



## Integrating Extremely Poor Producers into Markets Field Guide

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## TABLE OF CONTENTS

Acknowledgements .....	i
Key Tables and Matrices .....	v
Facilitation Tools and Worksheets .....	vi
Diagrams .....	viii
Acronyms .....	ix
Introduction .....	2
<i>Application of the Field Guide</i> .....	3
<i>Structure of the Field Guide</i> .....	4
<i>Field Guide at a Glance</i> .....	5
I. Understanding Extremely Poor Producers.....	6
A. <i>Extremely Poor Producers’ Vulnerability and Resiliency</i> .....	6
B. <i>Market Realities Facing Extremely Poor Producers</i> .....	6
C. <i>Extremely Poor Producers’ Constraints Linking to Buyers and Sellers</i> .....	7
D. <i>Extremely Poor Women Producers’ Constraints in Participating in Markets</i> .....	7
II. Market Development Approaches .....	9
A. <i>Value Chain Development</i> .....	9
B. <i>Market Systems Development</i> .....	10
III. Nutrition-Sensitive Approaches .....	12
A. <i>Nutrition-Sensitive Value Chains and Market Development</i> .....	12
B. <i>Nutrition-Sensitive Market Analysis</i> .....	13
C. <i>Nutrition-Sensitive Programming Strategy</i> .....	15
IV. Linking Extremely Poor Producers to Buyers and Suppliers .....	21
A. <i>Buyer and Supplier Linkages for the Extremely Poor</i> .....	21
1. <i>Why are Linkages with Buyers and Suppliers Challenging for Extremely Poor Producers?</i> .....	22
2. <i>How Can Buyer and Supplier Linkages be Used to Benefit Extremely Poor Producers?</i> .....	22
3. <i>What Types of Buyer and Supplier Linkages are Most Suitable for Extremely Poor Producers?</i> .....	25
4. <i>What Types of Contracting Arrangements are Most Suitable for Extremely Poor Producers?</i> .....	31
B. <i>Factors Impacting Buyer and Supplier Linkages</i> .....	35
1. <i>Producer-to-Market Actor Win-Win Relationships</i> .....	35
2. <i>Trust in Producer-to-Market Actor Relationships</i> .....	62
3. <i>Learning and Information Flow in Producer-to-Market Actor Relationships</i> .....	68
V. Linking Extremely Poor Producers to Other Producers .....	93

A. <i>Producer-to-Producer Linkages</i> .....	93
How Can Linkages with Other Producers Be Used to Benefit Extremely Poor Producers?.....	94
B. <i>Factors Impacting Producer-to-Producer Linkages</i> .....	105
1. Lack of Trust in Producer-to-Producer Relationships .....	105
2. Limited Ability to Take on Risk.....	106
3. Limited Access to Resources.....	113
4. Lack of Confidence .....	118
5. Inclusion of Women.....	119
C. <i>Supporting Youth Development</i> .....	134
1. Addressing Youth & Young Parents.....	134
VI. Other Analyses and Opportunities.....	138
A. <i>Gross Margin Analysis</i> .....	138
1. How is Gross Margin Useful to Extremely Poor Producers?.....	138
2. Who Can Deliver Gross Margin Analyses?.....	138
3. How to Calculate Gross Margins .....	139
B. <i>Organic Farming</i> .....	139
1. Why Are Extremely Poor Producers Suited to Farming Organically?.....	140
2. What Are Key Considerations Regarding Organic Certification? .....	140
C. <i>Fair Trade</i> .....	140
1. What Is Fair Trade Certification? .....	140
2. How Do Producers Become Fair Trade Certified? .....	140
3. What are Key Considerations Regarding Fair Trade Certification?.....	141
Annexes.....	142
Annex A. <i>Illustrated Entry Points for Nutrition-Sensitive Agriculture</i> .....	142
Annex B. <i>Template for a Cost Share Arrangement</i> .....	143
Annex C: <i>Useful Online Resources</i> .....	146
1. Market Systems & Value Chain Development.....	146
2. Focus on the Extremely Poor .....	146
3. Food & Nutrition .....	146
4. Gender .....	147
5. Fair Trade Certification .....	147
6. Resource Lists.....	147
7. Tools Lists.....	147
Annex D: <i>Glossary of Key Terms*</i> .....	148

## **KEY TABLES AND MATRICES**

TABLE 1: Nutrition-sensitive Market Analysis Table for a Primary Source of Protein.....	14
TABLE 2: Simple Upgrading Strategy for a Fish Value Chain (smoked and dried small pelagic fish)...	15
TABLE 3: Nutrition-sensitive Value Chain and Market Analysis.....	16
TABLE 4: Effective Producer-to-Market Actor Relationship Facilitation Strategies.....	24
MATRIX 1: Benefits of Different Types of Producer-to-Market Actor Linkages.....	26
MATRIX 2: Characteristics of Producer-to-Market Actor Contractual Relationships.....	33
TABLE 5: Effective and Weak Commercial Relationships.....	37
TABLE 6: Field Example of Completed “Effective and weak producer-to-market actor relationship assessment worksheet”.....	38
TABLE 7: Types of Benefits of Embedded Services.....	41
MATRIX 3: Win-Win Buyer and Supplier Relationships with Producers.....	44
TABLE 8: Critical Considerations for Contractual Arrangements with Extremely Poor Producers.....	58
TABLE 9: Strategies for Building Trust in Producer-to-Market Actor Arrangements.....	65
TABLE 10: Types of Information Needed.....	68
TABLE 11: Examples of Smart Subsidies.....	79
TABLE 12: Guiding Principles for Conducting Stakeholder Workshops.....	89
TABLE 13: Benefits of Producer-to-Producer Relationships.....	96
TABLE 14: Analysis of Types of Producer Linkages.....	102
TABLE 15: Impacts of Changes in Markets on Women.....	121
TABLE 16: Strategies to Encourage Participation by Women.....	127

## **FACILITATION TOOLS AND WORKSHEETS**

WORKSHEET 1: Nutrition-sensitive Value Chain and Market Analysis Worksheet.....	18
TOOL 1: Nutrition-sensitive Checklist.....	19
WORKSHEET 2: Producer-to-Market Actor Linkages Analysis Worksheet.....	29
WORKSHEET 3: Producer-to-Market Actor Linkages Facilitation Worksheet.....	30
TOOL 2: Producer-to-Market Actor Contractual Arrangements .....	32
WORKSHEET 4: Contract Applicability Assessment Worksheet .....	34
WORKSHEET 5: Effective and Weak Producer-to-Market Actor Relationship Assessment Worksheet .....	37
WORKSHEET 6: Producer-to-Market Actor Relationship Strengthening Facilitation Worksheet ....	39
TOOL 3: Field Guide Usefulness .....	39
WORKSHEET 7: Embedded Services Facilitation Worksheet.....	43
WORKSHEET 8: Win-Win Assessment Worksheet .....	45
WORKSHEET 9: Producer-to-Market Actor Relationship Assessment Worksheet .....	46
TOOL 4: Practitioner Note .....	49
WORKSHEET 10: Establishing a Village Agent Model Worksheet.....	50
TOOL 5: Village Agent Project Budget Checklist.....	52
TOOL 6: Working With Private Sector to Build a Village Agent Network Checklist.....	53
TOOL 7: Selecting a village agent and training village agents workshop checklist.....	54
TOOL 8: Monitoring and Evaluation Checklist.....	56
WORKSHEET 11: Contractual Arrangements Critical Considerations Worksheet.....	60
WORKSHEET 12: Contractual Arrangements Facilitation Worksheet.....	61
WORKSHEET 13: Producer-to-Market Actor Relationship Trust-Building Facilitation Worksheet .	66
WORKSHEET 14: Information Flow Facilitation Worksheet.....	71
WORKSHEET 15: Lead Firm Assessment Worksheet.....	78

WORKSHEET 16: Market Offers for the Private Sector Worksheet.....	85
WORKSHEET 17: Producer-to-Producer Facilitation Worksheet.....	98
WORKSHEET 18: Producer Linkages Assessment Worksheet .....	103
WORKSHEET 19: Risk Reduction Planning Worksheet .....	110
TOOL 9: Risk Reduction Planning Worksheet Example .....	112
WORKSHEET 20: Limited Resource Strategic Planning Worksheet .....	116
WORKSHEET 21: Identify Unintended Impacts of Market Growth on Women Worksheet .....	123
WORKSHEET 22: Women’s Participation Improvement Worksheet.....	130

## **DIAGRAMS**

Diagram 1: Value Chain Project Cycle .....	3
Diagram 2: Field Guide Key Topics.....	5
Diagram 3: Livelihood and Food Security Vulnerability Framework relevant to Extremely Poor Producers.....	8
Diagram 4: Simplified General Structure of a Value Chain.....	10
Diagram 5: Market System Framework.....	11
Diagram 6: Global Enabling Environment.....	21
Diagram 7: Challenges for Extremely Poor Producers in Making Market Linkages .....	28
Diagram 8: Transfer of Information, Skills, and Services in Beneficial Commercial Relationships.....	35
Diagram 9: Unfair and Fair business relationships .....	36
Diagram 10: Typical Input Supply Model.....	48
Diagram 11: Supply Input Model Using Village Agent.....	49
Diagram 12: Development Organization/Project Market Offer Facilitation .....	83
Diagram 13: Enabling Environment for Market Entry .....	93
Diagram 14: Benefits of producer groups and buyer commercial relationships .....	95
Diagram 15: Working as a group can provide benefits for post-harvesting processing.....	114
Diagram 16: Gross Margin Calculation.....	139

## **ACRONYMS**

ACDI/VOCA	economic development organization based in Washington, D.C.
AVC	agriculture value chain
CARE	global relief, development, and advocacy organization
DFID	United Kingdom Department for International Development
DFAT	Australian Department of Foreign Affairs and Trade
GIZ	German Agency for International Development
IGA	income-generating activity
MFI	microfinance institution
MOU	memorandum of understanding
NGO	nongovernmental organization (humanitarian agencies, etc.)
SPRING	Strengthening Partnerships, Results, and Innovations in Nutrition Globally— USAID “Feed the Future” project
USAID	United States Agency for International Development
VSLA	village savings and loan association

## INTRODUCTION

The *Integrating Extremely Poor Producers into Markets Field Guide* (Field Guide) is intended to provide the field-level practitioner with tools and applications to impact extremely poor households. The intended outcome of the Field Guide is to increase market engagement for extremely poor households, especially women, through value chain and market systems development activities.

There are too many children and their parents who go hungry every day. While the total number of hungry people worldwide has been reduced by 216 million since 1992<sup>1</sup> and there is enough food produced globally, “**795 million people—one in nine—still go to bed on an empty stomach each night.**”<sup>2</sup>

The Field Guide is intended to help practitioners contribute to ending extreme poverty by 2030 (Sustainable Development Goal 1) and zero hunger by 2030 (Sustainable Development Goal 2). **Zero Hunger—pledges to end hunger, achieve food security, improve nutrition and promote sustainable agriculture**”.<sup>3</sup>

While the global poverty rate has been halved since 2000, more public and private efforts are needed to help families get over the \$1.90 a day measure and climb out of extreme poverty. Many other families are suffering in ultra-poverty measured by those who live on less than \$0.54 a day.<sup>4</sup>

### **The extent of the problem of poverty and hunger:**

In 2013, an estimated 767 million people lived below the international poverty line of \$1.90 a day—down from 1.7 billion people in 1999. That figure reflects a decrease in the global poverty rate from 28 per cent in 1999 to 11 per cent in 2013. The most significant progress was seen in Eastern and South-eastern Asia, where the rate declined from 35 per cent in 1999 to 3 per cent in 2013. In contrast, 42 per cent of people in sub-Saharan Africa continued to subsist in conditions of extreme poverty in 2013.

Approximately 842 million people suffer from hunger worldwide. That’s almost 12 per cent of the world’s population of 7.1 billion people.

The Field Guide focuses on equipping practitioners to more effectively reach the extremely poor and facilitate them to move up the economic ladder and out of extreme poverty and hunger.

Value chain and market systems development methodologies have been used widely in poverty alleviation and economic development. Donors such as USAID, the Bill & Melinda Gates Foundation, the United Kingdom Department for International Development (DFID), the German Agency for International Development (GIZ), and Australian Department of Foreign Affairs and Trade (DFAT) have supported this work. For development organisations, value chain and market systems development tools have been helpful, but many of the tools have not been specifically designed to support or benefit extremely poor producers.

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<sup>1</sup> <https://borgenproject.org/15-world-hunger-statistics/> statistic number 10.

<sup>2</sup> World Food Program. 2017. <http://www1.wfp.org/zero-hunger>

<sup>3</sup> World Food Program. Ibid.

<sup>4</sup> IFPRI. 2007. <http://www.ifpri.org/publication/worlds-most-deprived>

## Application of the Field Guide

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

The most strategic sectors (value chains) that practitioners will be working in have been selected.

Appropriate market analysis has been completed.

Producer-level constraints have been identified as being critical in terms of strengthening input and output markets and/or targeting benefits to extremely 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 extremely poor producers' participation in markets, and recognizes that many interventions are more effective by working directly with other market actors such as suppliers, processors and buyers instead of producers. The Field Guide, therefore, 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 translate into forming producers into groups.

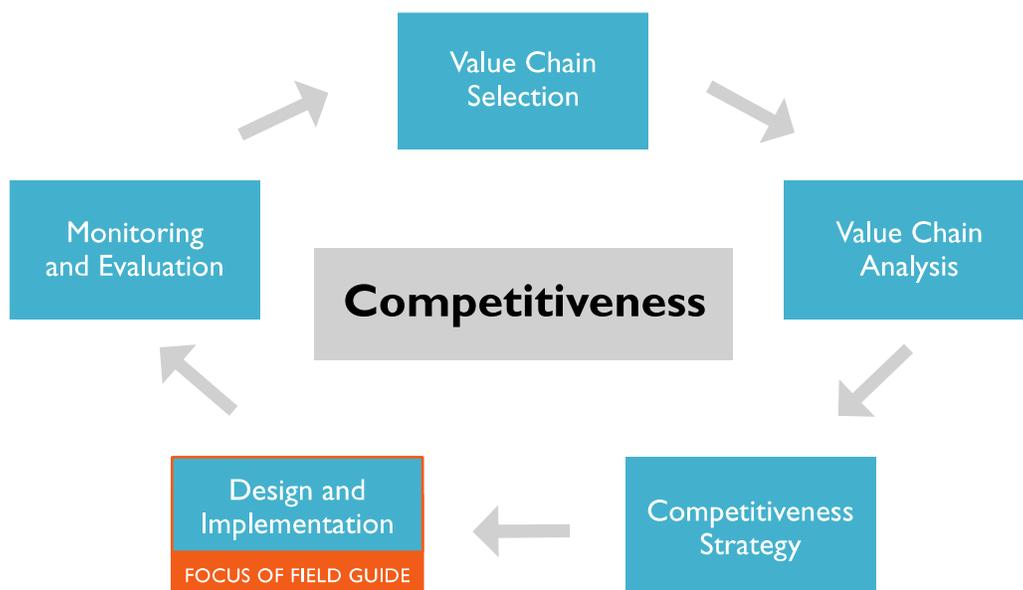
This Field Guide is applicable for use in the following contexts:

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 project cycle (as shown in the diagram that follows).

**Diagram 1: 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:



### Key Terms

Key terms and definitions associated with each topic



### Tools

A range of tools for projects to further analyze and assess the topic in the context of the poorer producers the project is targeting



### Practitioner Worksheets

Practical step-by-step worksheets to be used by project staff to assess the market contexts in which they are working, assess the poorer producers they are targeting, and make decisions on appropriate approaches for implementation



### Examples from the Field

Practical field examples from around the globe that further highlight lessons learned and practical application in different contexts

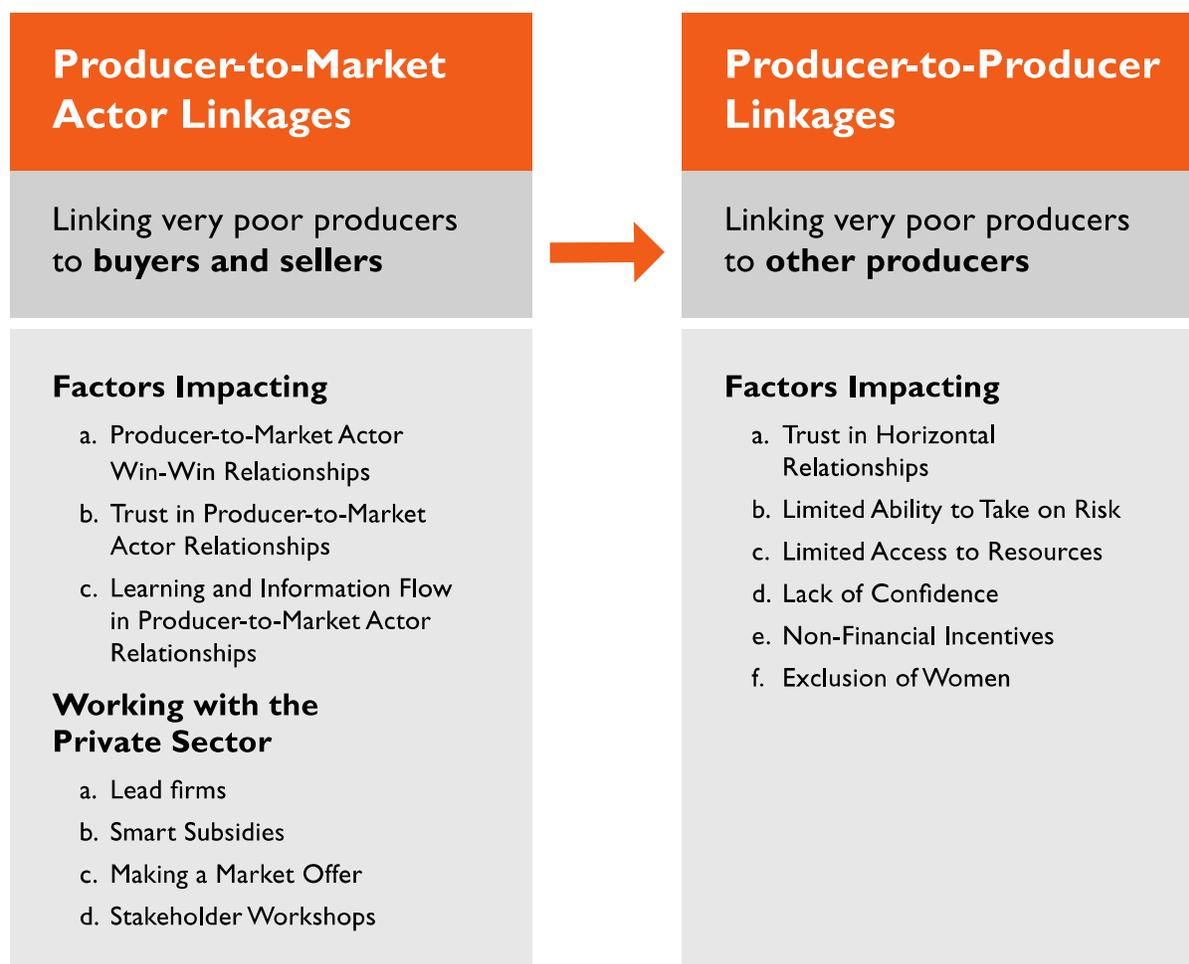
Practitioner Worksheets allow practitioners to apply the thinking discussed in this Field Guide to their own decision-making and contexts.

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 extremely 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.

Diagram 2: Field Guide Key Topics



## I. UNDERSTANDING EXTREMELY POOR PRODUCERS

### A. Extremely Poor Producers' Vulnerability and Resiliency

To understand extremely poor producers, it is often helpful to start by trying to understand their households. Extremely 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 extremely poor, any sort of unfavourable circumstance could wipe out the few assets they have, and just meeting daily needs is often a struggle. They lack effective risk mitigation mechanisms, such as savings or insurance, to deal with unexpected shocks.

The objective for extremely poor households is to become more resilient to shocks. This goal works so that if something goes wrong, they can 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 extremely 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.



### Key Terms

#### EXTREMELY POOR:

persons who earn less than \$1.90 per day, as measured by purchasing power parity market exchange rates

For this reason, extremely poor producers often behave in ways that might not be expected. Because the extremely poor are already vulnerable to shocks, they are not able to easily take on added risks, however small, that appear to 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 (like investing in a capital asset or technology to increase production) may seem like a large risk to an extremely poor producer (i.e., they could lose all their investment and be left with nothing). The extremely poor producer may feel she/he 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 Extremely Poor Producers

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

- ▶ Limited capacity and resources

- ▶ Very small scale farm
- ▶ Vulnerability and over-indebtedness
- ▶ Strong risk aversion
- ▶ Inadequate access to products and services
- ▶ Limited mobility and freedom
- ▶ Unequal distribution of entitlements
- ▶ Time poverty
- ▶ Inexperience and shallow networks
- ▶ High transaction costs often paying more for inputs
- ▶ Limited knowledge of markets
- ▶ Small amount of production
- ▶ Lack of access to affordable credit
- ▶ Lack of machinery
- ▶ Lack of management skills
- ▶ Social exclusion/lack of empowerment

### **C. Extremely Poor Producers' Constraints Linking to Buyers and Sellers**

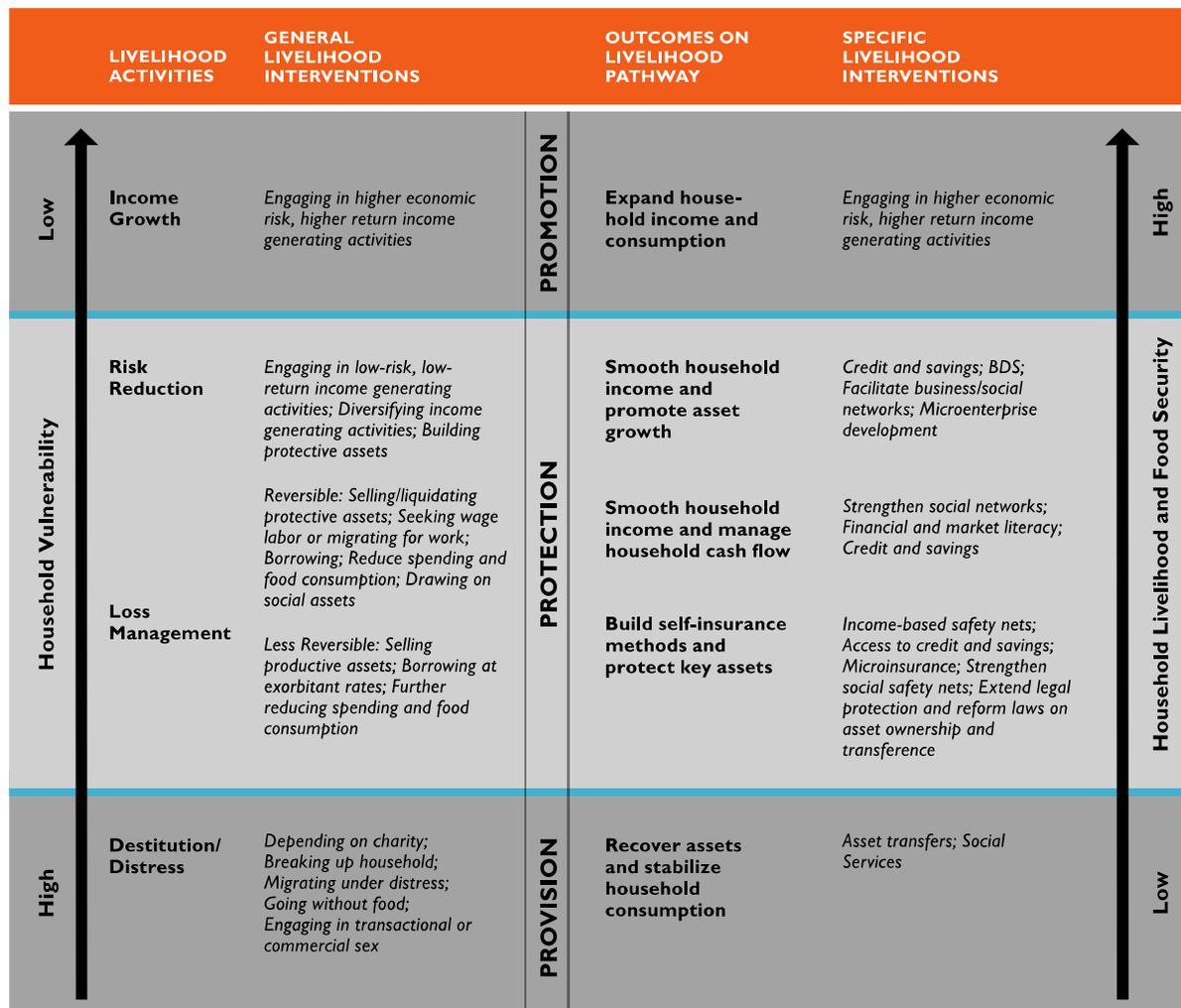
Extremely poor producers often buy inputs, if at all, in such small quantities and so infrequently that it is not profitable enough for input supply firms to profitably sell to them. They generally produce in such small quantities that it is also not profitable enough for buyers to profitably buy from them. Extremely 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. Extremely Poor Women Producers' Constraints in Participating in Markets**

Extremely poor women producers face their own added 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.

