of the document will vary depending on the needs of the group, but some aspects that should be considered are:[34]

- Name and location of group
- Founding members and date
- Objectives of the group
- Membership – criteria, duration, rights, and obligations
- Leadership – elections, length of service, rotation of officers, duties, committees
- Meetings – when, where, how often, decision-making method, voting
- Contributions – who pays, how much, how often, uses of dues and/or fees
- Recordkeeping – how, by whom, and how to be shared
- Procedures for amending constitution or terminating the group

Key Points About Constitutions

- Constitution is a set of ground rules for how the group should operate
- Contents of the constitution should be determined and agreed upon by group members
- Constitution doesn't help unless the members understand it and expect it to be followed
- Constitution can help solve problems and disputes that may arise among members
- Constitution can help to build trust among producers
- It doesn't have to be complex!

3. DEVELOPING A CONSTITUTION

Use the following worksheets to facilitate a discussion around the important parts of a group constitution. The writing of the constitution should be done by the members themselves, but the market facilitator can guide the group by asking questions and making sure they consider more than one possibility before deciding on the best one.

34 Adapted from: FAO. 2001. The Inter-group Resource Book: A Guide to Building Small Farmer Group Associations and Networks; FAO. 1998. Agricultural Cooperative Development: A Manual for Trainers; and Draaijer, Jurjen. 2002. Milk Producer Group Resource Book. FAO.

1. Form the group. Because there are a lot of elements to the constitution, it probably will not be feasible to develop the constitution with all members present. You may want to invite a smaller group of representatives to spend a day working on an initial draft.

2. Draft the constitution. Use the checklist as a guide for discussion. Write down the group consensus for each element of the constitution. Use the example constitution for help, but make sure the group discusses what is right for them and does not just copy the example.

3. Share with the entire group. At the next full-group meeting, read the constitution (or pass out copies if all members can read), and stop after each item to make sure everyone understands and agrees with what has been decided upon. Make any changes based on a majority of the group.

4. PRODUCER GROUP CONSTITUTION CHECKLIST

A. GENERAL

} Name of the producer group
} Location
} Formation date
} Objectives of the producer group

B. MEMBERSHIP

} # of members. Between 15 and 30 members is the recommended range. More members mean more difficulties in coordination and management, but too few people might not have enough power to gain group benefits.

} Membership criteria. Consider whether the group should be made up only of the target population, or if the group will function well with a more diverse group of people.

} Duties of members. Examples:
- Attend meetings
- Pay dues
- Comply with group sales contracts (no side-selling)
- Vote

} Rights of members. Examples:
- Receive payment for produce sold
- Participate in trainings
- Vote

} Reasons of disqualifications/termination of the membership. List any conditions that might cause members to be removed from the group. Examples include:
- Death or left the area
- Refusal to comply with group disciplines
- Creation of conflict among the group members
- Dishonesty and misappropriation
- Any other reasons that will harm the group

C. LEADERSHIP

} Positions. Decide which positions the group needs to stay well-organised. At a minimum, each group should have a president, secretary, and treasurer. Other positions might include lead farmer, market agent, or market information collector.

} Duration of leadership positions. ___ years

} Methods of leadership selection. At a minimum, election of leaders should be democratic. Each person should have the right to vote. The exact election procedure (e.g., raised hands, secret ballot) will be up to the preferences of the group. If some members of the group would feel uncomfortable and not act according to their true beliefs if their votes were made public, encourage a form of secret ballot. Also, make sure that if not all members are literate, symbols are used on written ballots.

A simple majority is the easiest way to determine a "winner," but if other methods are suggested, they should be considered.

This section might also include procedures for nominating people for the positions (including oneself), as well as what opportunities the candidates have to tell the group why they want the position or why they are qualified for it.

D. MEETINGS

} Meetings for all members. The entire group should meet about once per month. The date, time, and location should be clearly communicated to all members, and should be chosen so that it is possible for everyone to attend.

} Agenda. Describe the procedure for members to submit an issue for discussion at a group meeting.

} Decision-making. Similar to elections, any important decisions should be made democratically, with all members having the chance to vote—majority wins.

E. RECORDKEEPING

} Records to be kept. List the records that should be kept, how often, and the positions responsible for keeping them.

} Sharing the records. Records should be available to all members to read and understand. Describe any procedures for regularly sharing the records (reading the previous meeting's minutes, or giving an update on the financial state of the group at a meeting), as well as for how members can access records on an as-needed basis (obtain a copy of the current membership list from the secretary).

F. CHANGES

} Procedures for changing the constitution. Describe the process for adding, removing, or changing any parts of the constitution.

} Terminating the group. Describe the conditions under which the group would terminate, as well as how the groups' assets would be divided.

