



Synthesis paper on a series of e-learning cycles on M4P and Value Chain Development (VCD) in 2010

A) Introduction

The E+i network organises 3 e-learning cycles on planning, implementing and measuring results in M4P and VCD programmes:

1. The first **e-learning cycle 1** in March/April 2010 is focusing on **Planning – setting up an M4P / Value Chain programme**
2. The **e-learning cycle 2** in June/July 2010 looks at **Implementing - coordinating - facilitating an M4P / Value Chain programme**
3. In August /September 2010 the **e-learning cycle 3** will discuss all elements on **Assessing change: Monitoring and measuring results on outcome or even impact level**

The **objective of all e-learning cycles** is to create new ideas by sharing information and experiences among practitioners and users of M4P all over the world. **Participants** in this facilitated online exchange and discussion platform are SDC collaborators at head office and in the cooperation offices, as well as project collaborators and representatives of partner organisations, experts from universities and resource centres.

This **synthesis paper** resumes the discussion and all contributions of the e-learning cycles and highlights important aspects.

B) Synthesis of e-learning cycle 2 in June/July 2010: Implementing - coordinating - facilitating an M4P / Value Chain programme

The second e-learning cycle took place from the June 21st until July 15th, 2010. The envisaged topic were issues, challenges, learnings and unsolved questions regarding the implementation of M4P / Value Chain programmes; with specific questions to the facilitation role of a project team and how to liaise and coordinate with the private sector and with the government.

The synthesis paper highlights a **breakthrough** in the discussion about the 'responsibility and ownership' of M4P / Value chain facilitation with three types of facilitation; then it looks at the **critical facilitation issues** during a project life time with a clear distinction of **facilitation types**; and district marketing boards are discussed as **commercial long term solutions**.

The synthesis then focuses on **(un)willingness to pay** for R&D by the private sector, and the **problem of competing programs** and approaches. Finally, a short paragraph summarises a discussion on certain **risks when applying the M4P** approach.

Synthesis of the **M4P e-learning cycle 2** from June/July 2010 on *Implementing - coordinating - facilitating M4P projects*

By Daniel Roduner, Agridea (July 2010)

Synthesis of the discussion cycle considering the middle part of the 'Sandwich': while any M4P project has to consider some basic steps when getting started (see synthesis cycle 1) and has to implement methodological sound result measurement (to be discussed in cycle 3), the middle part (i.e. the implementation of the M4P program in its facilitative and catalytic nature) is as unique as each context is different. However, it is this middle part of any 'sandwich' that makes it a delicious one, or a rather poor one.

Does this mean that we can not draw general lessons learnt, because of the uniqueness of each intervention? Not at all – we can draw from a wealth of individual learnings and offer insights valid for all M4P practitioners.

A breakthrough in the discussion about the 'responsibility and ownership' of M4P / Value chain facilitation

Practitioners (and many of the thematic back-stoppers and 'experts') have been discussing whether a facilitative role is considered to be a private role (and therefore a commercial venture) or rather a public role (i.e. in the interest of the public and therefore financed through tax-payers' money). A table with arguments for and against each option in the last synthesis paper testifies this discussion.

A first conclusion of this online discussion is: **there are three types of facilitation.**

- a) As a temporary feature provided by a program.
- b) As a commercial business (presented in a case of transaction security services)
- c) As a role for the state – ongoing non commercial market facilitation.

These three types are not exclusive juices. An M4P program can result in a mix of three of them. Let us have a closer look:

Facilitation as a temporary feature provided by a program: The facilitative intervention of a program allows the creation of trust, new relationships, new ways of working, contracting, sub-contracting and collaborating; maybe a board or an interest group evolve that engages in ongoing learning and improving for the benefit of the market system and its players. In such a case, the program has achieved what it set out to do: a systemic change has happened. And once the system is changed or improved, things work on their own (this is real sustainability!) and no more external inputs are required. This is actually the "beauty" of systemic approaches and what we always wish.

Facilitation as a commercial business: Providing access to information, access to platforms of exchange or access to new business contacts can be commercial venture for one or more market players. These 'market players' (i.e. businesses) offer neutral information, as they earn from commissions and not from actual buying and selling of produce. The value of accurate information and access to honest (i.e. registered and supervised) businesses, as well as the facilitative activities (such as brokerage, transaction security services, etc.) shall be reflected in a price that has to be paid by the consumer (i.e. the farmers, traders, transporters etc. seeking this information).

