

# Engaging Markets

## as a part of Development Strategies

Guide to key principles for Danish Civil Society to facilitate and advocate for long-term pro-poor market development



Danish Forum for  
**Microfinance**



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Danish Civil Society  
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for long-term pro-poor market development*

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The Danish Forum for Microfinance is an umbrella organisation of Danish NGOs, private companies, and institutions working with microfinance and microenterprise development in developing countries. The Forum was founded in 2009 and has more than 50 member organisations. The objective of the Forum is to facilitate capacity building, networking and advocacy for the benefit of the member organisations.

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## Acronym List

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ABCD – asset-based community development

ADDA - Agricultural Development Denmark Asia

ADRA - Adventist Development and Relief Agency

AFE – Action for Enterprise

BEAM Exchange - Building Effective and Accessible Markets Exchange

BEE – business enabling environment

CA – Conservation Agriculture

CBO – community-based organization

CIAT - International Center for Tropical Agriculture

CISU – Civilsamfund I Udvikling (Civil Society in Development)

CS – Civil society

CSR – Corporate Social Responsibility

CSO – Civil society organization

CSS - Civil Society Strategy (Denmark)

Danida – Danish International Development Agency

DCED - Donor Committee for Enterprise Development

DFID – Department for International Development

EVI – EcoVentures International

FAO – Food & Agricultural Association

HACCP – Hazard Analysis & Critical Control Point

HR – Human resources

HRBA – Human rights-based approach

IADB – Inter-American Development Bank

IDH – Dutch Sustainable Change Initiative

IGAs – Income-generating activities

ILO – International Labour Organization

INGO – International Non Government Organization

ISO – International Organization for Standardization

M4P - Making Markets Work For the Poor

MFI – Microfinance institution

MOFA – Ministry of Foreign Affairs of Denmark

MSE – Micro and small enterprises

NASFAM - National Smallholder Farmers' Association of Malawi

NGO – Non government organization

PMSD - Participatory market systems development approach

SACCO – Savings and Credit Cooperative Organization

SDC – Swiss Agency for Development and Cooperation

SMS – short message service (via mobile phones)

UNDP – United Nations Development Programme

USAID – United States Agency for International Development

VCD - Value chain development

VNFU - Vietnamese Farmers Union



## Glossary

**Bonded labour** - Bonded labour, also referred to as debt bondage or debt slavery is a person's pledge of their labour or services as security for the repayment for a debt or other obligation. The services required to repay the debt may be undefined, and the services' duration may be undefined. (Wikipedia)

**Business enabling environment** - The business enabling environment (BEE) includes customs, laws, regulations, international trade agreements and public infrastructure and services that either facilitate or hinder the movement of a product or service along its value chain. At one end of the spectrum, conventions, treaties, agreements and market standards shape the global business enabling environment. The BEE at the national and local level encompasses policies, administrative procedures, enacted regulations and the state of public infrastructure and availability of public services. In addition to these more formal factors, social norms, business culture and local expectations can be powerful aspects of the BEE.

**Conservation Agriculture** - Conservation Agriculture is an approach to managing agro-ecosystems for improved and sustained productivity, increased profits and food security while preserving and enhancing the resource base and the environment (FAO)

**Civil Society** - "The Civil Society Policy defines civil society as the arena between the state, the market and the family/household in which people can debate and take individual and collective action to promote change or issues of shared interest. This includes civil society in all its forms – civil society organisations (CSOs), community based organisations, community groups, trade unions, business associations, cooperatives, faith-based organisations, informal groups (without boards and formal constitutions), social movements, including online activists, academia, think tanks, international non-governmental organisations and media." (MOFA 2014, p. 6).

**Cross-cutting services** - These include services such as transportation, technology and mobile phone services. Providers of these services often serve multiple sectors, although they might have specialized products and services for a given market or industry.

**Crowding in** - Crowding in refers to government agencies, civil society organizations, or enterprises at levels other than the target level copying or changing their behaviour to those that others directly involved or affected by programme activities have adopted, or taking on a behaviour as a result of improved incentives and environment created (at least partly) by the programme.

**Demonstration effects** - The effects on the behaviour of individuals or firms caused by observation of the actions of others and their consequences.

**Embedded services** - Services provided with the cost built into an existing commercial transaction. For example, technical instruction is provided by buyers as part of the product purchasing process.

**End markets** - Final consumers of a product or service that determine market demand—including price, quality, quantity and timing. An end market is where the end-user is located, meaning the individual or organization for whom the product or service has been created, and who is not expected to resell that product or service.

**Exit strategy** - Making the withdrawal from the intervention as smoothly and sustainably as possible.

**Facilitation** - The attempt by development actors to catalyse change in the market system while not assuming any long-term market function themselves. Their intervention role is temporary and catalytic.

**Financial services** - Financial service providers include formal sources of financing, such as, banks, microfinance institutions, as well as informal sources of financing such as traders, family members to actors throughout the value chain.

**Horizontal linkages** - Market and non-market interactions and relationships between firms performing the same function (i.e., operating at the same level) in the value chain.

**Imitation indicators** - Indicators which measure the scale or breadth of program-supported behaviour change within a system. There are two prominent examples of imitation indicators- crowding in and copying.



**Incentives** - Any factor that encourages, enables or motivates a particular course of action. Incentives may be monetary (e.g., a higher price) or non-monetary (increased social capital, opportunity for future contracts, etc.).

**Inclusive market system** - Market system that engages and benefits a range of actors including the poor, women, youth, ethnic minorities and/or other marginalized groups who are often excluded—or even exploited—by traditional market systems.

**Leverage point** - A point within the system, whether a key actor, policy or relationship, where a relatively small amount of effort can be applied to create a significant change in the market system.

**Market system** - Dynamic space—incorporating resources, roles, relationships, rules and results—in which private and public actors collaborate, coordinate and compete for the production, distribution and consumption of goods and services.

**Market systems development** - Approaches to poverty reduction based on the central idea that the poor are dependent on market systems for their livelihoods. Therefore changing those market systems to work more effectively and sustainably for the poor will improve their livelihoods and consequently reduce poverty.

**Micro and Small Enterprises (MSE)** - A microenterprise can be defined as a self-employed person or an enterprise with no more than 10 (or sometimes 5) employees, including the micro-entrepreneur and any unpaid family workers. Small enterprises are often defined as having fewer than 20 employees. While MSEs can be defined by their size, they are also often defined by their common needs, problems, constraints and development opportunities rather than number of employees.

**Social capital** - The level of trust and/or obligation generated by operating within the norms and networks that govern market and non-market interactions between people.

**Supporting markets** - Supporting markets offer products and services in support of a range of business functions to actors throughout a value chain. These can include financial services; cross-cutting services such as business consulting, legal advice and telecommunications; and sector-specific services, for example, irrigation equipment or handicraft design services. These services are essential for upgrading in value chains.

**Upgrading** - Investments or innovations, made by firms, groups of firms or whole industries, that increase firm and/or value chain competitiveness, resulting in greater benefits.

**Value chain** - Value chains encompass the full range of activities and services required to bring a product or service from its conception to sale in its final markets - whether local, national, regional or global. Value chains include input suppliers, producers, processors and buyers. They are supported by a range of technical, business and financial service providers. Value chains have both structural and dynamic components. The structure of the value chain influences the dynamics of firm behaviour and these dynamics influence how well the value chain performs.

**Value Chain approach** - A method of achieving economic growth and reducing poverty that focuses on linking micro and small enterprises—including small-scale farmers—into local, regional and/or global value chains, while ensuring an enabling environment and access to the resources needed to take advantage of and benefit from market opportunities. By transforming MSEs' relationships with buyers up the chain and input suppliers down the chain, as well as with support service providers, the approach ensures that the poor are included in economic growth strategies.

**Vertical linkages** - Market and non-market interactions and relationships between firms performing different functions (i.e., operating at different levels) in the value chain.

**Watch Dog** - A group whose function it is to monitor the practices of companies providing a particular service or utility. Similar words are ombudsman, monitor, or inspector. (Google)

## Overview of the Guide

The following section outlines the purpose and the structure of the Guide.

### i. Purpose of the Guide

This Guide aims to clarify how Danish NGOs can engage markets as part of their development strategies. It serves as an overview of relevant market systems development strategies, principles and applications as seen from the perspective of the civil society in Denmark.

The Guide seeks to clarify the role of the Danish civil society in the area of income generation and pro-poor growth based on existing policies and studies and particularly on the overall approach of market systems development, value chain development (VCD) and Making Markets Work For the Poor (M4P). The Guide provides insights into ways that NGOs can ensure that working with the private sector can indeed benefit the very poor, through a pro-poor market development perspective.

### ii. Structure of the Guide

The Guide is intended for non-government organizations (NGOs) and community-based organizations (CBOs) working in developing country contexts and International NGOs (INGOs) partnering and working with local NGOs and CBOs (referred to collectively as NGOs throughout the Guide).

The Guide is divided into the following sections:

#### Role of Danish NGOs

The Guide starts by examining the Civil Society Policy of the Danish Ministry of Foreign Affairs, which forms the basis for public NGO financing in Denmark. Having assessed the role of NGOs in relation to markets in this context, the guide then moves on to look at the experiences of CISU, a membership-based agency administering Danida funding for smaller Danish NGOs. The section also discusses NGO's conceptualization of their role in relation to markets. Further details on this matter are discussed in the annex section.

#### Approaches to Market Development

The Guide includes a brief discussion on the market development approach and refers to several analytical frameworks that are further explained in the annex. On this basis, the guide expands on the opportunities for NGOs to support market development.

#### Understanding the Poor

The Guide provides an overview of the beneficiaries generally targeted by market development strategies.

#### Principles to Effective Market Development Strategies

The Guide presents a list of key Principles. Readers can refer to these during project design, implementation and monitoring to obtain guidance as to good market development practice.

#### Guidelines for Design & Implementation

Guidelines are intended to provide very practical guidance under each principle on how the principle can be applied to project design and implementation. Several guidelines are provided for each of the principle.

#### Case Examples

Generic and specific examples of Danish NGO interventions are included throughout the Guide. The intervention strategies appearing in the examples explore a number of areas in which NGOs can work with private firms and small producers to strengthen market systems.

#### Indicators of Success

The Guide includes examples of illustrative indicators applicable to NGOs implementing market development project activities.

#### Tools & More Detailed Guides

The Appendices contain several more detailed guides that can be used as tools by NGOs during design and implementation of activities.

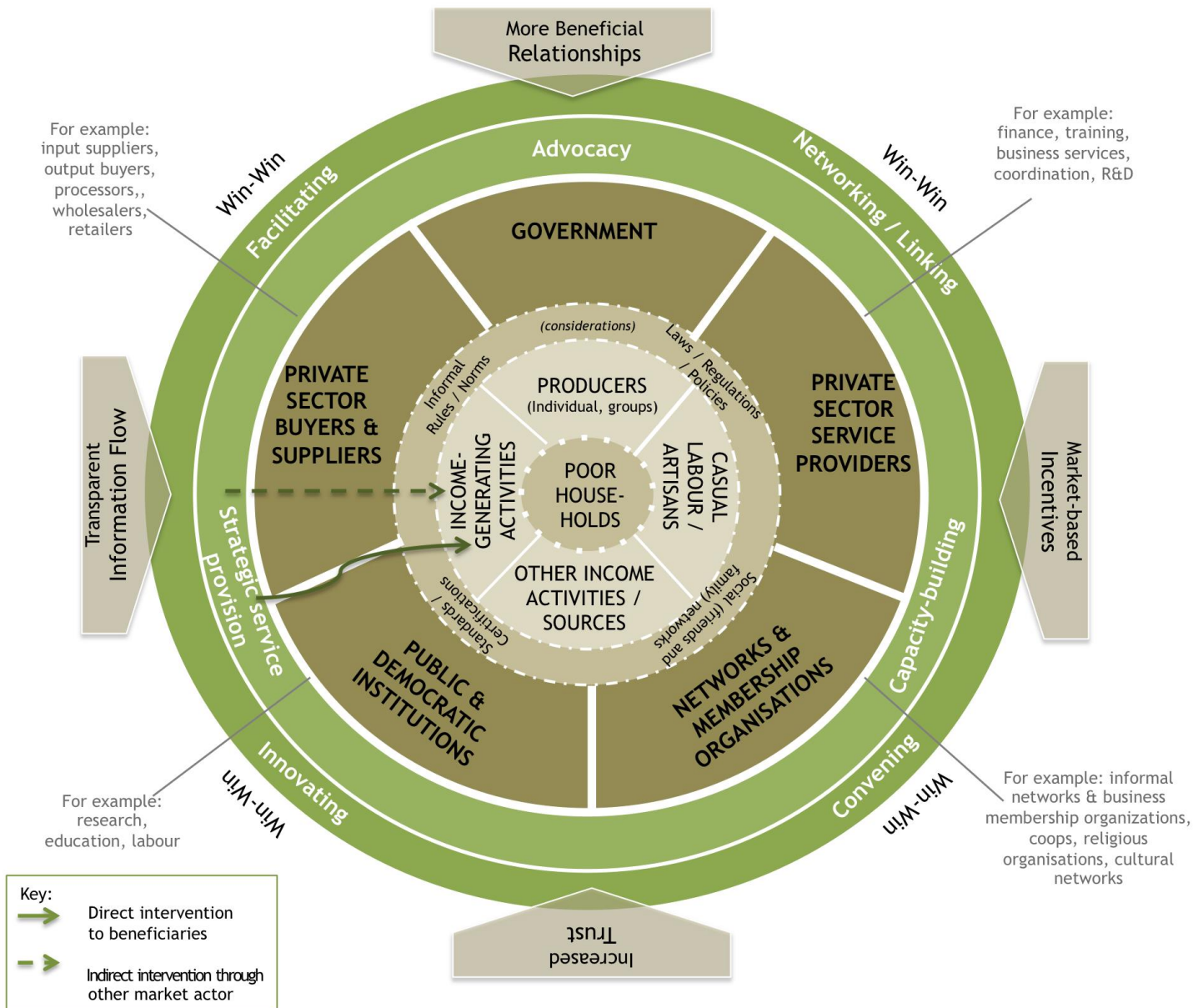
#### Resources

Readers are encouraged to refer to the Resources section at the back of this Guide to obtain further tools and insights into specific approaches discussed in this Guide that they deem to be appropriate for greater exploration and application.

#### Framework

The Guide is built around a framework that can be used to understand the market actors and corresponding NGO roles. *(See framework that follows.)*

**Civil Society Organizations' Market Development Framework**  
*for facilitating and advocating for long-term pro-poor market development*



## 1. Danish NGO Policy Framework

This section provides an overview on recent Danish NGO policy developments of relevance to NGOs working in pro-poor economic development. The section also summarizes the experiences, perspectives and positions of the Danish NGO sector in this respect. (See Appendix I for further readings with detailed reference to various policy documents and NGO publications.)

### 1.1 The Civil Society Policy

The overall message of Denmark's Development Cooperation Strategy, *The Right to a Better Life*, is to fight poverty with human rights and economic development. The Danish Human Rights Based Approach (HRBA) emphasizes the need for participation, non-discrimination, accountability and transparency. As civil society plays a critical role in the support of basic human rights, Denmark has developed a Civil Society Policy which directs support to civil society across all cooperation modalities, not least the support to Danish civil society organisations. The Policy includes several sections discussing the role of civil society in relation to the private sector and the importance of new and innovative partnerships with the private sector. Recognizing that economic growth in developing countries has been the driving force behind poverty eradication in the past decade – not development assistance – the Policy calls for new partnerships among governments, business, and civil society, which can leverage resources and ensure scaling up of funds.

The Civil Society Policy states that civil society can promote dialogue between social partners, develop new markets and business models in collaboration with businesses, and devise solutions capable of creating jobs, fostering growth and reducing poverty in the global South. In addition, civil society can play an important role in promoting Corporate Social Responsibility (CSR) (MOFA 2014, p.12).

Civil Society Policy clearly emphasizes that fulfilling basic human rights to food, education, and health, etc., calls for overall structural change, including within market systems. The Policy does not limit itself to areas such as democratic structures and advocacy for public services. Instead, it also emphasizes the need to analyse

the market context in which the poor are trapped and exploited and to understand and facilitate solutions to market inefficiencies such as a lack of market information, conflicts between market actors, such as buyers and producers, and lack of pro poor policies and infrastructure. The Civil Society Policy support “civil society engagement with duty bearers, including the efforts of civil society to enhance the responsiveness of duty bearers, the private sector and institutions of democratic control to the rights of the poor and excluded.” (MOFA 2014, p. 8)

The Policy is recognizing the growing size and influence of the Southern civil society and Southern market actors on the development agenda, and that the power relationship between North and South partners is changing. This strongly influences development financing and implementation strategies with changes to traditional North-South relationships and poverty-alleviation opportunities. The future role of Northern partners, therefore, needs to be more as facilitators, networkers, conveners and innovators (MOFA 2014, p. 13). There is a need for thorough context and stakeholder analysis, identifying what hinders and drives change in a particular situation. On this basis development actors need to carefully develop a Theory of Change that pinpoints how they can facilitate and influence a positive change (MOFA 2014, p. 15).

