III. Linking Extremely Poor Producers to Buyers and Suppliers

B. Factors Impacting Buyer and Supplier Linkages

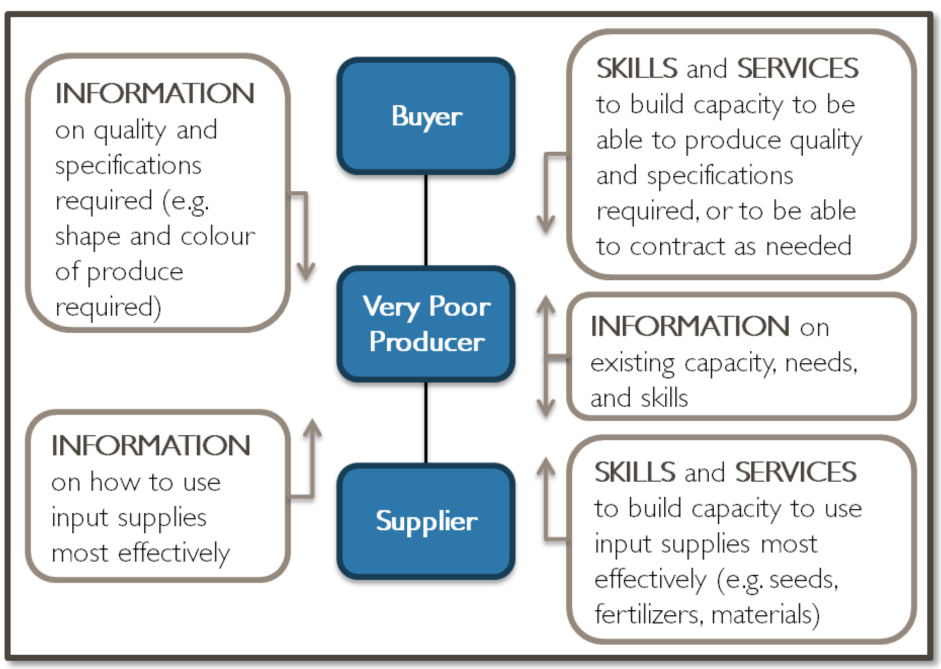
To build long-term, win-win market linkages between extremely poor producers and their buyers or suppliers, it is important to consider several factors in addition to who the extremely poor producers link with or the type of contracting arrangement they enter into. Critical factors to establishing successful,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

1. Vertical Win-Win Relationships

Vertical commercial relationships are key factors affecting the way that market systems 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 extremely poor producers are operating or have the potential to operate in the value chain.

Transfer of Information, Skills and Services in Beneficial Commercial Relationships

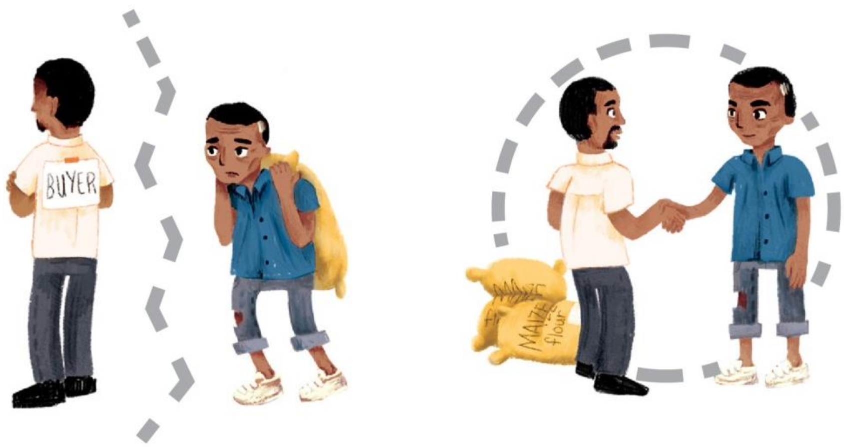


Regardless of type (contract, out-grower schemes, etc.), commercial relationships work best when they are win-win relationships. That is, each side invests something in the commercial relationship but also gains something from that investment.

Informal Rules and Norms – reality check on win-win relationships: Extremely 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 extremely 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?