Facilitation as an ongoing task for the public sector: Providing a space where market players can meet and exchange, or providing information on actual market prices, or even information on demand and offer of specific products can be in the interest of the public sector. Enhancing economic development within a region that generates future tax money and is inclusive for small holders can be the driving argument for a government to spend money for good facilitation. Especially in weak markets, or where private facilities show conflicts of interest, the public sector can offer boards, platforms, information services for stimulating trade and regional value addition.

As mentioned above, these three types are not mutually exclusive. One could very well think of following case: some catalytic work of a program is not anymore required after program completion; at the same time some brokering services and transaction security services are offered by private businesses; and finally some additional market facilities – such as marketing boards or platforms – are continuously offered by a local government (i.e. the public sector).

The facilitation during the project life time

The facilitation during the project life time needs to consider the above mentioned long term solutions – as it is strategically different whether a specific support service will fade out, or will be offered by the private or public actor. If the service is to be continued, then capacities need to be built up; capacities for offering a high value service and capacities for paying the value of the service.

While the facilitative or catalytic intervention role of a program can have a series of different interpretations – depending on the actual context - there remain elements of expertise and competencies that need to be available within any project team.

The entry point of M4P facilitation programs are the **existing transaction or transactions among market players**. This is closely linked with a proper understanding of the market system and actually opposed to more traditional approaches focussing first of all on institutions and organisations, e.g. farmer organisations. Also opposed to other traditional instruments that manifest a 'project goal' as the final objective to achieve, in M4P programs we set out to support local actors in defining a common vision, a common goal, or an idea on how the market could function in the future.

Once we get a sound understanding of the existing transactions (e.g. embedded services from input suppliers to producers), and the common vision of a good functioning system, we can find ways (by facilitating) to improve them, possibly also scaling them up.

Consequently, involved players (organisations or institutions) need to take a lead in developing new transactions and market behaviours and should only be strengthened in function of particular needed capacities. This keeps the intervention of the project on a systemic level. In conclusion: **transaction first, players (organisations, institutions) second!**

Example: Application of PMCA in the Potato Chain in Peru

Applying the Participatory Market Chain Approach (PMCA) means engaging with market chain actors as well as public and private service providers in facilitated group processes in which market opportunities are identified and assessed and innovations are developed.

The results of a process of networking and interactive learning was the creation of a new brand, a new native potato chip, and a new national organization for promotion and marketing purposes (2002). The big success happened with the unplanned entry of a multi-national corporate and the creation of new products and brands by program outsider.

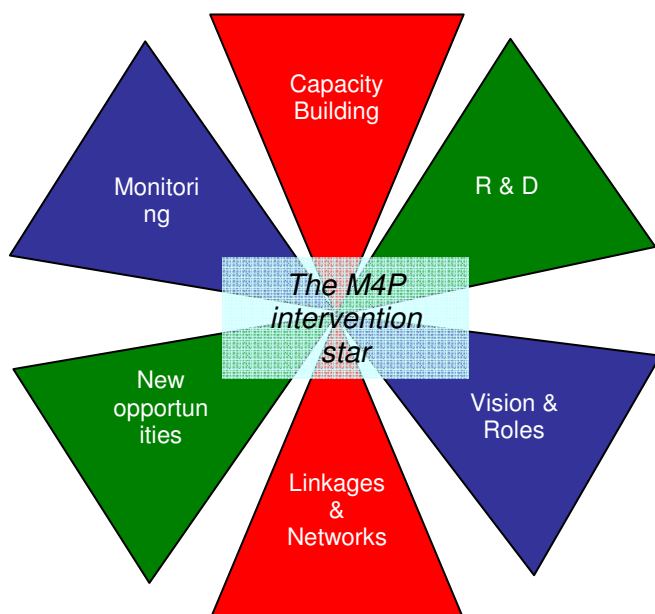
This so called Multi-Stakeholder-Platform has led to a big change in the market, because it focused on a specific problem, on joint learning and on innovation brokers. However, long term success might be critical for the smallest farmers within this value chain.