More recently, Denmark has integrated its policy on trade and development and the Minister of Development now holds the position of Minister of Trade and Development. Generally, the aim is to promote a common agenda across policy areas in the fight against poverty. In this policy integration, trade and access to global markets is seen as crucial for the generation of jobs and economic development in developing countries. This trend has fostered an increasingly positive debate in the Danish NGO environment on the role of the private sector in development aid.

CISU, a Danish umbrella organization with 250 members, which administers Danida funding under the Civil Society Policy on behalf of Danida, conducted a study in 2012, which concludes that civil society and the private sector have different roles and that civil society reaches beyond the private sector and has a capacity to build on the local context. The study encourages civil society to look for synergies and collaboration with the private sector and to take the role as “watchdog” to ensure a just and enabling environment for the



enterprising poor. The study concludes that CISU should play a role in building the capacity of civil society for access-to-markets and market development approaches. (CISU 2012)

## 1.2. NGO Perspectives

A study among Danish NGOs showed that a significant proportion of Danish NGOs allocate substantial budget for activities that seek to promote growth and employment in developing countries (NGO Forum 2012). Danish NGOs strongly believe that there is a growing trend for private sector orientation in the NGO environment and that Danish NGOs should do more to prioritize growth and jobs and to seek business partnerships. Danish NGOs, however, are less clear about this technical area and market knowledge and business development is often far from their competence. Danish companies are interested in CSR and sustainable growth, but have difficulties integrating the social dimension in the south. Danish NGOs often appear to have challenges in cooperation with companies due to divergent objectives. Few Danish NGOs play an active role as a watchdog and advocate for responsible framework conditions and sustainable growth models.

A group of Danish NGOs developed an instrumental model that clarifies and unpacks the Danish Civil Society Strategy (*Fagligt Fokus 2012*). “The Change Triangle” (see below), focuses on the relationships between strategic services, capacity development and advocacy in the planning, implementation and

monitoring of development projects.

Inline with the global changes in development strategies, Danish NGOs believe that there is a growing importance on the private sector in relation to all three aspects of the Change Triangle (*NGO Forum Position Paper 2013*). It is the clear observation that, in order to remain relevant and exert influence NGOs both need to sharpen agendas and priorities and engage new actors, such as local private enterprises and international corporations. It is the position of Danish NGOs that they need to “work with private sector stakeholders - as an opportunity for reaching the marginalized people and in order to hold private sector actors accountable for delivering services which are inclusive, non-discriminating and of good standard.” In addition, it is the position of Danish NGOs that civil society should find ways of supporting social businesses entities that has become a growing trend bringing new dimensions to HRBA and new ways to organise bottom-up development. (*NGO Forum 2013*)

The focus on advocacy in the Change Triangle as a way to ensure that long term structural change for the benefit of the poor is indeed not only about the promotion of public sector policies and services for the benefit of rights holders, but equally about the promotion of an enabling environment with access to private sector resources and opportunities for the benefit of right holders. NGOs therefore need to work extensively with private sector actors from associations of small farmers and women self-help groups to larger buyers, transporters, input suppliers and Danish importers.

### Defining ORGANISATIONAL CAPACITY

Include, but are not necessarily limited to:

- Organisational assessment
- Leadership development
- Participation
- Internal democracy
- Internal/external communication
- Gender equality
- Transparency
- Legitimacy and constituency building
- Financial management / fundraising
- Strategic planning

### Defining THEMATIC COMPETENCIES

Refers to the professional focus of an organisation or to the specific content of the broad variety of projects, programmes or services that constitute development activities in the South.

Thematic competencies can

- For example, be an organisation that pilots alternative or innovative education or health care methods to be used strategically for replication or in evidence-based advocacy.
- Also refer to different forms of direct services to end target group, when used strategically by CSOs to claim rights and/or improved living conditions.

### Defining ADVOCACY

Often composed of at least the following steps:

- A clear alternative proposal for change
- Rights-based and/or evidence-based
- Mapping and analysis of power relations
- Short and long term objectives
- Alliance building
- Building ownership
- Support from research and INGOs
- Lobbyism and use of media
- Interface with state and/or market
- Negotiation

Diagram: The Change Triangle

## 2. Pro-Poor Market Development

The last few years have seen a rapid increase in interest around market development and private sector approaches that benefit the poor.

A number of leading international NGOs, government and UN agencies are promoting the facilitation of pro poor market development strategies. The Danish NGO Forum's study on growth and employment highlights increasing international experience amongst NGOs with market-based approaches to development. Pro-poor market development approaches, such as 'Making Markets Work for the Poor' (M4P), Value Chain Development, and Market Systems Development, and, have wide international support from donors, including Danida, through The Donor Committee for Enterprise Development (DCEd).

### 2.1 Market Development Approach

Markets are especially important to the poor – who have weaker informal networks and fewer links to government patronage. Markets provide a direct way for everyone to participate in economic activity. As shown in the Inclusive Business Model diagram, well functioning markets comprise capable farmers, willing buyers, and a supportive enabling environment. These factors allow for new business models for sustained trading relationships. The Inclusive Business Model explains that linking smallholders with modern markets is not only a matter of strengthening farmers' skills and

capacities to become better business partners. Rather, this also requires the private sector (including small, local enterprises) to adjust their business practices to smallholders' needs and conditions to stimulate sustainable trading relationships. A combination of sound public policies and donor support can contribute to an enabling environment that supports these linkages. Capable farmers and willing buyers, together with an enabling environment can establish trading relationships that are both durable and profitable for both farmers and buyers. (*International Center for Tropical Agriculture (CIAT)*)

The central idea in undertaking a market development approach is that the poor are dependent on market systems for their livelihoods. Therefore changing those market systems to work more effectively and sustainably for the poor will improve their livelihoods and consequently reduce poverty. More accessible and competitive markets enable poor people to find their own way out of poverty by providing more real choices and opportunities. Markets that function well have wider economic benefits too. They stimulate investment and encourage firms to innovate, reduce costs and provide better quality jobs, goods and services to more people. The involvement of poor people in economic growth is the best way to get people out of poverty and represents the exit strategy for aid. (*Springfield, 2008*)

Pro-poor market development seeks to change the way that markets work, so that poor people are included in the benefits of growth and economic development, creating large-scale, lasting benefits for poor people. Pro-poor market development aims to create more inclusive and competitive economies – enabling poor people to benefit from expanded access to basic services, more reliable incomes, better jobs or more affordable consumer products. (*BEAM 2014*)

Among donors and their implementing partners, there is a new appreciation of the importance and role of market systems in reducing poverty.

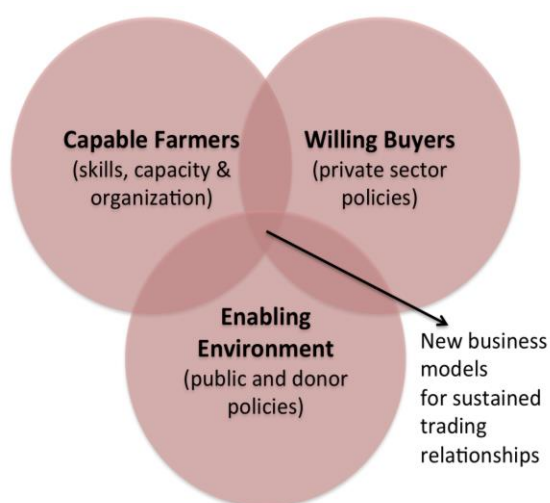


Diagram: Inclusive Business Model

#### Denmark Case Example:

CARE Denmark supports market systems development strategies, with a theory of change that explains: "Sustainable markets which serve the poor can help increase food security and fulfil the right to adequate food and other human rights for small-scale producers and labourers. The globalization of food and supply

chains can be favourable for those who manage to link into the chain, and unfavourable for those, who are left out. Unfair competition, high product standards coupled with low risk-willingness on the side of investors, and exploitation of labour can push small-scale producers out of the new markets. As decision-makers are increasingly turning to markets as a tool to reduce poverty, it becomes critical to demonstrate new and sustainable solutions, which benefit small-scale producers and labourers, and to monitor and promote human rights and environmental standards.”

The Springfield Institute in the United Kingdom has been a long-standing proponent of market development approaches, recognizing that economic growth, as one of the most important contributors to poverty reduction, and expanded access are critical factors in developing competitive and inclusive economies. These, in turn, require (i) markets for goods, services and commodities that operate effectively for everyone but especially the poor as consumers, producers or employees, and (ii) basic services – for example such as education, health and water – that can build people’s capacities to escape poverty. (*Springfield, 2008*)

Market development approaches identify and respond to root causes of market failure – not just symptoms. They focus on interventions that modify the incentives and behaviour of businesses and other market players – public, private, formal and informal – to ensure lasting and large-scale beneficial change. (*BEAM 2014*) Market development approaches recognize that markets are complex, continuously changing systems, which comprise of multiple value chains, households and cross-cutting markets.

Market systems approaches seek to address the specific and unique underlying causes of poor performance in particular industries or sub-sectors. By stimulating changes in the rules, relationships, barriers and incentives that affect how public and private actors behave, they can help important market functions to be performed more effectively. If successful, this improves the whole market system – enabling multiple businesses to innovate, grow, reach out and serve wider populations.” (*BEAM, 2014*)

A market development approach aims to “align the policy objectives of a programme’s intervention with the

private incentives and capabilities of the key actors in the system. ... By addressing the causes of market failure in this way, a market systems approach ensures that the social and economic benefits for poor people last far beyond the period of intervention.” (*BEAM, 2014*)

The approach recognizes that donor funding can have a powerful yet temporary influence on behaviours and roles. To succeed, market systems approaches must ensure that desired behaviour changes reflect the genuine incentives and capabilities of permanent players in the market, who will uphold these changes in the long-term.

## 2.2 Analytical Frameworks

Several frameworks and approaches have emerged to support market systems development strategies. The field is dominated by three approaches: the value chain approach, The Making Markets Work For the Poor (M4P) approach, and, most recently, the Market Systems Development approach. (See Annex for more detail on each approach.) In addition, there are subtle variations of these adopted by organizations, including UNDP’s Growing Inclusive Markets, the IADB’s Opportunities for the Majority, Practical Action’s Participatory Market System Development (PMSD) approach, and the IFC’s Next Four Billion. Amongst the private sector, there is growing interest in social investment, sustainable business practices, fair trade and engaging with the Base of the (Economic) Pyramid.

The M4P Approach build on rights-based obligations. A rights-based approach creates a moral and legal climate to force change. M4P builds on this by considering how obligations will be met if, for example, government or other entities cannot deliver directly. Donors, NGOs and other development organizations are starting to align more closely in terms of approaches. “Although terminology and emphasis may differ, all of the approaches see a market-based economic engagement with the poor as essential for sustainable development.” (*Springfield, 2008*) The rubric ‘market systems development’ is becoming more commonly accepted terminology across donors and their implementing partners.

The ‘Evolution of the Approaches’ diagram summarizes the evolution of various approaches to supporting market development. (*Adapted from Centre for Global*



*Development's 'Behavioural Design A New Approach to Development' Policy Paper.)*

## 2.3 Opportunity for NGOs to support market development

Studies of Danish NGOs promoting income generation and pro-poor growth highlight that there is a widespread uncertainty about the role of NGOs in private sector development and the extent to which civil society strategy can allow NGOs to engage with market actors in their efforts to alleviate poverty (*CISU 2012; NGO Forum 2012*). There is often a sense that the private sector is a constraint to development rather than an ally in delivering sustainable development strategies and providing necessary source of income to the poor themselves.

In the new Policy for Danish Support to Civil Society, Danish NGOs are, however, encouraged to enter new types of partnerships that address the dynamic changes in developing country contexts, including the growing potential of the local private sector in tackling development issues.

Market development approaches highlight that the poor depend on market systems for their survival. By understanding why market systems fail to include the poor or extend equitable benefits to the poor, NGOs can facilitate structural improvements in market conditions and thereby help to ensure sustainable change to the livelihoods of the poor.

Markets are traditionally seen as being commercial and the domain of private providers and basic services are traditionally seen as primarily the domain of government. However, recent trends and major changes in economic thinking have allowed a more nuanced and realistic view to emerge, which recognises that they have common characteristics. Both are multi-functional; they require a mixture of different functions to be undertaken such as regulation, information and delivery. Both are multi-player; they require a range of public and private players. (*Springfield, 2008*)

### Case Example:

Dutch Sustainable Trade Initiative (IDH) has been supported substantially by Danida since 2007. IDH works to strengthen sustainable value chains and promotes public private partnerships

including civil society, government bodies, knowledge institutes, private sector companies, financial institutions, and other interest groups. The objective is to strengthen sustainable production as an economic viable business strategy that addresses challenges such as poverty reduction, labor conditions and environmental challenges in value chains. ([www.idhsustainabletrade.com/](http://www.idhsustainabletrade.com/))

Civil society, with the agenda to foster pro poor economic development, can play an important role in the development of market systems. NGOs have important knowledge of the social conditions and barriers of entry that limits the integration of small producers in global value chains. NGOs, therefore, have highly valuable and complementary capacities when working for economic development. Together with business providers interested in social or environmental objectives in strategic value chain interventions, NGOs can help develop sustainable pro-poor business models.

The Danish Civil Society Policy supports the changing role of civil society in supporting more of a market development approach and working more closely with the private sector. In recent years, the private sector has made an increasingly positive contribution to the livelihoods of the poor, not least through their interaction as suppliers of inputs and buyers of outputs from small-scale producers in low-income markets. NGOs are increasingly seeking to influence private sector actors and trying to find partners with whom they can co-create sustainable business models.

### Case Example:

Solidaridad, an international civil society organisation in Holland, brings together the private sector and other supply chain actors and engages them in innovative solutions to improve production, ensuring the transition to a sustainable and inclusive economy. ([www.solidaridadnetwork.org](http://www.solidaridadnetwork.org))

The Civil Society Policy states that civil society can promote dialogue between social partners, develop new markets and business models in collaboration with businesses, and devise solutions capable of creating jobs, fostering growth and reducing poverty in the global South.

Many NGOs are reticent to work more closely with the private sector as this is perceived to be supporting big business to benefit the poor. It is helpful for NGOs to recognize that reference to the private sector, businesses or firms refers to many levels and sizes of business.

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*In much the same way as NGOs and governments support and work through local microfinance institutions, the private sector entities providing non-financial business development services need to be strengthened in order to provide sustainable, accessible and affordable services to the poor.*

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Examples of smaller, local private sector players that could form more comfortable development partners are: independent trainers and consultants providing services to the poor; micro and small input distributors in rural areas operating out of road side shacks or small buildings; small village radio stations; individual tractor drivers or spray service providers travelling long distances to provide services to farmers as their only source of livelihood; local kiosks providing goods to farmers and households; informal traders or small-scale buyers, and local micro-franchise facilities. In addition to these private sector entities, public and educational institutes can often complement and support the work of the private sector less directly. Examples include: research institutes supporting appropriate product development in the private sector; or consumer protection associations supporting appropriate

channels to report and mediate the private sector. Any reference to the private sector, firms or businesses therefore also refers to these types of smaller, local entities, which often provide good opportunities for NGOs to work with to improve service delivery for the poor.

Donors are increasingly recognizing the challenges of direct delivery approaches and the growing opportunities to impact poverty reduction by working through the private sector (including the smaller, local private enterprises described above). DFID has funded several studies through the Springfield Institute in the United Kingdom. Studies show that practitioners' instincts have been to ask the question "what problems do businesses have and how can I solve them?" and not to ask the more relevant systemic questions: "why isn't the market environment providing solutions?" to these and "How can I address the constraints that prevent it from effectively doing so?"

Civil society organizations are contributing to poverty-oriented growth in a number of different ways. This draws on a tradition of combining different approaches to development – i.e. a rights-based approach with growth for the target group, and a capacity building approach with supporting growth for local cooperatives. In some cases, organizations are partnering with the private sector directly, while in other cases, NGOs are playing more of an advocacy role to impact widespread improvements and change, or indeed, a combination of the two.



### 3. Understanding poor households & producers

Market Development approaches recognize poor households as one of the core market actors in market systems. Market development considers both the resources of poor households (including human, physical and financial resources), and the activities of poor households (their production, consumption and investments). Poor households include poor smallholders producing agricultural goods or producers of non-agricultural products and services.

Agribusiness is usually built around a small number of large-scale suppliers, ignoring that 85% of the world's farms are managed by small-scale producers. Smallholders are often excluded from modern agribusiness channels due to a lack of access to services, high transaction costs, and poor infrastructure. This, in turn, increases the perceived risks and costs associated with purchasing from large numbers of dispersed producers. While successful examples of smallholder inclusion into modern supply chains can be found, these remain the exception rather than the norm. (CIAT, 2012)

It is useful for NGOs to consider the assets and opportunities, together with the associated challenges and risks, facing poor households and small-scale producers. This supports better understanding of market-based strategies that are most effective in supporting these households and producers.

#### 3.1 Challenges

Poor households are vulnerable to sudden negative changes, referred to as 'shocks'. These include:

- **Environmental shocks:** droughts or floods, etc.
- **Political shocks:** conflict, changes of policy, etc.
- **Health shocks:** HIV/AIDS, other illness, etc.
- **Market shocks:** loss of a job, currency devaluation, sudden decrease in selling price, or rising food prices, etc.