Producer Group Constitution - Template

Group Name: _____

Location: _____

Date of formation: _____

Group Objectives:

_____

_____

Membership

Number of members: _____ to _____

Membership criteria:

1. _____
2. _____
3. _____
4. _____
5. _____

Duties of members:

1. _____
2. _____
3. _____
4. _____
5. _____

Rights of members:

1. _____
2. _____
3. _____
4. _____
5. _____

Reasons for disqualification/termination of the membership:

1. _____
2. _____
3. _____
4. _____
5. _____

Leadership

Positions:

1. President
2. Secretary
3. Treasurer
4. _____
5. _____
6. _____

Duration of leadership positions: ___ years

Methods of leadership selection:

_____
_____
_____

Meetings

Meetings for all members:

How often: _____

Meeting day, time, and place:

_____

Submitting issues for discussion (meeting agendas):

_____
_____
_____
_____
_____

Decision-making

_____
_____

Recordkeeping

Records to be kept:

Record	How often	Who keeps it

Sharing the records

_____
_____
_____
_____
_____

Changes

Procedures for changing the constitution:

_____
_____
_____
_____
_____

Terminating the group:

_____
_____
_____
_____
_____
_____

Producer Group Constitution - Example

Group Name: ____ Syan pukuria Chashi Akota Committee _____

Location: _____

Date of formation: _____

Group Objectives:

_____
_____
_____

Membership

Number of members: _25____ to ___30____

Membership criteria:

1. Age (18-50 years)_____
2. Gender (same gender)_____
3. Geographic area (same village or adjacent village)__
4. Profession (member will have the same profession)_
5. Economic status (Economically same condition)___
6. Living type (Should be live permanently)_____

Duties of members:

1. _____
2. _____

Rights of members*:*

1. _____
2. _____

Reasons of disqualifications/terminated the membership:

1. Death or leave the area_____
2. Refuse to comply groups disciplines_____
3. Create conflicts among the group members_____
4. Dishonesty and misappropriation _____
5. Any other reasons which will harms group_____

Leadership

Positions:

1. _President_____
2. _Secretary_____
3. _Treasurer_____

4. _Organising secretary_____
5. _Market representative_____
6. _Market information collecting secretary_____

Duration of leadership positions: _2__ years

Methods of leadership selection:

_____
_____
_____

Meetings

Meetings for all members:

How often: __monthly_____

Meeting day, time, and place: _Last Wednesday of each month, 7:00-9:00 p.m., at the town hall. Changes to this schedule to be agreed by the group at the meeting prior to the change._____

Submitting issues for discussion (meeting agendas):

_____
_____
_____

Decision-making

_____
_____
_____

Recordkeeping

Records to be kept:

Record	How often	Who keeps it
Membership list	Ongoing	Secretary
Meeting minutes	Each meeting	Secretary
Descriptions of meetings with buyers and sellers	Each interaction	Market representative
Savings log	Each meeting	Treasurer
Income and expense log	Each meeting	Treasurer
Market prices	Bi-Weekly	Market information collecting secretary
Farm records	Ongoing	All members
Action plan	Ongoing	Secretary

Sharing the records:

_____
_____
_____

Changes

Procedures for changing the constitution:

_____
_____
_____

Terminating the group:

_____
_____
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ANNEX E: USEFUL ONLINE RESOURCES

1. MARKET SYSTEMS & VALUE CHAIN DEVELOPMENT

- USAID Value Chain Development Wiki:
  http://microlinks.kdid.org/using-value-chain-development-wiki

- Facilitating the Development of Outgrower Operations (including dealing with side-selling):
  http://www.actionforenterprise.org/paper-usaid.pdf

- SEEP Network Market Facilitation Initiative:
  http://www.seepnetwork.org/market-facilitation-initiative--pages-10037.php

2. FOCUS ON THE VERY POOR

- http://microlinks.kdid.org/groups/speakers-corner/e-consultation-pathways-out-poverty/discussion-resources

3. FOOD & NUTRITION

- USAID's Food and Nutrition Technical Assistance Project (FANTA)
  http://www.fantaproject.org/

4. GENDER

- Promoting Gender Equitable Opportunities in Agricultural Value Chains Handbook
  http://transition.usaid.gov/our_work/cross-cutting_programs/wid/pubs/GATE_Gender_Ag_Value_Chain_Handbook_11-09.pdf

5. BUSINESS MANAGEMENT

- CARE's Small Business Management Skills Facilitators' Guide:
  http://edu.care.org/Documents/Small%20Business%20Management%20Skills%20-%20Facilitator%20Guide.pdf
  (See page 29 for a section on Costing & Pricing)