An M4P facilitator needs a very high technical, methodological and social competence – the following core are required in any M4P program:

- Understanding of the existing Market System and the ability to identify challenges, bottlenecks and potentials.
- Engaging with partners in an open-minded on non-directive way.
- Maintaining a neutral position when it comes to negotiations, etc. (We should not fight for a higher price for the poor farmer, but for a functioning market system)
- Facilitating (moderating) of events and meetings
- Having a commercial understanding
- And knowing what we talk about (technical know how in market chains)

The role of M4P programs – facilitation types

The roles taken up by an M4P program differ from one context to the other; however, there seem to be certain patterns that are found in many M4P programs. The following list summarises some of them:



Capacity Building: a continuous process of training and coaching, peer exchange on the operational learning

Research & Development: providing resources for developing and testing tools, instruments, approaches.

Create a shared vision and define roles and responsibilities: work with all stakeholders on all the levels (national, regional, local; public, private, social sector).

Create linkages and networks: Support creating linkages between market actors; support value chain actors to build trustworthy relationships; support building up of local chambers of commerce / multi-stakeholder marketing boards

Draw attention to business opportunities: Engage with other programs, your home countries, other centres of expertise for bringing in a new perspective and new opportunities.

Continuously monitor the process and provide feedback: Involve all partners into a learning process, provide methods and tools for joint monitoring and learning.

Long-term solution for market facilitation

Local leadership could be enforced through District Marketing Boards; a new innovative idea from East Africa:

District Marketing Boards – an idea from East Africa to be further explored

District Marketing Boards already exist although not formalized. Think of groups of traders who exchange with each other to fix the prices they are willing to pay for produce - of course often to the detriment of farmers wanting to sell to them and against outsiders who may come in with better conditions for the farmers. Having said this, we should always assume that there is some form of commercial network in any area.

The challenge for the public is to make sure:

- That such networks become transparent and fair,
- That the actors pay their due taxes, and
- That the legality of operations is assured.

All three functions can only be legitimately taken up by public agencies accountable to the whole population of a district, a region or a municipality. For this, the public sector needs to take care of developing transparent marketing boards; this includes following issues:

- 1. Supervision:** The public must have a way to supervise the activities of the board so that it can not be hijacked by special interests.
- 2. Ensure inclusiveness:** This means that each and any market actor can join the board and consider it as useful for promoting his business.
- 3. Registration of businesses:** The board needs to establish a screening of any new member based on clear criteria, in order to 'certify' all business members of the district marketing board.
- 4. Fair taxation:** Since the board registers the market actors, the public has a way to enforce correct taxation. Correct taxation is a prerequisite to ensure level playing grounds for all traders. Transparency in taxation is one of the many keys that make markets work, even for the poor.
- 5. Benefit to market players:** A marketing board must have a tangible benefit for its members. For instance: public relations to the outside world; supervision of agreed internal regulations; management of projects for the benefit of all members; investment into new projects; taking care of complaints and disciplinary measures against those who do not comply with the rules; guarantee for the correctness of its business members; lobbying and advocating on behalf of its members.
- 6. Self finance:** The board must assure its self finance through membership fees, specific taxes or tolls.

The (un)willingness to pay for R&D by the private sector

A summary of the discussion based on a example from a project dealing with jute products in Bangladesh

The set up seems to be perfect: the exporter is looking for production capacity in the rural area to develop new handicraft products for the European market. The project has been developing rural micro and small enterprises and trained them in business management and marketing.

After a first exchange between the small and medium enterprises of jute manufactures (SMEs) and the exporter a two fold program was agreed in order to increase the quality of the product:

- a) developing the capacity of the SMEs in terms of quality awareness, quality control, reliability of production, etc.;
- b) developing new products for the export market based on R&D of the exporter as well as traditional knowledge of the rural producers

The exporter was ready to organise the resource persons for the trainings and the project agreed to organise the training workshops. But as soon as they started to talk about money, it became very difficult. The exporter was not interested in spending money on capacity building or product development. What alternative ways forward exist?