For the very poor, any sort of unfavourable circumstance could wipe out the few assets they have, and just meeting daily needs can be a struggle. They often lack effective ways to reduce their risk, "risk mitigation mechanisms", such as savings or insurance, to deal with unexpected shocks. (World Vision, 2013)

For NGOs to understand the behaviour of poor households, it is useful to understand that almost everything that a very poor household does is done in order to become more resilient to these shocks. This means that if something goes wrong, the household would have built the ability to continue their lives without losing everything they have.

Although poor households and producers have many assets and opportunities, it is important to recognize factors that provide constraints in allowing them to take full advantage of these and to be able to participate in markets effectively. World Vision (2013) describes some of these as:

- Inadequate access to products and services
- Limited mobility and freedom
- Unequal distribution of entitlements
- Time poverty
- Inexperience and shallow commercial networks
- High transaction costs
- Over-indebtedness owing to failed financing opportunities
- Limited knowledge of and experience in markets
- Social exclusion or lack of empowerment among minority groups or groups with certain stigmas

#### 3.2 Assets and Opportunities

Asset-based community development (ABCD) is a methodology that seeks to uncover and use the strengths within communities as a means for sustainable development. Building on the skills of local residents, the power of local associations, and the supportive functions of local institutions, asset-based community development draws upon existing community strengths to build stronger, more sustainable communities for the future. (Wikipedia)

Poor households have varying levels of knowledge, skills, resources, values, and commitments that translate into physical, social and natural assets. These result in the adoption of different coping and livelihood strategies. These assets represent varied opportunities for managing livelihoods and for coping with stresses.

Typical assets and resources of poor households that provide a good foundation for participating as disciplined market actors include:



#### Human assets:

- Multiple family members who can support livelihood activities. (Health issues and migrant labour patterns can limit the availability of these labour resources.)
- Time availability. (Labour saving equipment, such as water collection technologies, can support the reallocation of time to more productive activities.)

#### Physical assets:

- Ability to save, such as through 'tontin', 'merry-go-rounds', 'ekimina', and 'sanduk', which is particularly nurtured by social and peer pressure.
- Land on which to undertake productive activities. (This land is generally not owned and usually very small.)
- Access to cell phone and sms technology in many poor, even rural, communities.

#### Social assets:

- Wide social network of contacts and relationships. These can provide valuable support during times of stress.
- Receipt of labour support from friends and families in the form of shared labour.
- Receipt of financial support from friends and families in the form of remittances from urban areas or from diaspora outside of the country.
- Ability to mobilise community support and form groups.
- Ability to develop trusted relationships.

#### Natural assets:

- Access to low cost, sustainable inputs to support production.

#### Psychological assets:

- Familiarity with and ability to work hard
- Familiarity with and ability to live through difficult circumstances (such as constant turmoil and hunger)
- Instinctive risk reduction strategies to spread and mitigate risks

Poor households, for example, often instinctively spread their risk by diversifying income sources among household members, or by diversifying crops grown on their land to include food crops and crops with more predictable and stable markets.

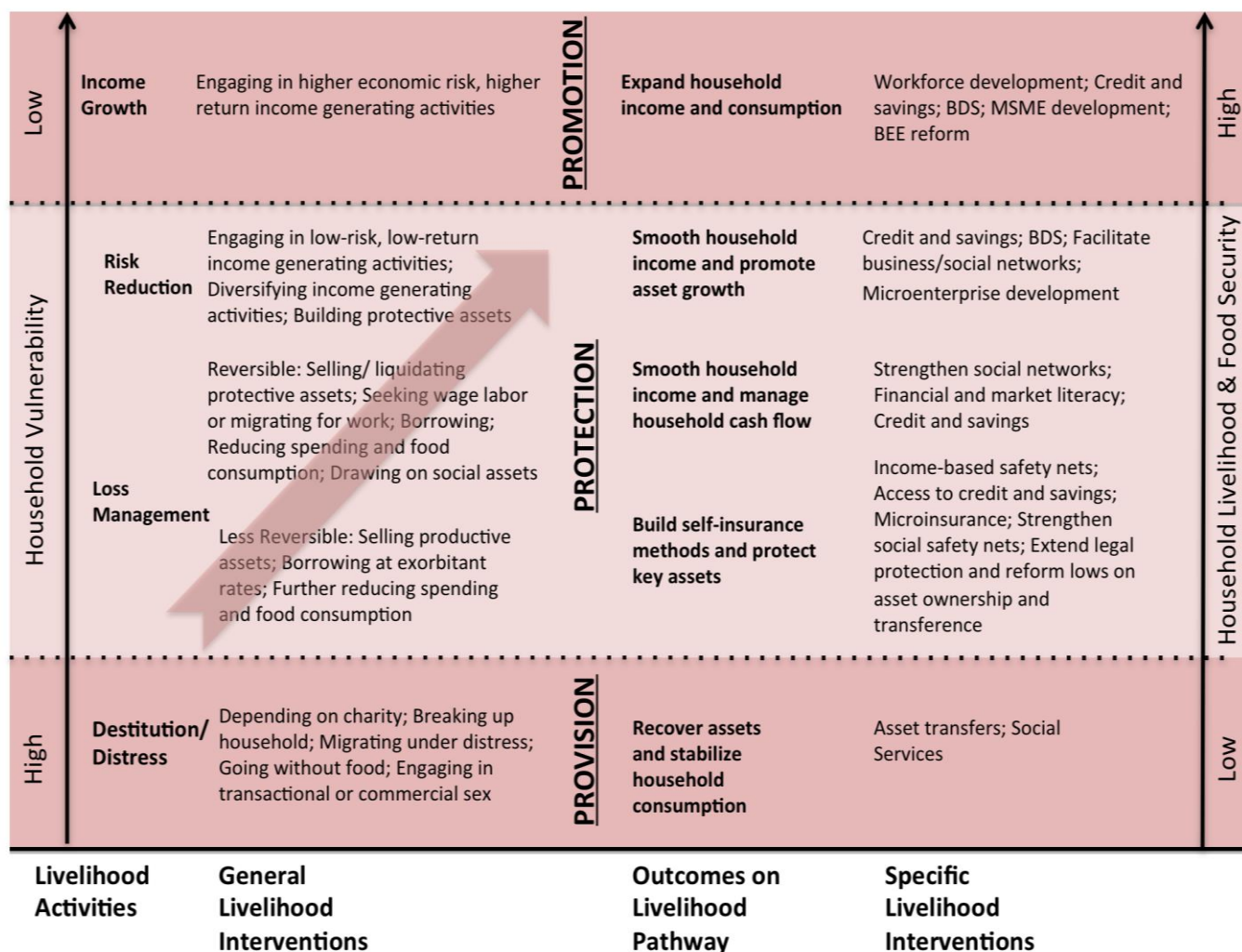
### 3.3 Livelihood Pathways

USAID's Livelihoods & Food Security Technical Assistance programme developed the diagram below to demonstrate the vulnerability levels of extremely poor producers and the associated provision-related, protection-related and promotion-related market and livelihood interventions most appropriate at different levels of vulnerability.

Poor households vary in their asset levels, income flows, social networks, and abilities to cope with unexpected shocks. One poor household struggles to meet minimum consumption needs, while another poor household has stable consumption patterns and is starting to diversify its income sources. The ability and willingness of these two households to invest in upgrading their household or economic activities and integrate into a competitive market will differ. So likely will the terms on which they participate; a household with no assets and few marketable skills may only be able to offer unskilled labour, while one with tangible assets and a willingness to take reasonable risks can engage as a small enterprise.

Income and asset objectives are seen to evolve from (i) stabilizing household consumption/stemming asset loss, to (ii) smoothing household consumption / protecting assets, to (iii) smoothing household income/acquiring assets, to (iv) expanding household income/leverage assets, and to (v) stabilized income-generation and asset accumulation. (*Pathways out of Poverty, 2011*)

Poor households may be more resilient because, for example, 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. They may 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.



*Livelihood & Food Security Pathway (LIFT Project)*

The poor participate in varied livelihood strategies.  
Formal and informal activities include:

- **Short-term income generation activities (IGAs):**  
Ad hoc, disparate activities to generate small, inconsistent bursts of cash. Often in the informal sector
- **Remittances:** Receipt of remittances from friends and family
- **Short term employment:** Part time, often seasonal, wage labour opportunities
- **Self-employment through micro enterprises:**  
Small-scale livelihood activities that focus on a

particular set of products or services and which generate somewhat more stable cash flow.

- **Migrant labour:** Moving away from family to another geographic area at intermittent times to secure temporary employment.

The activities listed above do not include less acceptable activities, which the poor can at times be drawn into, such as organized crime-related activities, which often represent perceived stability and security in certain communities.

## 4. Key Market Development Guidelines for NGOs

The approaches discussed earlier in the Guide are useful in providing frameworks to understand how the private sector plays a critical role in economic growth and poverty alleviation for poor households.

To provide practical guidance on implementation of these approaches, this section discusses how NGOs can put these approaches into practice within the context of poor households and producers. The key principles and tactics described below are useful in several stages of the project cycle, including project design, implementation and assessment. The applicability of each principle will vary between NGOs depending on their focus and context.

**Note:** In many of the principles discussed in this section, reference is made to NGOs working with the private sector, firms or enterprises. As emphasized earlier in this Guide, it is important to recognize that the private sector includes local, small-scale enterprises that often make more comfortable entities for NGOs to work with than big business entities

The principles and guidelines are presented in summary on the table that follows.





**Civil Society Organization' Principles and associated Guidelines**  
for advocating for and facilitating pro-poor market development

PRINCIPLES		GUIDELINES
#1:	<b>Support pro-poor market development</b>	<ul style="list-style-type: none"> <li>a) Select markets with opportunities for large impact on social progress and fighting poverty</li> <li>b) Advocate for and support environmentally-sustainable strategies and green market growth</li> <li>c) Advocate for and support human and labour rights</li> </ul>
#2:	<b>Base interventions on appropriate analysis</b>	<ul style="list-style-type: none"> <li>a) Analyse market systems and labour contexts</li> <li>b) Analyse informal rules and norms</li> <li>c) Analyse at household and intra-household level</li> <li>d) Analyse behaviours and coping strategies</li> </ul>
#3:	<b>Facilitate change indirectly and discreetly through local market entities</b>	<ul style="list-style-type: none"> <li>a) Work through local market actors with win-win strategies</li> <li>b) Work through key points of influence</li> <li>c) Have clear exit strategies</li> <li>d) 'Crowd-in' new behaviours and activities</li> <li>e) Leverage stakeholders' motivations and interests as drivers of change</li> <li>f) Create demonstration effects</li> <li>g) Work with multiple partners</li> <li>h) Facilitate market pressure to incentivize market actors to behave more favourably</li> </ul>
#4:	<b>Strengthen rather than distort local markets</b>	<ul style="list-style-type: none"> <li>a) Adopt a demand-driven approach</li> <li>b) Avoid competing with local products or services</li> <li>c) Recognize the value of both competition and cooperation</li> <li>d) Recognize the informal systems already in use by the poor</li> <li>e) Recognize unintended consequences</li> </ul>
#5:	<b>Support activities that strengthen markets for the long term</b>	<ul style="list-style-type: none"> <li>a) Facilitate access to inputs</li> <li>b) Facilitate access to buyers</li> <li>c) Facilitate linkages between producers and producer organisations</li> <li>d) Facilitate access to finance</li> <li>e) Support cross-cutting market systems</li> <li>f) Facilitate supportive policy and regulatory environments</li> <li>g) Support market-relevant knowledge exchange and skills building</li> <li>h) Facilitate improved quality assurance systems</li> </ul>
#6:	<b>Adapt interventions to the beneficiary group</b>	<ul style="list-style-type: none"> <li>a) Support risk mitigation strategies</li> <li>b) Support confidence-building</li> <li>c) Support increased trust</li> <li>d) Leverage social capital</li> <li>e) Support complementary skills needed for participation in markets</li> </ul>
#7:	<b>Support varied livelihood opportunities for beneficiaries</b>	<ul style="list-style-type: none"> <li>a) Support opportunities for the poor to graduate from direct support</li> <li>b) Encourage improved employability</li> <li>c) Encourage enterprise &amp; income-generating opportunities</li> </ul>
#8:	<b>Include strategies to benefit particularly vulnerable beneficiaries</b>	<ul style="list-style-type: none"> <li>a) Support inclusion of women</li> <li>b) Support inclusion of youth</li> <li>c) Support inclusion of ethnic minorities</li> </ul>



## Principle #1: Support pro-poor market development

### Guidelines:

- a) Select markets with opportunities for large impact on social progress and fighting poverty
- b) Advocate for and support environmentally-sustainable strategies and green growth
- c) Advocate for and support human rights and market-place conflict mitigation

NGOs need to support market development that has a positive impact on the poor at a scale that can impact poverty reduction and human rights.

### 1a. Select markets with opportunities for large impact on social progress and fighting poverty

NGOs should select to work in markets that have the greatest likelihood of positive outcomes for the poor hence supporting the greatest potential for social progress and the fight against poverty. This is represented by markets that either large numbers of the poor are already participating in, or that the market has the potential to draw in large numbers of poor. For example, agricultural crops that are more conducive to labour-intensive production methods by their very nature have the ability to incorporate large numbers of the poor, if there is benefit to the poor by being involved in these markets.

Participation of a large number of poor in a particular market does however not necessarily translate into benefit for the poor. Cotton is an example of a crop, which often involves a lot of poor producers cultivating under semi-dry conditions and ginneries that may employ a sizable number of workers amongst the poor. The cotton market system may however not provide significant benefit to the poor without considerable changes in the market.

Through the Value Chain Approach and other approaches such as the Participatory Market Systems Development Approach (PMSD) field staff analyse factors such as the potential to reach those most in need, and a particular market's potential for growth, so that they can establish which markets within an area (for example, dairy or rice) provide the best

opportunities for reducing poverty on a large scale. They then get a better understanding of that market system, and the problems within it, by mapping out how the system fits together, and researching each connection and market actor in detail.

### 1b. Advocate for and support environmentally-sustainable strategies and green market growth

It is being increasingly recognized that unsustainable environmental practices ultimately have negative impact on the poor. Where possible, NGOs should work to encourage sustainable business practices and green market growth.

NGOs could advocate for and support capacity improvements for more environmentally-sustainable market practices, such as:

- Greener production processes for both large and small firms, including conservation farming practices through to green manufacturing practices
- Improved waste management all the way through the chain including at production, processing, transport and consumption levels
- Improved green practices of packaging and transport practices at all levels of the chain
- Accountability of market actors to environmentally-sustainable practices and goals
- Transparent reporting which includes environmental impacts, especially on poor communities
- Information sharing on environmental regulations and compliance requirements, and consumer preferences, with poor producers, and support for necessary capacity improvements
- Support for organic certification. Some producers in rural or urban areas, particularly those belonging to producer groups, may be ready to go through a organic certification process. In organic production, hand weeding replaces herbicides, integrated pest management replaces pesticides, and composting replaces chemical fertilisers.

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#### Danish case example:

Danish NGO Cykler til Senegal (CtS) partner, COLUFIFA, have trained and organised local bee-keepers in Southern Senegal, which means that they no longer kill the bees when collecting the honey.

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It is helpful for NGOs to recognize that there are multiple entry points into the market system where advocacy and support for environmental-sustainability can have a positive impact on the poor, beyond working at producer level alone.

At producer level, NGOs may realize that poor producers are not always ready to take significant leaps in sustainable environmental practices, even though they often appear to be in a position to do so. Poor producers tend to be extremely familiar with the soil conditions and pests on their small plots, and are usually in a position to use sustainable, natural methods to manage their land and produce. Many small-scale producers have not used chemical fertilisers or pesticides as they have not been able to afford or access these. Organic certification would allow them to earn a premium price in the market. However, many poor producers may not find it advantageous to produce organically. They may find it challenging to meet the specific product standards and growing conditions. The costs of certification can be very high. Not all produce has sufficient organic market demand. If NGOs decide to consider supporting organic certification they should ensure adequate research on the markets and standards for a particular product, weighing the potential benefits with the costs of certification.

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#### Illustrative example:

An NGO builds the capacity of local tractor owners/drivers to change to Conservation Agriculture practices. The tractor service providers run their own microenterprise ploughing service businesses especially when they are clearing new land for a crop, which is essentially one driver charging smallholder farmers to plough their plots with his tractor. The NGO supports the tractor owners/drivers to access harrows (rippers) instead of ploughs, through innovative financing mechanisms or strategic partnerships, how to use and repair these, and the benefits they provide to the soil

and farming practices. (The use of harrows for land preparation improves water usage and maintains the rich topsoil in place, both very beneficial for smallholder production, and is far more quick, hence saving time and allowing tractor drivers to cover far more land in one day, hence the ability to earn higher incomes.) Instead of training the smallholder farmers on conservation agriculture practices, the NGOs work through the tractor service providers to educate and inform farmers, as it makes business sense for the tractor service providers to change the farmers' practices - hence presenting a win-win business relationship.