The following diagram demonstrates the vulnerability levels of extremely poor producers and the associated market and livelihood interventions most appropriate at different levels of vulnerability.

**Diagram 3: Livelihood and Food Security Vulnerability Framework relevant to Extremely Poor Producers<sup>5</sup>**



<sup>5</sup> Sourced from USAID’s Livelihood and Food Security Technical Assistance Project (LIFT) Livelihoods Framework

## II. MARKET DEVELOPMENT APPROACHES

### A. Value Chain Development

Value chain development involves strengthening the product-to-market systems. Value chains comprise of the actors and functions connected by a series of value-addition transactions, from production to consumption of goods and services. A value chain for maize, for instance, may include input suppliers, farmers, processors, traders, wholesalers, and national retailers. Value chains also depend on support services, such as spray services, transport and financial services in the case of maize. They are shaped by the broader, enabling environment in which they operate, such as policies regulating safety standards for processed maize.

The objective of value chain programming is to increase incentives for the value chain to improve performance, productivity, and trade, and, ultimately, poverty alleviation and economic opportunities for poor producers. Value chain approaches aim to strengthen the relationships and functioning across market actors in ways that make value chains more competitive and inclusive. The approach has been effective for understanding how value chain actors relate to each other and the incentives they may have to behave differently: What it takes for a maize aggregator to source from smallholder maize farmers; or how aggregators have managed to break into demanding food outlets. Development practitioners have come to recognize that value chains are interdependent (dairy farmers, for instance, rely on the maize value chain as maize is the main ingredient in animal feed).

Many of the strategies discussed in this Field Guide are guided by principles for effective value chain development programming strategies.



### Key Terms

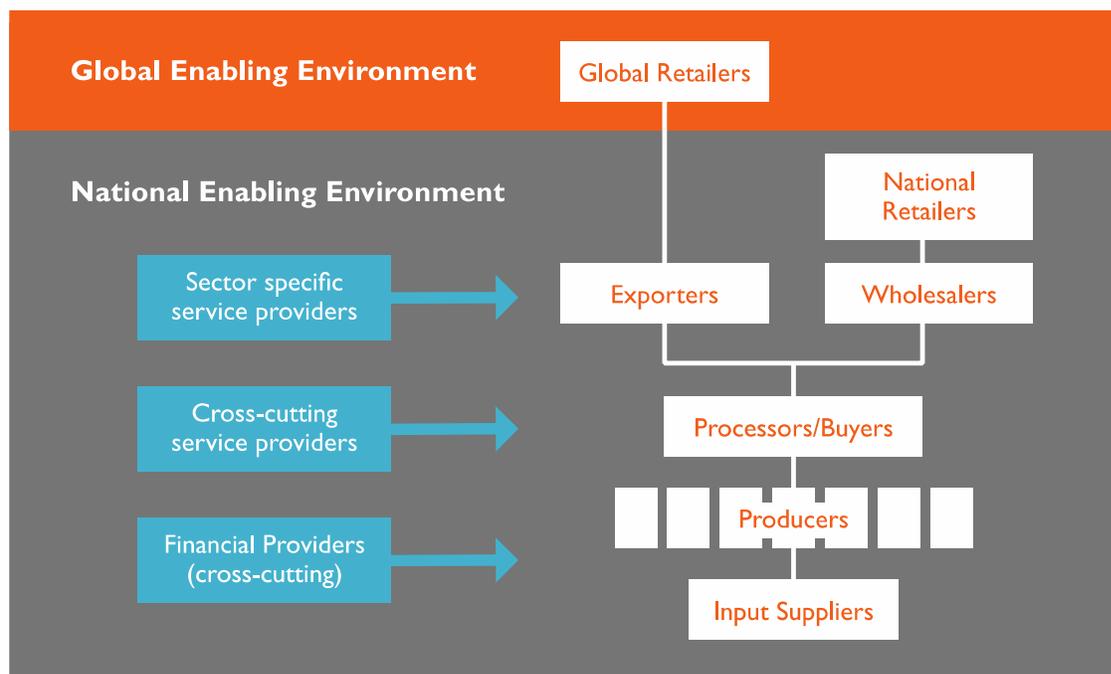
#### VALUE CHAIN:

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

#### 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

**Diagram 4: Simplified General Structure of a Value Chain**



**B. Market Systems Development**



**Key Terms**

**MARKET SYSTEM:**

the broader system in which value chains operate with its own underlying incentives and biases for how and why businesses, people, and networks (e.g., the system) behave

**MARKET SYSTEM DEVELOPMENT:**

extending beyond individual value chains to build the capacity and resilience of local systems; considering behaviour patterns, flows of information and finance, relational networks, trust and dispute patterns, and inter-connectivity and patterns of influence between market systems and other social systems (e.g., political, civil society, communal/friends and family, etc.).

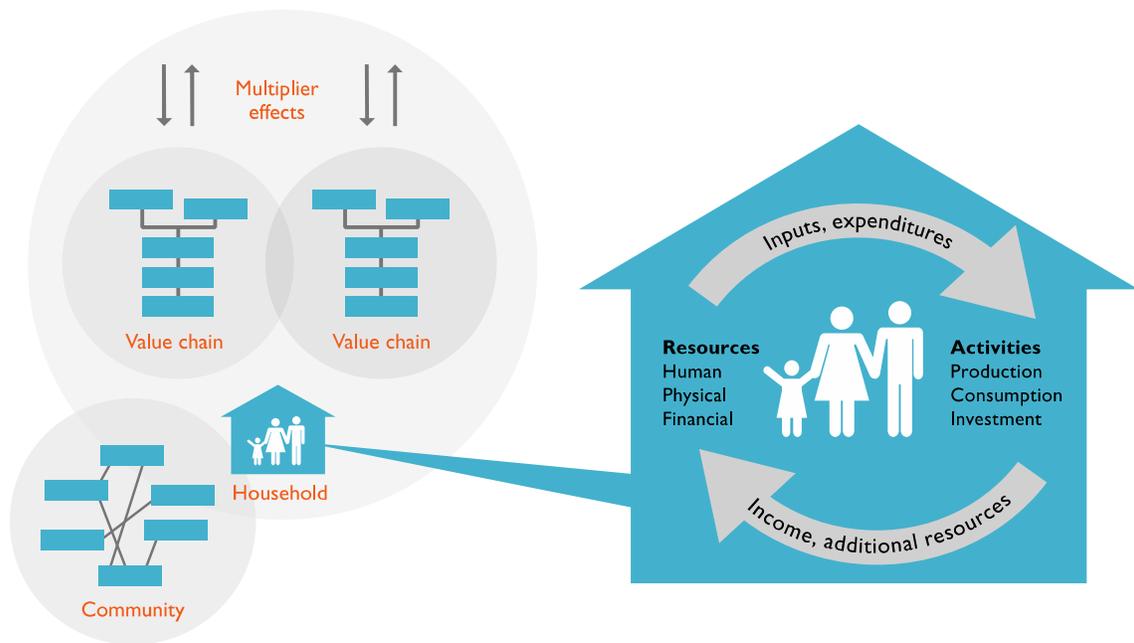
A market system comprises the broader system in which value chains operate. Market systems development extends beyond individual value chains to build the capacity and resilience of local systems by addressing the underlying reasons, incentives, and biases for how and why businesses, people, and networks (i.e., the system) have not operated more effectively and inclusively themselves. Practitioners can consider behaviour patterns, flows of information and finance, relational networks, and trust and dispute patterns between market actors. Practitioners can even consider the interconnectivity and patterns of influence between market systems and other social systems (such as political, civil society, communal/friends and family).

*Achieving sustainable impact at scale is the objective of ... [many] projects. Inclusive market system development is increasingly recognized as a potential means for achieving this objective. ... an inclusive market system development approach focuses on building the capacity and resilience of local systems,*

leveraging the incentives and resources of the private sector, ensuring the beneficial inclusion of the extremely poor, and stimulating change and innovation that continues to grow beyond the life of the project. Specifically, the objective of inclusive market system development is to catalyse a process that results in a market system that is (i) competitive—system actors are able to effectively innovate, upgrade and add value to their products and services to match market demand and maintain or grow market share; (ii) inclusive—delivering a sustainable flow of benefits to a range of actors, including the poor and otherwise marginalized, as well as to society as a whole; and (iii) resilient—system actors are able to address, absorb and overcome shocks in the market, policy environment, resource base or other aspect of the system.<sup>6</sup>

The diagram that follows depicts a market system as being a complex system that comprises multiple value chains and which includes actors and dynamics at both household and community levels. Specifically:

**Diagram 5: Market System Framework<sup>7</sup>**



<sup>6</sup> See <https://www.microlinks.org/library/framework-inclusive-market-system-development>

<sup>7</sup> See <https://www.microlinks.org/library/framework-inclusive-market-system-development>

### III. NUTRITION-SENSITIVE APPROACHES

#### A. Nutrition-Sensitive Value Chains and Market Development

Nutrition-sensitive programming intentionally improves the food and nutritional security of the extremely poor by addressing the underlying and basic determinants of malnutrition and incorporating specific nutrition goals and actions. USAID states that, “Investments require deliberate and appropriate forethought and planning to yield impact on nutritional status and consequently good health and wellbeing.”<sup>8</sup> It is, therefore, important for development practitioners to always consider food and nutritional security as an integrated part of any market development interventions.

According to USAID, the promotion of nutrition-rich value chain products entails:<sup>9</sup>

- Targeting production of nutrient-rich commodities, ideally those with nutrients lacking in diet. This includes integrating nutritional considerations into value chain selection criteria.
- Including social and behaviour change components specifically aimed at consumption of targeted foods and food products within the context of a diversified diet, food safety, and other important nutrition behaviours.
- Ensuring availability of target foods and food products in local markets.
- Supporting consumption education.
- Measuring outcomes, including intermediate targets such as consumption and market availability.



#### Key Terms

##### NUTRITION-SENSITIVE PROGRAMMING:

deliberate and appropriate forethought and planning to yield impact on nutritional status and consequently good health and wellbeing



When targeting nutrition-rich commodities with interventions that will ultimately benefit the health and nutrition of the extremely poor, it is helpful to keep in mind that, according to USAID,<sup>10</sup> a commodity is defined as nutrition-rich if it meets the following criteria:

- Is bio-fortified
- Is a legume, nut, or some seeds such as sesame, sunflower, pumpkin seeds, wheat germ, or sprouted legume seeds
- Is an animal source food, including dairy products (milk, yogurt, cheese), fish, eggs, organ meats, meat, poultry meat, and other miscellaneous small animal protein (e.g., grubs, insects)
- Is a dark yellow or orange-fleshed root or tuber

<sup>8</sup> See: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>

<sup>9</sup> See Table 1: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>

<sup>10</sup> See Table 3: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>

- Is a fruit or vegetable that meets the threshold for being a "high source" of one or more micronutrients on a per 100 calorie and per 100 gram basis

Additional areas that could be considered include:

- ▶ Analysing dietary habits and dietary needs of consumers to identify relevant nutritional gaps, and developing intervention strategies built on these assessments.
- ▶ 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 using tunnels) to overcome the nutritional challenge of the poor only having access to undiversified diets for most 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,<sup>11</sup> 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.

## **B. Nutrition-Sensitive Market Analysis**

As a first step, it is important to include a nutrition-sensitive lens within any market analysis to identify interventions for the benefit of the extremely poor. The following table, produced by the USAID Feed the Future 'Strengthening Partnerships, Results, and Innovations in Nutrition Globally' (SPRING) project, provides an example of a nutritionally sensitive market analysis for the dominant protein source for an extremely poor community (i.e., comprising above 95 percent of their protein intake). Development practitioners may complete a more detailed analysis based on the needs and priorities of their activity.

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<sup>11</sup> Nutritional specifications and certification examples include CODEX international standards on food safety and nutrition.

**TABLE I: Nutrition-sensitive Market Analysis Table for a Primary Source of Protein**

This table provides an example of a nutrition-sensitive market analysis for the dominant source of protein for an extremely poor population, which, in this case, is smoked fish.<sup>12</sup>

Opportunities	Situational analysis	Constraints	Enablers	Recommendations
Availability year round	Smoked marine fish is the dominant source (>95%) of protein and the only consistently available animal protein for poor families.	The state of marine reserves is unknown; it would be unduly optimistic to anticipate an increase in availability for the rural poor.	Storage and transportation of the product is relatively easy.	Promote year-round availability, especially in more remote markets.
Affordability year round	For many consumers, fish serves as a condiment or seasoning rather than as a major meal component.	Fluctuations in fish prices limit the amount and quality of fish purchased and consumed by families who have budgeted a specific amount to spend daily.	Smoked fish is highly affordable compared with other sources of protein.	Check for price inflation because of increased marketing.
Desirability	Demand for smoked marine fish is stable over the seasons.	Food safety issues and lack of knowledge discourage/prevent mothers from using it to feed their child.	Fish is widely accepted as a part of local diets.	Promote nutritional benefits of smoked fish and tips for safe and delicious preparation at home.
Time and energy expenditure for women	Smoked fish for sale is generally produced in commercial quantities and provides consumers with a convenient, ready-to-use food condiment.	No constraints identified.	Food preparation is relatively easy.	Promote smoked fish as a time-saving food product.
Food safety	Hygiene conditions in most markets are unacceptable and there is a significant risk of cross-contamination.	Market food inspectors pay little attention to smoked fish, focusing more on fresh fish.	Environmental Health Officers are present at large markets, with some support from NGOs.	Increase knowledge on food safety issues regarding smoked fish, and support enforcement of food safety standards.

<sup>12</sup> See: [http://www.fsnnetwork.org/sites/default/files/example\\_completed\\_opportunities\\_for\\_nutrition\\_along\\_a\\_coffee\\_value\\_chain\\_0.pdf](http://www.fsnnetwork.org/sites/default/files/example_completed_opportunities_for_nutrition_along_a_coffee_value_chain_0.pdf)

## C. Nutrition-Sensitive Programming Strategy

After completing a market analysis with a nutrition-sensitive lens, it is important to consider which practices or products could be promoted to improve the way the market functions, and which market actors these will be facilitated through. Once again, this integrates both what is viable from the market perspective and what is beneficial from a nutritional perspective.

The following table, adapted from USAID’s Feed the Future SPRING project, provides an example of a simple upgrading strategy building on the smoked and dried small pelagic fish example mentioned above.

**TABLE 2: Simple upgrading strategy for a fish value chain (smoked and dried small pelagic fish)<sup>13</sup>**

This table provides an example of a simple upgrading strategy for a fish value chain, using smoked and dried small pelagic fish)

**Nutrition goal:** Improve diet diversity among target 1000 day households<sup>14</sup>

**Agriculture objective:** By end of project, improve year-round consumer access to hygienic, small pelagic fish in local markets

Interventions	Market Actors	Practices / Products to Promote
<b>IRI: Supply of hygienic, smoked and dried small fish in local markets increased</b>		
Improve hygienic practices in processing, transport and retail of smoked and dried fish	Traders, transporters	Use of covered baskets, bio-degradable packaging
Improve efficiency in hygienic smoked and dried fish production	Producers	Use of improved fuel-efficient smokers, improved solar dryers
Increase sales of smoked and dried small fish through value addition at point of sale	Retailers	Ready-to-use freshly ground small fish for use as porridge topping
Increase capacity of inspection services related to smoked and dried fish	Market inspectors, officials	Sanitary and phytosanitary (SPS) measures
<b>Result: Demand for hygienic, smoked and dried small fish increased, especially among 1000-day households (conception to 2<sup>nd</sup> birthday)</b>		
Improve consumer knowledge in nutrition value of whole small fish	Market sellers, buyers	Tips and recipes for using whole small fish as nutritious condiment and convenience food
Improve knowledge and practices in using whole small fish in complementary feeding	Mother-to-mother support groups, through health services	Mixing ground whole small fish in porridge for age-appropriate feeding

<sup>13</sup> See original table at: [http://www.fsnnetwork.org/sites/default/files/example\\_simplified\\_upgrading\\_strategy\\_rf\\_for\\_fish\\_value\\_chain\\_0.pdf](http://www.fsnnetwork.org/sites/default/files/example_simplified_upgrading_strategy_rf_for_fish_value_chain_0.pdf)

<sup>14</sup> 1000 days refers to from conception to a child’s second birthday. For a two minute explanation of the 1000 day approach by the author Roger Thurow see: <https://farmingfirst.org/2017/07/sdg2-2-in-2-minutes-roger-thurow-chicago-council-on-global-affairs/>

The list below highlights several of USAID’s nutrition-sensitive programming principles, several which are most applicable to the context of this Field Guide:<sup>15</sup>

- Target the nutritionally vulnerable and improve equity
- Expand market access to vulnerable groups and expand markets for nutritious foods
- Incorporate nutrition promotion and education
- Diversify production and increase nutrient-dense crops and livestock when this makes economic sense – that is, when not in conflict with obtaining income
- Improve quality of processing, packaging, storage, transport, and preservation of food to maximize nutritional value
- Ensure project design activities to empower women through decision-making, time use, and control of income and resources

The following table provides examples of key considerations during value chain and market assessment activities to integrate more of a nutritional lens when assessing how to benefit the extremely poor.



**TABLE 3: Nutrition-sensitive Value Chain and Market Analysis**

Use the questions in this table as examples for consideration when analysing the market context of a particular food from a nutrition-sensitive perspective.

Considerations	Examples of areas to research:
Availability year round	<ul style="list-style-type: none"> <li>• How often is the food harvested and in which season?</li> <li>• Where is the food stored for home consumption and for sale throughout the year?</li> <li>• To what extent do poor practices result in postharvest and storage losses?</li> <li>• What role does the food play in the diet of the local population?</li> <li>• What is their dominant source of protein / nutrition?</li> <li>• How consistently available is this food as their source of protein nutrition?</li> </ul>
Affordability year round	<ul style="list-style-type: none"> <li>• To what extent do fluctuations in the price of the food limit the amount and quality purchased and consumed by families who have budgeted a specific amount to spend daily?</li> <li>• To what extent do most households consume what they produce?</li> <li>• Compared with other foods, how accessible and affordable is the food to most households?</li> <li>• What is the affordability of the food at different times of the year for the local population?</li> <li>• To what extent do households with limited production purchase from local markets at higher prices when their stocks are depleted?</li> <li>• To what extent is the food affordable compared with other sources of protein?</li> <li>• Could there be price inflation because of increased marketing?</li> </ul>

<sup>15</sup> See Table 2: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>

	<ul style="list-style-type: none"> <li>• Does the food serve as a condiment or seasoning or as a major meal component?</li> </ul>
Desirability	<ul style="list-style-type: none"> <li>• How stable is demand for the food over the seasons of the year?</li> <li>• Is the food part of a traditional diet?</li> <li>• In what forms is it consumed?</li> <li>• How do food safety issues discourage consumption (e.g., mothers not using it to feed their child)?</li> <li>• How does lack of knowledge prevent consumption (e.g., prevent mothers from using it to feed their child)?</li> <li>• How widely is the food accepted as a part of local diets?</li> <li>• Is it viable to promote nutritional benefits of the food?</li> <li>• Is it viable to share information on safe and delicious preparation at home?</li> </ul>
Time and energy expenditure	<ul style="list-style-type: none"> <li>• How time and energy intensive are the various production activities (e.g., planting, weeding, harvesting, and processing), especially for women?</li> <li>• To what extent are traditional farm implements and processing technologies used?</li> <li>• To what extent are production activities (such as postharvest processing) done as a social activity in the community and home?</li> <li>• How easy is food preparation?</li> <li>• Is the food prepared by hand or produced in commercial quantities?</li> <li>• Can the food be promoted as a time-saving food product?</li> </ul>
Food safety	<ul style="list-style-type: none"> <li>• What are the hygiene conditions in the market?</li> <li>• What is the extent of awareness and knowledge about hygiene and food safety?</li> <li>• To what extent do livestock and drying crops mingle in household compounds?</li> <li>• How high is the risk of cross-contamination?</li> <li>• To what extent are Environmental Health Officers present at local markets? How effective are they in enforcing health standards?</li> <li>• How much attention do market food inspectors pay to this form of the food (e.g., they may focus on fresh but not dry versions of the food)?</li> <li>• To what extent is aflatoxin a major concern on farms or in local markets?</li> <li>• To what extent is there a lack of awareness and knowledge about aflatoxins, especially when there is no visible mould?</li> <li>• To what extent are foods with visible moulds separated or fed to livestock?</li> <li>• Could it be viable to increase knowledge on food safety issues?</li> <li>• Is it viable to support enforcement of food safety standards?</li> </ul>

Development practitioners can use the following worksheet during their value chain and market assessment activities to integrate more of a nutritional lens when assessing how to benefit the extremely poor.