Effective commercial relationships stimulate extremely 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 between extremely poor producers and their buyers and suppliers.

Effective Relationships	Weak Relationships
• Promote upgrading (investments in improvements of products or processing) • Reduce costs • Increase the breadth and depth of commercial relationships • Support greater responsiveness to changing markets • Operate effectively within the context of informal rules and norms that govern the behaviour of extremely poor producers	• Limit investments and improvements in commercial activities • Increase cost inefficiencies • Limit the breadth and depth of their commercial relationships • Limit ability to be able to respond to changes in the market • Continually derailed by informal rules and norms that override commercial rationale and incentives

The worksheets linked below allow 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 extremely poor producers.

Worksheets:

- **Effective and Weak Vertical Relationship Assessment Worksheet**
- **Vertical Relationship Strengthening Facilitation Worksheet**

This field example describes a scenario from Indonesia in which extremely 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. Facilitating embedded service models as examples of win-win arrangements when working with extremely poor producers

Support provided by buyers and suppliers to extremely 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 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 and 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**
Type of embedded service	*Benefits that it would be beneficial for extremely poor producers to receive from their suppliers*	*Benefits that it would be beneficial for extremely 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	• 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

	Suppliers	Buyers
	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 household responsibilities Example: Local water points, access to draft animals to pull equipment	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 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 /	• Assure consistent supply of high	• Assure market through pre-orders

	Suppliers	Buyers
Demand	quality inputs at the quantity needed	Example: if a certain number of goods are produced at the quality and other 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.

Worksheet:

- **Embedded Services Facilitation Worksheet**

Win-Win Buyer and Supplier Relationships with Producers

This matrix shows investments that constitute win-win relationships by extremely 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)	Extremely 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	Extremely Poor Producers ***Invests:*** spend time and money on new techniques ***Wins:*** guaranteed market and price, and likely a higher price for their upgraded produce

Worksheet:

- **Win-Win Assessment Worksheet**

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 linked below 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 extremely poor producers.

Worksheet:

- **Vertical Relationship Assessment Worksheet**

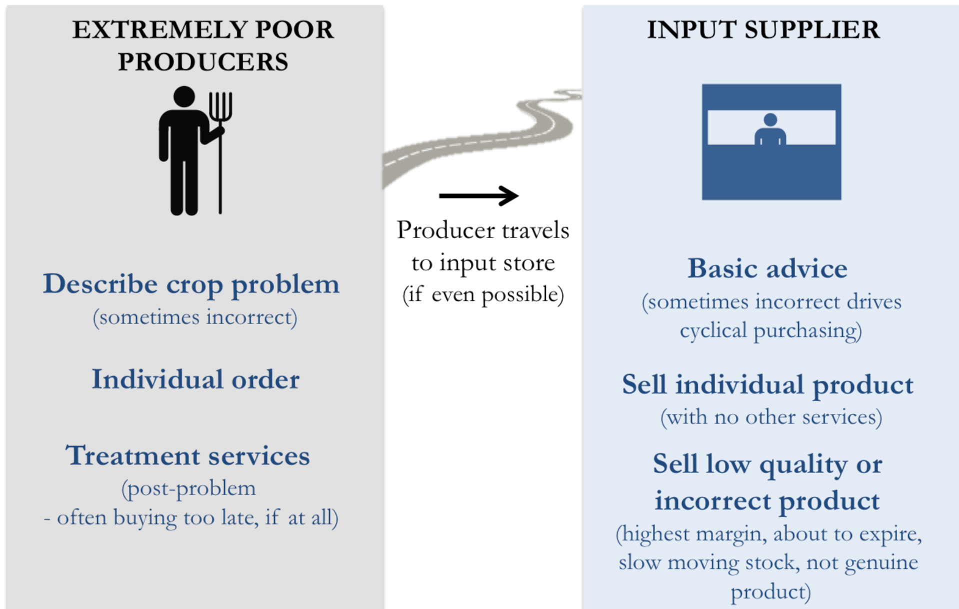
c. Facilitating village agent models as an example of win-win arrangements when working with extremely poor producers

Traditionally, input supply firms rarely reach out to extremely poor producers, providing little, if any, access to inputs technical assistance, or financing options. Village agent models are increasingly being used to link extremely poor smallholder producers with input supplier firms as a means to improve access to inputs by the rural poor, improve correct usability of inputs, and build on local trust relationships to encourage appropriate input use. In these models, extremely poor producers are supported in selecting local agents to represent one or more input supply vendor. In some cases, the input supply vendor manages this process and pays the agents commission on orders as sales agents, and in others, the village agent receives commission from the farmers in acting as a buying agent.