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### 1c. Advocate for and support human and labour rights

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The Policy for Danish Support to Civil Society emphasizes that "civil society can play a significant role as watchdog by holding companies accountable for taking appropriate steps to identify, prevent and mitigate adverse impacts of business activities on human rights, labour rights, non-discrimination including gender equality, environment and anti-corruption". (MOFA, 2014, p12)

The marketplace has a significant impact in maintaining or oppressing human rights and labour rights. NGOs can take on several activities that promote human rights and fair labour practices, such as:

- Promotion of fair labour practices such as discouraging child labour or bonded labour practices
- Promotion of fair compensation practices
- Support for the poor to be involved in decision-making around market-related policies, regulations, and changes
- Promotion of Fair Trade production and buying practices and attainment of certification by poor producers

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#### Illustrative example:

An NGO selects to work in the construction market as there is a culture of bonded labour practices in this sector that the NGO aims to mitigate. The NGO recognizes the negative impact of bonded labour on breaking family

structures, and promoting extremely poor working conditions and unsafe labour practices, creating a perpetual cycle of indebtedness. Instead of running campaigns against bonded labour for construction material processors or at construction sites, the NGO undertakes a market analysis to understand how the construction market works and what the incentives or disincentives could be for the use or abandonment of bonded labour practices. The NGO supports practices in the market that will lead to win-win business relationships that will discourage the use of bonded labour. These include moving construction contractors into higher value markets that require improved construction materials, higher levels of semi-skilled labour (not usually presented by bonded labourers), and increased labour-use compliance checking at construction sites.

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Advocacy initiatives can be built on the perceptions of key stakeholders who are of key interest to the private sector, such as their customers. Media publicity surrounding environmental impact, deplorable working conditions, health and safety issues, and low wages in many producer countries have increased consumers' interest in knowing where their products come from and under what condition they are produced. Advocacy initiatives can, for example, address the urgent need to work towards sustainability and good production practices throughout the sector. This in turn empowers producers and smallholder farmers, improves working conditions for their workers, and increases productivity and product quality.

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#### **Case Example:**

The Sustainable Trade Initiative (IDH), described earlier, explains that consumers are aware of how their purchases affect social conditions of millions of factory and farm workers around the world. IDH emphasizes that international markets require sustainability and transparency in the supply chain (including respect for the environment, acceptable wages as well as decent work place for all). Companies are looking for activities that create shared value in the supply chain, engaging with suppliers and farmers to take an active role in sustainability. IDH supports public-private partnerships as an

increasingly common tool to bring together the strengths of companies, governments and civil society to include smallholder farmers in global trade.

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There is a clear interest from the public and private sector to work together in order to support countries to promote and increase good agricultural practices, including through advocacy initiatives. The business world has widely acknowledged that eradicating deplorable working conditions, increased food safety, and improved food security are only possible with improvements in good agricultural practices. Working through existing social and environmental standards can lead to transparent market transformation. Companies want to address challenges in the countries where production is taking place, which often goes beyond the scope of individual companies' operations. Examples include companies addressing issues of water management, labour union involvement, migrant workers, climate adaptation and carbon footprints.

Effective advocacy and capacity building initiatives strengthen the capacity of producers and smallholder farmers to comply with sustainable production practices and good agricultural practices. Furthermore, effective initiatives support producer and farmers to comply with social and environmental regulations and collaboration with governments and other relevant parties in producer countries to support local sustainability initiatives.

## Principle #2: Base interventions on appropriate analysis

### Guidelines:

- a) Analyse market systems and labour contexts
- b) Analyse informal rules and norms
- c) Analyse at household and intra-household level
- d) Analyse behaviours and coping strategies

The Danish Development Cooperation Strategy encourages greater assessment of the environment and context in which NGOs are operating.

“There is a need for thorough context and stakeholder analysis identifying what hinders and drives change in a particular situation. On this basis development actors should carefully develop a Theory of Change that pinpoints how they can facilitate and influence a positive change.” (*MOFA 2014, p. 15.*)

Analysis is a fundamental part of the process during the design of any NGO market development activities. Several areas that are important to consider are outlined below. It is important for NGOs not to fall into the trap of “Paralysis by Analysis”, where so much time and resources are spent on analysis that no action is ever taken. Often rapid assessments and analyses can provide enough information on which to base decisions rather than extremely lengthy processes. The key is to do analyses and assessments rather than making assumptions on what is needed or what will work.

### 2a. Analyse market systems and labour contexts

Before considering market and enterprise development interventions, NGOs need to analyse the markets in which their target group is operating, and on that basis identify sustainable and market-based solutions that meet their rights. (*CISU 1989*)

After an initial assessment of which sectors have the highest potential for impacting the poor, a value chain analysis allows field staff to get a better understanding of that market system, and the problems within it, by mapping out how the system fits together, and researching each connection and market actor in detail.

A market or value chain analysis generally considers who the market actors are and what the relationships and dynamics are between them. The analysis then allows for consideration of what the constraints are in the system and the opportunities to address them. (*See Appendix for more detail on the various market systems development approaches.*)

For the very poor, narrower market analyses and labour market assessments to match immediate earning options are appropriate complements to value chain analysis. (*Pathways Out of Poverty, 2011*)

### Danish Case Example:

The Kenya Organic Agriculture Network and Organic Denmark initiated a project in Kenya that aims to strengthen the entire value chain for fruits and vegetables from organic smallholder farmers to outlets in Nairobi. To document the market for organic products in Nairobi a comprehensive consumer survey was conducted which comprised of 400 household interviews. The survey was conducted by a local professional research company and was supervised by scientists from the University of Nairobi. The survey indicated that 12% of consumers in Nairobi are current or potential consumers of organic fruits and vegetables, hence establishing that the market for organic products was present and that the main challenges was availability and consumer awareness about the benefits of organic agriculture.

NGOs need to carefully consider where the very poor engage within a market system and design their analysis accordingly. Whereas less poor households often own microenterprises that produce for sale or are employed in salaried positions, many very poor households engage in subsistence production and casual labour markets. These latter activities are easy to omit during analysis and design of interventions. This is exacerbated by the tendency of many very poor households to be engaged in less dynamic value chains (e.g., low return staple food crops) that offer few opportunities for upgrading and that are less frequently selected for support by donors and project implementers. (*Pathways Out of Poverty, 2011*)

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#### Danish Case Example:

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In partnership with COOP, a large Danish retailer, Care Denmark has been working with Kenyan Sunripe Ltd., the Danish Embassy/Danish Business Partnership programme, and a number of other stakeholders, with the joint objective to develop and pilot a competitive, inclusive and sustainable business model for inclusion of small holders in value chains. The initiative included a feasibility study, identification of key bottlenecks in the market system, and joint programme design focusing on alleviating bottlenecks and achieving win-wins. As a result many interventions have been undertaken in the value chain involving a series of private sector actor and public sector stakeholders.

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It can be effective for NGOs to include poor producers as part of the analysis and product selection phase. NGOs should however recognize that poor producers ‘don’t know what they don’t know’, and in many cases would benefit from insights from experts with the skill and ability to look at markets from a broader perspective, recognizing bottle necks or opportunities that are not necessarily within the view of the poor producers.

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#### Danish Case Example:

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The Caritas Denmark market development programme in upper Myanmar used a participatory value chain selection process. Groups of villagers were asked to list products that they believed would be most profitable and have market and production potential. Project staff used product screening tools (considering climate, land, seed, knowledge, labor, capital, tools and analysis in the form of cost and benefit, cost return period, opportunities and constraints, etc.). Three to four shortlisted products were scored and ranked by different groups of participants from the villages. The three different regions (Kachin State, Mandalay Division, Chin State) selected corn, sesame and pig breeding respectively. It was a demanding process as it was very participatory and farmers needed to understand the costs and benefits of their products, market demand, etc. The targeted products were selected only because

the farmers believed that they would have the highest income potential for the largest possible group.

The value chain programme team from the three regions then conducted meetings and interviews with farmers and market actors in the respective value chains (input suppliers, local collectors, traders, retailers, wholesalers, brokers, miller, etc.). This provided information on issues such as seasonal price, market trends, quality of products, cultivation techniques, and more in-depth opportunities and constraints. A value chain map was drawn depicting all market actors and their relationships from input suppliers to final domestic consumption.

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The Change Triangle, discussed earlier, discusses a component of Advocacy as mapping and analysing power relations, which is a particularly important process in order to understand market dynamics. NGOs should consider who is manipulating power, intentionally or less intentionally, by, for example, holding market information or certain key resources.

## 2b. Analyse informal rules and norms

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Understanding the informal rules and norms that govern behaviour and transactions is important when working with households at all poverty levels. The very poor are often more active in the informal sector where these rules and norms are generally more prominent. (*Pathways Out of Poverty, 2011*)

Social networks in particular are often critically important in shaping behaviour. NGOs need to take into account how to leverage these social networks to encourage engagement by the very poor.

## 2c. Analyse at household and intra-household level

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Among the less poor, economic activities tend to be more specialized, conducted on a larger scale, and treated more as autonomous activities that are separate from other household income. As such, analysis can appropriately be focused at the enterprise level as well



as the household level. In contrast, it is more important to focus analysis on the household and intra-household levels among the very poor where economic activities are more fragmented and smaller-scale, and with household and economic activities often fungible.  
*(Pathways Out of Poverty, 2011)*

## 2d. Analyse behaviours and coping strategies

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NGOs can analyse the assets and livelihood strategies of the poor and the drivers of their behaviours in making different livelihood decisions. In addition, vulnerability analysis is an important input and precursor to program design. It maps the nature and extent of vulnerability and includes risk mitigation and coping strategies, barriers to market participation, economic and financial values and perceptions, risk profiles of markets and income opportunities, and vulnerability triggers.  
*(Pathways Out of Poverty, 2011)*



## Principle #3: Facilitate change indirectly and discreetly through local entities

### Guidelines:

- a) Work through local market actors
- b) Work through key points of influence
- c) Have clear exit strategies
- d) 'Crowd-in' new behaviours and activities
- e) Leverage stakeholders' motivations and interests as drivers of change
- f) Create demonstration effects
- g) Work with multiple partners
- h) Facilitate market pressure to incentivize market actors to behave more favourably

NGOs should work as temporarily change agents for sustainable change creating the conditions for public and private market actors to drive change themselves. Good facilitation is at the heart of sustainability, because it is underpinned by the ownership that the key market actors have over their own process of change.

### 3a. Work through local market actors with win-win strategies

NGOs should work through local entities rather than directly delivering services to the poor. In this capacity, NGOs are well-positioned to facilitate change indirectly and discreetly.

Through advocacy or capacity building, NGOs could take on functions such as:

- contributing to the introduction and dissemination of new ideas, practices or business models
- supporting conflict resolution and mediation structures for markets
- supporting processes that protect the poor as suppliers and buyers, e.g. consumer protection structures or processes
- supporting access to technical assistance for the poor or entities effecting the poor in various ways
- supporting mobilization and organization of the poor
- sharing ideas with various entities to motivate improved action and business or other strategies to benefit the poor
- analysing contexts and sharing ideas about resulting opportunities with existing local entities
- building joint visions between stakeholders
- identifying and facilitating strategic partnerships between entities for the benefit of the poor that they serve (supply products, services or technical assistance to, or buy from)
- building trust and strengthening relationships between different types of entities for the ultimate benefit of the poor
- facilitating advocacy for the ultimate benefit of the poor and more efficient and fair market practices
- creating linkages between different types of entities for improved operations and benefit to the poor
- promoting dialogue between different types of entities for the ultimate benefit of the poor
- building capacity of various entities for improved operations and functions
- conduct learning/exposure visits to entities exhibiting good practice (locally, nationally or even in countries nearby)
- facilitating collaboration between different entities for the ultimate benefit of the poor

NGOs can work through existing local entities such as farmers' cooperatives or associations, local enterprises supplying to or buying from the poor smallholder producers, media in poor communities such as local radio stations, or local government structures such as local associations or extension agents.

### Illustrative Example:

An NGO realizes that poor producers have no ability to report bad practice by firms or entities that they work with - such as buyers claiming that they are supplying lower grades which cost less or input dealers selling expired inputs. Poor business practice and corruption are creating challenges for the poor producers; productivity and dis-incentivizing them to reinvest in their activities. Instead of the NGO setting up a consumer complaint system itself, the NGO works with a local government entity or local trade association to set up and manage a consumer hotline, which farmers can use to call or send text messages to, in order to report poor practices. The NGO also trains local village representatives of the various crop associations



as mediators to support mediation of issues so that these do not always have to escalate into conflicts. The NGO also works with a local radio station to start a programme which interviews farmers on which businesses are providing the best services to them and gives the businesses a chance to respond on the air - putting pressure on local businesses to perform better.

In the same way, Danish NGOs have traditionally been encouraged not to involve themselves directly with the provision of microfinance, but rather to facilitate linkages to existing MFIs.

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#### **Illustrative Example:**

Instead of an NGO establishing a milk cooling plant with the aim of strengthening the fresh milk value chain, the NGO recognizes that setting up such an enterprise requires special skills, which NGOs rarely have, and that there are serious challenges to the long term sustainability of the entity if it is run by an NGO.

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NGOs should catalyse change in the market system while not assuming any long-term market function themselves.

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#### **Illustrative Example:**

NGOs can encourage private sector companies to supply inputs to target beneficiaries, rather than providing those inputs directly.

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Their intervention role is temporary and catalytic. NGOs should avoid becoming actively involved in the market as market actors.

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#### **Danish Case Example:**

In recognition of the need for NGO's to avoid becoming a market actor themselves, BØRNEfonden took a facilitating role to stimulate micro entrepreneurship among women processors in Southern Benin. This involved arranging value chain workshops, inviting all actors, including the women producers, with relevance to a specific value chain and at play in a given local area. Workshops enabled the different actors to get to know each other and to sit together to discuss pertinent issues for

improving (or commencing) collaboration. Subsequently, ad hoc one-on-one meetings were arranged as needed, using BØRNEfonden project staff as mediators, while seeking to equip the women themselves with capacity for engaging in dialogue and negotiations. Value chain actors included a wide range on non-traditional partners (from the perspective of an NGO). For example: suppliers (of processing technologies, packaging materials, etc.); producer organizations (for delivering raw material); the Chamber of Commerce and Mayors' Offices (for permits, identification documents); local agricultural extension services (training and follow-up); researchers at the agricultural faculty of the University (for product analyses and development of manuals); Microfinance Institutions and banks; and certification authorities (for training on product quality and standards, certification according to standards).

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Instead of providing training directly, NGOs can, for example, share ideas and technical assistance with local buyers and suppliers on beneficial 'embedded service' arrangements. These are support services or products provided by buyers or suppliers to poor producers in return for their business. Embedded services can be a very useful win-win situation for poor producers and buyers in terms of access to finance, training and skills building assistance, certification / compliance and technical assistance, market access, assured supply and demand, equipment access and maintenance. These services aren't entirely without cost: buyers and suppliers will cover their costs by paying a slightly lower price for the products or charging a slightly higher price for the inputs. (Although embedded services offer significant opportunities for the poor, it is too much to expect all local firms to be able to solve all the needs of producers using embedded services. Other, external service provision will still usually be needed.)

There are however times when NGOs may directly deliver a service to relieve a temporary bottleneck, but this should be done with caution and without creating entities that could be developed by strengthening existing structures or supporting others to take on new functions.

### 3b. Work through key points of influence

NGOs can work through entities that will have the largest ripple effect on others in the system. NGOs can therefore look for people, entities or places that can have the largest influence on the behaviour they want to impact or change. Key points of influence could include:

- **Economic points of influence** - Product or service aggregation points (e.g. local markets, local buying stations) and entities with the ability to influence large numbers of stakeholders (e.g. traders, input suppliers)
- **Social points of influence** - Respected community members, chiefs and elders, who are able to influence others to collaborate or to adopt new techniques, technologies, services or inputs.
- **Commercial points of influence** - Competition or other commercial systems that can be used to influence buyers, traders and others to change their behaviour.
- **Civil society points of influence** – Civil society structures that are advocating for change or which are able to support consumer protection type initiatives for the benefit of the poor (e.g. structures that support consumer protection reporting, such as hotlines or radio shows interviewing the poor to find out what is or is not working for them in the market).

#### Danish Case Example:

In Myanmar, Caritas Denmark identified market-based solutions to benefit farmers. Based on a value chain analysis and mapping in three value chains (sesame, tea and pig breeding), a list of just over ten constraints was identified with corresponding market-based solutions. The solutions were categorized by which solutions would reach maximum number of target group participants while also having the highest potential for product improvement, expansion and competition. The analysis revealed that, above all, farmers needed affordable access to inputs for their production. The project worked through market actors to achieve this. Input suppliers and rural agents were supported in buying inputs from wholesalers without taking credit at unreasonable high interest and, in turn, being able to sell input at much lower

prices to target farmers. This made a significant difference to the farmers who generated much higher profit margins on the sale of their produce.

### 3c. Have clear exit strategies

An exit strategy is a plan on when the NGO activity will end so that the entities in the market can continue making the desired behaviour change themselves.

This could translate into an NGO identifying when to end an advocacy campaign as the desired change in being initiated, or when to withdraw encouragement for another entity who starts taking on an advocacy role in the marketplace more permanently. NGOs need to have clear exit strategies for their activities. Exit strategies do not only take place as the project nears its end. Instead each discreet activity needs an exit strategy. Projects therefore comprise of multiple activities each with their own exit strategy at many different times during the project. As soon as the market is inspired to continue taking on the new activity or behaviour, the project can withdraw its focus on that activity, exiting from it, and start focusing on a new set of activities.