## WORKSHEET 1: Nutrition-sensitive Value Chain and Market

### Analysis Worksheet

Use this worksheet to analyse the market context of a crop or meat from a nutrition-sensitive perspective.

Considerations	Situational analysis	Constraints	Enablers	Recommendations
Food's availability year-round				
Food's affordability year-round				
Desirability of the food				
Time and energy expenditure on the food <ul style="list-style-type: none"> <li>• for women</li> <li>• in consumption</li> <li>• for value chain actors</li> </ul>				
Food safety				
Health and environmental safety				



## TOOL I: Nutrition-sensitive Checklist

Use this checklist to identify areas that your project is working on or could work on to be more nutrition-sensitive.

Intervention	Are we currently doing this?	Could we consider doing this?
<b>ASSESSMENTS</b>		
<ul style="list-style-type: none"> <li>Analyse dietary habits and dietary needs for local and national consumers to identify relevant nutritional gaps</li> </ul>	Yes No	Yes No
<b>PRODUCTION and PROCESSING</b>		
<ul style="list-style-type: none"> <li>Targeting production of nutrient-rich commodities, ideally those with nutrients lacking in diet</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Diversify production and increase nutrient-dense crops and livestock when this makes economic sense</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Improve quality of processing, packaging, storage, transport, and preservation of food to maximize nutritional value</li> </ul>	Yes No	Yes No
<b>TARGET GROUP</b>		
<ul style="list-style-type: none"> <li>Target the nutritionally vulnerable and improve equity</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Expand market access to vulnerable groups</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Enhancing food usage in local markets through strategies to reach infants 6-12 months old</li> </ul>	Yes No	Yes No
<b>AVAILABILITY and ACCESS</b>		
<ul style="list-style-type: none"> <li>Expand markets for nutritious foods</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Extending availability of diversified variety of foods and food products in local markets</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Extending growing seasons (such as using tunnels)</li> </ul>	Yes No	Yes No
<b>REGULATIONS, CERTIFICATIONS and SPECIFICATIONS</b>		
<ul style="list-style-type: none"> <li>Supporting the implementation of nutritional specifications and certifications, or country-specific food products' nutritional requirements</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Applying regulations, standards, and capacity building on food quality, food regulations, food safety, and food controls</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Advocating for nutritional analysis and labelling of foods where appropriate</li> </ul>	Yes No	Yes No
<b>BEHAVIOR CHANGE</b>		
<ul style="list-style-type: none"> <li>Including social and behavior change components specifically aimed at consumption of targeted foods and food products within the context of a diversified diet, food safety, and other important nutrition behaviors</li> </ul>	Yes No	Yes No
<b>EDUCATION</b>		
<ul style="list-style-type: none"> <li>Supporting consumption education</li> </ul>	Yes No	Yes No
<ul style="list-style-type: none"> <li>Incorporate nutrition promotion and education</li> </ul>	Yes No	Yes No
<b>MONITORING and EVALUATION</b>		
<ul style="list-style-type: none"> <li>Measuring outcomes, including intermediate targets such as consumption and market availability</li> </ul>	Yes No	Yes No

USAID provides the following illustrative entry points for nutrition-sensitive agriculture. See Annex A: Illustrated Entry Points for Nutrition-Sensitive Agriculture for information on these.

Nutrition is closely linked to gender. “Nutrition programs should strive to transform gender relations. If projects are just impacting maternal and child nutrition outcomes but not transforming gender relations, they are not making a lasting difference. ...”<sup>16</sup> See Section V.B.5 of this Field Guide for recommendations on empowering women.

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<sup>16</sup> Technical Resource Guide, TOPS, April 2015, page 13.

## IV. LINKING EXTREMELY POOR PRODUCERS TO BUYERS AND SUPPLIERS

### A. Buyer and Supplier Linkages for the Extremely Poor



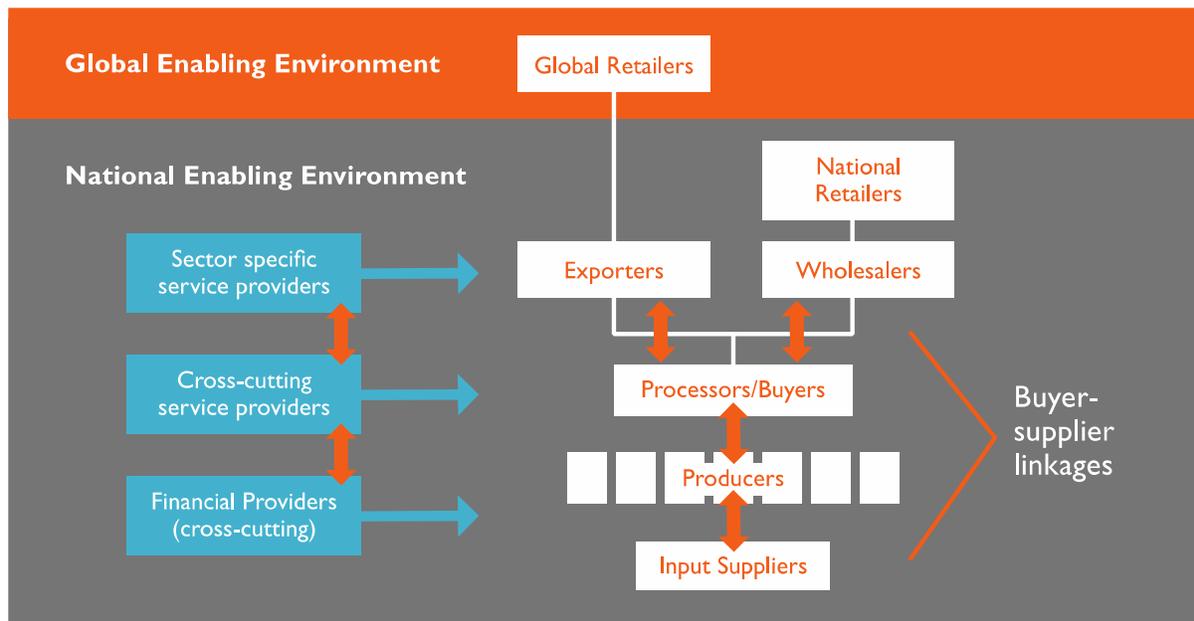
#### Key Terms

##### BUYER-SUPPLIER LINKAGES:

business relationships between firms at different levels in a market system chain that buy from and sell to each other

Extremely 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.

Diagram 6: Global Enabling Environment



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## **1. Why are Linkages with Buyers and Suppliers Challenging for Extremely Poor Producers?**

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Challenges exist because extremely poor producers:

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

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## **2. How Can Buyer and Supplier Linkages be Used to Benefit Extremely Poor Producers?**

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

Besides financial benefits, mutually beneficial linkages between extremely 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 elements of buyer-seller relationships and are vital for development 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 extremely 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

To improve linkages with buyers and suppliers, often the challenge of the small size of inputs or outputs can be addressed by working with farmers to group together into organizations that will help the farmers to mitigate the weaknesses they face. As mentioned previously, it is best if suppliers and/or buyers organise and work with these groups. Producer groups may provide many services to their members, enabling them to achieve results. In the absence of group buying, group

marketing, group access to technology and technical assistance, the very small-scale farmers are going to be permanently disadvantaged and likely never get out of extreme poverty if they remain in agriculture. Producer groups are discussed in further depth in the “Linking Extremely Poor Producers to Other Producers” section.

The following table addresses strategies to facilitate mutually beneficial relationships for extremely 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 extremely poor producers and their buyers and suppliers.

**TABLE 4: Effective Producer-to-Market Actor Relationship Facilitation Strategies**

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

Practitioner role in facilitating beneficial buyer & supplier linkages	Practical examples
<ul style="list-style-type: none"> <li>Facilitate the development of strong, long-term, mutually beneficial business relationships that recognise and function alongside informal rules and norms that impact extremely poor producers</li> </ul>	<ul style="list-style-type: none"> <li>Rather than focusing on increasing one-off sales, facilitate the development of long-term, win-win business relationships</li> </ul>
<ul style="list-style-type: none"> <li>Facilitate the effective and smooth transmission of information and knowledge from buyers or input suppliers to extremely poor producers</li> </ul>	<ul style="list-style-type: none"> <li>Information on quality standards and specifications, such as food regulations, food safety, food controls, or nutritional certifications</li> <li>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</li> </ul>
<ul style="list-style-type: none"> <li>Facilitate beneficial embedded service arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Such as linkages to businesses that pay for crops before they are harvested to reduce initial cash needed by extremely poor producers</li> <li>Such as how to comply to food safety standards or other certifications needed to be able to participate in the market, or how to accurately label food as required by the market</li> </ul>
<ul style="list-style-type: none"> <li>More equitable financial flows</li> <li>Facilitate more win-win financial flows in which both sides are receiving higher profits or more stable income flows</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>
<ul style="list-style-type: none"> <li>Increased trust levels</li> <li>Facilitate processes that increase trust</li> </ul>	<ul style="list-style-type: none"> <li>Take small steps to slowly demonstrate trustworthiness from both sides</li> </ul>

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### 3. What Types of Buyer and Supplier Linkages are Most Suitable for Extremely Poor Producers?

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The most common types of linkages that extremely poor producers have with other market actors 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 producer or group of producers at a given time.

**Reality check on challenges:** Think about the case of a contract with an urban supermarket 50 kilometres 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). Extremely 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 extremely 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 extremely 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 several steps too far ahead of the extremely 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.



### MATRIX I: Benefits of Different Types of Producer-to-Market Actor Linkages

This matrix analyses different types of linkages between extremely poor producers and their buyers and suppliers.<sup>17</sup>

Type of Linkage	Collective Activity	✓ ADVANTAGES <i>for extremely poor producers</i>	✗ DISADVANTAGES <i>for extremely poor producers</i>
<b>Producers to traders</b>	<ul style="list-style-type: none"> <li>Producers usually act on a one-to-one basis with traders</li> <li>May work together informally to bulk-up produce to reduce costs and attract larger traders</li> </ul>	<ul style="list-style-type: none"> <li>Requires high level of trust. Such trust is likely to ensure long-term sustainability</li> <li>Formal farmer organisations not usually needed</li> <li>Traders may provide training in production and handling</li> </ul>	<ul style="list-style-type: none"> <li>May need to accept short-term deferred payment</li> <li>Limited access to high-value markets</li> <li>Prices may be lower than formal markets</li> <li>May offer credit but insist on very low prices</li> </ul>
<b>Producers to retailers or their wholesalers</b> <i>(including restaurant chains and supermarkets)</i>	<ul style="list-style-type: none"> <li>May require formal group structure, particularly when buyer does not want to deal with producers individually</li> </ul>	<ul style="list-style-type: none"> <li>Reliable market at agreed upon price</li> </ul>	<ul style="list-style-type: none"> <li>Must meet variety, quality, and safety specifications</li> <li>Must be able to supply agreed quantities always (this may place producers in conflict with social obligations)</li> <li>May have to accept deferred payment of up to 90 days</li> </ul>
<b>Producers to retailers' village agents</b>	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Poor producers trust the local agents</li> <li>Agents can bulk sales orders for greater efficiency for the retailer</li> <li>Decreased transport costs as retailers make bulk deliveries to the agent who disseminates locally to farmers</li> </ul>	<ul style="list-style-type: none"> <li>Only works in areas where retailers have established a village agent model (although project could initiate this)</li> </ul>

<sup>17</sup> 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 <i>for extremely poor producers</i>	✗ DISADVANTAGES <i>for extremely poor producers</i>
Producers to agro-processors	<ul style="list-style-type: none"> <li>Farmer groups can bulk-up produce for collection by processor</li> <li>Groups can facilitate supply of inputs and provision of technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>May provide secure market at agreed price</li> <li>Offers additional access to local market</li> <li>Inputs may be supplied on credit</li> <li>Technical assistance may be provided</li> <li>Processor often provides transport</li> <li>Potential for producers to sell larger volumes</li> </ul>	<ul style="list-style-type: none"> <li>Lack of market for the processed products, thus jeopardising sustainability</li> <li>Must meet variety, quality and safety specifications</li> <li>Open market price may be higher than that agreed with processor</li> <li>Risk of delayed payments</li> </ul>
Producers to exporter	<ul style="list-style-type: none"> <li>Often involves grouping of producers</li> <li>External assistance may be required</li> </ul>	<ul style="list-style-type: none"> <li>Potential high returns if quality can be achieved</li> <li>Inputs and technical assistance may be supplied on credit</li> <li>Exporter often provides transport and packaging</li> </ul>	<ul style="list-style-type: none"> <li>Export markets are inherently risky</li> <li>Compliance with standards (e.g., organic, quality and traceability, fair trade) can be problematic, even with technical assistance</li> </ul>
Producers to larger scale farms <i>(through formal contract farming arrangements)</i>	<ul style="list-style-type: none"> <li>Company may prefer to group producers, formally or informally, for input and output marketing and extension</li> <li>External assistance may be needed to support producer groups</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Technical assistance may be provided</li> <li>Crop marketing organised by company</li> </ul>	<ul style="list-style-type: none"> <li>Companies often require external agency (bank) to finance credit provision</li> <li>Frequent mistrust between producers and companies</li> <li>Contracted price lower than market price may lead to side-selling</li> <li>Difficulties may be experienced if development organisation withdraws</li> </ul>



### **Field Example: Agrodealers Use Village Agents to Serve Extremely 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.

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.

**Diagram 7: Challenges for Extremely Poor Producers in Making Market Linkages**



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



### WORKSHEET 2: Producer-to-Market Actor 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 extremely poor producers and decide if benefits outweigh risks	List disadvantages to extremely poor producers and decide if benefits outweigh risks
Type of Linkage	✓ <b>ADVANTAGES</b> <i>for extremely poor producers</i>	✗ <b>DISADVANTAGES</b> <i>for extremely poor producers</i>
<input type="checkbox"/> Producers to traders		
<input type="checkbox"/> Producers to retailers or their wholesalers		
<input type="checkbox"/> Producers to retailers' village agents		
<input type="checkbox"/> Producers to agro-processors		
<input type="checkbox"/> Producers to exporter		
<input type="checkbox"/> Producers to larger scale farms (through formal contract farming arrangements)		



### **WORKSHEET 3: Producer-to-Market Actor Linkages Facilitation**

#### **Worksheet**

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

1. What types of linkages do extremely poor producers currently have with buyers or suppliers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. What type of linkages with buyers or suppliers would be beneficial for extremely poor producers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What type of linkages with buyers or suppliers would be feasible for extremely poor producers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. What limitations do extremely poor producers face in forming relationships with buyers or suppliers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. What are the risks that extremely poor producers will face, and are they willing to face them?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. What quality standards are necessary, and can extremely poor producers meet them?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. What embedded services might be available from buyers or suppliers that will help extremely poor producers upgrade?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. What informal rules or norms exist that could impact the ability of extremely poor producers to link to the businesses or benefit from the transactions?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. What kind of linkages with service providers would be beneficial for extremely poor producers?

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10. What are other local contextual factors to consider?

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Field Example: Village Agents Link Extremely Poor Producers to Buyers and Suppliers in Zimbabwe

In Zimbabwe, the World Vision led ENSURE project worked with communities to select 66 Village Agents. Each Village Agent serves 5-10 producer groups with a minimum of 15 members per group or 75 to 150 farmers. The Village Agents have undergone intensive business skills training. They have brokered linkages with input, output and financial services markets. They are receiving commission from buyers for their services (e.g. US\$0.50 per goat aggregation. 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.

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.

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#### **4. What Types of Contracting Arrangements are Most Suitable for Extremely Poor Producers?**

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Different types of contractual relationships require different abilities and commitments from extremely poor producers. Practitioners often support extremely poor producers in being able to enter an agreement, that may at first seem particularly attractive and successful, but may ultimately not be matched to the capacities of the extremely 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 extremely 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).



## TOOL 2: Producer-to-Market Actor Contractual Arrangements

Below are descriptions of forms of contractual arrangements that are or could become relevant to extremely poor producers.<sup>18</sup>

Name of Contract	Contract Description
<b>Spot market</b> <i>(immediate sale)</i>	Product is bought for cash and delivered immediately. Transactions are completely market-based. Contracts are verbal and often anonymous.
<b>Forward contracting</b>	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.
<b>Regular sub-contracting of suppliers</b>	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.
<b>Outgrower schemes</b>	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.
<b>Contract production/ Contract farming</b>	The farmer works for one buyer exclusively for a crop/product. Product and technology are clearly specified. The farmers receive the necessary inputs.

<sup>18</sup> Adapted from GTZ. 2007. Value Links Manual: The Methodology of Value Chain Promotion. [http://www.value-links.org/manual/pdf/valuelinks\\_complete.pdf](http://www.value-links.org/manual/pdf/valuelinks_complete.pdf) p. 124

The matrix below shows examples of typical contracting types relevant to extremely 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

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

### MATRIX 2: Characteristics of Producer-to-Market Actor Contractual Relationships

This matrix analyses different contractual arrangements relevant to extremely poor producers.<sup>19</sup>

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	<i>Lowest</i>	<i>Lowest</i>	<i>Lowest</i>	<i>Lowest</i>
Forward contracting	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>
Regular sub-contracting of suppliers	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>
Outgrower schemes	<i>High</i>	<i>High</i>	<i>High</i>	<i>High</i>
Contract production/ Contract farming	<i>Highest</i>	<i>Highest</i>	<i>Highest</i>	<i>Highest</i>

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

<sup>19</sup> Adapted from GTZ. 2007. Value Links Manual: The Methodology of Value Chain Promotion. [http://www.value-links.org/manual/pdf/valuelinks\\_complete.pdf](http://www.value-links.org/manual/pdf/valuelinks_complete.pdf) p. 124



## WORKSHEET 4: Contract Applicability Assessment Worksheet

Keep in mind the characteristics of the extremely 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 extremely poor producers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. What ability would extremely poor producers need to enter the particular type of contract?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What type of commitment would extremely poor producers need to make?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. What would extremely poor producers need to put in place to fulfil the commitment?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. What challenges might extremely poor producers have in fulfilling the commitment?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. What level of trust needs to exist between extremely 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 extremely 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 extremely poor producers and those they are contracting with?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. Do extremely 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 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.



### Key Terms

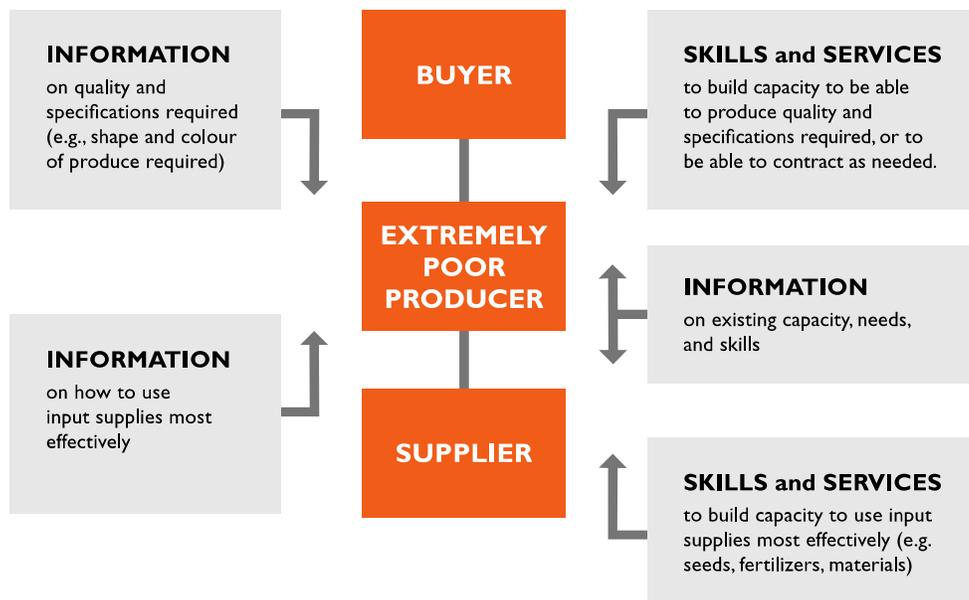
#### WIN-WIN RELATIONSHIP:

each side invests something in the commercial relationship but also gains something from that investment

## I. Producer-to-Market Actor Win-Win Relationships

Producer-to-market actor commercial relationships are key factors affecting the way that value chains function. Strong, mutually beneficial 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.

**Diagram 8: Transfer of Information, Skills, and Services in Beneficial Commercial Relationships**



Regardless of type (contract, outgrower 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 solely 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?

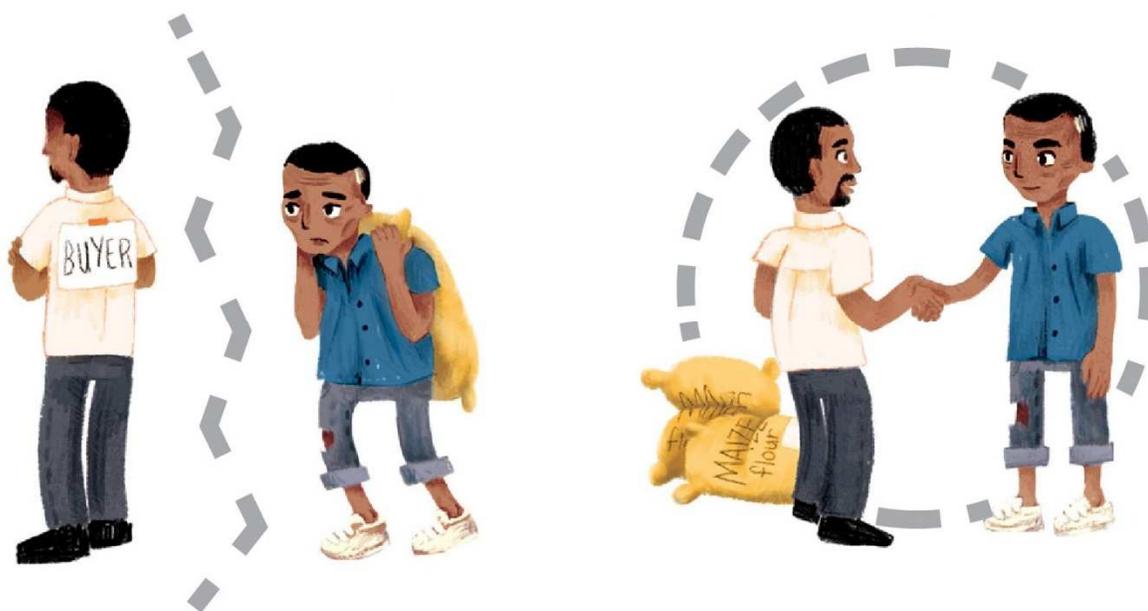


#### Key Terms

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

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.

Diagram 9: Unfair and Fair business relationships



**TABLE 5: Effective and Weak Commercial Relationships**

This table compares characteristics of effective and weak relationships.