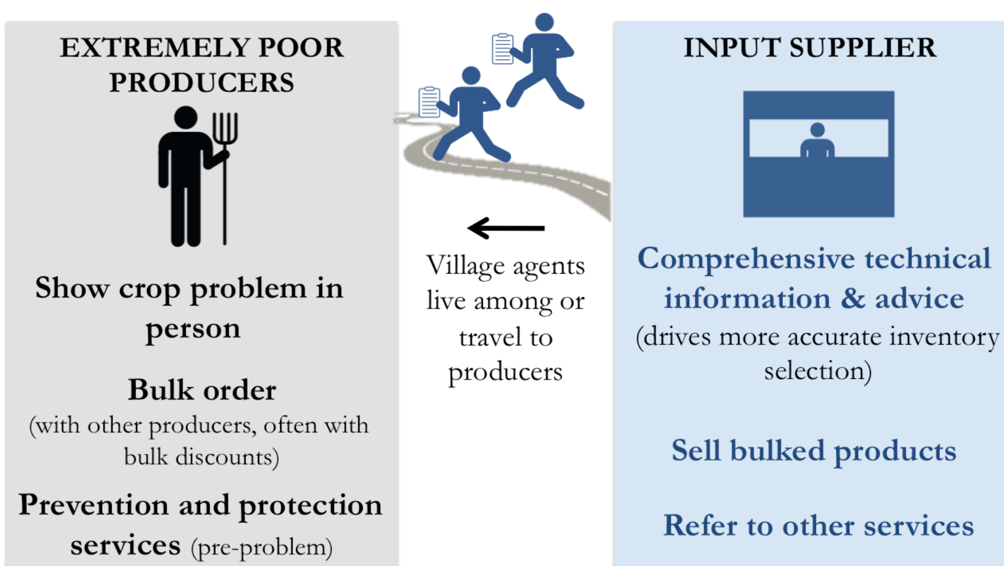
The development project can work with the input supply firms in building their capacity to work with local village agents as part of their sales and distribution network. The ability of agents to bulk orders results in extremely poor and remote producers becoming more of a cost effective market for the input suppliers to reach out to than would otherwise have been perceived by input suppliers, thus providing a win-win benefit to extremely poor producers.

The diagrams that follow depict a typical input supply model, followed by a model using village agents. In a typical model, the input supplier has a store in a semi-urban area, provides basic advice at their store front without seeing the extremely poor producer's problem first hand, sells individual inputs, which is not very cost effective for them and hence not a priority for them business-wise, and often sells low quality, expired or incorrect inputs, as they are not really affected by whether the extremely poor producer returns or not.

Input supply … the typical model



Input Supply … using village agents



In a village agent model, the village agent can see the problem first hand at the extremely poor producers' farms, can provide targeted assistance and advice on which inputs to use and how to apply it, and can bulk orders which makes economic sense for input suppliers to focus more on extremely poor producers as a customer base to develop.

Worksheet:

- **Establishing a Village Agent Model Worksheet**

d. What are critical considerations when facilitating win-win relationships that involve extremely poor producers?

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

In addition, social relationships are particularly important to extremely 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 extremely poor producers, even if indirectly, to have a clear understanding of the risks involved in moving into commercial relationships.

Before entering into relationships, extremely 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 extremely poor producers have less risk of expecting quick successes or having misaligned expectations. It is important that extremely 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 extremely poor producers.