#### Illustrative Example:

NGOs might support several local cooperatives or input supply dealers to start providing technical extension services to farmers. Those that start doing this successfully and demonstrate that they will indeed be investing in continuing to provide this service to farmers themselves without the NGO support (as it makes commercial sense to them to do so) will then continue to receive support in another area. The NGO will therefore either exit from supporting those cooperatives or input supply dealers who are not providing the technical assistance, or will slowly decrease support to those who are, but reward them by graduating them to receiving the next level of support. The NGO may, for example, then work with these cooperatives or input supply dealers on the next set of activities. This could for example comprise supporting them to set up a village agent network to distribute the inputs more directly to farmers in the more rural areas. The NGO exited from the first set of activities and started a new set. The NGO is transparent in

openly stating which behaviours it wants to support and allowing the market entities to decide if they would like to participate or not.

NGOs need to communicate clearly to project partners in which way and for how long they are going to support them. Ideally, NGOs will be very clear what behaviours they are looking for in order to provide the next level of support for a new activity. If entities do not demonstrate the new behaviour then NGOs can rather continue to support the other entities that are demonstrating the targeted behaviour.

Exit strategies include:

- Stop investments in a certain activity once a certain level of uptake or behaviour change has been reached.
- “Rolling exit strategies”: stop cost-sharing, using a wait-and-see approach, to see if a market actor self selects to take on an activity by themselves, showing that they have the ownership and capacity to continue without the project’s support.

### 3d. ‘Crowd-in’ new behaviours and activities

‘Crowding-in’ is when NGO activities catalyse or stimulate others to start taking on the new behaviours even when the NGO activities did not directly target the others.

#### Illustrative Example:

An NGO only targets activities to a small number of the poor. When other households see the success of the initial households, they start taking on the new behaviour as it makes market sense for them to do so.

In this way, NGOs can target change for a few with the plan that they can reach scale by having it make market sense for others to then copy-cat by taking on the same new behaviours or activities.

#### Illustrative Example:

Cooperatives start providing access to inputs to poor farmers in more rural areas. This results in other cooperatives being stimulated to do the

same in order for their farmer members to perform and therefore compete better.

Stimulating copy-cattng and replication (‘crowding in’) spreads changes in roles, products or behaviours beyond a few initial partners to a wider circle of market players and beneficiaries. (*BEAM 2014*)

#### Illustrative Example:

An NGO brokers partnerships between support service providers, such as tractor drivers and soil testers, and large cooperatives or agricultural inputs dealers. An increasing number of other large cooperatives or agricultural input dealers see the benefit of partnering with such support service providers to target poorer producers in rural areas, and start forming these strategic partnerships themselves.

Crowding-in can result in more interactions or transactions in the market (improved breadth), more supporting functions (improved depth) or introduction of activities in new areas or markets (increased reach). NGOs should work to “crowd in” as many entities as possible, using the early behaviour change adopters as examples and fostering positive competition and cooperation. (*USAID Value Chain Wiki*)

#### Illustrative Example:

An NGO approaches input providers and buyers to encourage them to support poor farmers more. The NGO discovers that poor farmers usually buy inputs in such small quantities and so infrequently that it appears unprofitable for input supply firms to make an effort to sell to them. They often produce in such small quantities that it appears unprofitable for buyers to make an effort to buy from them. The NGO realizes that it needs to find one buyer or input supplier willing to work with the NGO to demonstrate to others that this market has opportunities. At the same time the NGO needs to support processes where farmers can bulk input orders to make it viable for businesses to see them as a valid market (such as working through village agents).

The goal is to deepen ownership of the behaviour changes that the NGO believes to be important in the stakeholders and beneficiaries, and broaden the change to many beneficiaries and other stakeholders throughout the market system so that it becomes a “norm”.

‘Crowding-out’ is the opposite of crowding-in and is less desirable. ‘Crowding-out’ involves driving other players and functions out of the market. For example, by providing free services to market players results in crowding-out of a number of local businesses.

(Springfield, 2011)

NGOs should aim to facilitate the types of changes in markets that stimulate as many others as possible to take on the new behaviours because it makes market sense for them to copy cat the new behaviours in order to compete and perform more effectively. In this way ‘crowding in’ and copying are two prominent *imitation indicators* that measure the scale or breadth of the impact of NGO activities within a system. (BEAM 2014)

### 3e. Leverage stakeholders’ motivations and interests as drivers of change

People or businesses generally take on a new behaviour or action when they feel motivated to do so themselves (rather than being told to do so), and when they have some level of self-interest (which is often also for the benefit of their broader community and not necessarily at the expense of the community). NGOs can implement activities that will ultimately be invested in by the stakeholders themselves because they reinforce the motivations and self-interest of the stakeholders to continue the activities themselves.

NGOs should find “hooks”, which are essentially just a set of convincing incentives that can motivate market actors to change or take on new behaviours.

NGOs can reinforce factors that encourage, enable or motivate a particular course of action in a stakeholder as a strategy to continue to drive change for the benefit of the poor. Motivations may be social, personal, financial, or aspirational. They may be monetary (e.g., a higher price) or non-monetary (increased social capital, opportunity for future contracts, etc.).

NGOs can understand and build on the drivers (interests and motivations) of firms and people in the market to take on a new behaviour (take on or participate in a new activity).

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#### Illustrative Example:

NGOs can facilitate participatory Stakeholder Forums where NGOs bring all of the key people within a particular market together to devise joint strategies and action plans that will overcome constraints in the market and improve market conditions for everyone. The process works to build trust and a joint vision of change between these market actors, and helps them to collectively identify obstacles and opportunities affecting their market system. NGOs can work to empower representatives of the marginalised actors so that they can engage with the rest of the actors in a meaningful way in these participatory workshops. By improving their business language and helping them to better understand the market, it puts them on a more capable and even footing to have an influence on how the process of change will take place. Within the workshops staff facilitate the stakeholders in understanding where the opportunities and blockages are within the market system. It is through these interactions that the market actors can develop a joint vision, to build trust, and to coordinate their actions and collaborate, to achieve positive changes within the market system. NGOs can support the actors throughout the process of strategic thinking, planning and action, in ways that help them to overcome potential conflict and risks (Practical Action, 2010)

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NGOs can work to ensure that market actors steadily gain ownership of the process, so that once an intervention has come to an end, they can continue driving change in the future without the NGO.

### 3f. Create demonstration effects

It is useful for NGOs to create systems in the market where farmers, large cooperatives, or local buyers, for example, can be encouraged to change their behaviour because they see others being successful or unsuccessful.

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#### Illustrative Example:

An NGO supports local cooperatives or buyers to set up farmers clubs where they monitor the quality and quantities of produce provided by each farmer. As a prize for best production, the NGO support the cooperative or buyer to provide the farmers with a new treadle-pump to assist irrigation or a new herbicide. The winning farmers act as demonstrators, without necessarily realizing it, to the other farmers in their areas, convincing the other farmers to try the new equipment or input because of the success they are having with it.

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‘Demonstration effects’ are the effects on the behaviour of individuals or firms caused by observation of the actions of others and their consequences.

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#### Illustrative Example:

An NGO supports local, indigenous radio stations to set up programmes and raise advertising funds. The new programmes provide a voice for the poor farmers by interviewing their farmer listeners on which local agricultural MSEs (such as input dealers) provide them with the best and worst service - with the MSEs being given a chance to respond too. When other input dealers hear that those dealers that are providing expired inputs or which are drastically overcharging farmers are being called out as bad on the public radio station, they start changing their behaviour to be more favourable.

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By supporting systems that create a demonstration effect to others, even after the NGO’s activities are no longer taking place, there will be a process that continues to drive change of more entities with on-going benefit to poor households.

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#### Illustrative Examples:

An NGO recognizes that farmers learn best by seeing a new activity or behaviour demonstrated. Instead of setting up NGO-managed demonstration plots, the NGO works with local schools to provide land, local input suppliers to provide inputs and manage the plots, and local service providers such as land preparers to provide additional agricultural services. The schools act as a point of high

traffic and therefore high visibility in the area, often have a small piece of land available for additional learning opportunities, and act as a rich training ground for youth and their parents. The local input dealers and service providers have the incentive to maintain the plot well as the effectiveness of the inputs and services demonstrated will have a direct impact on their sales. The NGO works with equipment providers who provide equipment to farmers and small businesses providing services to farms to set up similar demonstration plots.

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An NGO recognizes that an effective way to build the capacity of poor producers and other market entities is to expose them to the effective practice of others. Instead of the NGO running a training course directly, the NGO organizes peer-learning visits to other locations that are already implementing new business models or practices. The NGO targets new models such as village agent models, conservation agricultural methods, new input supply models, etc. In this way the participants can see the practices and results first-hand and learn from peers. The NGO invites market entities at several levels in the market system, including cooperative leadership, successful smallholder farmers, input supply dealers, agricultural micro-franchise business owners, etc. In this way several entities within the marketplace are exposed to the new way of doing business and if a few of these decide to implement the new model back in their own context there are already several entities in the chain who have been exposed to the new way of thinking.

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### 3g. Work with multiple partners

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There are multiple partners that can be extremely strategic for NGOs to partner with. These include the local private sector, educational and training institutions and research organizations.

When NGOs target local, larger private sector firms to work with, the firms would ideally have a good mix of the following qualities: The firms should ideally be leaders in innovation and technology; have links to large numbers of poor producers; be able to provide



technical assistance, credit, inputs, or other support as part of the business relationship; be financially stable; have the ability to make the needed co-investments; be willing to be patient in waiting for results to materialize; have a strong demand for their products to ensure a steady market; be respected thought leaders in the business community; have a good business reputation; be able to influence others in the industry to enter into similar relationships with producers; and have demonstrated or expressed an interest in working with very poor producers. (AFE, 2008)

Universities and local research entities can be valuable partners in order to strengthen quality research being conducted that will ultimately benefit small-scale producers and poor households.

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#### Danish Case Example:

Through a partnership between SOS Children Villages and a local university in Ethiopia doing research in coffee production, poor families have been given improved coffee seedlings to strengthen production of this important cash crop.

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NGOs can support universities and research institutes on how to translate their innovations and research into uptake and behaviour change by farmers.

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#### Danish Case Example:

In The Gambia the Danish NGO Cykler til Senegal (CtS) project collaborates with the local International Trypanotolerance Centre (ITC), a centre for research in animal husbandry. The collaboration includes training and cold storage of veterinary medicine, and testing and production of hay (where ITC is introducing new grasses with high productivity and protein content). Both ITC and the Danish project have been involved in training more successful lead farmers, who will serve as demonstrations for other producers of sheep, goats and chickens.

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NGOs are often challenged by selecting one or two key partners at the start of a project, often even during proposal design phase, and then being 'stuck' with them throughout the project. The NGO may quickly realize that the key partners are not the most strategic partners

to reach the project goals as they are not motivated to take on the activities themselves and have no incentive to perform really well as they know that they will be funded throughout the life of the project.

It is very useful for NGOs to set up processes where they can work with a larger subset of partners, who do not necessarily remain a project partner throughout the life of the project. NGOs can set up competitive spaces where it is clear what behaviour the NGO is looking for in project partners, and where the NGO will continue to work with the partners so long as they continue to demonstrate a particular set of behaviours. The NGO will not judge an entity which opts not to participate, as it is up to each entity what behaviour or activities they decide to take on or not.

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#### Illustrative Example:

An NGO brokers partnerships, encouraging SMEs, buyers, input suppliers or poor producers to invest in bringing in new partners to be able to offer a more sophisticated range of products and services.

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### 3h. Facilitate market pressure to incentivize market actors to behave more favourably

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NGOs can support systems that put pressure on market actors to behave more favourably and not to take advantage or cheat poor households and poor farmers. These could include media systems, alternative disputes (e.g., mediation) systems, civil society, and regulatory systems.

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#### Illustrative Example:

An NGO may support a radio station to set up a radio programme (sponsored by multiple local businesses) that interviews farmers about who the input supply businesses are in the area that treat them fairly and which don't, followed by an interviewed response from the business. The same can be done through interviews regarding buyers.

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This creates pressure for small businesses to improve their practices and customer service to the farmers, and

then maintain this – for fear of being repeatedly called out publicly. At the same time, this stimulates other small businesses to copy-cat the good practices being taken on being rewarded and showcased publicly.

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**Illustrative Example:**

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An NGO supports the formation of a consumer hotline hosted through a local association. This can be used by small-scale farmers to report issues around business practices of those entities that they are relating to.

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In this way small businesses, such as input suppliers and buyers, are kept on the path towards increasingly pro-poor growth. Ultimately, competitive forces in the market need to drive better behaviour and sanction poor behaviour by businesses.



## Principle #4: Strengthen rather than distort local markets

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### Guidelines:

- a) Adopt a demand-driven approach
  - b) Avoid competing with local products or services
  - c) Recognize the value of both competition and cooperation
  - d) Recognize the informal systems already in use by the poor
  - e) Recognize unintended consequences
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NGO activities can often lead to unintentional distortion of local markets.

### 4a. Adopt a demand-driven approach

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Typically, NGOs fail to carry out in-depth analyses of market conditions before they take action (*CISU, 1989*). NGOs run the risk of taking a supply-driven approach, and promoting products and services that can be easily produced by low-income communities but for which there is no demand. Without appropriate market analysis, NGOs may promote products with low or no market demand that are likely to fail in the market and thus create more harm than good for small-scale producers. In the same way microfinance services can be provided by NGOs at subsidized rates (and without due assessment of the clients' demand and capacity to repay), creating challenges for local microfinance providers to remain in business.

### 4b. Avoid competing with local products or services

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By providing subsidized products or services that already exist in the market, local businesses can be forced to close down or lower costs, unable to compete with the short-term NGO funded products or services, thereby undermining the long-term availability of such services. NGOs should therefore not act as commercial market actors that provide products or services that can be provided by a local business or public entity.

### 4c. Recognize the value of both competition and cooperation

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NGOs often assume that cooperation between poor farmers or between other entities always outweighs the benefit of competition. For this reason, NGOs often default to working with producer groups or forming groups that are supposed to work together at other levels of the market. While cooperation can help poor producers and firms achieve economies of scale and overcome common constraints to pursue opportunities, competition can encourage innovation and drive poor producers and other firms to upgrade.

Cooperation is often most effective in driving positive change between producers and firms which are performing different functions at different levels of the market. Competition is often the most effective in driving positive change among market actors, including poor producers, who are performing similar functions.

### Illustrative Example:

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An NGO encourages one-day competitions to be run through local radio stations, local government extension programs, large cooperatives, local input supplier stores, or local buyers. The NGO shares ideas and technical assistance with these entities to run short competitions between poor farmers (even poor farmers in the same producer groups) to see who can produce the highest quality or largest harvests, who use inputs in the best way, or who can harvest most efficiently. The competitions have a very stimulating impact on poor farmers' performance. Competitions between service providers, such as self-employed tractor drivers, also stimulate the use of improved conservation agriculture ploughing techniques and improved use of and application of inputs.

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Poor farmers are often motivated to improve their productivity and quality of production when their performance is showcased against other producers, particularly if this leads to loss of sales to competitors or lack of recognition in a competition context. If farmers are always forced to work and sell together, they would have less incentive to improve their performance.



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#### Illustrative Example:

The NGO partners with local institutions or businesses to run competitions among smallholder farmers. Farmers compete on which farmers, for example, can use equipment best, produce the most, or harvest the best. The competitions are used to identify which farmers can perform the best. Winners are rewarded with new types of inputs or new equipment to showcase these in the community, position these as aspirational, and direct their use to higher performing poor producers who are more likely to demonstrate their use successfully. Possible partners to run the competitions through could be local radio stations, input dealers, local buyers, local educational institutions, associations, larger cooperatives, etc.

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The most successful interventions maintain a balance between these two contrasting, but critical and complementary concepts.

### 4d. Recognize the informal systems already in use by the poor

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It is helpful for NGOs to recognize that the replacement of informal mechanisms of exchange with commercial services is not always necessarily good for the poor. Poor people have often developed arrangements, especially in relation to finance, through which resources are allocated and information and knowledge is shared. These arrangements are set within social networks and relationships that may often discriminate against the poorest – and cement their ‘lower’ position. The Springfield Institute suggests that it is over-optimistic to assume that inclusion in commercial

services will accord the poor equal and respected status as market players such as clients or producers. (*Springfield, 2008*)

It is often useful for NGOs to recognize and work with the informal systems that already exist where these can be strengthened.

### 4e. Recognize unintended consequences

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It is important for NGOs to recognize the unintended consequences that can result from targeting support to certain areas and not to others. Supporting certain communities, businesses, or groups translates into others not receiving this support and therefore potentially not being able to compete as effectively, or resulting in animosity between the entities. Supporting certain crops, value chains or markets and not others can result in resources being pulled into those being supported and away from other equally or more important areas of the market.

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#### Illustrative Example:

An NGO promotes activities for a cash crop (such as bamboo, cotton, algae or Echinacea). This results in water resources being routed to these crops away from food crops, such as maize, with dire food security implications, among others.

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Refer to Section 5f for a discussion on how NGOs can take a wider perspective on the market by supporting the promotion of cross-cutting support more broadly.