- CARE's Power in Enterprise Manual to strengthen internal governance of community-based enterprise organisations:
  http://edu.care.org/Documents/Power%20in%20Enterprise.pdf

6. FAIR TRADE CERTIFICATION

- FairTrade International's Generic Fairtrade Standards for small producers' organisations:
  www.fas.usda.gov/info/Child_labour/0410_EN_Generic_Fairtrade_Standards_SPO_Aug_09_EN_amended_version_04-10.pdf

- Fair Trade Labelling Initiative certification process and costs:
  http://www.flo-cert.net

- Fair trade compliance criteria for different product types: www.flo-cert.net/flo-cert/main.php?id=60

- Fair Trade International's guidelines on becoming a fair trade producer: www.fairtrade.net/becoming_a_fairtrade_producer.0.html

- Current fair trade prices by product or country: www.fairtrade.net/793.0.html

7. Resource Lists

- http://www.seepnetwork.org/step-up-resources-pages-169.php

- http://microlinks.kdid.org/good-practice-center/value-chain-wiki/value-chain-resources

8. Tools Lists

- http://microlinks.kdid.org/library/pathways-out-poverty-tools-value-chain-development-practitioners

ANNEX F: GLOSSARY OF KEY TERMS

Ad hoc: no contractual relationship with no long-term consideration; formed or used for specific or immediate problems or needs

Asset: an item of property including land, capital, or a share in ownership

Association: a formal group or organisation of people linked by a common interest

Audit: a formal review of a group's accounts and practices; for example, a review to ensure a group is meeting fair trade standards

Bank: an establishment for the custody, loan, exchange, or issue of money, for the extension of credit, and for facilitating the transmission of funds

Break-even point: the point at which the costs are equal to the proceeds; the point at which one begins to make a profit

Business or enterprise: a person or group of people that provides a service or product for a profit

Buyer: a person who, through payment, acquires possession, ownership, or rights to use services. Typically retail companies, exporters, local collectors, traders, lead firms, or foreign buyers

Buyer-Supplier linkages: business relationships between firms at different levels in a value chain that buy from and sell to each other

Bylaws: rules decided on by the producer group to control its actions, including definition of the membership criteria

Chambers of Commerce: an association of businesspeople to promote commercial and industrial interests in the community; also known as a board of trade

Collateral: property used by a borrower as insurance that a loan will be re-paid

Collective farming: growing crops or raising livestock cooperatively on a larger farm made up of several smallholdings, sometimes owned by the state

Collector: a person who gathers items or money

Commercial linkages: relationships between organisations that promote a flow of information and ideas in order to reach a shared goal

Constitution: written set of rules and principles used to govern an organisation

Contract farming (contractual arrangement): producer/farmer works for one buyer exclusively for a particular product/crop, product and technology are clearly specified, producers/farmers receive the necessary inputs

Cooperative: a formal group or organisation that is collectively owned by its members

Diversification: a strategy in which a business or enterprise produces a variety of products for a variety of markets

Embedded services: services that are integrated into what has already been set up or paid for as part of the commercial transaction between a buyer and seller (e.g., input suppliers provide training to producers on how to use fertiliser as part of the price of fertiliser purchase)

Exit strategy: agreed upon criteria defining when and how non-commercial actors will stop aiding a group in order to transition into a fully independent commercial enterprise

Exporter: a wholesaler who sells goods to merchants in another country

Extension programmes: secondary services provided in addition to primary services of an organisation

Factors of production: inputs or resources used in the production process, specifically land, labour, and capital

Fair trade: trading arrangements based on dialogue, transparency, respect, fair pricing strategies, and safer working conditions that benefit, particularly, very poor producers.

Farm gate price: the price of the product when sold by the farm—typically lower than the retail price consumers pay in a store as it does not include costs for shipping, handling, storage, marketing, and profit margins of the involved companies

Formal group: an organisation of people that is officially registered according to legal requirements and regulations; a formal group is also able to participate in official financial transactions and open a bank account

Forward contracting (contractual arrangement): commercial transaction in which a commercial buyer and seller agree upon delivery and price of a specified quality and quantity of goods on a specified future date before the goods are produced.