✓ <b>EFFECTIVE RELATIONSHIPS</b> <i>Effective, win-win commercial relationships between extremely poor producers and their buyers/suppliers</i>	✗ <b>WEAK RELATIONSHIPS</b> <i>Weak, less effective commercial relationships between extremely poor producers and their buyers/suppliers</i>
<ul style="list-style-type: none"> <li>• Promote upgrading (investments in improvements of products or processing)</li> <li>• Reduce costs</li> <li>• Increase the breadth and depth of commercial relationships</li> <li>• Support greater responsiveness to changing markets</li> <li>• Operate effectively within the context of informal rules and norms that govern the behaviour of extremely poor producers</li> </ul>	<ul style="list-style-type: none"> <li>• Limit investments and improvements in commercial activities</li> <li>• Increase cost inefficiencies</li> <li>• Limit the breadth and depth of their commercial relationships</li> <li>• Limit ability to be able to respond to changes in the market</li> <li>• Continually derailed by informal rules and norms that override commercial rationale and incentives</li> </ul>



**WORKSHEET 5: Effective and Weak Producer-to-Market Actor Relationship Assessment Worksheet**

✓ <b>EFFECTIVE RELATIONSHIPS</b> <i>Effective, win-win commercial relationships between extremely poor producers and their buyers/suppliers</i>	✗ <b>WEAK RELATIONSHIPS</b> <i>Weak, less effective commercial relationships between extremely poor producers and their buyers/suppliers</i>
<p>Consider existing relationship between producer and market actor to see if it is effective. Consider which components could be further improved.</p>	<p>Consider existing relationship between producer and market actor to see if it is ineffective. Consider which components could be worked on for improvement.</p>

In a Field Guide workshop in Zimbabwe, workshop participants were asked to go into the field and interview suppliers, producers and buyers using the above assessment tools of producer to market actor relationship assessment Below is a summary of what the workshop participants reported.

**TABLE 6: Field Example of Completed “Effective and weak producer-to-market actor relationship assessment worksheet”**

Group	Issues	Recommendations
<b>Producer Group</b>	<ul style="list-style-type: none"> <li>Beneficial services from suppliers including: Pre-financing of inputs and technical backstopping</li> <li>Delays in input supply, non-competitive prices offered by local agrodealers</li> </ul>	<ul style="list-style-type: none"> <li>Embedded services from suppliers and buyers</li> <li>Establish fair pricing system</li> <li>Establish aggregation centres</li> </ul>
<b>Meat Buyer</b>	<ul style="list-style-type: none"> <li>Poor livestock condition</li> <li>Costly to buy beyond 150km radius from meat packing plant</li> <li>Require 100 goats per buying point to leverage transport costs</li> </ul>	<ul style="list-style-type: none"> <li>Improve livestock management practice</li> <li>Engage community volunteers to aggregate</li> </ul>
<b>Informal Market</b>	<ul style="list-style-type: none"> <li>Ungraded produce</li> <li>Trust relationship is very poor</li> <li>Information gap on price, quality and quantity</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate meeting between the producers and traders on business model</li> <li>Training on negotiation skills</li> </ul>
<b>Seed Companies</b>	<ul style="list-style-type: none"> <li>No effective relationship between farmers and input suppliers</li> <li>Agrodealers don't have capacity to stock agricultural inputs</li> </ul>	<ul style="list-style-type: none"> <li>Provide seed and technical backstopping</li> <li>Input supplies provided to agrodealers who have been screened even though they are in arrears from previous years</li> </ul>

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



## **WORKSHEET 6: Producer-to-Market Actor Relationship Strengthening Facilitation Worksheet**

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

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

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

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

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

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

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### **TOOL 3: Field Guide Usefulness**

*The Field Guide is proving to be very helpful in assisting staff and participants to better assess the supplier-producer-buyer relationship. In Zimbabwe, the Field Guide assessment tools revealed that, although there is a growing relationship between producer groups and buyers, farmers were at times dealing with buyers who were not offering competitive prices. The farmers also raised concerns about goat buyers using only observation to estimate the weight of goats instead of using a scale. Lastly, farmers expressed that they were not getting a fair deal and were concerned some buyers were not providing a win-win relationship. Using assessment tools like this from the Field Guide, the producer marketing group decided against selling goats to some of these buyers.*

The field example below describes a scenario from Indonesia in which extremely poor producers formed groups 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 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 certain 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) and sell directly to a wholesaler to cut out these buyers. Traditional buyers were shocked at 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 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 towards 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 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.



### Key Terms

#### 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)

**TABLE 7: 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
	<i>Benefits that it would be beneficial for extremely poor producers to receive from their suppliers</i>	<i>Benefits that it would be beneficial for extremely poor producers to receive from their buyers</i>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• <u>Provide supplies on credit:</u> Suppliers allow producers to pay for the inputs at a later stage</li> <li>• Example: Suppliers offer credit by allowing producers to pay for the inputs, such as seeds, after the harvest</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Pre-finance production:</u> Buyers pay producers earlier than usual to support cash flow</li> <li>• 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</li> </ul>

	SUPPLIERS	BUYERS
<b>Training and Skills-Building Technical Assistance</b>	<ul style="list-style-type: none"> <li>• <u>Improve use of inputs</u> through skills-building</li> <li>• Example: How to grow seeds so that they maximise success of germination, how to apply fertilisers in most effective way</li> <li>• <u>Improve production processes</u> through training on new production technologies</li> <li>• <u>Improve use of equipment</u> through training on new or existing equipment</li> <li>• <u>Identify labour-saving technologies</u> to reduce women's time on household responsibilities</li> <li>• Example: Local water points, access to draft animals to pull equipment</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Improve knowledge and use of new equipment</u> that adds value as required by the marketplace</li> <li>• Example: Buyers can provide skills-building on how to use appropriate equipment that enables producers to take on new post-production activities</li> <li>• Example: Producers receive training from buyers on farming techniques that increase quality of produce</li> <li>• <u>Training on new production or processing technologies</u></li> <li>• 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</li> <li>• <u>Training on packaging requirements</u></li> <li>• Example: Training in nutritional analysis and labelling as required for participation in the marketplace</li> </ul>
<b>Certification/ Compliance Technical Assistance</b>	<ul style="list-style-type: none"> <li>• <u>Support compliance and certification</u> by providing producers with assistance in applying for certifications or complying with certain requirements by improving or changing processes</li> <li>• Example: Support in qualifying for fair trade certification or complying to food safety regulations</li> <li>• <u>Train in quality management</u> and control</li> </ul>	
<b>Research and Testing</b>	<ul style="list-style-type: none"> <li>• <u>Analysis of factors of production</u></li> <li>• Example: Access to soil testing facilities that allow poor producers to determine the types of inputs, such as fertilizers, most suited to their soil</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Access to quality assessments</u></li> <li>• Example: Access to quality assessments to determine quality of produce to grade and sell for different prices</li> </ul>
<b>Market Access</b>	<ul style="list-style-type: none"> <li>• <u>Support easier access to inputs</u> with input suppliers delivering or making seeds available closer to where the producers are</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Support easier access to markets</u> with buyers picking up goods closer to where the producers are or assisting with transport for delivery of goods</li> </ul>

	SUPPLIERS	BUYERS
	<ul style="list-style-type: none"> <li>• <u>Support access to transport</u> 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</li> </ul>	<ul style="list-style-type: none"> <li>• Example: If payment comes from traders after the sale, the cost of the transport service could be a significant challenge to the producer</li> <li>• <u>Provide advertising support</u></li> <li>• <u>Support access to market information</u></li> <li>• Example: Share market information using communication channels used by poor producers, especially women who are often the key producers in many contexts</li> </ul>
Assured Supply / Demand	<ul style="list-style-type: none"> <li>• <u>Assure consistent supply</u> of high quality inputs at the quantity needed</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Assure market through pre-orders</u></li> <li>• Example: If a certain number of goods are produced at the quality and other specifications required, the buyer will definitely buy them</li> </ul>
Equipment Access and Maintenance	<ul style="list-style-type: none"> <li>• <u>Provide access to equipment, training, and maintenance support</u>, to improve production processes or be able to take on new post-production activities, through direct provision, access to, or loans of equipment</li> <li>• Example: Buyers share the costs of processing equipment that will upgrade the product to achieve higher prices</li> </ul>	

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 7: Embedded Services Facilitation Worksheet

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

Select type of service(s) most beneficial to extremely poor producers you're your project is targeting for benefit.

Identify the service that the project could promote for input suppliers to provide to extremely 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 extremely poor producers. The project could promote this service with buyers and identify incentives for buyers to offer this service to poor producers.

INPUT SUPPLIERS		BUYERS
<i>Benefits or embedded services that would be beneficial for extremely poor producers to receive from their suppliers</i>		<i>Benefits or embedded services that would be beneficial for extremely poor producers to receive from their buyers</i>
<input type="checkbox"/> Financial		
<input type="checkbox"/> Training and Skills-Building Technical Assistance		
<input type="checkbox"/> Certification/ Compliance Technical Assistance		
<input type="checkbox"/> Research & Testing		
<input type="checkbox"/> Market Access		
<input type="checkbox"/> Assured Supply/ Demand		
<input type="checkbox"/> Equipment Access and Maintenance		

### MATRIX 3: 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	Extremely poor producers
<b>Input Supplier Relationships</b>	<p><b>Invests:</b> provides producers with training and technical advice on the use of inputs</p> <p><b>Wins:</b> increased sales to producers (producers who understand the product are more likely to buy it)</p>	<p><b>Invests:</b> purchase higher quantity or quality of inputs</p> <p><b>Wins:</b> knowledge of how to better use inputs, leading to higher quality and quantity of output</p>

<b>Buyer Relationships</b>	<u>Buyer</u>	<u>Extremely poor producers</u>
	<p><b>Invests:</b> provides producers with training on and/or basic equipment for postharvest techniques or grading</p> <p><b>Wins:</b> the quality and quantity of the goods they wish to purchase will improve</p>	<p><b>Invests:</b> spend time and money on new techniques</p> <p><b>Wins:</b> guaranteed market and price, and likely a higher price for their upgraded produce</p>



**Field Example: Access to training and improved technologies from the private sector**

Through the Cyclone Livelihoods Recovery Project run by World Vision Bangladesh, production input suppliers for crops, livestock, and agricultural tools, were assisted in linking with vegetable growers from vulnerable rural households affected by the category 4 Cyclone Sidr. The vegetable growers were introduced to better quality seeds, suppliers, and machines. Through this, agricultural tools and machinery service providers supplied power tillers, power pumps, and manual spray machines to over 700 groups of farmers. The vegetable farmers were introduced to extension service providers and technicians of other institutions, from whom they received training on crops, livestock, and fishing technologies. This resulted in improved product quality and increased attractiveness and demand in higher value markets in the districts and the central markets in Dhaka.



**WORKSHEET 8: Win-Win Assessment Worksheet**

Use the worksheet to identify clear win-win strategies between the extremely 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**

<b>Input Supplier</b>	<u>Input Supplier</u>	<u>Extremely poor producers</u>
	<p><b>Invests:</b></p> <p><b>Wins:</b></p>	<p><b>Invests:</b></p> <p><b>Wins:</b></p>

<b>Buyer</b>	<u>Buyer</u>	<u>Extremely poor producers</u>
	<i>Invests:</i>	<i>Invests:</i>
	<i>Wins:</i>	<i>Wins:</i>



### 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 to feed into their strategies on how to most effectively facilitate market development for the benefit of extremely poor producers.



## **WORKSHEET 9: Producer-to-Market Actor Relationship Assessment**

### **Worksheet**

Use the worksheet to assess producer-to-market actor relationships between the extremely 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 extremely poor producers?

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

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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?

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

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

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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?

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

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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 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 or output market buyer. 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, sell 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 effected by whether the extremely poor producer returns or not.

**Diagram 10: Typical Input Supply Model**

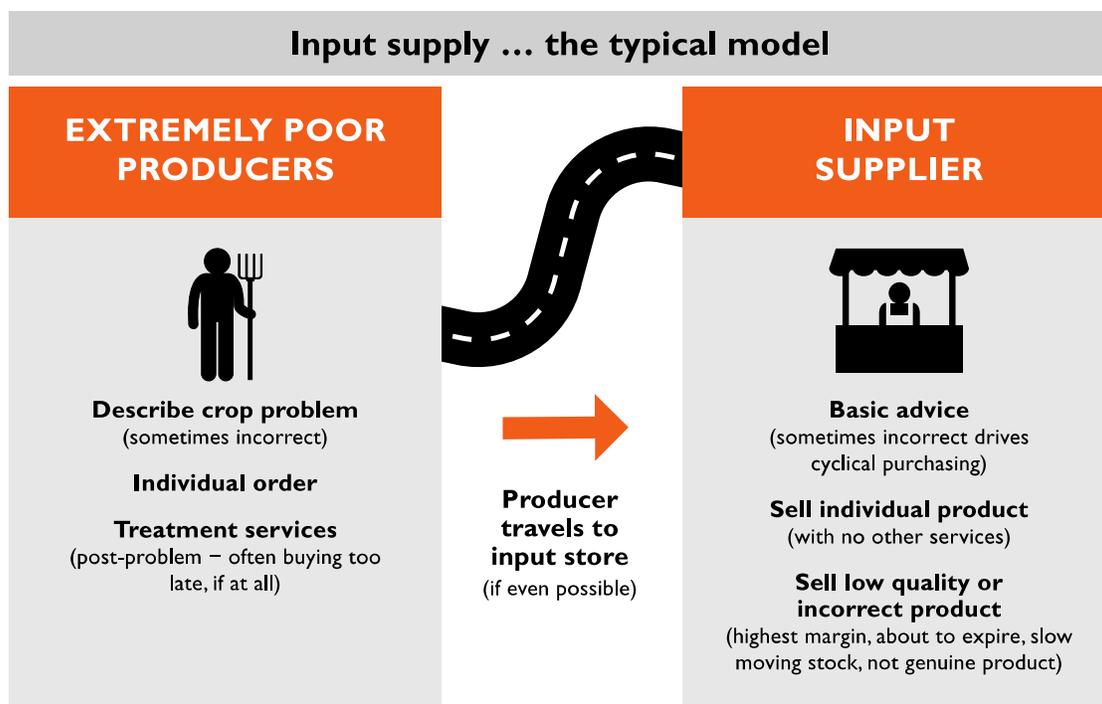
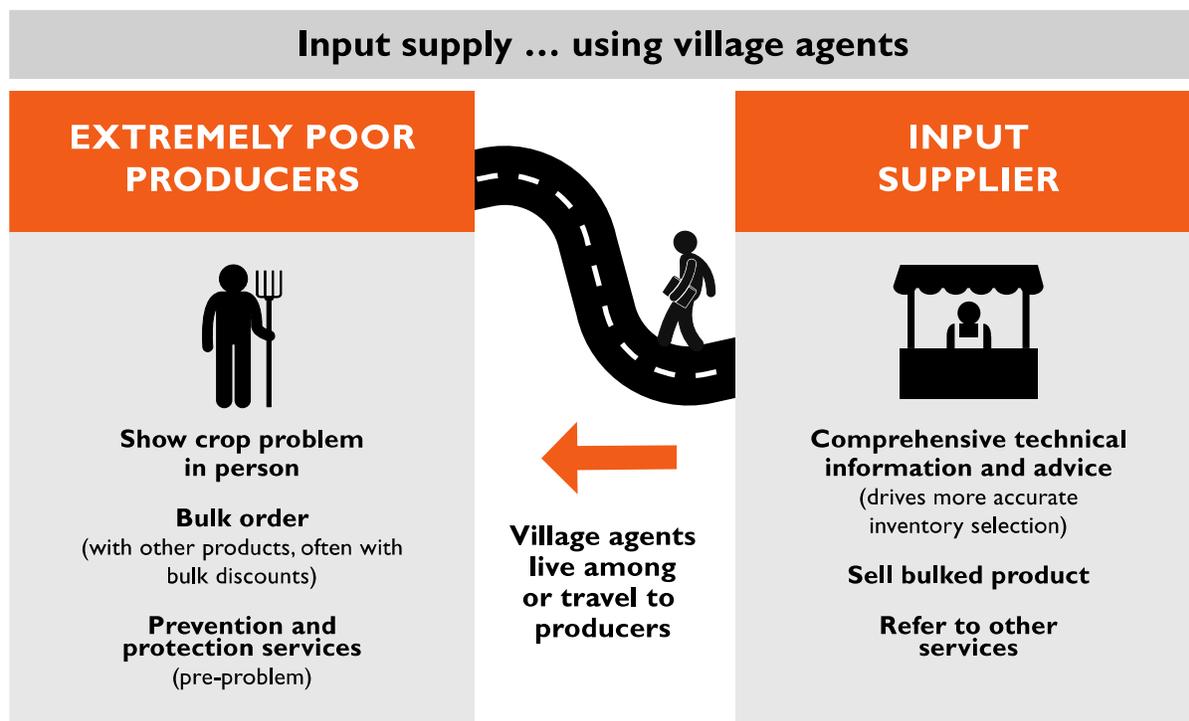


Diagram 11: Supply Input Model Using Village Agent



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.



**TOOL 4: Practitioner Note**

*It is essential that village agent models are the initiative of a local inputs retailer or supplier and not the development practitioner! If the development practitioner is simply rolling out village agents, this reflects the same unsustainable development practice of simply rolling out farmers' groups without facilitating market linkages to suppliers and buyers. Rather, a village agent distribution strategy could be one of the areas that a development practitioner suggests to a local inputs retailer or supplier as a strategy to grow their business. If they are interested, then the development practitioner could offer to help them in testing and, later, rolling this out.*



**Field Example: Village agents provided critical input and product advice in Niger**

In Niger in a recent growing season, village agents facilitated farmer access to 11.9 tons of improved seeds and other inputs up from 2.1 tonnes in the previous year; provided technical assistance to 1,985 farmers on soil fertility management, micro-dosing and mix-cropping techniques, bio pesticides, crop density, and post-harvest techniques, such as cowpea storage using Purdue Improved Crop Storage bags.<sup>20</sup>



**WORKSHEET 10: Establishing a Village Agent Model Worksheet**

Use the worksheet to identify whether a village agent model may be beneficial to extremely poor producers in your context. If most the characteristics exist, then you may want to explore village agent models more as a way to support the development of input supply markets for extremely poor producers.

Check the conditions that exist in the context that you are working. If the majority of the characteristics exist, then you may want to explore village agent models to support input supply markets grow in a way that better serves extremely poor producers.

CHARACTERISTICS of supply of inputs in your area	Example
<p><b>Access</b></p> <p><input type="checkbox"/> Extremely poor producers have limited access to inputs.</p>	<p>There are very few input supply vendors in their area. Extremely poor producers have to travel far to access inputs, if at all.</p>
<p><b>Technical Assistance</b></p> <p><input type="checkbox"/> Extremely poor producers have little or no support on which inputs are most appropriate to solve their problems.</p> <p><input type="checkbox"/> Extremely poor producers have little or no information on how inputs are most suitably used or applied.</p>	<p>Extremely poor producers don't know that inputs are available to solve their problems (such as combatting certain plant diseases), or use incorrect inputs to address problems.</p> <p>Extremely poor producers often apply inputs incorrectly (such as diluting them or not applying them to the correct part of the plant).</p>

<sup>20</sup> Norell, et. al. "Value chain development with the extremely poor: evidence and lessons from CARE, Save the Children and World Vision." *Enterprise Development and Microfinance*. March 2017. <http://www.developmentbookshelf.com/doi/full/10.3362/1755-1986.16-00024>

Check the conditions that exist in the context that you are working. If the majority of the characteristics exist, then you may want to explore village agent models to support input supply markets grow in a way that better serves extremely poor producers.

CHARACTERISTICS of supply of inputs in your area	Example
<p><b>Trust</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Extremely poor producers have little or no trust that inputs are necessary.</li> <li><input type="checkbox"/> Extremely poor producers do not trust or feel comfortable dealing with commercial input providers.</li> </ul>	<p>Extremely poor producers believe that because their ancestors did not use inputs that there is no need for them to, or that it is against their traditional beliefs to add anything to the soil.</p> <p>Extremely poor producers are not comfortable entering a commercial store or dealing with sales people who they do not know.</p>
<p><b>Input Supplier Linkages</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> There are input suppliers who the project could potentially work with to set up village agent models.</li> <li><input type="checkbox"/> There are opportunities for input suppliers and village agents to set up demonstration and promotional platforms in rural market areas.</li> </ul>	<p>The project could potentially cost share the selection and management of village agents, starting on a small scale to demonstrate how this might work to the input supplier.</p> <p>The input suppliers could set up promotional stands where they demonstrate, sell, and take orders for inputs at remote market days.</p>

Below are some of the roles of the different parties in a village agent approach<sup>21</sup>:

***Village agent roles and responsibilities***

- Gives hands-on technical advice
- Provides bulking services so farmers can buy inputs in bulk at a discount
- Assists input retailers to make sure farmers are using and disposing of the inputs correctly.
- Is identified by the community as a trustworthy individual
- Provides accurate information on inputs and services to smallholder farmers

***Input retailer or input supply company roles and responsibilities***

- Provides training to the village agents on the appropriate use of and disposal of products
- Assists village agents to run demonstrations on farmers’ land and provides inputs to farmers for this
- Provides branded material to village agents
- Bundles sales with services through the village agents

<sup>21</sup> This section and checklist are from the “Village Agent Guide: Strengthening Business Linkages for Smallholder Farmers” by World Vision.

- Is formally recognized by government

### ***Development organization roles and responsibilities***

- Provides training and mentoring to private sector firms on how to manage a village agent network
- Provides training to the village agents (on behalf of the local firms if they need initial support in doing so)
- Connect agro-dealers (and thereby village agents), if necessary, to input supply companies who can assist with the appropriate application and disposal of products
- Facilitate improved commercial relationships between input retailers, and farmers and input retailers and village agent.

Development organizations will need to budget accordingly to support input retailers develop their business strategies. One such area may be in rolling out a village agent approach. It is critical to have sufficient funds to kick-start the effort but not subsidize activities that should be paid for by market actors or done by the village agents. The purpose of the following several checklists is to provide guidance for NGOs responsible for creating a project budget to support inputs retailers / suppliers in setting up village agent distribution strategies.



### **TOOL 5: Village Agent Project Budget Checklist**

Below is a checklist for a project budget:

#### **Project Budget Components**

- Budget for exposure visits for input retailers / input supply companies to visit other firms with agent networks in the same country or in the region.
- If needed, budget for a cost share for a village agent network coordinator hired by the input retailers/input supply company. Consider a 40% cost share with the project funds and 60% cost share by the private sector with the project subsidy reducing each year.
- Consider training venue costs on a cost share basis (for each agent coordinator).
- Schedule (monthly, quarterly) visits for development organization (NGO) staff to assist input retailer/input supply company to strengthen the relationship between the village agents and the supplier companies/input retailers.
- Consider training venue and catering costs for the village agents (preferably affiliated to the input retailers/input supply company). Often outdoors near or at their premises can work.

Below is a checklist for development practitioners to follow when selecting and working with private sector partners in rolling out village agent networks.