	Characteristics of Extremely Poor Producers	Critical Considerations for Extremely Poor Producers	Practical Examples
Quick wins	• Extremely poor producers need income as soon as possible as they tend to have minimal savings • Extremely 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 extremely poor producers • Extremely 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 relation-ships	• Social relationships are traditionally very important to extremely poor producers • In case of unexpected circumstances or unforeseen events, extremely 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 under-standing of risks	• Extremely 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	• Extremely 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	• Extremely poor producers might be guided into considering the risks of working with each trader or buyer
Clear under-standing of expectations	• Extremely 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	
Under-standing of informal rules and norms	• Extremely 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 extremely poor producers	

The worksheets linked below 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 extremely poor producers.

- **Contractual Arrangements Critical Considerations Worksheet**
- **Contractual Arrangements Facilitation Worksheet**

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 extremely 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 extremely 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

Trust is characterised by confidence that the other businesses will honour commitments. If market prices fall, extremely 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 extremely 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 extremely poor?

Lack of trust may be especially high when working with the extremely poor and other vulnerable groups. Large firms may see a lack of resources and knowledge and assume that extremely poor producers will be unable to meet their amount and quality commitments. Extremely 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 extremely poor and other market actors?

In many communities, the extremely 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 extremely poor producers a very low price ahead of the harvest and exploit the extremely 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 extremely poor producers are cash poor at certain times).

Worksheet:

- **Vertical Relationship Trust Building Facilitation Worksheet**

Strategies for Building Trust in Vertical Arrangements

This table shows strategies for building trust between extremely 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 extremely 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 extremely 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.

e. Understanding and dealing with side-selling

Side-selling is a particularly important issue when working with the extremely 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 extremely 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, extremely 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 and Information Flow in Vertical Relationships

The opportunity and ability to learn are essential for improving market systems 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 extremely poor producers from buyers and suppliers.[1]

Type of Information	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.	• 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 extremely poor producers.	• Producers prefer cash on delivery.
Quantity	• Minimum and maximum amounts	• Often extremely 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.	• 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 or inputs	• 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.	• Information on best way to use and apply inputs **Example**: many producers dilute pesticides or fertilisers in order to make them last longer, which results in

1 Adapted from CRS Collective marketing guide p. 54

Type of Information	Information needed from BUYERS	Information needed from SUPPLIERS
		them not being as effective
Timelines/ availability	• One big supply or ongoing supply, etc.	• Extremely 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.?	• 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-selling inputs rather than using them to meet end market specifications	• 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 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?	

Worksheet:

- **Information Flow Facilitation Worksheet**

Information and the Extremely Poor
Information gathered by or for extremely 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 extremely 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.

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:[2]

- 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.

2 Lusby, Frank. 2008. “Working with Lead Firms within the Value Chain Approach.” USAID MicroReport 144, p. 6

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.

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 extremely 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
  - 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

Negotiations and the Extremely Poor

The extremely 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 extremely poor. This is not always possible, but is optimal for extremely 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 extremely 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.

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.

What can lead firms do for producers?
Linking lead firms with extremely 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 extremely 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?[3]

- **Commercial linkages with a large number of extremely poor producers (or potential).** The more potential linkages with extremely 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.
- **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 extremely poor producers. The management sees developmental results with extremely poor households as part of their mission as a business.

Worksheet:

- **Lead Firm Assessment Worksheet**

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

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 extremely 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.

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 extremely 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 extremely 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 extremely poor producers with credit to purchase goods and services	Extends services to extremely poor households without the capacity to purchase	Include extremely 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 extremely 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 extremely poor households for productive purposes	The arrangement can help extremely poor households to increase their income without owning assets	Land or other community assets are available. Extremely poor households can make productive use of the land or other asset	World Vision Sierra Leone advocated for unused community-owned inland valley swamps to be allocated to 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 extremely poor households	For extremely poor households, assets provide a stream of income	When extremely 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 extremely 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.

Extremely 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 extremely 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 extremely poor producer to the tipping point at which they begin making a profit.