See Appendix for examples of the unintended consequences that various market changes may have on women, and which NGOs could monitor for and support accordingly.





## Principle #5: Support activities that strengthen markets for the long term

### Guidelines:

- a) Facilitate access to inputs
- b) Facilitate access to buyers
- c) Facilitate linkages between producers and producer organisations
- d) Facilitate access to finance
- e) Support cross-cutting market systems
- f) Facilitate supportive policy and regulatory environments
- g) Support market-relevant knowledge exchange and skills building
- h) Facilitate improved quality assurance systems

Outcomes of NGO activities are targeted at a defined group of beneficiaries over a defined period of time. This does not necessarily mean that the local context is able to support the same outcome on an on-going basis after the project ends. Instead, NGOs can be more successful by supporting interventions that can build the capacity of markets to continue to be able to deliver the improved service or condition over the long term.

There are several areas where NGOs can facilitate and support market stakeholders (such as local research organizations, education and training institutions, input providers, buyers, etc.) to initiate activities that can address constraints on a long term, market-based and sustainable basis:

- Supporting access to appropriate technology by the poor producers and by firms buying from or selling to them
- Supporting improved business operations by poor producers and by firms buying from or selling to them for the ultimate benefit of the poor (e.g. improved customer service by input supply firms, improved supplier management by traders or processors buying from poor producers)
- Supporting product development by poor producers and by firms buying from or selling to them (e.g. improved use of waste from crops into other product streams such as oils from oil seeds)
- Supporting improved management and organization of poor producers activities and group collectives, and of firms buying from or selling to them
- Supporting improved resolution of policy and regulatory issues
- Supporting improved conflict resolution mechanisms (e.g. conflict resolution portals, mediation channels and capacity)

### 5a. Facilitate access to inputs

NGOs can support increased access to inputs and services for poor producers in rural areas.

#### Illustrative Examples:

An NGO works with local farmers' groups to select local village agents who the farmers respect and feel comfortable having represent them to input suppliers or buyers. The NGO connects these village agents to input dealers in nearby villages and to large co-operatives. The NGO helps in setting up working relationships between them. The local village agent bulks orders from farmers and relays these to the input firms or cooperatives. In this way the input firms or cooperatives are more open to delivering bulk inputs to rural areas, which creates new access for farmers and saves on high transportation costs that would otherwise have been incurred.

An NGO supports SMEs selling inputs to obtain mobile-based inventory management software so that SMEs can improve the tracking of their stock to ensure that they have what poor farmers need when they need it and that they are not selling expired products.

NGOs can encourage input suppliers to provide embedded information and other services to poor producers buying inputs from the input dealers.

#### Illustrative Example:

An NGO helps poor farmers to share ideas with input suppliers to provide much-needed services to the farmers, with the expectation that the farmers will buy inputs from the input suppliers in the future, resulting in increased sales. The input supplier provides inputs on credit, offers promotional discounts, and provides advice on how to apply the inputs.

NGOs can support systems that provide sustainable linkages to inputs access beyond the life of the project.

#### Danish Case Example:

A project implemented in collaboration between the Danish NGO Cykler til Senegal (CtS) and the local partner COLUFIFA, in Senegal and the Gambia, assures quality inputs at reasonable prices for women's groups involved in vegetable gardening and animal husbandry. The project's extension workers have collaborated with wholesalers of quality inputs and facilitated relationships between the local animators and village leaders, with the local retailers of the quality inputs. The animators gather information on how much is needed by the women's groups and by other producers, collect the money, and then buy and distribute the inputs. The animators gain a little income from this and therefore have an incentive to continue this role after the end of the project.

NGOs can support smallholder farmers to grow and distribute quality seeds where there is a market potential for them to do so.

#### Danish Case Example:

Diversifying income and assuring quality seed: Danish NGO Cykler til Senegal (CtS), in partnership with a Senegalese NGO and the state's extension service in plant production, have supported farmers in producing certified rice seed of three different varieties. Sale of the seed provides extra income for poor farmers, and at the same time assures availability of quality seeds in the community for the next growing season. (One woman took the initiative of producing onion seeds in order to have access to seeds early enough to start her production before others, thus being able to sell earlier and at a better price.)

## 5b. Facilitate access to buyers

NGOs can support small-scale farmers and entities connected to them, to:

- participate in trade shows or exhibitions
- visit potential buyers
- receive visits from potential buyers
- gain certifications, if appropriate (e.g. organic, ISO, HACCP)
- conduct market assessments and develop marketing strategies

NGOs can support sale of products or services produced by small-scale producers to other firms by supporting them to:

- conduct market research for markets that buy from them
- adapt products or services to specific needs of targeted firms
- develop/improve distribution networks
- develop alternative financing or payment mechanisms that promote access to their products/services

#### Illustrative Example:

An NGO helps fish farmers to access new markets selling fish meal as animal feed in addition to their usual fresh fish sales.

NGOs can support the procurement of products or services produced by poor, small-scale producers by other firms by:

- identifying poor producers as suppliers
- developing outgrowing operations
- building capacity of poor producers through training, technical assistance, demonstrations, field days, etc.
- developing aggregation models / procurement models (for purchasing in economies of scale)
- developing credit programs for poor producers
- developing seed multiplication programs and introduction of higher yielding varieties (seeds can be provided/sold to poor producers)

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#### Illustrative Examples:

An NGO helps a buyer access a new market that would result in increased demand for products from the poor.

An NGO works through local training entities or buyers to support poor producers to add value to their products in order to sell them to new markets higher up the market system. For example, tea producers may add value to tea-leaves and start selling processed tea, or fruit growers may add value to fruit by drying it and selling dried fruit to new buyers. In this way poor producers are producing products with higher value and supplying to buyers that are closer to the end user.

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NGOs can facilitate the development of long-term, win-win business relationships, rather than focusing on increasing once-off sales.

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#### Danish Case Example:

CARE Denmark, a Danish NGO specialized in sustainable agriculture and water management, climate change and responsible value chains, and Coop, Denmark's largest retail and membership-owned company, have joined forces to strengthen the sustainability of Coop's supply chain to the Savannah brand. The partnership in particular seeks to ensure that Coop's trade with agricultural products from Africa is competitive and profitable while at the same time contributing to economic and social

development amongst smallholder farmers in Kenya. The partnership achieves this by increasing the availability of high quality African products in Coop's stores whilst creating economic growth for the Kenyan small farm holders. CARE has provided unique expertise on sustainable farming methods, mobilization of farmers and local conditions. Coop has provided a stable demand for farmers' produce. The local farmers receive training in agricultural techniques, to enhance produce sales and income. The Danish consumers have access to a selection of high quality sustainable products at competitive prices. The partnership is a good example of how an innovative business model can combine retail and trade with environmental, social and economic development.

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NGOs can facilitate continued access to appropriate information – such as what appropriate quality standards and specifications are and how to meet them, knowledge on how to use inputs most effectively, or how to use specific equipment to improve a product in a way that the buyers want.

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#### Illustrative Example:

An NGO helps poor farmers to share ideas with buyers that it could make business sense for them to provide much-needed services to farmers, with the expectation that the producers will commit to sell most of their higher quality produce back to them in return. The buyers prepay for crops before they are harvested to reduce initial cash needed by the poor farmers. The buyers provide inputs and technical assistance on improved production methods. The farmers adopt the new technology or practice feeling secure that they will have a market in which to sell their improved goods at a fair price. At times the NGO shares the ideas with the buyers directly and helps to set up an embedded service type system.

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NGOs can support everyone in getting higher profits, more stable income, or more consistent income – such as ensuring that producers can earn a living from what they get paid while buyers are still able to make enough profits to stay in business.

NGOs can support processes that increase trust – such as taking small steps to slowly demonstrate trustworthiness from both sides

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#### Danish Case Example:

‘Landbrug og Fødevarer’, ‘Dansk Industri’ and ‘PKA og Pension Danmark’ are making huge investments in large farms in Africa that are making use of contract farming as a pro-poor market development strategy. ‘Contract farming’ can provide secure markets and long-term relationships for small-scale farmers (although these arrangements should not be assumed to always be beneficial for the poor).

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NGOs can support smallholder producers by ensuring that contracts are to their immediate and long-term advantage.

NGOs can at times directly facilitate market for poor producers. NGOs should ensure that when they take on this direct market access role that it is through a structure which is long term and sustainable and indeed presents a viable market for the poor producers.

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#### Danish Case Example:

Hammershus Fairtrade is a non-commercial Fair Trade company that promotes sustainable development and poverty reduction in Africa. Hammershus Fairtrade imports and sells Fair Trade products such as baskets, drums and glass beads to more about 200 shops in Denmark, Sweden, Norway, Finland and Germany and is an active member of Fair Trade Danmark, which is a Danish organization for Fair Trade shops and importers. Established in 2001, Hammershus Fairtrade supports the employment of approximately 500 people in collaboration with African businesses. Hammershus Fairtrade supports its partners in product development, marketing and process optimization. Hammershus Fairtrade believes that African producers are best helped through self-help processes. The organization does therefore not give producers money but helps them to become better craftsmen and business people. Hammershus Fairtrade also supports local activities to improve democratic- and human rights.

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## 5c. Facilitate linkages between producers and producer organisations

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Linkages between poor producers can include linkages through producer groups (whether formal or informal), linkages through producer organizations such as cooperatives or associations, or linkages through contracts with a buyer or processing company, or a combination of these.

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#### Case Example:

The Sustainable Trade Initiative (IDH) activities offer several practical implementation examples of NGOs providing services to poor producers that support the producers’ access to the private sector. These services include activities such as: Training farmers in farming techniques that have less negative impact on people and the environment and lead to better products and higher yields; Supporting producer organizations through capacity building and organizational strengthening; Assisting producer organizations access means of production, finance and markets; and Supporting agricultural producer organizations and industrial producer companies to qualify for social and environmental certification standards.

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### (a) Producer Groups

Group formation should leverage easier and cheaper access to buyers, suppliers, and support through benefitting from economies of scale; improve bargaining power by negotiating with traders or transporters as a group, or exerting increased bargaining power when they buy or sell in bulk; lower costs (for buyers and for the producers), through sharing transportation costs to be able to access more formal buyers, and by-pass informal traders, who often pay very low prices, or deliver products from multiple producers to one central point; improve quality control by obtaining support in meeting appropriate quality standards to increase efficiency; increase production because they can afford the necessary inputs through bulk-buying; access savings or credit such as lump sums of cash through savings or credit, or loans from financial institutions; and purchase equipment and services together. (*World Vision 2013*)



NGOs should consider the following when supporting the formation of producer groups:

- NGOs should ensure that producers are encouraged and incentivized to link with other producers only if it makes market sense to do so.
- NGOs should start by establishing the reason that farmers are not cohesive. Consider what motivations / incentives are shaping their behaviour and what capacities may be lacking. NGOs need to consider what can be done to influence farmers to be more cohesive rather than assuming that putting farmers into groups will solve the underlying issues in the long term. *(Springfield 2008)*
- NGOs should consider whether the producers will likely still be operating in groups once the project ends. It is important that it makes so much market sense for the producers to be connected in groups, that they would continue doing so without the presence of the project. If this is not the case, it is useful for NGOs to consider whether the group structure is indeed needed or whether other constraints exist that hinder these from being successful.
- NGOs can support producer group formation when this allows access to government services – such as Ministry of Agriculture extension programs

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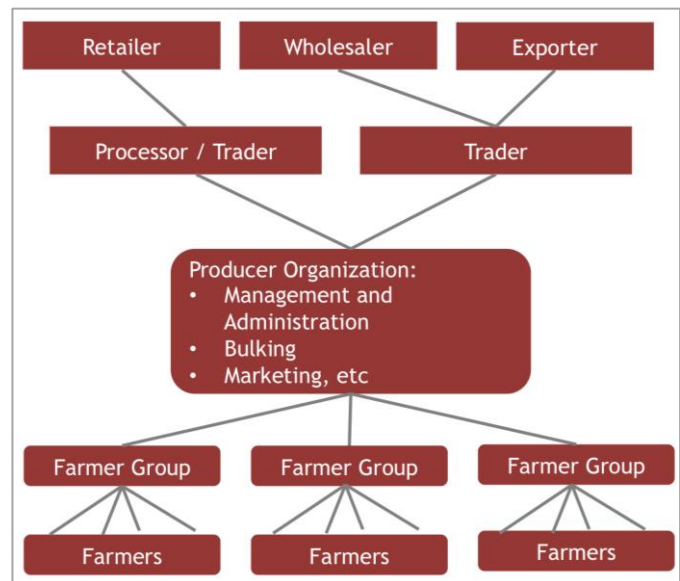
#### Danish Case Example:

As organic farming is relatively new in Vietnam and the knowledge of this form of cultivation is limited Danida funded Agricultural Development Denmark Asia (ADDA) and its local partner, the Vietnamese Farmers Union (VNFU) to promote organic farming practices and markets in Vietnam. The project promoted the organization of organic producers into groups who produced certified organic products and supplied the local market with these products.

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### (b) Producer Organisations

NGOs facilitating pro-poor market development typically help producers to organizing themselves, not just into groups, but also into cooperatives, associations or similar more formalized structures. As with less



formal producer groups, this serves to ensure economies of scale, low transaction costs, sharing of risks, collective learning, bargaining power, as well as to increase social capital and offset shocks.

A producer cooperative is typically a marketing organization that is owned by farmers groups who are the members of the cooperative. The management and staff hired by the cooperative organise production, extension, the internal control system and sales, and possibly also processing of the product. As the cooperative is the owner of the certificates, it is free to sell to whichever buyer it wants. The advantages of a producer-based set-up are that farmers are involved in decision-making and that the profits of the operation belong to them. Equally, in case of losses farmers risk getting paid less than what had been planned.

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#### Danish Case Example:

In North East India, Caritas Denmark and its local NGO partners support the 'North East Rural Marketing' (NERM) company. NERM facilitates market analysis, capacity building, innovation support, and market linkages to local marketing cooperatives and producer companies in the region who have traditionally struggled to access the national market in India for products such as turmeric, ginger, cardamom, tea, etc. Through this support NERM is able to organize its core business of trading produce from these cooperatives according to the quality, quantity, timing and price required in the national market.

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As it is their own organisation, farmers could be expected to adhere to the rules and to sell their produce to the cooperative only. This is not always the case. Many cooperatives lack management skills and entrepreneurial spirit. Due to the cooperative structure, decision-making may be slow. In addition, there is a tendency that imbalanced focus is given to farmers' interests, especially when it comes to pricing, which can put the profitability and competitiveness of the operation at risk. Quality differentiated pricing is not always possible as farmers expect the cooperative to take all produce for the same price. Inefficiently managed cooperatives can be quite expensive intermediaries through which farmers may earn less than when selling to private buyers. There is also a risk that farmers do not really have a say in their cooperative, because board members may not represent their interests. Not all board members always understand how the business works.

### (c) Contract farming

Producers can also be organized and contracted by a company or trade house that buys and sells the product. In this model, the company contracts farmers for the supply of produce. The company organises input supply, extension, certification, first level processing and sales. As the company feels that they take all the risks, they also take the profit. Any commercial enterprise will have a strong risk reduction strategy.

The implication for farmers is that the company will traditionally buy the produce for as little premium as they can get away with. They may be willing to share some of the profits to build loyalty among the farmers, but this is the exception rather than the rule. As a result, farmers often sell a significant part to other buyers (at least the low quality part) – often referred to as side-selling. They may also try to link up with other companies that can offer a better price (this is possible as these companies did not incur the investment costs incurred in the development of the farmers).

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#### Danish Case Example:

A Danish company, DanishKnowHow, has developed a successful incubator concept called In-grower. In-grower is a commercial entity financed by the production from a large number of small-scale entrepreneurs. In-grower offers production facilities, land, irrigation, capital,

training and support. Each entrepreneur runs his/her own business, with independent budgets and accounts. Profit from the production is shared 50/50 between the entrepreneurs and In-grower. To support regional-wide development, In-grower encourages and prepares more producers to set up agribusinesses, with an emphasis on sustainability and job creation.

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As a contracting company's main business is to trade, they may not be very familiar with agricultural production. Organizing farmers, training and guiding them in specific production methods, and building internal control systems which involve farmers, is unfamiliar to many companies. (*IFOAM 2010*).

A reasonable division of tasks could be that the producer organisation is in charge of production, extension, internal control systems, and bulking, and then sells the raw material to a company that covers trade finance, packaging, marketing and export. Certain functions like the provision of inputs, quality management and first-level grading can also be initially covered by the company, and then transferred to the farmer organisation. (*IFOAM 2010*).

## 5d. Facilitate access to finance

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Small-scale producers typically have very limited access to finance. NGOs can work through local businesses and institutions to allow very poor producers to access finance and financial services. A financial service that is particularly relevant to poor households, is the ability to save. NGOs can support the establishment of savings facilities such as savings groups.

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#### Danish Case Examples:

In Ethiopia, SOS Children Villages have facilitated the formation of a Savings and Credit Cooperative Organization (SACCO) in an area where people previously had no access to financial services. Members of the SACCO are a mix of very poor vulnerable families that are being supported as part of the project and other members of the community. This mix builds social coherence in the community.