## **TOOL 6: Working With Private Sector to Build a Village Agent Network**

### **Checklist**

The purpose of this checklist is to provide guidance and support for development practitioners when they are working with a local private sector inputs firm that expresses interest in growing their business through developing agent networks. Recommended partners and partner roles are described clearly to understand the purpose of each potential partnership and to be able to determine which partnerships are appropriate for each agent network.

### **Potential Private Sector Partners**

Identify which partner could potentially be ready and interested in testing new inputs promotion and distribution strategies through village agent networks that would benefit producers within the project area. These partners could include the following:

- Output market collectors
- Output market traders
- Output market buyers
- Transporters for input and output markets
- Input market retailers/dealers
- Input market supply companies (e.g. seeds, fertilizer, other inputs, animal health products)

Identify which partners could potentially be ready and interested in partnering with inputs retailers/dealers/suppliers on rolling out village agent networks that would benefit producers within the project area. These partners could include the following:

- Output market processors
- Output market buyers
- Transporters for input and output markets
- Banks

### **Partnership Role**

- Work with partners to co-create plan
- Create a scope of work or MOU to outline the role that parties will play.

The purpose of the following checklist is to provide support for development practitioners responsible for executing accurate and effective monitoring and evaluation and setting appropriate indicators and benchmarks for village agent activities and programs.



### **TOOL 7: Selecting a village agent and training village agents workshop checklist**

This checklist includes guidance input supply retailers/companies on delivering village agent training workshops with direction on creating clear objectives, an overall format and a detailed agenda for the workshop.

#### **Selecting a village agent**

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | S/ he is a trusted and respected individual within their community  |
| <input type="checkbox"/> | She or he has good training and facilitation skills   |
| <input type="checkbox"/> | She or he is confident in their ability to read and write   |
| <input type="checkbox"/> | She or he has good verbal and written communication skills  |
| <input type="checkbox"/> | She or he is confident in their ability to present and communicate skills to groups and individuals                         |
| <input type="checkbox"/> | She or he has strong problem-solving skills   |
| <input type="checkbox"/> | She or he has confidence in their ability to persuade, network, and negotiate with multiple stakeholders at multiple levels |
| <input type="checkbox"/> | She or he has strong organizational skills to plan complex operations   |
| <input type="checkbox"/> | She or he is diplomatic   |
| <input type="checkbox"/> | She or he can manage money well   |
| <input type="checkbox"/> | She or he has a good understanding of market-based approaches and business principles                                       |
| <input type="checkbox"/> | She or he has a good understanding of local economic development and able to identify and evaluate local economies          |
| <input type="checkbox"/> | She or he has access and ability to use a mobile phone  |
| <input type="checkbox"/> | She or he will stay in the community and work with extremely poor farmers   |
| <input type="checkbox"/> | She or he has access to a bicycle for mobility. They can be mobile  |
| <input type="checkbox"/> | She or he is engaged in other project activities  |
| <input type="checkbox"/> | She or he is recognized as a leader in their field, e.g., a master farmer   |

## Village agent training workshop

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | Establish clear workshop objectives such as the following used for the Zimbabwe ENSURE Programme  |
| <input type="checkbox"/> | Ground participants in deep understanding of the market facilitation approach   |
| <input type="checkbox"/> | Describe the roles that village agents must play in the course of their work and the corresponding attitudes and capacities they should demonstrate |
| <input type="checkbox"/> | Detail the progression of collecting and documenting information collated by village agents   |
| <input type="checkbox"/> | Utilize an effective workshop format including the following throughout the training.   |
| <input type="checkbox"/> | Presentations   |
| <input type="checkbox"/> | Group exercises   |
| <input type="checkbox"/> | Plenary group discussions   |
| <input type="checkbox"/> | Practical examples  |
| <input type="checkbox"/> | Create a daily workshop agenda describing each activity with each facilitator and time frame.   |
| <input type="checkbox"/> | Present on the following subjects related to building capacity of village agents for market facilitation.   |
| <input type="checkbox"/> | Marketing basics  |
| <input type="checkbox"/> | Understanding constraints to market participation for smallholder farmers   |
| <input type="checkbox"/> | Collective marketing  |
| <input type="checkbox"/> | The cluster concept   |
| <input type="checkbox"/> | Marketing clusters  |
| <input type="checkbox"/> | Market facilitation   |
| <input type="checkbox"/> | Market mapping and market research  |
| <input type="checkbox"/> | Market information (gathering, analysis, and dissemination)   |
| <input type="checkbox"/> | Developing, managing, and maintaining relationships   |
| <input type="checkbox"/> | Tools to be used by village agents and aggregation of information collected   |
| <input type="checkbox"/> | Development organization staff roles and responsibilities and action planning   |

## Monitoring and Evaluation

As a part of the implementation of any development project monitoring and evaluation is a critical component. Below is a checklist that provides the essential elements to develop the monitoring and evaluation system for a village agent activity.

The checklist also includes a section on essential elements in project design and implementation for a village agent network.



### TOOL 8: Monitoring and Evaluation Checklist

The purpose of this checklist is to provide guidance for action for development practitioners who are responsible for supporting input retailers / companies with the success of a village agent business strategy. It is essential that village agent networks are the priority of the local firm and not the development organization. This includes guidance in creating a monitoring and evaluation plan for the inputs retailers / companies to use (which the development practitioner can draw information from), and simple evaluation survey for farmers working with village agents, as well as other important considerations.

#### Monitoring and Evaluation (M&E)

- Development organization sets up an M&E plan for village agent activity.
- The plan includes key indicators used to track performance and methodology of collecting, analysing, and reporting data. Sample indicators include the following:
  - Increase in revenue generated by farmers supported by village agents
  - Number of farmers reached per service category by village agents
  - Revenue generated by village agents
  - Number of village agents trained and remaining in business after 1, 2, 3 years, etc.
  - Profitability of village agents
  - Number of new village agents recruited
  - Number of services provided
  - Number of companies and organization engaged by village agents

#### Other Considerations

- Development organization promotes agents on a pilot basis targeting a limited number of agents to gather lessons learned and apply them to scale up.
- Development organization shares lessons learned with stakeholders regularly (e.g., monthly, quarterly, annually).
- Link village agents to reliable source of financial services (savings, credit).
- Address considerations for women and youth with special attention.

<input type="checkbox"/>	Development organizations plan to develop village agent associations to provide more opportunity in the following:
<input type="checkbox"/>	Improve training on roles and duties
<input type="checkbox"/>	Increase the number of input supply companies utilizing village agents
<input type="checkbox"/>	Strengthen the service of village agents to the villages
<input type="checkbox"/>	Village agent associations create a code of conduct for village agents
<input type="checkbox"/>	Include disciplinary actions in the event a village agent provides low quality services
<input type="checkbox"/>	Village agent associations provide an evaluation process by creating a simple survey to distribute to farmers the village agents are working for, including the following questions:
<input type="checkbox"/>	Did the village agent communicate clearly the price, terms and when you would get the seeds or other inputs?
<input type="checkbox"/>	What did the village agent do well in her or his role?
<input type="checkbox"/>	Could the village agent have done a better job? If so, how?
<input type="checkbox"/>	How would you rate the village agent on a scale of 1 meaning they did a poor job to 5 being excellent job?

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

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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. Market Development 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 provide training and mentoring to extremely poor producers, even if indirectly, to have a clear understanding of the risks involved in moving into commercial relationships.

Before entering relationships, extremely poor producers should realize the different risks involved to increase their confidence in choosing particular options. (It is critical that the development project does not take on this role.) Expectations on the side of all parties should be clearly spelled out. In this way, extremely poor producers have less risk of expecting quick successes or having unrealistic expectations. It is important that extremely poor producers do not make assumptions about the obligations of each party in the relationship. Both parties should understand how the relationship will work.



**TABLE 8: Critical Considerations for Contractual Arrangements with Extremely Poor Producers**

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
<ul style="list-style-type: none"> <li>Extremely poor producers need income as soon as possible as they tend to have minimal savings or cash flow</li> <li>Extremely poor producers have limited ability to take on additional financial risks until they have enough income to cover current activities</li> </ul>	<ul style="list-style-type: none"> <li>Commercial relationships should have quick wins (successes) for extremely poor producers</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>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</li> </ul>
<ul style="list-style-type: none"> <li>Social relationships are traditionally very important to extremely poor producers</li> <li>In case of unexpected circumstances or unforeseen events, extremely poor producers need to be able to draw on their social networks for support</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Both the number and intensity of social relationships should be encouraged to increase social capital and access to opportunities for reciprocity</li> </ul>	<ul style="list-style-type: none"> <li>Savings groups and mutual labour societies can be encouraged as opportunities to further develop positive social networks, which also offer economic benefits</li> </ul>

<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Extremely poor producers should be supported to consider the different risks involved before entering a commercial relationship. This serves to increase their confidence in choosing particular options and to make them more aware of the risks involved</li> </ul>	<ul style="list-style-type: none"> <li>• Extremely poor producers might be guided into considering the risks of working with each trader or buyer</li> </ul>
<ul style="list-style-type: none"> <li>• Extremely poor producers are often less familiar with commercial transactions and may be taken advantage of or expect successes too quickly</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>	
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct a careful analysis of informal rules and norms that may influence the behaviour of extremely poor producers</li> </ul>	

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



## WORKSHEET 11: Contractual Arrangements Critical Considerations

### Worksheet

Use the worksheet to identify key characteristics and components of different forms of contracts most applicable to the extremely 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 Extremely Poor Producers	Most Appropriate Types of Contracting Arrangements
<p><b>Quick Wins</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Extremely poor producers need income as soon as possible as they tend to have minimal savings and cash flow.</li> <li><input type="checkbox"/> Extremely poor producers have limited ability to take on additional financial risks until they have enough income to cover current activities.</li> </ul>	
<p><b>Clear Understanding of Risks</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 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.</li> </ul>	
<p><b>Clear Understanding of Expectations</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Extremely poor producers are often less familiar with commercial transactions and may be taken advantage of or expect successes too quickly.</li> </ul>	
<p><b>Understanding of Informal Rules and Norms</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> 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.</li> </ul>	



## **WORKSHEET 12: Contractual Arrangements Facilitation Worksheet**

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

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

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

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

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4. Can extremely poor producers afford to wait that long before benefiting? How will extremely poor producers manage in the meantime to earn income?  

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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?  

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

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7. What types of social relationships could be strengthened?  

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

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

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10. What subtle role you can play in ensuring extremely poor producers are aware of the risks?

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

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

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### 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 producers. 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 franchisees 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.

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## **2. Trust in Producer-to-Market Actor Relationships**

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### **a. Why is trust important?**

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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?

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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



### Key Terms

#### SIDE-SELLING:

producers break a previous agreement to get a higher price from another trader

Trust is characterised by confidence that the other businesses will honour their 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 producers will honour their commitments by not engaging in side-selling.

## c. How does the lack of trust affect the extremely poor?

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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 farmer 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?**

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In many communities, extremely poor producers 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." 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).



**TABLE 9: Strategies for Building Trust in Producer-to-Market Actor Arrangements**

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

Trust-building strategies	Examples and Considerations
Continuous dialogue	<ul style="list-style-type: none"> <li>• Forums, summits, consultations, and stakeholder workshops build trust.</li> <li>• Facilitating discussions between producers and other market actors about the issues that each are faced with can build understanding and improve collaboration.</li> </ul>
Low risk and early return activities	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Recognise that extremely poor producers need to make quick returns to stay involved and trust that they will ultimately benefit.</li> </ul>
Repeated exposure to others	<ul style="list-style-type: none"> <li>• Repeated exposure to others tends to build confidence that each party can be trusted.</li> </ul>
Cross visits	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>
Contracts	<ul style="list-style-type: none"> <li>• A formal, written agreement that stipulates all aspects of the relationship can reduce misunderstandings, as it outlines expectations and builds security.</li> </ul>
Checks and balances	<ul style="list-style-type: none"> <li>• 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.</li> <li>• This could include, for example, instituting a transparent way to read weights and measures so that both parties feel comfortable.</li> </ul>
Recognise it takes time	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Price incentives, payment terms, and other support for producers	<ul style="list-style-type: none"> <li>• 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.</li> </ul>
Loans to producers	<ul style="list-style-type: none"> <li>• 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.</li> </ul>



## WORKSHEET 13: Producer-to-Market Actor Relationship Trust-Building

### Facilitation Worksheet

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

<p>Select strategy that project may decide to encourage</p>	<p>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</p>
<p>Trust-building strategies</p>	<p>Activities and market actors with the incentive to implement:</p>
<p><input type="checkbox"/> Continuous dialogue</p>	
<p><input type="checkbox"/> Low risk and early return activities</p>	
<p><input type="checkbox"/> Repeated exposure to others</p>	
<p><input type="checkbox"/> Cross visits</p>	
<p><input type="checkbox"/> Contracts</p>	
<p><input type="checkbox"/> Checks and balances</p>	
<p><input type="checkbox"/> Price incentives, payment terms, other support</p>	
<p><input type="checkbox"/> Access to loans</p>	

### 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 to get a higher price for their production from one trader in favour of another trader who offers a higher price. 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 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 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 Promoting Agriculture, Governance, and the Environment (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 Producer-to-Market Actor Relationships

The opportunity and ability to learn are essential for improving market systems as well as for individual actors within separate value chains. 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.



#### Field Example: Accessing Information & Training in Bangladesh

Through World Vision's Cyclone Livelihoods Recovery Project in Bangladesh, vegetable growers from vulnerable, rural households, affected by the category 4 Cyclone Sidr, were linked to the government agricultural extension office. They were provided with input support in the form of seeds, fertilisers, supplies, and technology training. Producers received the government technicians' specifications for agricultural inputs 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.



**TABLE 10: Types of Information Needed**

This table shows types of information needed by extremely poor producers from buyers and suppliers.<sup>22</sup>

Information needed from BUYERS		Information needed from SUPPLIERS	
Price	<ul style="list-style-type: none"> <li>One that benefits both sides, probably linked to current market information. Within a contract context, price is often set ahead of time.</li> </ul>	Price	<ul style="list-style-type: none"> <li>If suppliers are willing to provide bulk quantity discounts, producer groups have an incentive to engage in bulk buying.</li> </ul>

22 Adapted from CRS Collective marketing guide p. 54

Information needed from BUYERS		Information needed from SUPPLIERS	
<b>Method of payment</b>	<ul style="list-style-type: none"> <li>• Delayed payments can be especially difficult for extremely poor producers.</li> </ul>	<b>Method of payment</b>	<ul style="list-style-type: none"> <li>• Producers prefer cash on delivery.</li> </ul>
<b>Quantity</b>	<ul style="list-style-type: none"> <li>• Minimum and maximum amounts.</li> </ul>	<b>Quantity</b>	<ul style="list-style-type: none"> <li>• Often extremely poor producers need smaller quantities than commercial firms provide—smaller packaging allows them to buy suitable quantities.</li> </ul>
<b>Quality</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<b>Quality</b>	<ul style="list-style-type: none"> <li>• Producers need to know the quality of inputs so they can weigh cost and benefits of making a larger or smaller investment.</li> </ul>
<b>Use of the product</b>	<ul style="list-style-type: none"> <li>• 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.</li> </ul>	<b>Use of inputs</b>	<ul style="list-style-type: none"> <li>• Information on best way to use and apply inputs.</li> <li>• Example: Many producers dilute pesticides or fertilisers to make them last longer, which results in them not being as effective.</li> </ul>
<b>Timelines</b>	<ul style="list-style-type: none"> <li>• One big supply or ongoing supply, etc.</li> </ul>	<b>Availability</b>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• In some circumstances, only certain producers can access certain inputs, such as when poorer producers can access inputs because of their poverty status.</li> </ul>

Information needed from BUYERS		Information needed from SUPPLIERS	
<b>Embedded services</b>	<ul style="list-style-type: none"> <li>• Will the firms provide inputs, extension services, credit, or other benefits?</li> </ul>	<b>Embedded Services</b>	<ul style="list-style-type: none"> <li>• What embedded extension services can be provided to the producers?</li> <li>• Example: Do they provide training or information on the quality, packaging, or specifications that the market requires?</li> </ul>
<b>Transportation</b>	<ul style="list-style-type: none"> <li>• Who is responsible?</li> <li>• What are the best methods of transportation for the product?</li> <li>• Example: Which transportation methods preserve and maximise the nutritional value of produce?</li> </ul>		
<b>Failure to comply clauses</b>	<ul style="list-style-type: none"> <li>• 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).</li> <li>• Intended failures to comply include side-selling and re-selling inputs rather than using them to meet end market specifications.</li> </ul>	<b>Failure to comply clauses</b>	<ul style="list-style-type: none"> <li>• What are the implications if the supplier's inputs do not work?</li> <li>• Example: What happens if the seeds do not grow properly? It is important to determine the cause—faulty inputs or incorrect use by producers?</li> </ul>
<b>Penalties for not fulfilling the contract</b>	<ul style="list-style-type: none"> <li>• What are the penalties and who will administer these for non-fulfilment on either side?</li> <li>• Example: What happens if all the chickens die and the producers are not able to deliver the promised quantity of poultry meat?</li> <li>• Example: What happens if the seeds do not grow properly and the producers cannot deliver the required amount of produce?</li> </ul>		



### WORKSHEET 14: Information Flow Facilitation Worksheet

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

<ul style="list-style-type: none"> <li>• Consider the types of information needed from buyers.</li> <li>• Identify market processes that can be supported, if possible, that will regularly make this information available to producers.</li> <li>• Support producers in understanding why they need this information and how to get it from buyers.</li> </ul>		<ul style="list-style-type: none"> <li>• Consider the types of information needed from suppliers.</li> <li>• Identify market processes that can be supported, if possible, that will regularly make this information available to producers.</li> <li>• Support producers in understanding why they need this information and how to get it from suppliers.</li> </ul>	
Information needed from BUYERS		Information needed from SUPPLIERS	
<input type="checkbox"/> Price		<input type="checkbox"/> Price	
<input type="checkbox"/> Method of payment		<input type="checkbox"/> Method of payment	
<input type="checkbox"/> Quantity		<input type="checkbox"/> Quantity	
<input type="checkbox"/> Quality		<input type="checkbox"/> Quality	
<input type="checkbox"/> Use of the product		<input type="checkbox"/> Use of inputs	
<input type="checkbox"/> Timelines		<input type="checkbox"/> Availability	
<input type="checkbox"/> Embedded services		<input type="checkbox"/> Embedded services	
<input type="checkbox"/> Transportation		<input type="checkbox"/> Transportation	
<input type="checkbox"/> Failure to comply clauses		<input type="checkbox"/> Failure to comply clauses	
<input type="checkbox"/> Penalties for not fulfilling the contract			



### 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 updated 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 can visit district or local level markets, they worked 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.

## **Information and extremely poor producers**

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 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 or if the variety can be grown in their climate.

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 near 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**

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To achieve sustainable and effective information flow, the goal is not to have a singular 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.

### **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:<sup>23</sup>

- ▶ 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 extremely poor communities, contain someone with a mobile phone. Sometimes producer groups may decide to collectively purchase a mobile phone to communicate 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 several 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 many 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

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<sup>23</sup> Lusby, Frank. 2008. "Working with Lead Firms within the Value Chain Approach." USAID microReport 144, p. 6



### Field Example: Prices Improve with Producer Groups in Afghanistan

In the World Vision Health and Livelihoods Initiative in Ghor food security project in Afghanistan, farmers stated that, because of training, and the solidarity they felt from being in producer groups, they developed self-confidence to compare prices for their produce between two or three buyers in the local/regional market. Previously they would not have the self-confidence to approach a second buyer. Farmer felt that they needed to sell to the first buyer that asked for crops, as buyers were perceived to be powerful business people that farmers could not disrespect by turning down their offer to buy their production at the quoted price.

### **iii. 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 skills of producers over time. 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. 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 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.

### **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 or non-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.



### 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 had an opportunity to bargain with buyers. The producers could understand their critically important role in the market system. This gave them a more accurate perspective for dealing with other market actors.

## c. Working with the private sector

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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 several 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 are leaders in innovation and technology to make an 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 value chain. Lead firms can provide technical assistance, credit, inputs, and other support as part of the business relationship.



### **Key Terms**

#### **LEAD FIRMS:**

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

### **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?<sup>24</sup>**

- ▶ **Commercial linkages with many 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. Lead firms 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.

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<sup>24</sup> Lusby, Frank. 2008. "Working with Lead Firms within the Value Chain Approach." USAID microReport 144. p. 5



## WORKSHEET 15: Lead Firm Assessment Worksheet

Use the worksheet to identify characteristics that signal the potential for a success in forming business relationships with lead firms that can benefit the extremely 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
<ul style="list-style-type: none"> <li><input type="checkbox"/> lead in innovation and technology</li> <li><input type="checkbox"/> existing links to large number of poor producers</li> <li><input type="checkbox"/> can provide technical assistance, credit, inputs, and other support as part of the business relationship</li> <li><input type="checkbox"/> can help the extremely poor producers to access much-needed innovation and technology</li> <li><input type="checkbox"/> is financially stable, can make the needed investments and willing to be patient in waiting for results to materialise</li> <li><input type="checkbox"/> high demand for their products with a steady market for the producers</li> <li><input type="checkbox"/> respected thought-leader in the business community</li> <li><input type="checkbox"/> good reputation</li> <li><input type="checkbox"/> can influence others in the industry to enter into similar relationships with producers</li> <li><input type="checkbox"/> willingness to cooperate with project</li> <li><input type="checkbox"/> shown interest in working with extremely poor producers</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> not leaders in innovation and technology</li> <li><input type="checkbox"/> have very few or no links to large number of poor producers</li> <li><input type="checkbox"/> cannot provide technical assistance, credit, inputs, and other support as part of the business relationship</li> <li><input type="checkbox"/> cannot help the extremely poor producers to access much-needed innovation and technology</li> <li><input type="checkbox"/> is not financially stable, cannot make the needed investments, and is impatient about getting results in the very short term</li> <li><input type="checkbox"/> low demand for their products with an unsteady market for the producers</li> <li><input type="checkbox"/> not recognised as respected thought-leader in the business community</li> <li><input type="checkbox"/> poor reputation</li> <li><input type="checkbox"/> does not have much influence over others in the industry</li> <li><input type="checkbox"/> no willingness to cooperate with project</li> <li><input type="checkbox"/> has not shown interest in working with extremely poor producers</li> </ul>



### Field Example: From Zimbabwe

In the World Vision Zimbabwe led ENSURE food security project, a lead firm Cairns provided contracts for extremely poor producers for Michigan pea bean, also known as a navy bean, for 1,016 farmers. Two banks financed the fertilizers and pesticides.

## 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 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 sustainably 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.



### Key Terms

#### 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

**TABLE 11: Examples of Smart Subsidies**

Subsidy	What it is	Why it could be useful	When to use it	Example
<b>Cost share</b>	Development organisation provides a percentage 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 poised 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
<b>Vouchers</b>	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

Subsidy	What it is	Why it could be useful	When to use it	Example
<b>Community-level assets</b>	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	If 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 using the land
<b>Cash/asset transfers</b>	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 establish 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 behaviours and decrease the risks for households to assume new behaviours, including learning how to establish 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 through 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 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. Thus, 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 per cent 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.