The field example below 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:

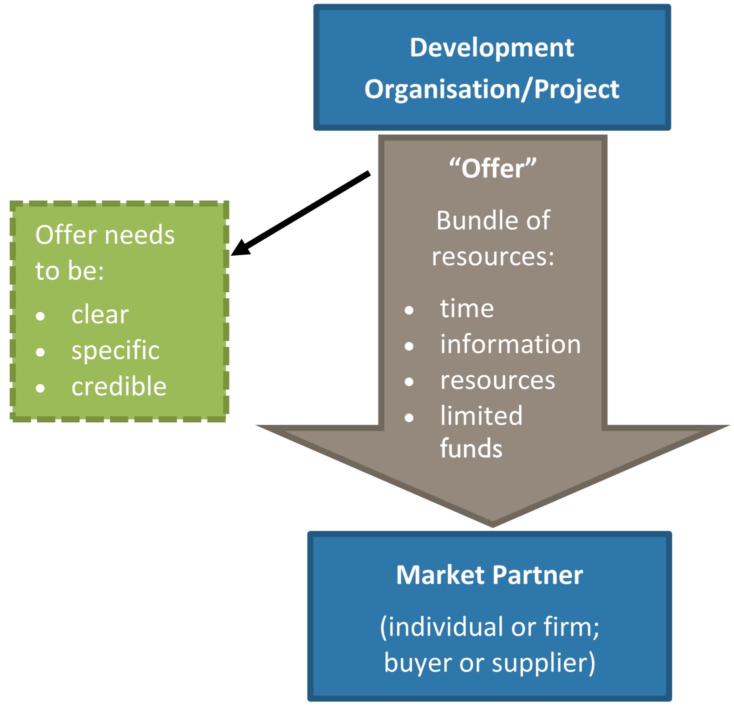
- Producers' perception of their experience with retailers' service has improved
- Retailers have greater self-confidence, place more emphasis on advice and information, have better customer relations and, in most cases, increased sales
- Syngenta's sales have grown three to four times faster than in 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

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 extremely 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."

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.[4]

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?
- **"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?

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

The worksheet linked below 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 extremely poor producers.

- **Market Offers for the Private Sector Worksheet**

e. Stakeholder workshops

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.

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 extremely poor producers.
- The workshop can be held within a reasonable distance for extremely 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)

What is the common format of stakeholder workshops?

Stakeholder workshops can take the following format:[5]

- 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

How do we prepare extremely 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 market systems work. Specifically, they should:[6]

- 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:

5 USAID. Guide to Facilitating Stakeholder Workshops

6 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

- 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)

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 extremely poor producers are considered in the way commercial relationships are structured within the value chain. Representatives should:[7]

- Have the trust of the other producers
- Represent the opinions of others, especially extremely 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 extremely 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.

Stakeholder workshops and extremely poor producers

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

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7 Practical Action. 2010. Learning from Practice: Lessons on Facilitating Participatory Market Mapping Workshops, 5.

Guiding Principles for Conducting Stakeholder Workshops[8]

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

General Facilitation of Stakeholder Workshops	
Guiding Principle	**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.
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	• It is more important to help participants understand the conflicts, as the stated

8 USAID. Guide to Facilitating Stakeholder Workshops, www.microlinks.org.

General Facilitation of Stakeholder Workshops	
Guiding Principle	**Practical Application**
pressured to resolve conflicts	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.
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 Extremely Poor Producers in Stakeholder Workshops	
Guiding Principle	**Practical Application**
Invitation to producers should not come from the project	• Extremely 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 extremely 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 extremely 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, extremely 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 around women's involvement	• Provide for logistics or sensitisation around women's involvement if it 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 extremely 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.

Worksheets in this section:

- **Effective and Weak Vertical Relationship Assessment Worksheet**
- **Vertical Relationship Strengthening Facilitation Worksheet**
- **Embedded Services Facilitation Worksheet**
- **Win-Win Assessment Worksheet**
- **Vertical Relationship Assessment Worksheet**
- **Establishing a Village Agent Model Worksheet**
- **Contractual Arrangements Critical Considerations Worksheet**
- **Contractual Arrangements Facilitation Worksheet**
- **Vertical Relationship Trust Building Facilitation Worksheet**
- **Information Flow Facilitation Worksheet**
- **Lead Firm Assessment Worksheet**
- **Market Offers for the Private Sector Worksheet**

Click on a worksheet title above to download a Word file of the worksheet. (Note: your computer must be connected to the Internet.) If this does not work, go to the Field Guide resource page on the Microlinks web site, scroll down to the Field Guide Table of Contents, and click on the worksheet title.