Informal group: an organisation of people that is not officially registered, such as a farmer field school or self-help group

Informant: a person who provides data or information

Input: a resource used by an individual or group in the production process

Internal lending: giving money to another group member to use with the condition of full repayment

Internal saving: putting money aside to reserve as a group

Inventory: list of property and goods in the group's possession

Lead firms: companies that lead in innovation and technology to make the industry more competitive

Legal entities: a formally defined group whose existence is separate from the identities of its individual members

Local enterprise: business run by people who live in the location of the operations

Marginalised population: people in a powerless position within a group or community

Market demand: the willingness or ability to purchase a certain product or service within a given market

Market facilitators: an entity (such as a person or project) that works to stimulate markets to evolve in a way that increasingly involves and benefits the poor, but without becoming a part of the market

Market linkages: a business relationship that can range from an informal agreement with local traders to formal contracts with large-scale exporters

Market offer: offer presented by a practitioner to an individual or firm (the market partner) of an appropriate bundle of resources (time, information, linkages, limited funds) to be provided by the practitioner's project to help reduce the risk of failure for the enterprise in a commercial transaction in exchange for their willingness to invest in and make changes in their attitudes, capacities, and practices to advance their own and wider system change, and ultimately benefits for very poor producers

Market penetration: increasing the extent to which a good or service sells to a specific audience; for example, increasing the price or quantity available for a certain product

Market strategy: a detailed plan or method for economic activity within a certain sector or area

Market system: all the actors (including producers, processors, distributors, and retailers) that participate directly or indirectly in bringing a product or service from its conception to its end use in the market, as well as the extent and type of relationships between these actors (also referred to as value chain)

Market systems development: strengthening product-to-market systems, by intervening in one or more places, to increase

incentives for the system to improve performance, productivity and trade, and, ultimately, economic returns for poor producers (also referred to as market development or value chain development)

Marketing agent: represents the interests of the group to market actors and shares the results with the rest of the producer group

Misappropriation: to wrongly take, usually by theft or embezzlement

Mutual trust: assured reliance on the character, ability, strength, or truth between parties involved

Organic farming: growing crops or raising livestock without the use of pesticides, herbicides, or chemical fertilisers

Outgrower schemes (contractual arrangement): big farm contracts with neighbouring producers to complement its own production volume, outgrowers receive technological services but may sell to other buyers

Output: the goods or services produced by an individual or group

Premium: a sum above the normal market price; for fair trade products, this premium becomes part of a communal fund to improve social, economic, and environmental conditions

Private sector: part of the economy made up of individuals, independent business enterprises, and non-profit organisations

Producer group: a set of people who cooperate and work together closely to create goods or provide services to an identified market

Producer-to-producer linkages: business relationships between firms at the same level in a value chain that buy from and sell to the same people

Product development: Sale of new or modified products in the same market that a seller is already a part of

Profitability: the extent of success as defined by monetary gains

Retailers: a person who sells small quantities directly to the end consumer

Safety net clauses: guidelines used between business partners to accommodate unexpected failures on either side (e.g., crop failure due to lack of rain)

Sector: a part of the economy that produces a specific type of goods or services

Social capital: trust, norms, networks, and relationships among people that can be used to solve common problems

Side-selling: producers break a previous agreement in order to get a higher price for their produce from another trader

Smart subsidies: financial or in-kind support that reinforces the development of beneficial commercial relationships by mimicking normal transactions and increasing the benefit of the transaction for one or both parties involved

Spot market (contractual arrangement): Cash sale where product is delivered immediately; market-based transactions; contracts are verbal and often anonymous

Stakeholder workshop: A structured, facilitated discussion with participants from various parts of the industry with the goal of designing an action plan for making the target industry more competitive

Subsidy: a sum of money granted to help an industry or business maintain low prices for a certain commodity or service

Output subsidies (to the buyer): a sum of money given, usually by the government, to discount final product costs

Input subsidies (to input suppliers or service providers): money given to discount production of materials

Suppliers: an individual or entity responsible for providing an input to a process in the form of resource or information

Sustainable production: industrial processes that transform natural resources into products that society needs

Sustainability: long-term maintenance of well-being, which has environmental, economic, and social dimensions

Trader: a person who buys and sells in search of short-term profits

Upgrading: the market actor invests time, money or other resources into improving their enterprise or activity

Value chain: all the actors (including producers, processors, distributors, and retailers) that participate directly or indirectly in bringing a product or service from its conception to its end use in the market, as well as the extent and type of relationships between these actors (also referred to as market system)

Value chain development: strengthening product-to-market systems by intervening in one or more places to increase incentives for the system to improve performance, productivity, and trade, and, ultimately, economic returns for small producers and businesses (also referred to as market development or market systems development)

Very poor: persons in the bottom half below the national poverty line who earn less than $1.25 per day, as measured by purchasing power parity market exchange rates

Vulnerable households: households that cannot afford all basic necessities and that are susceptible to chronic food insecurity

Wholesaler: a merchant middleman who sells chiefly to retailers, other merchants, or industrial, institutional, and commercial users, mainly for resale or business

Win-win relationship: each side invests something in the commercial relationship but also gains something from that investment