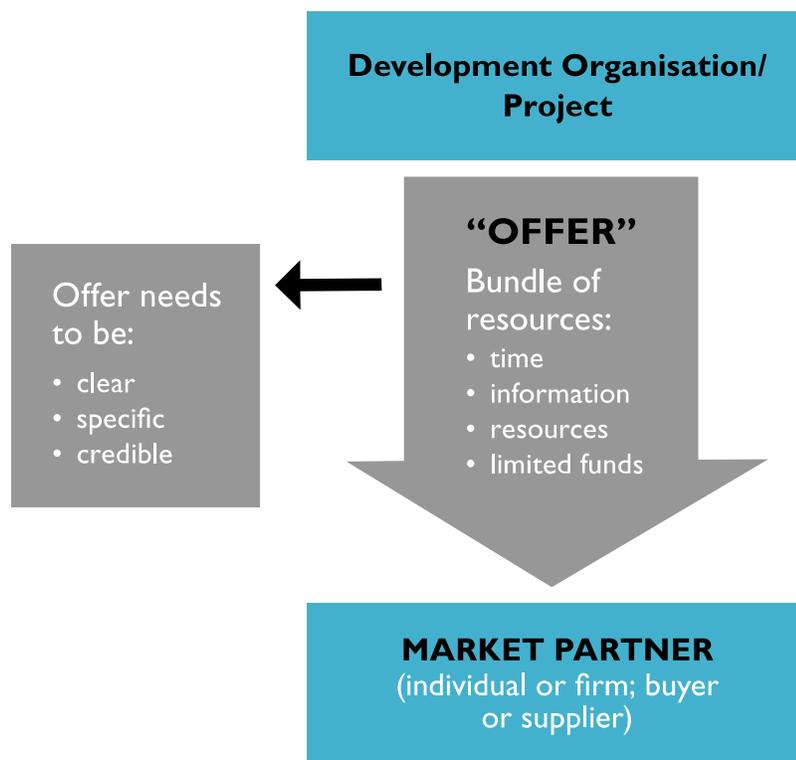
## d. Making a market offer

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### 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. See diagram at left. 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 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.”

**Diagram 12: Development Organization/Project Market Offer Facilitation**



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.<sup>25</sup>

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

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?



## Key Terms

### 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 extremely poor producers

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 extremely poor producers.



**WORKSHEET 16: Market Offers for the Private Sector Worksheet**

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

Keep in mind the guidelines for making market offers and the characteristics of the extremely poor producers that the project is targeting for benefit, and consider the following when approaching the private sector or assisting extremely 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 extremely poor producers? (How will the sector benefit and change overall? How will this benefit extremely poor producers?)  
\_\_\_\_\_  
\_\_\_\_\_
6. How can you, as the market facilitator, ensure that the offer is clear, specific, and credible?  
\_\_\_\_\_  
\_\_\_\_\_

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

## e. Stakeholder workshops

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### 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 to have key market actors understand any recommendations from the analysis and plan for the sector moving forward. They can be used when there are recognised constraints within the market system, such as marketing bottlenecks between producers and buyers.



### Key Terms

#### STAKEHOLDER WORKSHOP:

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

### ii. When do we use stakeholder workshops?

Stakeholder workshops can be very beneficial under the following conditions:

- ▶ Market actors at all levels of the market system have the potential to recognise similar issues that hinder the efficiency of the market system.
- ▶ 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 market systems 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 can 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 must travel unreasonable distances to attend the workshop.
- ▶ Producers and market actors are in a very busy period (e.g., harvest time).



### **Field Example: USAID's Agricultural Value Chain (AVC) activity in Bangladesh**

USAID's Agricultural Value Chain (AVC) activity in Bangladesh organized a series of stakeholder meetings for women involved in each of their value chains. For example, a Women in Mung Bean stakeholders meeting, a Women in Cut Flowers stakeholder meeting, etc. Women at different parts of the value chain are invited to attend. Each meeting has opened many opportunities for greater sharing of information, market linkages and new contracts for the women involved, and intentional mentoring strategies of other women involved in each business type.<sup>26</sup>

### **iii. What is the common format of stakeholder workshops?**

- ▶ Stakeholder workshops can take the following format:<sup>27</sup>
- ▶ Introduction of participants and explanation of the purpose and format of the workshop.
- ▶ Presentation of the market system with general information possibly including one or more value chain maps.
- ▶ Discussion of what more competitive value chains would look like.
- ▶ Presentation of the major findings of the market 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 more competitive value chains.
- ▶ Agreement on next steps.

### **iv. How do practitioners 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. Value chains can only satisfy the consumer when the value chain actors cooperate. This is the idea that underlies any attempt at building relationships.

- ▶ Before a workshop, producers should understand how value chains work. Specifically, they should:<sup>28</sup>
- ▶ Understand the chain as a network of specialised enterprises that need each other to make money (dependencies).

<sup>26</sup> Adaptive Management to Support Market Systems Development: Case Study of USAID's Agricultural Value Chain (AVC) Activity in Bangladesh . <https://www.microlinks.org/library/adaptive-management-practice-market-systems-application-bangladesh-after-event-resources>

<sup>27</sup> USAID. Guide to Facilitating Stakeholder Workshops

<sup>28</sup> 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

- ▶ Acknowledge the position of other chain actors, and respect that their interests are also legitimate.
- ▶ Understand the need for cooperation rather than fighting each other.
- ▶ Understand that sellers and buyers may have competing interests—a high price and a low price, respectively. Nevertheless, they also have a shared interest—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.
- ▶ List sensitive social and political issues to avoid that could affect the interactions and negotiations with other public and private actors (for example caste exclusion or political violence).

## **v. How are producer representatives selected?**

Selecting good producer representatives for the stakeholder workshop is an important process to ensure that the needs of extremely poor producers are considered in the way commercial relationships are structured within value chains.

- ▶ Producer representatives should:<sup>29</sup>
- ▶ Have the trust of the other producers
- ▶ Represent the opinions of others, especially extremely poor producers
- ▶ 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 might feel marginalised. Consider that extremely poor producers are likely to be quieter than other participants, and therefore more rather than fewer participants should attend the workshop.

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<sup>29</sup> Practical Action. 2010. *Learning from Practice: Lessons on Facilitating Participatory Market Mapping Workshops*, 5.

The stakeholder workshop participants who often talk the most are government representatives, NGO representatives, and technical experts (e.g., 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 in the value chains.

## vi. 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.

**TABLE 12: Guiding Principles for Conducting Stakeholder Workshops<sup>30</sup>**

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	<ul style="list-style-type: none"> <li>Participant time is valuable. Focus on activities that stakeholders have an incentive to overcome, whether or not there is an external subsidy.</li> <li>Workshops should never exceed two days. Some workshops can be done in two or three hours.</li> </ul>
Emphasise short-term activities	<ul style="list-style-type: none"> <li>Successful execution creates incentives for participants to come together to work on longer-term solutions to constraints.</li> </ul>
Plan for sustainability	<ul style="list-style-type: none"> <li>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.</li> </ul>
Pick participants carefully	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
Prepare well	<ul style="list-style-type: none"> <li>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 market analysis.</li> </ul>

<sup>30</sup> USAID. Guide to Facilitating Stakeholder Workshops, [www.microlinks.org](http://www.microlinks.org).

General Facilitation of Stakeholder Workshops	
Guiding Principle	Practical Application
<b>Reward champions</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Move seamlessly from planning to action</b>	<ul style="list-style-type: none"> <li>Make sure that action plans include who, what, when, and follow-up.</li> <li>Where project resources are available, follow up quickly with technical assistance. Lack of follow through, especially early on, can lead to stakeholder disillusionment.</li> </ul>
<b>Look for incentives in transactions</b>	<ul style="list-style-type: none"> <li>Find individuals for whom new business services have commercial value.</li> <li>Emphasise new business relationships as an indicator of success.</li> <li>Nothing motivates as quickly as opportunities with relatively quick returns.</li> </ul>
<b>Find the balance between quick and catalytic</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Do not feel pressured to resolve conflicts</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Address the underlying issues</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>There is no one right way</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Be genuine</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The skill of being able to communicate effectively will be the most valuable tool the facilitator can leave with the participants.</li> </ul>

Ensuring Participation of Extremely Poor Producers in Stakeholder Workshops	
Guiding Principal	Practical Application
Invitation to producers should not come from the project	<ul style="list-style-type: none"> <li>Extremely poor producers will be more willing to attend if they feel that the other value chain actors want them there.</li> </ul>
Discuss social and logistical aspects of the workshop with producers	<ul style="list-style-type: none"> <li>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.</li> </ul>
Run specific sessions to address producers' constraints	<ul style="list-style-type: none"> <li>It will be easy for the producers' voices to be unheard if they are not specifically addressed.</li> </ul>
Conduct multiple workshops	<ul style="list-style-type: none"> <li>Conduct multiple workshops on an ongoing basis.</li> <li>Through repeated interactions and continually revisiting issues, producers start to feel more comfortable and confident in sharing their needs.</li> </ul>
Use small group work	<ul style="list-style-type: none"> <li>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.</li> </ul>
Use participatory workshop tools to give all equal voice	<ul style="list-style-type: none"> <li>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.</li> </ul>
Provide translation	<ul style="list-style-type: none"> <li>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.</li> </ul>
Address issues around women's involvement	<ul style="list-style-type: none"> <li>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.)</li> </ul>



#### 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 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 to expand their market as a way of prioritising solutions that stakeholders will implement quickly.

## V. LINKING EXTREMELY POOR PRODUCERS TO OTHER PRODUCERS

Extremely 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



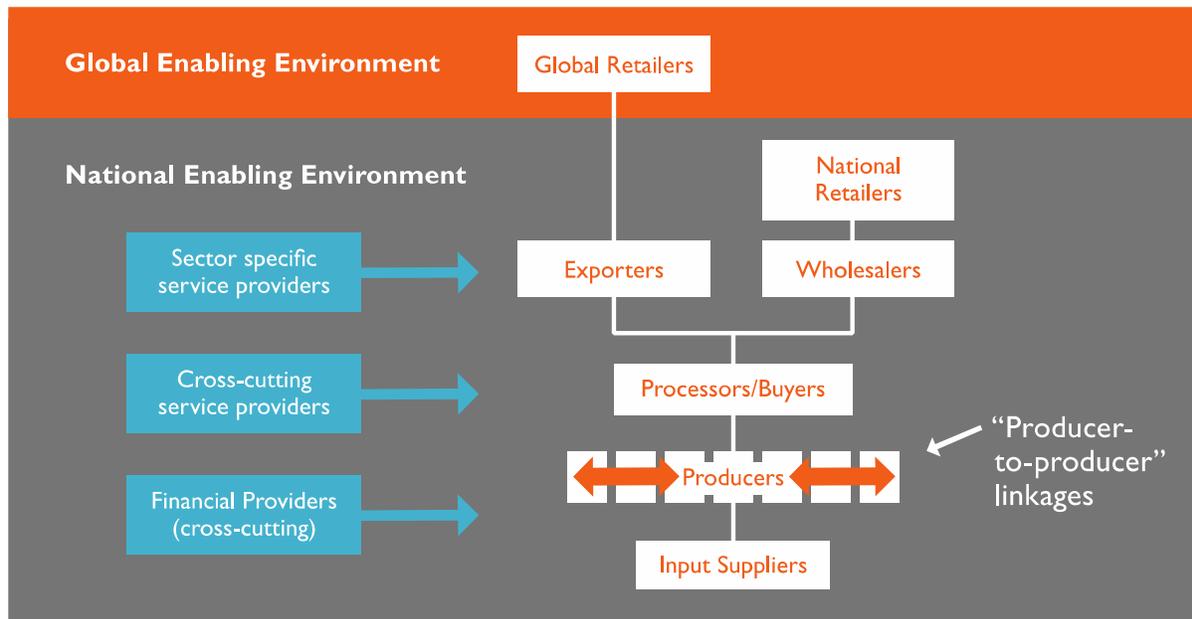
#### Key Terms

##### PRODUCER-TO-PRODUCER LINKAGES:

business relationships between firms at the same level in value chains that buy from and sell to the same people

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

Diagram 13: Enabling Environment for 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. A majority of extremely 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.

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## **How Can Linkages with Other Producers Be Used to Benefit Extremely Poor Producers?**

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Building producer-to-producer linkages among extremely poor producers is one way to involve them in market systems development activities. As part of a producer group, extremely 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 extremely 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 involve longer-term cooperative arrangements among firms that include interdependence, trust, and resource pooling to jointly accomplish common goals.

Benefits of mutually beneficial producer-to-producer 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

**Diagram 14: Benefits of producer groups and buyer commercial relationships**



**TABLE 13: Benefits of Producer-to-Producer Relationships**

This table shows areas to capitalise on in effective producer-to-producer relationships.<sup>31</sup>

Benefits to Leverage	Practical Example of Producer-to-Producer linkages
Leverage cheaper and easier access to buyers, suppliers, and support	<p>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.</p> <p>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.</p>
Improve bargaining power	<p>A single farmer representing a larger group has more influence in negotiations with traders or transporters than when acting alone.</p> <p>Increased bargaining power accompanies buying or selling in bulk.</p>
Lower transaction costs (for buyers and producers)	<p>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.</p> <p>If buyers can 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.</p>
Improve quality control	<p>Producers can obtain support in meeting appropriate quality standards to increase level of efficiency in post-harvest handling.</p> <p>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.</p>
Increase production	<p>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 their production. Collective buying and selling can address this.</p>
Access savings or credit	<p>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.</p>
Purchase equipment and services together	<p>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.</p>

<sup>31</sup> 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
<b>Negotiate and access discounts</b>	<i>Group participation can result in access to discounts for post-harvest storage facilities, or for buying inputs such as seeds and fertilisers in bulk.</i>
<b>Obtain easier access to training and other services</b>	<i>It is easier for agencies providing training services to teach a group rather than each producer individually.</i>
<b>Pool resources to share assets</b>	<i>Producers can pool their resources to share the use and ownership of equipment and other assets.</i>
<b>Share labour</b>	<i>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.</i>
<b>Improve access to moral support</b>	<i>Producers can increase the moral support provided from their peers when working with other producers.</i>
<b>Improve access to knowledge by learning from each other</b>	<i>Producers can learn from each other, improving their knowledge and skills across a range of areas.</i>
<b>Improve access to information</b>	<i>Producers can increase their access to information by pooling information sources, sharing information, and learning from each other.</i>
<b>Link to wider commercial networks</b>	<i>Producers can access wider commercial networks by pooling with other producers.</i>
<b>Share risk</b>	<i>Producers can share the risk of taking on transactions by pooling resources.</i>
<b>Build confidence to be active market participants</b>	<i>Working with other producers or belonging to a producer group can help to build the confidence necessary to be active participants in markets.</i>
<b>Increase access to information and skills for upgrading</b>	<i>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.</i>
<b>Exert influence</b>	<i>Groups of producers can often exert more political influence to improve government services such as repairing roads or improving the services that schools and clinics provide.</i>
<b>Increase social capital</b>	<i>Collective activity can strengthen social cohesion and trust within a community.</i>



## WORKSHEET 17: Producer-to-Producer Facilitation Worksheet

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

<p>Identify solutions to constraints experienced by producers</p>	<p>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.</p>
<p>Benefits to leverage <span style="margin-left: 200px;">Practical activities to facilitate</span></p>	
<ul style="list-style-type: none"> <li>• <b>Leverage cheaper and easier access to buyers, suppliers, and support</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>pool their resources to obtain group discounts on inputs such as seeds and fertilizer</i></li> <li><input type="checkbox"/> <i>pool their products to sell in bulk for increased prices</i></li> <li><input type="checkbox"/> <i>pool their products to provide one large delivery rather than several small deliveries to a buyer</i></li> <li><input type="checkbox"/> <i>share more affordable transport options by combining products</i></li> <li><input type="checkbox"/> <i>other: _____</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve bargaining power</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>negotiate with traders or transporters as a group</i></li> <li><input type="checkbox"/> <i>exert increased bargaining power when they buy or sell in bulk</i></li> <li><input type="checkbox"/> <i>other: _____</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Lower transaction costs (for buyers and producers)</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>share transportation costs to be able to access more formal buyers, and bypass informal traders, who often pay very low prices</i></li> <li><input type="checkbox"/> <i>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</i></li> <li><input type="checkbox"/> <i>other: _____</i></li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improve quality control</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>obtain support in meeting appropriate quality standards to increase efficiency in post-harvest handling</i></li> <li><input type="checkbox"/> <i>gain a reputation for higher quality by combining their products and sorting and grading by size, quality, or other characteristics demanded by the market</i></li> <li><input type="checkbox"/> <i>other: _____</i></li> </ul>

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
<ul style="list-style-type: none"> <li>• <b>Incentive to increase production</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> produce as much as they can because they can afford the necessary inputs through bulk-buying</li> <li><input type="checkbox"/> have the confidence that they can sell all their produce by combining their products for collective buying and selling</li> <li><input type="checkbox"/> other: _____</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Access savings or credit</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> access lump sums of cash through savings or credit</li> <li><input type="checkbox"/> access loans from banks that are more likely to lend to groups of borrowers, particularly if the group has its own saving programme</li> <li><input type="checkbox"/> other: _____</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Purchase equipment and services together</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> pool their resources to build collective storage facilities</li> <li><input type="checkbox"/> pool their resources to buy machinery or equipment that they could not afford alone</li> <li><input type="checkbox"/> other: _____</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Negotiate and access discounts</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> access discounts for post-harvest storage facilities or for buying inputs such as seeds and fertilisers in bulk</li> <li><input type="checkbox"/> other: _____</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Obtain easier access to training and other services</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> obtain training services to teach a group rather than individual producers.</li> <li><input type="checkbox"/> negotiate discounts as they can buy inputs such as seeds and fertilisers in bulk.</li> <li><input type="checkbox"/> access post-harvest storage facilities, as together they can fill the storage facility.</li> <li><input type="checkbox"/> other: _____</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Pool resources to share assets</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> pool their resources to share the use and ownership of equipment and other assets.</li> <li><input type="checkbox"/> other: _____</li> </ul>

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
<ul style="list-style-type: none"> <li>• <b>Share labour</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> 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.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Improve access to moral support</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> increase the moral support provided from their peers when working together.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Improve access to knowledge by learning from each other</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> learn from each other, improving their knowledge and skills across a range of areas.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Improve access to information</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> increase their access to information by pooling information sources.</p> <p><input type="checkbox"/> share information between each other and learn from each other.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Link to wider commercial networks</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> access wider commercial networks by pooling with other producers.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Share risk</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> share the risk of taking on transactions by pooling resources.</p> <p><input type="checkbox"/> other: _____</p>
<ul style="list-style-type: none"> <li>• <b>Build confidence to be active market participants</b></li> </ul>	<p>Facilitate market actors to incentivise and empower producers to be able to:</p> <p><input type="checkbox"/> build the confidence necessary to be active participants in markets.</p> <p><input type="checkbox"/> other: _____</p>

<p>Identify solutions to constraints experienced by producers</p>	<p>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.</p>
<p><b>Benefits to leverage</b> <span style="margin-left: 200px;"><b>Practical activities to facilitate</b></span></p>	
<ul style="list-style-type: none"> <li>• <b>Increase access to information and skills for upgrading</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <p><input type="checkbox"/> <i>be exposed to new production techniques or technologies.</i></p> <p><input type="checkbox"/> <i>other: _____</i></p> <p>_____</p>
<ul style="list-style-type: none"> <li>• <b>Exert influence</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <p><input type="checkbox"/> <i>exert more political influence to improve government services such as repairing roads or improving the services that schools and clinics provide.</i></p> <p><input type="checkbox"/> <i>other: _____</i></p> <p>_____</p>
<ul style="list-style-type: none"> <li>• <b>Increase social capital</b></li> </ul>	<p><i>Facilitate market actors to incentivise and empower producers to be able to:</i></p> <p><input type="checkbox"/> <i>strengthen social cohesion and trust within a community.</i></p> <p><input type="checkbox"/> <i>other: _____</i></p> <p>_____</p>

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 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, extremely 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.

**TABLE 14: Analysis of Types of Producer Linkages**

This table shows advantages and disadvantages of different types of producer-to-producer linkages for extremely poor producers.<sup>32</sup>

Type of linkage	Collective Activity	Advantages	Disadvantages
Linkage promoted by leading producer	<ul style="list-style-type: none"> <li>Producers usually function as informal group, coordinated by one or a few leading producers</li> </ul>	<ul style="list-style-type: none"> <li>Producers have output, and sometimes input, marketing taken care of</li> <li>Greater negotiation power with larger quantities</li> </ul>	<ul style="list-style-type: none"> <li>Leading producer may pull out of the venture</li> <li>Payment may be deferred if buyers send payment to leading farmer</li> <li>There may be power issues between strong and weak producers</li> </ul>
Linkages through formal producer groups	<ul style="list-style-type: none"> <li>Producers may link directly with each other through formal, registered producer groups</li> </ul>	<ul style="list-style-type: none"> <li>Potential for producers to sell larger volumes</li> <li>Potential for producers to buy in bulk</li> </ul>	<ul style="list-style-type: none"> <li>Greater recordkeeping, reporting, tax and registration requirements</li> </ul>
Linkages through informal producer groups	<ul style="list-style-type: none"> <li>Producers may link directly with each other through informal, unregistered producer groups</li> </ul>	<ul style="list-style-type: none"> <li>Can take advantage of economies of scale through purchase of inputs, technical assistance, etc.</li> <li>Can provide support to one another, learn from each other, and draw on relationships in time of need</li> </ul>	<ul style="list-style-type: none"> <li>Producer groups may not be able to access contracts as they are unregistered</li> </ul>
Linkages through cooperatives	<ul style="list-style-type: none"> <li>Producers may link directly with the cooperative or through other groups</li> </ul>	<ul style="list-style-type: none"> <li>Inputs, technical assistance, etc. may be supplied on credit</li> <li>Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative</li> <li>Potential for producers to sell larger volumes</li> </ul>	<ul style="list-style-type: none"> <li>Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and managerial assistance run out</li> </ul>

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

<sup>32</sup> Adapted from Shepherd, Andrew W. 2007. Approaches to Linking Producers to Markets. Agricultural Management, Marketing and Finance Occasional Paper 13. p. 8-9

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



**WORKSHEET 18: Producer Linkages Assessment Worksheet**

Use the worksheet to assess different forms of producer-to-producer linkages most applicable to extremely 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
<input type="checkbox"/> Linkage promoted by leading producer	<input type="checkbox"/> Producers have output, and sometimes input, marketing taken care of <input type="checkbox"/> Greater negotiation power with larger quantities <input type="checkbox"/> Other: _____ _____ <input type="checkbox"/> Other: _____ _____	<input type="checkbox"/> Leading producer may pull out of the venture <input type="checkbox"/> Payment may be deferred if buyers send payment to leading farmer <input type="checkbox"/> There may be power issues exerted between stronger and weaker producers <input type="checkbox"/> Other: _____ _____ <input type="checkbox"/> Other: _____ _____
<input type="checkbox"/> Linkages through formal producer groups	<input type="checkbox"/> Potential for producers to sell larger volumes <input type="checkbox"/> Potential for producers to buy in bulk <input type="checkbox"/> Other: _____ _____ <input type="checkbox"/> Other: _____ _____	<input type="checkbox"/> Greater recordkeeping, reporting, tax and registration requirements <input type="checkbox"/> Other: _____ _____ <input type="checkbox"/> 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
<input type="checkbox"/> Linkages through informal producer groups	<input type="checkbox"/> Inputs, technical assistance, etc., may be supplied on credit <input type="checkbox"/> Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative <input type="checkbox"/> Potential for producers to sell larger volumes <input type="checkbox"/> Other: _____ _____ _____	<input type="checkbox"/> Producer groups may not be able to access contracts, as they are unregistered <input type="checkbox"/> Other: _____ _____ _____ Other: _____ _____ _____
<input type="checkbox"/> Linkages through cooperatives	<input type="checkbox"/> Inputs, technical assistance, etc. may be supplied on credit <input type="checkbox"/> Crop marketing, packaging, grading and storage, and sometimes processing organised by the cooperative <input type="checkbox"/> Potential for producers to sell larger volumes <input type="checkbox"/> Other: _____ _____ _____ <input type="checkbox"/> Other: _____ _____ _____	<input type="checkbox"/> Cooperatives often depend on subsidies and external managerial assistance. Commercial activities can collapse when subsidies and managerial assistance run out <input type="checkbox"/> Other: _____ _____ _____ Other: _____ _____ _____ Other: _____ _____ _____
<input type="checkbox"/> Other: _____ _____ _____	<input type="checkbox"/> Other: _____ _____ _____ _____	<input type="checkbox"/> Other: _____ _____ _____ _____



### Field Example: An outgrower scheme linking smallholder farmers to a leading producer from Ghana

Value Chain Enhancement (ADVANCE) II activity strengthened outgrower models that expanded smallholder access to credit, extension, and tractor services, enabling them to become commercial farmers, better connected to end markets<sup>33</sup>.