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In order to satisfy needs of money for buying inputs like vegetable seeds and veterinary

products, some of the women's savings and loans groups in the Danish NGO Cykler til Senegal (CtS) project have adapted their internal regulations to meet the demand for a longer repayment period, allowing the women to stretch it until the vegetables or chickens are sold (typically up to four months).

NGOs can support the development of in-kind rotating schemes such as seed banks or animal banks.

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#### Illustrative Example:

An NGO supports seed banks or animal banks that use in-kind rotating schemes. At harvest time or after reproduction of animals, the initial beneficiary has to 'pay back' the animals or seeds received, with interest, to other members of the community. Poor farmers 'pay back' the livestock by providing several of the young produced, or 'pay back' the seeds by providing even more of the seeds cultivated from the last crop. Caution should be given to the fact that seeds can start losing their effectiveness after a few seasons. (*World Vision, 2013*)

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Microinsurance provides protection for crops and livestock, with financial payouts if, for example, poor weather conditions resulted in a drought and low production in a particular season. NGOs can support the development of appropriate weather-based and crop insurance products with insurance companies.

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#### Danish Case Example:

A Danish supplier of milking equipment and a Bolivian dairy company have set up a business scheme where farmers pay for service and equipment through the milk they deliver. Farmers in the program increase their yearly incomes due to the higher quality and volume of milk that they deliver. The program is financed through the dairy company, which gets increased quality and volume of milk from their suppliers. See: <http://www.danishknowhow.com/bolivia.html>

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NGOs can support local small businesses, such as agrodealers selling inputs, or local buyers, to offer innovative financing mechanisms that will ultimately benefit poor producers. By accessing financing options

from businesses, this often alleviates the need for poor producers to become indebted by taking a loan when they are potentially not yet ready for this level of money-management, and which may ultimately burden the poor producer with a higher financial cost. In addition to savings mechanisms and traditional credit and loan access, the USAID Leveraging Economic Opportunities (LEO) project outlines several innovative financing mechanisms (*see Appendix for more detail on each*), including:

- Agrodealer credit facilities
- Agrodealer prepayment discounts for input purchases
- Agrodealer prepayment layaway plans for input purchases
- Buyer check-off with credit
- Buyer check-off without credit

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#### Danish Case Example:

In Togo, BØRNEfonden assists community farmers' groups to establish fertiliser loan schemes, called the 'SOS Engrais' scheme (engrais is fertiliser in French), and formalise the producers' associations in charge of these. With these schemes, the members of the associations can access bags of fertilisers at the beginning of the agricultural season, paying initially for only one of these. Once harvest is over, the second bag is paid for and the pool of money is used as a revolving fund to finance next season's investments. The producer associations make agreements with the national institution in charge of the distribution of seeds and fertilisers, CAGIA (Centrale d'Approvisionnement et de Gestion des Intrants Agricoles) as well as with the agricultural extension services, ICAT (Institut de Conseil et d'Appui Technique) for the training on correct use of fertilisers and subsequent follow-up.

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NGOs should determine whether credit or any other support is indeed useful for the poor producers at their particular stage of development. More than one project has failed because participants were given "loans" they could not repay as new start-up enterprises; others have seen participants sell tools and equipment provided to them because cash obtained from the sale was more valuable than attempting to earn income from using them.

## 5e. Support cross-cutting market systems

It is important for NGOs to take as wide a perspective as possible on the market system. Rather than supporting the promotion of cross-cutting support markets for one crop, NGOs may be more effective by supporting the cross-cutting market system for the benefit of all.

### Illustrative Examples:

Rather than promoting improved irrigation methods for one crop, which could result in poor farmers drawing water away from their other crops, an NGO may support improved irrigation systems for an entire community that would benefit all crops while also benefiting the crop that the NGO was targeting.

Rather than supporting input supply for one crop, which could result in poor farmers focusing their resources on fertilizers and pesticides for that one crop to the detriment of all their other crops, an NGO may support improvements in how inputs are provided in the community in general, which would still have a positive impact on the crop being targeted.

## 5f. Facilitate supportive policy and regulatory environments

The facilitation of pro-poor markets includes the development of an enabling environment that provides sufficient support structures for development of that market. The Donor Committee for Enterprise Development (DCED) defines the business environment as a complex system of policy, legal, institutional, and regulatory conditions that govern business activities. It is a sub-set of the investment climate and includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations, civil society organisations, and trade unions). The business environment is illustrated in the diagram.

NGOs can facilitate an advocacy process that strengthens and supports the various market entities to have sufficient evidence and capacity to engage with the relevant policy makers and major stakeholders themselves.

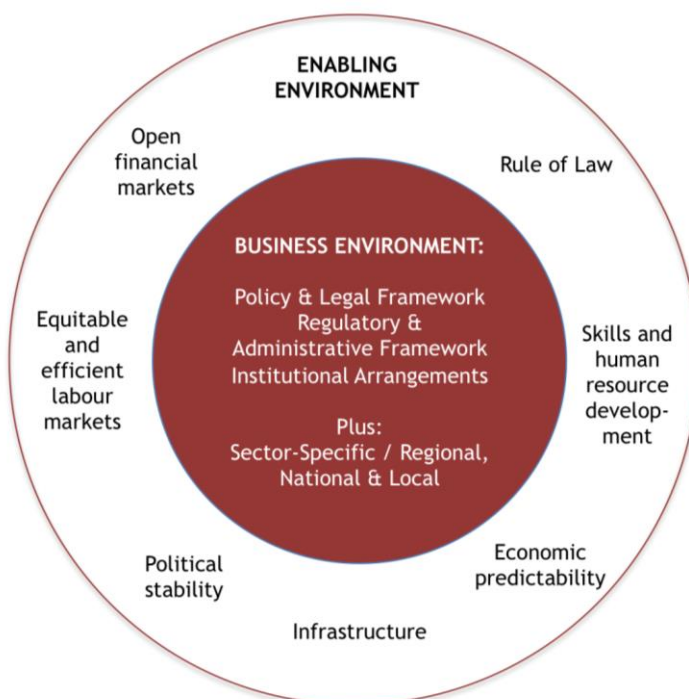
### Danish Case Example:

In Ethiopia, SOS Children Villages discovered that a community is rural but was registered as urban some years ago, and as a consequence the smallholders were denied access to agricultural extension services. Through a dialogue with the local administration this practice has now been changed and farmers can again benefit from specialist advice and even agricultural inputs.

Advocacy can be undertaken by any set of market entities depending on their interest, capacity, and individual linkages, and NGOs can support their capacity to do so.

### Illustrative Example:

An NGO supports new policies that encourage the facilitation of participatory agricultural extension approaches that replace earlier extension policies aimed at promoting off-the-shelf technologies and input packages.





NGOs can support market entities to:

- establish or revise industry standards for products or services
- establish or revise industry codes of conduct
- create or strengthen coalitions or associations
- lobby for specific changes in policy or regulation
- carry out industry-wide assessments used to make the case for change

NGOs can advocate for government or NGOs to include extremely poor families in their safety net programmes

## 5g. Support market-relevant knowledge exchange and skills building

To guide capacity building and skills building activities, NGOs can consider who in the market has the motivation or incentive to exchange knowledge and/or create platforms for producer-to-producer exchanges. NGOs can support the provision of specialized training to poor households and producers in vocational skills (e.g., construction, carpentry, tailoring), small business management, or to take advantage of specific business opportunities (e.g., bicycle delivery, honey production). Entities with the motivation to do so include traditional partners, such as training institutes, vocation and technical training colleges, schools, and educational NGOs. Non-traditional entities could include radio stations, input suppliers or buyers, associations, etc. Each one could have multiple mechanisms to transfer knowledge or encourage exchanges between poor producers.

NGOs should identify a viable market for a skill or trade before training begins. Extensive market research is needed to clearly understand what skills are needed by the local private sector, how a skill can be linked to income earning potential, and what the barriers to entry are. NGOs should start with an open mind and conduct a market analysis upfront rather than assuming what training a poor producer needs.

### Illustrative Example:

An NGO conducts market research on the skills most required by the local private sector involved in the construction sector or the agricultural sector. Rather than running this training itself, the NGO provides this research to

a local vocational training college or private training enterprise and builds their capacity to be able to deliver these.

NGOs should consider which businesses or other entities in the community would have the business interest in having people be trained in the particular skills. Consider supporting several of these entities to run the training or play a role in it (such as providing trainers, facilities, practical internships, etc.)

### Illustrative Examples:

An NGO partners with a local textile manufacturing firm and meat preparation firm to provide their facilities after hours to be used to train unemployed youth as potential employees for these markets. The firms are invited to provide trainers to support the training. In this way the firms know that the unemployed youth are receiving quality training on the appropriate equipment and on relevant skills that they can use to gain employment with other firms in the industry too.

An NGO partners with a beekeeping farm to use their facilities to train women on how to raise bees and produce honey. Even though the women are being trained in smaller-scale household methods, the exposure to the larger facilities allows the women to gain an appreciation of honey production and create potential linkages to the farm who may be open to sourcing additional honey from those households producing to the required quality standards.

An NGO works with a local private training organization to build their capacity to train farmers. The NGO shares information to convince the training organization that there is a market opportunity in doing so, helping them to design curriculum, and paying for the first few trainings. The NGO aims for the local training company to be motivated enough to take on this function themselves without NGO support as they see the potential revenue flow from doing so.

An NGO builds the capacity of a local extension agent to provide technical assistance on improved irrigation methods.

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NGOs could build the capacity of multiple entities so that participants can decide which course they prefer and ultimately basic market forces will ensure that only the most relevant, highest quality and best value for money courses remain in the market place.

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#### **Illustrative Example:**

An NGO builds the capacity of several local entities to provide similar skills training to the local community. It works with a small local training enterprise, several technical training colleges and other local economic development organizations. The NGO feels comfortable building the capacity of more than one entity to provide skills training in the local community as the NGO recognizes that competition will likely stimulate higher quality skills provision for the local community or only the best training providers will ultimately still continue to provide the training.

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NGOs could work with local entities already providing training to design or adapt courses for very poor producers if they are not already targeting this group.

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#### **Illustrative Example:**

An NGO invites local training colleges to start designing and delivering mini training courses to agricultural SMEs that serve poor farming communities, or even farmers themselves. The short courses are offered near to the SMEs / farmers and only for a few hours a week at times that work for the SMEs / farmers. The colleges that select to apply for the support receive curriculum design support, marketing support, and are linked to initial MSEs or farmers. (The NGO is very transparent in stating that it will only continue to support those colleges that demonstrate that they are putting the course into place. Those that do, will receive additional support to, for example, deliver the course in a more rural area, or to link it to a local association or firm that can

provide an appropriate certification to give the course greater credibility.)

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NGOs could consider which knowledge transfer structures are the most appropriate for the target group. This could mean selecting between extension services, traditional training, farmer field school approaches, working through local businesses, etc.) In knowledge transfer structures, NGOs can invite private sector enterprises who have the interest for the farmers to take on the new skills and practices to be part of delivering the training.

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#### **Illustrative Example:**

Knowledge transfer structures such as Farmer Field Schools provide on-going learning opportunities for farmers, including farmer-to-farmer exchanges. Proponents of Farmer Field Schools, however, have recommended targeting more highly educated farmers, those with greater land endowments, younger farmers and women, favouring those with relatively low opportunity costs of labour or farmers with relatively high input costs. The Millennium Challenge Corporation funded a global study on Farmer Field Schools in 2014, *'Farmer Field Schools for Improving Farming Practices and Farmer Outcomes: A Systematic Review'*. The research concluded that traditional Farmer Field School models "seem unsuited to solve the problems of large-scale extension. The approach may not be cost-effective compared with agricultural extension in many contexts, except where existing farming practices are particularly damaging... This is because of the highly intensive (and therefore relatively costly) nature of the training programme, the relative successes in targeting more educated farmers as compared with disadvantaged groups, and failures in promoting diffusion of [agricultural] practices" to non participating farmers. (Campbell Collaboration, 2014)

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#### **Danish Case Example:**

Adventist Development and Relief Agency (ADRA) Denmark has many years of experience using a Farmer Field School (FFS) approach to

improve productivity through better farming methods. The FFS approach, however, almost totally neglects the importance of farming as a business. This has also been acknowledged by FAO, who has suggested Farmer Business Schools (FBS) as an alternative or complementary approach. In Malawi, ADRA has tested the FBS approach with some farmer groups, but has found it too theoretical for the smallholder farmers working with ADRA, as it requires literacy and is built on concepts for a formal business rather than a smallholder farmer doing mixed farming. Such farmers are, however, very interested in the market, and ADRA is now piloting a learning approach with two farmer groups, who are learning about the market, by interacting with it rather than through class room teaching. The two groups have selected a number of possible crops that they can produce, which they are now analyzing by virtually ‘traveling along their value chains’. The farmers thus send their representatives to the market centres to meet the various value chain actors relevant for their crops. The aim is to identify the crops that have the most attractive market prospects for them.

NGOs should employ quality facilitators or instructors for training. For example, research on farmer field schools concludes that training “should be delivered according to a participatory and discovery-based approach to learning, including opportunities for farmers to experiment and observe new practices, particularly if farmers are to be empowered with lifelong skills capacity development. Attempts to target facilitators based on education or literacy levels may be less effective than targeting based on ability to communicate, and appropriate training which enables facilitators to use a bottom-up approach. This is most obviously a barrier in scaled-up programmes where Farmer Field School facilitators are recruited from extension staff who previously used more top-down agricultural extension methods. Recruitment of facilitators should take into account personal attitude, maturity, literacy, leadership skills, knowledge in local language and experience with farming. In many contexts the gender of the facilitator should be carefully considered. Facilitators should have access to on-going support and backstopping from supervisors and

technical experts connected to local research centres.”  
(Campbell Collaboration, 2014)

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#### Danish Case Example:

Agricultural Development Denmark Asia (ADDA) trains locals to become trainers of the target groups, since this is a good way to keep knowledge within the communities, as well as to use trainers with knowledge of the local agricultural factors.

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NGOs should evaluate the effectiveness of knowledge transfer structures by considering local buyers’ perspective on whether they want the structures to continue or not.

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#### Illustrative Example:

An NGO determines the effectiveness of a farmer field school by surveying the local vegetable buyers and vegetable processing firms. If they are really effective the NGO recognizes that the local buyers and processors will advocate for the field schools to remain open or to change in a certain way, as the buyers will see them as key to allowing the buyers to access better quality, more consistent volumes and more appropriate types of produce.

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NGOs could complement skills training with other needed inputs, such as savings, business services, etc. NGOs could also track the performance of graduates and use of skills after training. This improves quality of programs in the future if adjustments are needed based on graduate feedback and also allows for better impact assessment of the skills intervention.

NGOs could link trainees with the private sector for future employment opportunities. NGO should ensure that the NGO is supporting structures or processes that provide sources of on-going information and knowledge exchange that will continue after the project.

#### Things to Avoid

- Avoid “flooding” the market with the same skill (for example, training 25 tailors for a small village does not work).

- Avoid arriving with a pre-prepared solution, such as the formation of a farmer group, and then engineering a market analysis to justify this. Rather start with an open mind and see what a market analysis might justify.
- Avoid establishing large vocational training centres without clear career paths for the graduates. These schools are expensive to open and maintain, and will not serve the attendees if they are unable to establish viable businesses or secure jobs from the training received.
- Avoid providing all training and inputs for free. Requiring cost recovery or cost sharing (in cash or in-kind) by participants generally leads to better application and use of the learning.

## 5h. Facilitate improved quality assurance systems

Quality assurance systems are important in motivating and maintaining quality throughout the market system.

### Danish Case Example:

Agricultural Development Denmark Asia (ADDA)'s Danida-funded project in Vietnam instituted a quality assurance process through a Post-harvest and Participatory Guarantee System. Farmers groups were used to review other farmers groups' production and sorting quality. In this type of system, buyers can be brought in to support the delivery of the quality assurance training and certification - which

assists in increasing buyers' confidence in the quality assurance process.

Buyers can be brought in to support the delivery of the quality assurance training and certification – which assists in increasing buyers' confidence in the quality assurance process.

### Danish Case Example:

To support the pork industry in Tanzania, including supporting daily production, feed preparation and hygiene management of pigs to live up to the Danish food health and safety standards, the DANIDA Business Partnerships Programme has supported a joint venture between Tanzanian company Kagera Ranching and Agribusiness Development Company Ltd.(KRADL) and the Danish company Norringlund to form a new company, Tandan Farms. Tanzania is characterized by a lot of small suppliers who are operating under poor conditions with poor quality pork because of lack of knowledge on how to breed, feed and slaughter the animals. Danish Norringlund will provide the training needed to produce the pork, while Tanzanian KRADL will supply the manpower on the ground.





## Principle #6: Adapt interventions to the beneficiary group

### Guidelines:

- a) Support risk mitigation strategies
- b) Support confidence-building
- c) Support increased trust
- d) Leverage social capital
- e) Support complementary skills needed for participation in markets

Poor households and producers continually undertake risk mitigation strategies, and often lack confidence and trust to effectively interact in the market.

### 6a. Support risk mitigation strategies

The behaviour of poorer households is shaped to a greater extent by a limited capacity to mitigate risk. As a result, such households will often diversify their household income sources rather than intensifying their higher return activities.