- A) **Understand the situation of the exporter.** Are the jute producers not selling to other exporters once they have the adequate quality? What assurance does the exporter have to get higher quality products? Investing in capacity building can result in losing money for the exporter.
- B) **Contract producing.** The SMEs make a clear contract for selling their produce to the one exporter; in exchange they receive inputs (capacity building).
- C) **The project pays** 100 % but assures more linkages with other exporters (secure export market for the producers).
- D) **Public Private Partnership** – the project pays 100 % of the capacity building; the exporter & the producers share the costs for developing new products.
- E) **Organize auctions** for high quality jute in Bangladesh and do not get involved with only one exporter. I.e. develop a new market system for long-lasting success of many jute producers, manufactures and traders.

The problem of competing programs and approaches

Many projects have been faced with unforeseen challenges regarding other projects, other programs or other donor initiatives being active in the same project region. Unfortunately, a 'natural' behaviour has evolved within development project that is seeking exclusive work with 'own' project partners and project beneficiaries. To no surprise, the ongoing e-discussion on M4P only talks about the 'good approach' of the own program, and the 'bad approach' of all the other programs.

While more 'traditional' development programs that seek quick fixes for obvious problems might undermine 'innovative' M4P programs, the only enriching and empowering solution is found in the coordination, harmonisation and alignment of the different programs. Another alternative applied is seeking regions where no other programs are active. The third and very unhealthy option is the competition for 'beneficiaries' between projects and programs.

What recommendations exist for programs with different approaches that seem to act rather as competitors than as partners?

- Share information from your program; existing studies, surveys, market system information;
- Engage in an early planning phase of the other program; once the 'lock frame' is established, it might become more difficult;
- Seek complementarities in approaches, levels of interventions, partnerships
- Create dialogue platforms and make sure that the local partner is in the driver seat (not you, not the other program);
- Support clear local leadership; the local government for instance has a clear legitimacy for getting involved, for organising and coordinating (projects and NGOs are often missing this legitimacy).

A cohesive support between to different programs, Bangladesh

The case: One program is focusing on sustainable livelihoods and provides direct support to rural communities. The other program fosters rural value chains through supporting private enterprises – aiming at systemic changes in the market.

Solution: The private firms (from the second program) are now investing in collection centres for farming produce and provide quality inputs for the farmers; and therefore offer access to markets for the beneficiaries of the livelihood project (first project).

Key learning: Two programs with two different approaches do not have to compete but can tackle the problem from two different sides and generate win-win situations.

Risks with M4P – developing markets

Engaging large enterprises and triggering large private investment into market development programs seem to be crucial turning points in many programs. However, getting engaged with only one big market player shifts a lot of power to this one player (and therefore disempowers small local producers) and increases the risks through a monopolised market situation.

Sudden changes in the behaviour of the big company (for example caused by changes in world market prices) affect in an abrupt but long lasting way the local producers and all their invested capital (into the production, collection centres, organisation, etc.). Another lesson therefore is: **avoid placing too much power into a monopolistic structure.**

When working with big enterprises programs can access specific experiences and instruments developed during the last years. One of them is: CSR – Corporate Social Responsibility.

CSR – Corporate Social Responsibility

In value-chain innovation processes, there is always a risk that the lion's share of the benefits will go to large commercial interests. Corporate social responsibility (CSR) is an entry point for addressing the issue of small-scale farmers' interests with the largest players in the value chain. CSR refers to an ethical form of management that takes into account the expectations of a company's stakeholders in order to achieve sustainable development. In a value chain, two important areas for CSR work are:

- developing a market segment willing to pay a premium price for a high-quality, environmentally and socially sustainable product; and
- developing the competitiveness of supplier organizations to reduce asymmetries in bargaining power.

For instance, the Papa Andina program works to sensitize its partners to CSR, facilitating dialogue among large companies, NGOs, and farmer organizations on the application of CSR in the market chain. In this way, it facilitates communication and translation among stakeholders with differing perspectives, and through mediation it seeks to address asymmetries in power and areas of conflicting interest among stakeholders in the value chain (for example, small-scale producers and large corporate buyers).

C) Outlook to the e-learning cycle 3

Assessing change: Monitoring and measuring results on outcome or even impact level

Taking place from: August 23rd until September 10th, 2010.

We will share a brief **input paper on assessing change and measuring results** relevant for all M4P practitioners at the beginning of the discussion cycle.

And, **two specific cases** (from Bangladesh and the South Caucasus Region) shall serve as examples for further discussions and joint learning.

!! Do not miss the last of the three M4P discussion cycles in 2010 !!