## **B. Factors Impacting Producer-to-Producer Linkages**

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

### **I. Lack of Trust in Producer-to-Producer Relationships**

#### **a. Why is trust important?**

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.



### **Key Terms**

#### **SOCIAL CAPITAL:**

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

#### **b. How can I help to build trust among extremely 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

<sup>33</sup> Global Food Security Strategy Technical Guidance Market Systems and Value Chain Programming, 9 August 2017, page 2. [https://feedthefuture.gov/sites/default/files/resource/files/GFSS\\_TechnicalGuidance\\_MarketSystemsValueChains.pdf](https://feedthefuture.gov/sites/default/files/resource/files/GFSS_TechnicalGuidance_MarketSystemsValueChains.pdf)

- ▶ 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.

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## **2. Limited Ability to Take on Risk**

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### **a. Why do the extremely poor have limited ability to take on additional economic risk?**

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Extremely poor households continually face situations of high economic risk.<sup>34</sup> The reason for this is that extremely poor producers:

- ▶ could lose the few assets they have because 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 able to take on added financial risks, however small, that could threaten their basic survival as they are already vulnerable to unexpected events

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<sup>34</sup> 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 having limited capacity to take on risks impact their ability to participate in markets?**

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Extremely 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 too-large risk to an extremely poor producer (she could lose all her investment and be left with nothing). Extremely 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.



### 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, and 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 may be useful, 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.

### c. What can I do to assist extremely poor producers to be comfortable taking more risks?

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- ▶ **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 extremely 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 assistance and food transfers** where, without the initial food support, extremely poor producers would not be able to focus on the other activities. In Ethiopia, the Productive Safety Net Programme (PSNP) Plus project provides an initial food package or food voucher for a limited time until producers graduate to a stage where they can continue without the food support.
- ▶ **Promote crops for consumption and the market.** Balance the need to earn income with food consumption so extremely 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 extremely 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 extremely 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 an extremely 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 before harvesting a crop.
- ▶ **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 Promoting Agriculture, Governance, and the Environment (PAGE) project in Sierra Leone, staff worked with extremely poor producers who were already selling cocoa to the informal sector buyers, and 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 extremely 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.** Extremely 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.



### WORKSHEET 19: Risk Reduction Planning Worksheet

Use the worksheet to identify practical activities to address the extremely 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
<input type="checkbox"/> Encourage multiple sources of income	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Encourage specialisation across several products	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Link to food assistance and food transfers	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Promote crops for consumption and the market	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Promote food consumption for the family and livestock	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Start with small, low-risk activities	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Connect to markets with low barriers to entry	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Focus on activities with short-term, frequent returns	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Build on existing resources, skills, and behaviours	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Use smart subsidies	_____ _____ _____	_____ _____ _____

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
<input type="checkbox"/> Connect to formal safety net initiatives	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Facilitate community-level traditional safety nets	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Facilitate coaching and mentoring	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Arrange exposure visits with other producers	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Support participatory research and analysis	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Other: _____ <input type="checkbox"/> _____ _____	_____ _____ _____	_____ _____ _____
<input type="checkbox"/> Other: _____ <input type="checkbox"/> _____ _____	_____ _____ _____	_____ _____ _____



At a Field Guide training in Zimbabwe, the workshop participants filled out the Risk Reduction Planning Workshop for their program participants in their food security projects. Below is a summary of the completed worksheet.

### Tool 9: Risk Reduction Planning Worksheet Example

Solution	Practical action	Who in the market can do this?
<b>Connect to markets with low barriers to entry</b>	<ul style="list-style-type: none"> <li>Start with what the farmers' have</li> <li>Work on market linkages</li> <li>Graduated process so they engage in more viable enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Farmers marketing committees</li> <li>Equip marketing committees to go to the market so it is them and not the project</li> </ul>
<b>Focus on activities with short-term frequent returns</b>	<ul style="list-style-type: none"> <li>Poultry, goats, horticulture—if they are close to water source for irrigation</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers to show they can supply the inputs.</li> <li>Buyers to guarantee market</li> </ul>
<b>Build on existing resources, skills and behaviour</b>	<ul style="list-style-type: none"> <li>Gross margin analysis by each crop and livestock.</li> <li>Determine the returns over a specified period</li> </ul>	<ul style="list-style-type: none"> <li>Buyers are encouraging farmers to produce (e.g., meat buyer for goats, hatchery for poultry)</li> </ul>
<b>Support participatory research and analysis</b>	<ul style="list-style-type: none"> <li>Farmer Field Schools</li> <li>Demo plots</li> </ul>	<ul style="list-style-type: none"> <li>Farmers provide feedback on the technology</li> <li>Research institutions, universities, NGOs</li> </ul>
<b>Facilitate coaching and mentoring.</b>	<ul style="list-style-type: none"> <li>Recruit and train lead farmers and market facilitators who mentor other farmers</li> </ul>	<ul style="list-style-type: none"> <li>Government extension, lead farmers, input suppliers and buyers provide training</li> </ul>
<b>Use of smart subsidies</b>	<ul style="list-style-type: none"> <li>Creating assets in communities where extremely poor people live</li> <li>Cost-sharing for off takers, e.g., matching grant</li> <li>Recoverable grants to stimulate production.</li> </ul>	<ul style="list-style-type: none"> <li>Buyers, Suppliers and Development agents</li> <li>Suppliers and buyers, development agents</li> <li>Cash for assets and food for Assets</li> </ul>
<b>Encourage multiple sources of income</b>	<ul style="list-style-type: none"> <li>Selection Planning and Management of IGAs with VSLAs.</li> <li>Farming as a family business</li> </ul>	<ul style="list-style-type: none"> <li>Government extension services</li> </ul>

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### 3. Limited Access to Resources

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Extremely 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 extremely poor producers mitigate the problem of limited resources?

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- ▶ **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 extremely poor benefit from these services. In Sierra Leone, groups must be registered with the government in order to receive services such as agricultural extension or distribution of seeds and tools. The World Vision Promoting Agriculture, Governance, and the Environment (PAGE) programme helped farmers form groups so that they could access these benefits.
- ▶ **Facilitate access to vouchers.** Vouchers provide more accountability than cash because they are redeemed for a particular service from particular vendors. They also allow for market interactions to take place—the extremely poor become 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 extremely 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 extremely poor.
- ▶ **Be creative with the assets and skills that the extremely 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 extremely 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 is required to “pay back” the assets received, with interest, to other members of the community. For example, a part of the harvest must be given as seed to other community members.

- ▶ **Bulk produce to access higher prices and new markets:** In the bitter melon market in Bangladesh, for example, wholesaler agents in town and district markets only offer farmers a good price if their produce reaches a minimum of 100 kilograms 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. Despite this, very few extremely poor farmers have ever bulked their produce with other farmers to reach these more profitable volumes.

**Diagram 15: Working as a group can provide benefits for post-harvesting processing**



Field Example: Loan Guarantees as an Incentive for Financing to Extremely 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 extremely 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 Extremely poor producers in Ethiopia

In Ethiopia, CARE identified a private sector firm that could benefit from outsourcing part of its production to extremely 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 considered 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 of his business—raising 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 must “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.



## WORKSHEET 20: Limited Resource Strategic Planning Worksheet

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

Identify resources, skills and attitudes the extremely poor have that can be leveraged	Identify practical actions that the project could encourage or facilitate to address the limited resources of the extremely poor
<ul style="list-style-type: none"> <li><input type="checkbox"/> Time</li> <li><input type="checkbox"/> Labour</li> <li><input type="checkbox"/> Social networks</li> <li><input type="checkbox"/> _____</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Facilitate access to provisions from safety net programmes</b> Which ones: _____ _____ How could you facilitate access? _____ _____</li>   <li><input type="checkbox"/> <b>Form groups to help access current services that currently don't reach them</b> Which ones: _____ _____ How could you facilitate access? _____ _____</li>   <li><input type="checkbox"/> <b>Facilitate access to vouchers</b> For what purpose? _____ _____ How you can facilitate access or set up of voucher programme: _____ _____</li>   <li><input type="checkbox"/> <b>Leverage ability to provide and share labour</b> _____ _____</li>   <li><input type="checkbox"/> <b>Facilitate access to a transfer of a productive asset</b> Which assets? _____ _____</li> </ul>

Identify resources, skills and attitudes the extremely poor have that can be leveraged	Identify practical actions that the project could encourage or facilitate to address the limited resources of the extremely poor
	<p>How can you facilitate access?</p> <hr/> <hr/> <hr/> <p><input type="checkbox"/> <b>Be creative with the assets and skills the extremely poor do have</b></p> <hr/> <hr/> <hr/> <p><input type="checkbox"/> <b>Look for potential linkages with buyers or suppliers that can provide services to support the extremely poor</b> Which buyers or sellers?</p> <hr/> <hr/> <hr/> <p>What support can they provide?</p> <hr/> <hr/> <hr/> <p><input type="checkbox"/> <b>Generate capital through savings</b></p> <hr/> <hr/> <hr/> <p><input type="checkbox"/> <b>Use in-kind rotating schemes</b></p> <hr/> <hr/> <hr/> <p><input type="checkbox"/> Other:</p> <hr/> <hr/> <p><input type="checkbox"/> Other:</p> <hr/> <hr/> <p><input type="checkbox"/> Other:</p> <hr/> <hr/>

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## 4. Lack of Confidence

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### a. Why do extremely poor households lack confidence?

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Extremely poor producers often do not feel ready or capable 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 social stigma from society for being extremely poor and can also lack social confidence. After hope, confidence is one of the most important factors that enables extremely poor producers to cope with change and to negotiate with people who are perceived to wield greater power.<sup>35</sup>

### b. How to increase the confidence of extremely poor producers

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- ▶ **Choose initial activities that are simple**, have a high chance of success, are quick to produce results and have observable benefits so members become comfortable with higher risk later.
- ▶ **Foster social relationships** as particularly important among the extremely poor to improve self-esteem, confidence, and opportunities for reciprocity. Savings groups are one way to do this. It is useful to assess existing informal groups and networks that the extremely poor belong 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 extremely poor.
- ▶ **Focus on building basic skills.** Training in functional literacy and numeracy can build confidence and prepare extremely poor producers to better participate in markets.
- ▶ **Build market literacy.** Understanding the market is an important step in preparing extremely 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 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 Multi-Year Assistance Programme (MYAP) in Afghanistan have changed their behaviour from accepting the first price quoted to them in the market for their produce to checking with several 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 extremely 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.

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



#### 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

Extremely 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 extremely poor producers one step closer to having the confidence to participate in a market.

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## **5. Inclusion of Women**

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The USAID Gender Equality and Female Empowerment Policy highlights the need to reduce gender disparities on access to, control over and benefit from resources, wealth, opportunities and services as well as increasing the capabilities of women and girls by influencing decision making and realization of rights.

Although gender constitutes impacts on both men and women, this Field Guide focuses on issues impacting women specifically, as women are among the most common poor producers to experience challenges relating to participation in markets. This in no way implies that issues relating to men are less important or less daunting.

## **a. Why does women's participation in markets matter?**

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Women are often critical to the operation of a smallholder farm (women are estimated to produce half of the world's food<sup>36</sup>). For example, in coffee production, women help in the weeding, fertilizing, harvesting, processing, cherry selection and other farm tasks. Men bring the dried cherries to the buying station.

Given women's critical role in market systems, 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.<sup>37</sup> Male 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 and the household.

## **b. How can change in the market impact women?**

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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 changes' negative impact on women and household relationships.

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<sup>36</sup> M. Williams, *Gender Mainstreaming in the Multilateral Trading System: A Handbook for Policy-Makers and Other Stakeholders*, London: Commonwealth Secretariat, 2003.

<sup>37</sup> 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.

**TABLE 15: Impacts of Changes in Markets on Women**

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

Improvement in market system	Impact on women's relationships within the household
Introduction of new technologies and agricultural practices	<ul style="list-style-type: none"> <li>• <b>Change labour patterns</b> 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, extremely poor, landless women may not have the income opportunities that they used to have as day labourers providing land clearing and weeding services.</li> <li>• <b>Change time allocation</b> Example: Women may be spending less time in the field and more time managing household activities, including finances.</li> <li>• <b>Change safety conditions</b> Example: Women may have to use heavier and less safe equipment leading to higher rates of injuries or occurrences of incidences such as miscarriage.</li> </ul>
Shifts to high value crops	<ul style="list-style-type: none"> <li>• <b>Alter control over resources</b> 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.</li> <li>• <b>Alter control over benefits</b> 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.</li> </ul>
Introduction of new market channels	<ul style="list-style-type: none"> <li>• <b>Change time allocation</b> 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 must travel to areas or undertake tasks without their babies.</li> <li>• <b>Change routes travelled</b> Example: Women may need to travel on less safe routes to access new markets or inputs.</li> </ul>

Improvement in market system	Impact on women's relationships within the household
<p><b>Introduction of new storage facilities</b></p>	<ul style="list-style-type: none"> <li>• <b>Change of control of food resources</b> Example: Warehousing receipt programs and other off-farm storage programs decrease women's ability to retain produce as food for the household.</li> </ul>
<p><b>Formalisation of contracting instruments</b></p>	<ul style="list-style-type: none"> <li>• <b>Formalisation of ownership of land and equipment</b> can change household dynamics.</li> <li>• <b>Increased pressure for women to transact with sex</b> as a form of contract compliance.</li> </ul>
<p><b>Introduction of more formalised financial requirements</b></p>	<ul style="list-style-type: none"> <li>• <b>Change income control</b> 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.</li> <li>• <b>Change financial management</b> (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.</li> </ul>

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.



## WORKSHEET 21: 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
<input type="checkbox"/> Introduction of new technologies and agricultural practices	<input type="checkbox"/> <b>Changed labour patterns</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ <input type="checkbox"/> <b>Changed time allocation</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ <input type="checkbox"/> <b>Changed safety conditions</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
<input type="checkbox"/> Shifts to high value crops	<input type="checkbox"/> <b>Altered control over resources</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ <input type="checkbox"/> <b>Altered control over benefits</b> 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
<input type="checkbox"/> Introduction of new market channels	<input type="checkbox"/> <b>Changed time allocation</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ <input type="checkbox"/> <b>Change routes travelled</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
<input type="checkbox"/> Introduction of new storage facilities	<input type="checkbox"/> <b>Change of control of food resources</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____
<input type="checkbox"/> Formalization of contracts	<input type="checkbox"/> <b>Formalized ownership of land and equipment can change household dynamics</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____ <input type="checkbox"/> <b>Increased pressure for women to transact with sex as a form of contract compliance</b> Description: _____ Possible negative consequences or new needs: _____ _____ Ways to address or provide these: _____ _____

Market changes	Potential Impacts
<p>Identify market changes that could result from project interventions (directly or indirectly)</p> <p><input type="checkbox"/> Introduction of more formalized financial requirements</p>	<p>Identify potential impacts on women and their relationships with others in their households, as well as potential strategies to alleviate or address resulting challenges</p> <p><input type="checkbox"/> <b>Change income control</b>                      Description: _____                      Possible negative consequences or new needs: _____                      _____                      Ways to address or provide these: _____                      _____</p> <p><input type="checkbox"/> <b>Change financial management</b>                      Description: _____                      Possible negative consequences or new needs: _____                      _____                      Ways to address or provide these: _____                      _____</p>
<p><input type="checkbox"/> <b>Other:</b>                      _____                      _____                      _____</p>	<p><input type="checkbox"/> <b>Other:</b> _____                      _____                      Description: _____                      Possible negative consequences or new needs: _____                      _____                      Ways to address or provide these: _____                      _____</p>

### c. What prevents women from participating more?

Women are often limited from actively participating in markets and business activities for the following reasons:<sup>38</sup>

- ▶ 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 from income generation as day labourers or housekeepers, maintaining their own household, and child bearing and rearing
- ▶ Social perceptions that link certain household responsibilities are women's work

<sup>38</sup> Value Chain Wiki: [http://apps.develebridge.net/amap/index.php/Women\\_and\\_the\\_Value\\_Chain\\_Approach](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 only, in keeping with community norms.

## **d. How to ensure greater participation of women**

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The table that follows shows strategies for increasing women's participation in markets, particularly through participation in producer groups.<sup>39</sup>

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<sup>39</sup> Rubin, Deborah, et al. 2009. Promoting Gender Equitable Opportunities in Agricultural Value Chains. USAID. p 36

**TABLE 16: 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
<p>Lack of time due to numerous women's household responsibilities</p> <p>Lack of access to support services</p> <p>Time and mobility constraints</p>	<ul style="list-style-type: none"> <li>Design the logistics of participation around women's circumstances and needs</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>Share market information using communication channels used by women</li> <li>Identify labour-saving technologies to reduce women's time on household responsibilities (e.g., local water points, access to draft animals to pull equipment)</li> <li>Design alternative service delivery for those not producing or in groups (e.g., women acting as rural sales agents not involved in producer groups)</li> <li>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</li> <li>Support access to information sources that are close proximity to and available at times when women can access them</li> </ul> <p><b>Producer groups specifically:</b></p> <ul style="list-style-type: none"> <li>Announce information about participation in groups using communication channels used by women</li> <li>Hold meetings at times and in venues that support women's participation</li> <li>Provide for shared child-care while group meetings are being held</li> <li>Encourage membership fees to be at a level and payment schedule that women can manage</li> </ul>
<p>Social or cultural confinement and immobility</p> <p>Social perceptions that link household responsibilities with women's work</p>	<ul style="list-style-type: none"> <li>Reduce the cultural barriers to women's participation</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>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</li> </ul> <p><b>Producer groups specifically:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>Facilitate women-only meetings, where appropriate, if it is not possible to create women-only groups</li> </ul>

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
<p>Traditional gender roles and expectations</p> <p>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</p>	<ul style="list-style-type: none"> <li>Encourage membership and leadership criteria that allow women's participation</li> </ul>	<p><b>Producer groups specifically:</b></p> <ul style="list-style-type: none"> <li>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</li> <li>Investigate potential barriers to women's leadership positions within groups. These may be explicitly spelled out in the rules or bylaws, or they may be informal. For example, do meeting times or eligibility requirements prevent women from leadership positions?</li> <li>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)</li> <li>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</li> <li>Encourage official membership of women, not just 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)</li> <li>Include programme targets on the percentage of members who are female and who serve in leadership positions within the group</li> <li>Encourage adoption of gender-sensitive practices and policies (such as non-discriminatory membership or gender-sensitive technical trainings)</li> </ul>
<p>Limited social standing or social capital in the community</p> <p>Social perceptions of women's capabilities</p>	<ul style="list-style-type: none"> <li>Build women's skills, confidence, and social capital</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>Link women with support structures and networks that build their social capital, skills, and business confidence</li> <li>Design awareness raising campaigns to promote women's leadership in business</li> <li>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</li> </ul>

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
<p>Lack of land ownership by women</p> <p>Lack of access to productive assets and working capital (e.g., seeds and fertiliser)</p> <p>Lack of control over resources (property)</p> <p>Inadequate legal protection or enforcement of existing laws</p> <p>Lack of access to services from producer associations because membership requires land ownership</p>	<ul style="list-style-type: none"> <li>• Address lack of ownership and control of assets by women</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• 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</li> </ul> <p><b>Producer groups specifically:</b></p> <ul style="list-style-type: none"> <li>• Encourage membership requirements that do not require land ownership, which would often exclude women's participation</li> <li>• 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</li> </ul>
<p>Lack access to financial capital because lack assets for collateral</p>	<ul style="list-style-type: none"> <li>• Address lack of access and ownership of assets by women</li> </ul>	<p><b>General:</b></p> <ul style="list-style-type: none"> <li>• Work with lending institutions to design loan products for women, such as the use of non-land assets in lending</li> </ul>
<p>Little opportunity to network and develop business relationships with buyers or suppliers</p>	<ul style="list-style-type: none"> <li>• Leverage existing buyer or supplier relationships and build on the trust in these to embed additional services</li> </ul>	<p><b>General</b></p> <ul style="list-style-type: none"> <li>• Mobility constraints or social norms may reduce the frequency of face-to-face contact for women with their suppliers or buyers</li> </ul>



**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 include members' families.



**WORKSHEET 22: Women's Participation Improvement Worksheet**

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

<p>Identify key constraints faced by women in the community to consider in strategies</p>	<p>Identify practical actions that the project could encourage or facilitate to address factors contributing to more active participation by women</p>
<p><b>Constraints faced by women</b></p>	<p><b>Practical strategies to encourage women's participation</b></p>
<ul style="list-style-type: none"> <li><input type="checkbox"/> Lack of time owing to numerous household responsibilities</li> <li><input type="checkbox"/> Lack of access to support services</li> <li><input type="checkbox"/> Social or cultural confinement and immobility</li> <li><input type="checkbox"/> Social perceptions that link household responsibilities with women's work</li> <li><input type="checkbox"/> Traditional gender roles and expectations</li> </ul>	<p><b>General:</b></p> <p>Reduce the cultural barriers to women's participation:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Share market information via communication channels used by women</li> <li><input type="checkbox"/> 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)</li> <li><input type="checkbox"/> 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)</li> <li><input type="checkbox"/> Other: _____</li> </ul> <p>Addressing time and mobility realities:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Encourage market times and venues that allow for easy access and participation by women</li> <li><input type="checkbox"/> Support access to information sources that are close proximity to and available at times when women can access them</li> <li><input type="checkbox"/> Other: _____</li> </ul> <ul style="list-style-type: none"> <li><input type="checkbox"/> Build women's skills, confidence, and social capital:</li> </ul>

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
<ul style="list-style-type: none"> <li><input type="checkbox"/> 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</li> <li><input type="checkbox"/> Limited social standing or social capital in the community</li> <li><input type="checkbox"/> Social perceptions about women's capabilities</li> <li><input type="checkbox"/> Lack of land ownership by women</li> <li><input type="checkbox"/> Lack of access to productive assets and working capital (e.g., seeds and fertiliser)</li> <li><input type="checkbox"/> Lack of control over resources (particularly property)</li> <li><input type="checkbox"/> Inadequate legal protection or enforcement of existing laws</li> <li><input type="checkbox"/> Lack access to services from producer associations because membership requires land ownership</li> <li><input type="checkbox"/> Lack access to financial capital because lack assets for collateral</li> <li><input type="checkbox"/></li> <li><input type="checkbox"/> Other: _____</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Link women with support structures and networks that build their social capital, skills, and business confidence</li> <li><input type="checkbox"/> Design awareness raising campaigns to promote women's leadership in business</li> <li><input type="checkbox"/> Other: _____</li> <li><input type="checkbox"/> Address lack of ownership and control of assets by women:</li> <li><input type="checkbox"/> 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</li> <li><input type="checkbox"/> Other: _____</li> <li><input type="checkbox"/> Address lack of access to assets by women:</li> <li><input type="checkbox"/> Work with lending institutions to design loan products for women, such as the use of non-land assets in lending</li> <li><input type="checkbox"/> Other: _____</li> <li><b>Producer Groups:</b></li> <li><input type="checkbox"/> Design logistics of participation around women's circumstances and needs:</li> <li><input type="checkbox"/> Announce information about participation in groups through communication channels used by women</li> <li><input type="checkbox"/> Hold meetings at times and in venues that support women's participation given their time and mobility challenges</li> <li><input type="checkbox"/> Provide for shared child-care while group meetings are being held</li> <li><input type="checkbox"/> Other: _____</li> <li><input type="checkbox"/> Encourage membership and leadership criteria that allow women's participation:</li> <li><input type="checkbox"/> Encourage membership fees to be at a level and on a payment schedule that women can manage</li> <li><input type="checkbox"/> 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</li> <li><input type="checkbox"/> Facilitate women-only meetings, when appropriate, if it is not possible to create women-only groups</li> </ul>

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
<p>_____</p> <p>_____</p> <p><input type="checkbox"/> Other: _____</p> <p>_____</p> <p>_____</p> <p><input type="checkbox"/> Other: _____</p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> Investigate potential barriers to women's leadership positions</p> <p><input type="checkbox"/> 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)</p> <p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> Encourage official membership of women (not just wives), such as women who are household heads (primary breadwinners, second wives, or where husbands are not present for various reasons)</p> <p><input type="checkbox"/> Encourage membership requirements to not require land ownership, which would often exclude women's participation</p> <p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> Encourage adoption of gender-sensitive practices/policies (e.g., non-discriminatory membership, gender-sensitive technical trainings)</p> <p><input type="checkbox"/> Include programme targets on the percentage of members who are female and who serve in leadership positions within the group</p> <p><input type="checkbox"/> Other: _____</p> <p><input type="checkbox"/> Other: _____</p> <p><input type="checkbox"/> Other: _____</p> <p>_____</p> <p>_____</p>



**Field Example: Zimbabwe**

In the World Vision Zimbabwe-led ENSURE food security programme, entrepreneurial village agents organized a chicken auction at the local level. Since 72 per cent of the local chicken producers are women, many of those selling in the auction were women.



### 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.



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

In Kenya, there are many 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 through giving girls 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 strong market orientation, and the willingness to remain flexible and adapt to a dynamic business environment. Smart subsidies and broader social skills-building were important to effectively integrate young women into poultry and vegetable value chains. The project also linked established female entrepreneurs with the girls to provide a mentoring relationship.



### Field Example: Women in VSLAs in Zimbabwe

USAID's Enhancing Nutrition Stepping up Resilience and Enterprise (ENSURE) project in Zimbabwe found that Village Savings and Lending Association (VSLA) initiatives have increased women's access to resources and created a platform to strengthen their capacity on women's rights issues. Within 5 years, an approximate 13,500 very poor entrepreneurial women are participating in these groups and US\$245,331 has been saved in the current cycle. Many women are using their loans and savings to invest in both on- and off-farm activities. In 2016, 24 per cent of the funds were directed towards investments. Women also tend to prioritise family well-being. In 2016, 16 per cent of the loans was directed towards food with 21 per cent directed towards education for their children.

## **C. Supporting Youth Development**

According to USAID's Youth Policy, "at 1.5 billion, today's global youth generation is the largest in history and USAID understands the important role youth play as partners and leaders in development. ... Today's youth understand and care more about development than ever before, inspired by the chance to drive meaningful change, peace and prosperity and eager to use their skills to better their communities and help those in greatest need"<sup>40</sup>

There is significant potential to target young parents of 0- to 5-year-olds to reduce stunting through economic strengthening and value chain development. For example, we could enhance food usage in local markets through strategies to reach infants that are 6 to 12 months old.

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### **I. Addressing Youth & Young Parents**

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There are several reasons to target youth in value chain and market systems development projects. These include:

- Agricultural market systems development programming needs to contribute to reducing stunting and malnutrition in 0- to 2-year-old children. The parents of many 0- to 2-year-olds are youth (15- to 24-year-olds). The World Health Organization (WHO), in September 2014, stated that "nearly 16 million girls aged 15-19, and 1 million girls under 15, give birth every year." Assisting markets to grow in ways that benefit youth also, in many cases, benefit their infants.
- Young mothers are more inclined to be malnourished if they gave birth before 18 years of age. The WHO further states that "11% of all births worldwide are still to girls aged 15 to 19 years old...[and]... the vast majority of these births (95%) occur in low- and middle-income countries."

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<sup>40</sup> See: <https://www.usaid.gov/youthimpact>

- Youth have their own right as children transitioning into adults to have a full and fulfilling life. It's not just about the needs of their children, it's about their needs as young people, as well as breaking the intergenerational cycle of poverty by having the capacity to raise a family beyond poverty.
- Youth don't want to do the farming that their parents did. They won't get excited about agriculture unless:
  - It can be approached more like a formal business, allowing them to utilize non-farm skills to manage the work more like small business, finding value-add opportunities, doing non-traditional crops and mixed production, making productive plans and investments, etc.
  - They can do it together, working with peers, making the work less lonely and isolating—could be through formalized cooperative ownership or just coordinated work, even doing field research together on a common experimental plot keeps farming a socially-engaged livelihood activity.
  - It taps into modern information technology. Young people want to know how to use the Internet and computers to enhance their productivity, knowledge of the market, and participation in professional networks.
  - It isn't a dead-end option. Farming can be a stepping stone to another career. Young people can be encouraged to use present resources to sequence a livelihood plan and transition themselves to something else. They may start with farming, because that's what's available, but if they can see a way to bridge this to something that genuinely excites them, they may embrace it as a means to an end. (Example—participation in savings group and group agriculture project gives youth money to buy and fatten a goat or pig, which gives them security and means to save to buy a bike to use as a taxi, which leads to leasing a motorcycle to become a moto-taxi driver.)

We shouldn't work only with young people who have children. We can work a bit smarter and less reactive than that, and get ahead of things. Isn't it better to invest in young people BEFORE they are neck deep in raising a young family from a position of zero? They need not only the productive skills and a livelihood plan in action IN ADVANCE of starting a family (if possible), but also the life skills, social networks of support (peer and adult), access to financial and technical support, etc.



### **Field Example: Addressing Early Marriage in Bangladesh**

In some parts of Bangladesh, [early marriage](#) and early first births are serious health, social, and economic problems. The average age of mothers at first birth is just over 18, and the median age of marriage for females is just over 15 years. That means that half of the girls in Bangladesh are married by age 15.

In the rural and extremely poor area of southwest [Bangladesh](#) there are reports of 11-year-old girls being given in marriage. “When I asked them how the new Nobo Jatra project could delay early marriage, they said that poor families were looking for a son-in-law who would not only pay the dowry as an initial sum but also be a source of revenue for the family over the years.

I realized that our new project really needs to focus on strengthening the families who have unmarried 13- to 17-year-old daughters. If we are able to strengthen these families economically—so they keep their daughters in school—we might be able to reduce the early marriages, early births, low birth weights, stunted and malnourished children, and ultimately deaths of mothers and children”

Because of this field visit and other staff discussions, the project in Bangladesh has focused on economically strengthening families of 13- to 17-year-old girls with market development and entrepreneurial literacy programming.

How can youth be engaged in markets to reduce food security:

- Keep girls in school
- If girls have left school, keep them economically active so they do not feel pressure to enter into early marriage
- Gender dialogue training for better financial decision-making
- Savings Groups for young moms and dads
- Alternative livelihoods



### **Tool 10: Checklist for selecting value chain opportunities most appropriate to youth**

Make sure that you design interventions to consider these potential risks for youth.

- Acceptable for personal safety and health:** Extremely poor youth tend to have the weakest ability to advocate for themselves, and thus may be driven to accept work in very unsafe conditions and be assigned particularly risky tasks.
- Attainable capital and skills requirements:** Youth are less likely to have the experience, skills or assets of adults. Opportunities that require high capital investments or skills levels may not be appropriate.
- Quick monetary returns:** Extremely poor youth often need to see fast returns on their income generating activities to remain engaged, considering their financial obligations. Long training programs offering no immediate financial returns do not work well.
- Matched to youth interests:** Being sensitive to youth priorities is important, as youth are at times unwilling to engage in sectors that they do not consider offering adequate long term prospects, even if they are in dire need. If they are not interested in the activity they are less likely to remain if another opportunity arises. This often creates a bad perception from value chain actors about including youth.
- Appropriate in terms of family obligations and peer perceptions:** Youth are often particularly sensitive to the expectations and opinions of those they are close to, which can influence their selection of which value chains to engage in and in what capacity.

## VI. OTHER ANALYSES AND OPPORTUNITIES

Several other opportunities exist to support extremely 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 Extremely 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, 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 farmland, a key numeric necessary to calculate gross margins.

When working with extremely poor producers, it is helpful to reflect on the type of entities in whose interest it may be to extend gross margin support to extremely poor producers. Market actors with



### Key Terms

#### GROSS MARGIN:

a measure of net income for a farm, fishery, or livestock activity

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 their 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 is 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.

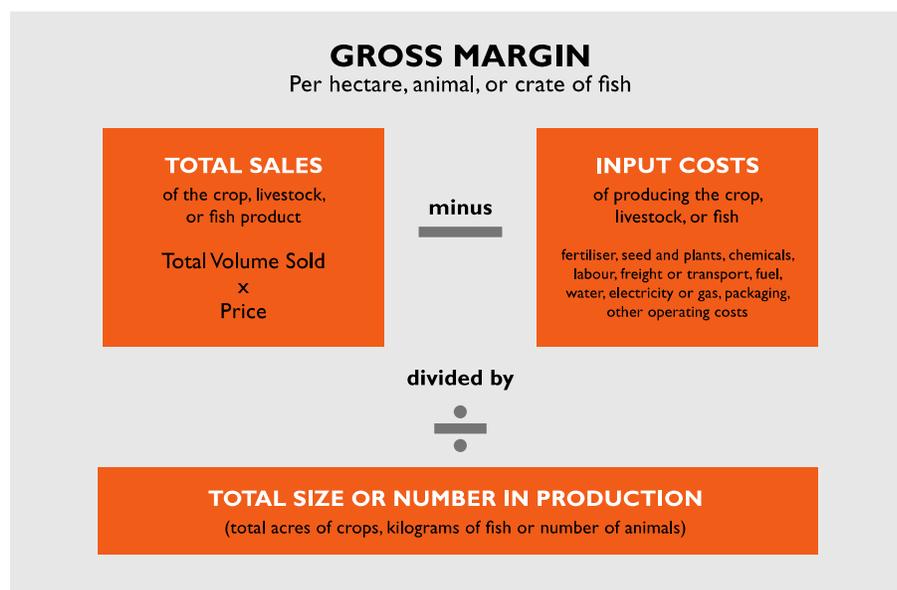
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### 3. How to Calculate Gross Margins

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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.

Diagram 16: Gross Margin Calculation



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.

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## 1. Why Are Extremely Poor Producers Suited to Farming Organically?

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Extremely poor producers involved in agricultural production (through small plots in rural areas or small urban gardens) are able 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 able to use more sustainable, natural methods to manage their land and produce.<sup>41</sup> 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.

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## 2. What Are Key Considerations Regarding Organic Certification?

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Many extremely 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.

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## C. Fair Trade

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### 1. What Is Fair Trade Certification?

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Producer groups may want to consider becoming fair trade certified. Producers must 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.



### Key Terms

#### FAIR TRADE:

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

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### 2. How Do Producers Become Fair Trade Certified?

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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 must qualify for the general standards that apply to all producers, and the standards for each particular product

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<sup>41</sup> Adapted from: Harper, Malcolm 2010. Inclusive Value Chains: A Pathway Out of Poverty. Series on Economic Development and Growth, Vol. 4. World Scientific.

they wish to sell at fair trade prices. One of the requirements to meet the standards, for example, is that producer groups must 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.

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### **3. What are Key Considerations Regarding Fair Trade Certification?**

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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 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 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 Extremely 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 extremely 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. Illustrated Entry Points for Nutrition-Sensitive Agriculture

USAID provides the following illustrated entry points for nutrition-sensitive agriculture<sup>42</sup>.

Value Chain Examples	Entry points for nutrition-sensitive interventions
<b>Roots and tubers</b>	<ul style="list-style-type: none"> <li>• Dark-colored root vegetables</li> <li>• Bio-fortified orange sweet potato and cassava</li> <li>• NOTE: starchy staples (e.g., cassava, white potatoes) are not nutrient-dense</li> <li>• Nutrition-sensitive agriculture work on starchy staples is still possible, but will entail additional analysis and planning</li> </ul>
<b>Legumes:</b> Groundnuts Soybeans Chickpeas Beans	<ul style="list-style-type: none"> <li>• Increase availability and consumption</li> <li>• Mycotoxin (e.g., aflatoxin) control</li> <li>• Soybean as an ingredient in animal food to increase availability of animal source protein</li> <li>• Processing of soy into flour that can fortify traditional foods</li> </ul>
<b>Livestock:</b> Cattle (meat, dairy) Poultry (meat, eggs) Goat (meat, milk, cheese) Sheep (meat, milk, cheese) Camels (meat, milk, cheese) Micro-livestock (e.g., guinea pigs, rabbits)	<ul style="list-style-type: none"> <li>• Ensure nutrient value of animal source foods is understood and encourage consumption</li> <li>• Ensure safe handling of manure to avoid contaminating food</li> <li>• Consider penning poultry to avoid environmental enteropathy</li> <li>• Promote high standards of hygiene, sanitation, and food safety in handling, preserving and processing milk, meat, cheese, and eggs</li> </ul>
<b>Aquaculture</b>	<ul style="list-style-type: none"> <li>• Integrate vegetable production around fish ponds</li> <li>• Promote polyculture that favors home consumption</li> <li>• Ensure ponds do not become malaria mosquito breeding sites</li> </ul>
<b>Horticulture:</b> Vegetables (e.g., carrots, kale, cabbage, sweet green pepper, okra) Fruit (e.g., mango, avocado, citrus, passion fruit)	<ul style="list-style-type: none"> <li>• Promote nutrient-rich foods preferred in the locality</li> <li>• Encourage consumption as appropriate</li> <li>• Include a social and behavior change component</li> <li>• Crops next to the house are easily tended</li> <li>• Consider fruit, nut, citrus, and/or fodder trees</li> </ul>
<b>Bio-fortified tubers, legumes, and cereals</b>	<ul style="list-style-type: none"> <li>• Vitamin A-rich maize</li> <li>• Vitamin A-rich sweet potato</li> <li>• Vitamin A-rich cassava</li> <li>• Iron-rich beans</li> <li>• Iron-rich pearl millet</li> <li>• Zinc-rich rice</li> <li>• Zinc-rich wheat</li> </ul>

<sup>42</sup> See Table 4: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>

## Annex B. 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 extremely 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 extremely 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:**

3. The *Company* will provide technical assistance to *Project* producer groups for effective implementation of the out-grower scheme.
4. 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.
5. 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*.
6. 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 group 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 C: Useful Online Resources

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### 1. Market Systems & Value Chain Development

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- ▶ Market Systems Development Learning Hub: <http://www.MSDhub.org>
- ▶ USAID Value Chain Development Wiki: <https://www.microlinks.org/good-practice-center/value-chain-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>
- ▶ USAID's Framework for Inclusive Market System Development: <https://www.microlinks.org/library/framework-inclusive-market-system-development>
- ▶ Global Food Security Strategy Technical Guidance Market Systems and Value Chain Programming. 9 August 2017: [https://feedthefuture.gov/sites/default/files/resource/files/GFSS\\_TechnicalGuidance\\_MarketSystemsValueChains.pdf](https://feedthefuture.gov/sites/default/files/resource/files/GFSS_TechnicalGuidance_MarketSystemsValueChains.pdf)

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### 2. Focus on the Extremely Poor

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- ▶ Online consultation on reaching the extremely poor: <https://www.microlinks.org/groups/speakers-corner/e-consultation-pathways-out-poverty/welcome-day-2-e-consultation>

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### 3. Food & Nutrition

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- ▶ USAID's Nutrition-Sensitive Agriculture: Nutrient-Rich Value Chains: Technical Guidance Brief: <https://www.usaid.gov/what-we-do/global-health/nutrition/nutrition-sensitive-agriculture-nutrient-rich-value-chains>
- ▶ USAID's Food and Nutrition Technical Assistance Project (FANTA): <http://www.fantaproject.org/>
- ▶ USAID's Strengthening Partnerships, Results, and Innovations in Nutrition Globally (SPRING) project: <https://www.spring-nutrition.org>
- ▶ Food Security and Nutrition Network: <http://www.fsnnetwork.org/>
- ▶ Video: "Making Agricultural Market Development Activities More Nutrition-Sensitive" USAID SPRING project: <https://www.spring-nutrition.org/media/videos/making-agricultural-market-development-activities-more-nutrition-sensitive>

- ▶ USAID Discussion paper: “Convergence and Tension In Nutrition-Sensitive Agricultural Market Development Activities: Discussion Paper”: <https://www.usaid.gov/what-we-do/global-health/nutrition/technical-areas/convergence-and-tension-nutrition-sensitive>
- ▶ Video: World Vision Kenya is working with women to promote food and nutrition security: [https://www.youtube.com/watch?v=Oe\\_HziZ-7uE](https://www.youtube.com/watch?v=Oe_HziZ-7uE)

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#### 4. Gender

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- ▶ Promoting Gender Equitable Opportunities in Agricultural Value Chains Handbook: [http://pdf.usaid.gov/pdf\\_docs/pnaeb644.pdf](http://pdf.usaid.gov/pdf_docs/pnaeb644.pdf)

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#### 5. Fair Trade Certification

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- ▶ Fairtrade Standard for Small Producer Organizations: <https://www.fairtrade.net/standards/our-standards/small-producer-standards.html>
- ▶ Fairtrade certification - how it works: <http://www.flo-cert.net/fairtrade-services/fairtrade-certification/>
- ▶ Fairtrade Certification, Compliance Criteria: <http://www.flo-cert.net/fairtrade-services/fairtrade-certification/compliance-criteria/>
- ▶ Becoming a Fairtrade producer (Fairtrade International’s guidelines): <http://www.fairtrade.net/becoming-a-fairtrade-producer.html>
- ▶ Minimum fair trade prices and premiums (database, search by product or country): <http://www.fairtrade.net/price-and-premium-info.html>

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#### 6. Resource Lists

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- ▶ Market Systems Development Learning Hub Resources: <http://www.MSDhub.org>
- ▶ SEEP Network resources on Serving the Ultra Poor: <http://www.seepnetwork.org/step-up-resources-pages-169.php>
- ▶ USAID Value Chain resources: <http://www.microlinks.org/good-practice-center/value-chain-wiki/overview-value-chain-resources>

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#### 7. Tools Lists

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- ▶ Pathways out of Poverty: Tools for Value Chain Development Practitioners: <http://microlinks.kdid.org/library/pathways-out-poverty-tools-value-chain-development-practitioners>
- ▶ Farming for a Profit: Technical Guidance for Smallholder Financial Planning: <http://www.fsnnetwork.org/farming-profit-technical-guidance-smallholder-financial-planning>
- ▶ Market Systems Development Learning Hub - Multiple Tools for Market Systems Development: <http://www.MSDhub.org>

## Annex D: Glossary of Key Terms\*

\*Acronyms are located on pg. viii.

**Ad hoc:** “for this”—in this Field Guide, decisions made with no contractual relationship and 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; generally, a rule made by a society or company to control the behaviour of its members

**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 to reach a shared goal

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

**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 and specified share of profits

**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 to transition into a fully independent commercial enterprise; generally, a pre-arranged way or rules to leave an agreement or relationship

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

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

**Extremely poor:** persons below the national poverty line who earn less than \$1.90 per day, as measured by purchasing power parity market exchange rates

**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 extremely 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

**Gross Margin:** a measure of net income for a farm, fishery, or livestock activity.

**Income Generating Activity (IGA):** small microenterprise that one individual operates.

**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 are leaders in innovation and technology to make an industry more competitive

**Legal entities:** a lawful, 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, e.g., people with disabilities

**Market demand:** the desire in the marketplace of persons—suppliers, buyers, consumers, etc.—for a product, service, or item

**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 extremely 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:** the broader system in which value chains operate with its own underlying reasons, incentives, and biases for how and why businesses, people, and networks (i.e., the system) behave

**Market systems development:** extending beyond individual value chains to build the capacity and resilience of local systems; considering behaviour patterns, flows of information and finance, relational networks, trust and dispute patterns, and interconnectivity and patterns of influence between market systems and other social systems (i.e., political, civil society, communal/friends and family, etc.)

**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 in an agreement or relationship

**Nutrition-sensitive programming:** deliberate and appropriate forethought and planning to benefit nutritional status and consequently good health and wellbeing

**Organic farming:** formally growing crops or raising livestock without the use of pesticides, herbicides chemical fertilisers or specified chemical or medicinal interventions;

**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:** Creating 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 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 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

**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

**Vulnerable households:** households that cannot afford the basic necessities of life and 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 a commercial relationship but also gains something from that investment