For this reason, poor households (and producers) often behave in ways that NGOs might not expect. Because the very poor are already vulnerable to shocks, they are not in a position to easily take on added risks, however small, which could threaten their basic survival. NGOs may not understand why a poor household may not put a priority on increasing their incomes, but instead may put a priority on decreasing vulnerability. This can mean decreasing the amount of economic risk that they want to take on.

#### Illustrative Example:

An NGO is surprised that smallholders choose to increase their savings rather than their spending, even in the face of what seems like a significant economic opportunity identified by the NGO, and invest less in their farms or other livelihood activities. What may seem like an opportunity to a higher income smallholder (investing in a capital asset or technology to increase production) may seem like a large risk to a poor smallholder (i.e., they could lose all of

their investment and be left with nothing). The poor smallholder may feel he/she cannot afford to invest time and resources in a crop that might fail or a product that could face drastically falling prices.

Poor smallholder producers will, for example, produce some commodities for a distant market, produce some for the local market, while also producing some for storage for own consumption. It is important for NGOs to understand that this is not risk aversion, but rather a beneficial risk mitigation strategy. No smallholder producer would put all her resources into one option, with the risk of losing everything if that option fails. For example, a smallholder would unlikely allocate all her land and labour to a distant market – and would also be reluctant to engage in contract farming, if it means mono-culture.

NGOs can support activities which 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. NGOs can support activities which promote crops for consumption and the market; start with small, low risk activities; connect to markets with low barriers to entry and low risks; focus on activities with short-term, frequent returns, rather than having long periods without income, etc.

### 6b. Support confidence-building

To build confidence of poor households and other market entities, NGOs can support initial activities that are simple and have a high chance of success. NGOs can support activities that foster social relationships that can be called on in times of need, building on what already exists to improve self-esteem, confidence, and opportunities for reciprocity, rather than assuming social exclusion. To build confidence among poor households, it is often useful for NGOs to build basic skills such as training in functional literacy and numeracy that build confidence and prepare poor producers to better participate in market. In addition, building an understanding of the market such as building group capacity to access and maintain information on prices, trends, and buyers can improve confidence in bargaining with buyers.

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#### Illustrative Example:

An NGO finds that poor producers feel uncomfortable interacting with 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. The NGO works with a local association or extension service to provide basic training on how to understand different types of contracts and buying relationships. The NGO facilitates opportunities for farmers to become more familiar with bigger buyers, such as through short tours of buyers' premises or short-term work or training opportunities.

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## 6c. Support increased trust

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The lack of trust between the poor and other market entities is often a key constraint in efficient operation of the market. For example, the underlying constraint to low production levels by farmers may be a lack of trust between smallholders and input providers, which increase the input providers' perceived risk of providing pre-harvest credit to farmers for yield increasing inputs or tools. (*Pathways out of Poverty, 2011*)

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#### Illustrative Example:

An NGO recognizes that certain markets lack effective ways for conflict mitigation capacity, resulting in broken contracts and lack of trust between poor producers and businesses in the market. There is no avenue for anyone with a complaint, and no capacity to mediate a win-win solution if needed. The NGO provides capacity building for entities to act as mediators for certain markets, creating avenues to deal with conflicts and using mediation strategies which prevent conflict (and hence lack of trust and poor relationships) from escalating to unmanageable levels that end up hurting all parties involved. The NGO works with local quasi-government structures or authorities to take on this role in the market, and at times trains extension agents in mediation skills.

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NGOs can support the building of trust between poor producers and their buyers or suppliers through interventions that: (*World Vision 2013*)

- Encourage continuous dialog between producers and other market actors.
- Facilitate low risk and early return activities to show that each side will follow through on commitments. These can incrementally expand in depth and outreach as stakeholders become more open.
- Provide repeated exposure to other businesses and cross visits between each partner in the relationship.
- Support transparent, clear contracting, such as formal, written agreements that stipulate all aspects of the business relationship.
- Provide checks and balances. If there are government or NGO officials that very poor producers can go to if they feel taken advantage of by suppliers or buyers, then they may feel more trust.
- Encourage price incentives, payment terms, and other support that benefit poor producers.
- Within a producer group setting, encourage clear communication of members' roles and expectations, clear understanding of the group's goals and vision; shared vision of a business plan; conducting business-like meetings, following a clear agenda and having written minutes; regular rotation of group leadership to lessen potential for corrupt practices.

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#### Danish Case Example:

- BØRNEfonden has worked with small-scale producers in West Africa for decades. BØRNEfonden recognizes the importance of building trust and relationships among small-scale producers and with other market actors. In Benin, through a project targeting 450 women micro-entrepreneurs and their processing activities, efforts to improve market access have resulted in considerable increase in incomes: on average the women have increased monthly income by 60% from 2010 to 2013. By putting small-scale producers in the same room to discuss and work together, organizing subsequent smaller scale reunions as follow-up, field-based trainings were producers can learn from each other, and having more experienced producers coaching their sisters, builds trust and confidence among



producers and has led to joint purchase of raw materials and joint sales.

The increase in earnings can be attributed to a number of additional factors that are the result of project interventions, including: improved product quality (garnering better prices); access to new processing technologies (investments made possible from access to loans); improved market access; joint purchase and sales; and improved business management. The project approach has consisted of combining training in processing techniques and business management with facilitation of links between the women micro-entrepreneurs to other actors in the value chain. On the input side, links were facilitated with, for example, technology providers, training providers, and loan providers. On the output side, links were facilitated with buyers, including wholesalers and supermarkets in both the export and domestic markets. Public partners included Chambers of commerce, Agricultural extension services and Product certification authorities. A particular challenge for this type of project is for the NGO not to distort market systems and ensure the women

micro-entrepreneurs gain capacity for establishing and maintaining relations with other value chain actors.

It is important to recognise that it takes time to build real trust. Long-term business relationships often take years to achieve.

## 6d. Leverage social capital

The poor usually have wide social networks of contacts and relationships (social capital) among each other. This is an important asset that provides valuable support during times of stress. Social capital represents the level of trust and/or obligation generated by operating within the norms and networks that govern market and non-market interactions between people. (*USAID Value Chain Wiki*).

NGOs can support interventions that:

- encourage support from friends and families in the form of shared labour.
- support financial support from friends and families in the form of remittances from urban areas or





from diaspora outside of the country.

- facilitate the generation of trust by consistently meeting delivery and quality requirements.
- build on the trust and obligation between members of a family or ethnic group.
- leverage the trust group members place in their leaders or the poor place on leaders in their communities.

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#### Danish Case Example:

Organic Denmark, in partnership with SATNET (Sustainable Agriculture Training Network) and NOGAMU (National Organic Agricultural Movement of Uganda), has, since 2009, supported the development of more than 100 Farmer Family Learning Groups in Rwenzori in Western Uganda. Through cooperation and joint action the Farmer Family Learning Groups have improved farmers' livelihoods, strengthened their social capital in their community, and in some cases, initiated joint marketing. The prerequisite for the Farmer Family Learning Groups to enter into the local market is that the trust and the social capital in the groups have developed to a level where forming marketing associations is a viable path forward for the groups to gain access to the local markets. The marketing associations are facilitated by SATNET and local entrepreneurs.

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It is important to recognize the positive and negative consequences of reciprocity among social networks. Besides the positive outcomes, this can also lead to drawings on earnings by family and friends when they need support, limiting reinvestment opportunities by the poor into their productive activities.

## 6e. Support complementary skills needed for participation in markets

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NGOs could include basic literacy and numeracy and simple market literacy training as important skills needed to allow poor households access to markets and confidence for participation in these markets.

Training programmes should be adapted to the level of literacy and numeracy with which the beneficiary group is most comfortable.

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#### Danish Case Example:

In Agricultural Development Denmark Asia (ADDA)'s Danida-funded project in Vietnam, farmer field schools use visualization and graphics rather than written text to train farmers. The farmers participate in generating their own training materials using visuals that they most relate to.

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## Principle #7: Support varied livelihood opportunities for beneficiaries

### Guidelines:

- Support opportunities for the poor to graduate from direct support
- Encourage improved employability
- Encourage enterprise & income-generating opportunities

NGOs often focus on self-employment without taking a broader perspective on livelihood opportunities for the poor. Livelihoods include both employment and self-employment, and formal and informal activities.

USAID, through a cooperative agreement with AED and its partners Save the Children and EcoVentures International, published the 'Economic Strengthening Guide for the benefit of Vulnerable Children' in 2007. The following guidance is extracted from this Guide.

### Danish Case Example:

In Benin, the BØRNEfonden supports multiple livelihood strategies by helping families with income generating activities and other interventions that increase revenue opportunities. These include apprenticeship programmes for youth, training in business management and entrepreneurship in general - with a focus on women and youth, technical-professional youth and adult training, and complementary financing support such as microloans.

### 7a. Support opportunities for the poor to graduate from direct support

When providing intensive, direct support to the very poor, NGOs need to establish motivations and opportunities for the poor to move from this intense support to graduation to less intensive forms of assistance. NGO activities, such as short term cash or asset transfers, when these are appropriate, may be necessary to address destitution and establish a base of

productive assets, but poor households that have graduated from this initial support are often unable to access assistance to build on their first successes. They are therefore dis-incentivized to graduate out of poverty or to make (or report) any form of improvements. A phased approach to implementation, that allows the very poor to build off their first wins, can be an effective motivation for graduation that supports a transition out of poverty rather than a dependency on subsidies and direct support. (*Pathways out of Poverty, 2011*)

### 7b. Encourage improved employability

Not all poor households have opportunities to earn their own income through self-employment or at-home production. Many do not own their own land on which to produce or are migrating from other areas without assets such as land or established relationships with others in the area with whom to do business. Job creation focuses on facilitating opportunities for poor households and producers to earn income through paid employment. Improved employability can include improving skills on the side of the poor households and improving linkages with the private or public sector that would be hiring the poor as wage earners. Strategies include public-private partnerships where apprentice opportunities are created in the private sector, or jobs are targeted at poorer households.

- Recognize that it needs to make business sense for businesses to hire from poorer households. Businesses are unlikely to simply commit to this strategy for the longer term out of a social responsibility obligation. If, however, the business knows how poorer households can solve their hiring needs, they will continue to train and hire them.

### Illustrative Example:

An NGO may approach a business to share ideas about how poorer households can meet short term labour needs, such as during times of increased seasonal demand. A business may need to bring in more people during the harvesting season as packers or to run easy-to-learn machinery. It may make business sense for the business to offer to train the poorer

households at the business premises to perform these functions.

- Support poorer households in accessing basic employability skills. It is often risky for businesses to hire poorer households as the poor are often not familiar with the expected behaviours in work environments. If the business knows that the poor have been trained in essential employability skills, they are far more likely to feel secure in hiring them.

#### Illustrative Example:

An NGO provides additional support to ensure that poorer households are versed in basic employability skills, such as getting to work on time, knowing how to interact with managers and fellow workers, or committing to finishing a contract.

- Encourage on-going internship programmes to support hands-on training and skilled employees in the market.
- Consider who wins and who loses— for example, are other people's jobs being replaced by your program participants?
- Identify sectors in growth phase or with significant growth potential that can provide long-term jobs or training in high-potential sectors.
- Evaluate skills gaps or challenges faced by households or producers before pursuing employment opportunities (e.g., illiteracy, need for childcare while working, periods of sickness if facing health crisis, etc.).
- Find out from the private sector the types of knowledge, skills, and character attributes they look for in employees.
- Recognise that the marketability of new skills is more often assured when work is carried out with a private sector partner.
- Invite private sector partners to underwrite some or most of the training costs where this makes business sense for them to do so.

#### Things to Avoid

- Avoid subsidizing short-term work that does not build skills or longer-term gains for the household. While this may provide short-term income or fill in gaps, it is not sustainable and the household often returns to the same situation once the job ends.

- Avoid providing jobs for caretakers without a strategy to care for the children while the worker is away from home. Accidents happen in the home while adults are away and children are left alone or cared for by other young children.

## 7c. Encourage enterprise & income-generating opportunities

Enterprise and income-generating activities (IGAs) involve working with individuals or groups focusing on production and on support services. Examples include poultry keeping, operating a catering business with other group members, building a fishpond or farming a piece of land as a group, or buying an asset such as a maize grinding machine to generate an income stream.

Group based income generation is often used with groups of caregivers and older children as a starting point for income generation.

- Use IGAs cautiously, ensuring that adequate market research has been carried out to identify profitable, sustainable opportunities to sell the goods or services. Some projects focus on cottage industry crafts rather than on producing goods that are appropriate to the local situation—and that people actually want to buy or that can be effectively exported.
- Consider the target population's ability to effectively run the activity. Do they have the time, expertise, health, space, etc., to meet quality control and production needs?
- Verify that there is sufficient expert input on how to run a business, as well as on the specific opportunity. There are often opportunities to link up with government services or other programs that have the needed expertise.
- Start with market research. Ensure the market is not already saturated.
- Develop the capacity of others to adequately train groups in the activity and in project management. Draw on the expertise of others with skills in the proposed new activity.
- Involve households in identifying potential projects. This creates ownership and ensures that household members can take over if others become sick, drawn into different activities or migrate away.

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#### Danish Case Example:

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SOS Children Villages works with individual households in Ethiopia that are members of savings groups, to develop individual family plans for how they can improve their income levels. Caregivers are supported with business training and with some direct support to their businesses. Negotiations are underway for the establishment of a market place in the community as the local administration has seen increased agricultural production and start-up of small businesses.

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NGOs can support business incubation facilities that allow more targeted entrepreneurship development support.

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#### Danish Case Example:

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In Mombasa, Kenya, ASSIST, through funding from Danish Mission Council Development Department (DMCDD), Economic Projects Transformational Facility (EPTF), established a business Resource Centre to support sustainable business development among youth entrepreneurs. The Center provides entrepreneurship and ICT training, mentoring services, community forums, and business incubation services. A community-based approach encourages collaboration with the new county governments, the universities, other private sector organizations, religious organizations, and the community, who are all the direct beneficiaries of the services offered at the center. Resources from community stakeholders are used for training bursaries for needy youth, women and other disadvantaged groups in entrepreneurship. In this way EPTF empowers the community to own its own economic empowerment and be able to demand its own rights from the duty bearer (the government and its agencies).

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#### Things to Avoid

- Avoid providing free provision of start-up capital or assets, which often reduces commitment to making the venture profitable. Some projects have successfully subsidized a portion of start-up costs or training, but few group or individual businesses

that are completely financed by the project remain successful.

- Avoid requiring written business plans, financial statements, or formal record-keeping systems if they are inappropriate for the business and participant. It is more important that the entrepreneur is able to develop a viable business strategy based on the skills developed, often using extensive market research to develop an idea of how the business will viably operate as well as its market potential.
- Avoid relying on project staff of a multi-sectoral initiative to deliver both technical expertise (e.g., health education) and advice and guidance on income-generating activities. Many projects use community workers to identify and provide services for poor households, but if these professionals lack the required experience and exposure to guide participants in IGA activities, businesses often fail.
- Avoid setting up revolving loan schemes for IGAs unless there is specific expertise available to do this. Few NGOs or community-based projects have successfully developed lending mechanisms that rotate a pool of funds from one project to another, especially with the limited staff capacity of many NGOs in the field. These structures can also be cost prohibitive, or highly subsidized and thus unsustainable.
- Avoid imposing labour-intensive technologies or programs on households that are physically affected by illness.
- Avoid focusing on program options with a negligible impact on the household income: a new product process may increase the price of an agricultural product by 20%, but require a substantial investment in new technologies and more labour may not actually lead to improved outcomes for the household.
- Avoid underwriting on-going business costs for entrepreneurs.

## Principle #8: Include strategies to benefit particularly vulnerable beneficiaries

### Guidelines:

- a) Support inclusion of women
- b) Support inclusion of youth
- c) Support inclusion of ethnic minorities

Low-income women, youth, and ethnic minorities are both particularly vulnerable in many contexts.

### 8a. Support inclusion of women

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). (*World Vision, 2013*)

#### Illustrative Example:

A study on farmer field schools concluded that to be effective in targeting women, the curriculum needed to be relevant and consistent with the needs and opportunities of women and the poor. "In contexts where women are primarily responsible for growing subsistence crops, a curriculum that covers only commercial crops is unlikely to attract women participants" Problems were highlighted in targeting women who lived in household where they were not in a decision-making position. (*Campbell Collaboration, 2014*)

NGOs can try to reduce the cultural barriers to women's participation by sharing market information using communication channels used by women; identify labour-saving technologies; encourage community discussions amongst men and women about gender inequalities and the barriers for women; promote value

chain selection that favours women's participation with lower barriers to entry; link women with support structures and networks that build their social capital, skills, and business confidence; and facilitate women-only meetings where appropriate if it is not possible to create women-only groups.

#### Danish case example:

Being an NGO working primarily to support children and youth to develop to their full, BØRNEfonden has assisted local communities in establishing pre-school facilities. However, while this stimulates children's psycho-social development and prepares them for school, it also frees time for their mothers to engage in economic activity. Normally, the women would have had their small children with them all day, which poses a challenge, for example, when travelling to local or regional markets that may be far away to sell produce, or for processing of agricultural produce that may involve heavy work or work over open fire. With the preschools in place, the women are free - at least for some hours of the day - to engage in economic activities that may ultimately benefit their families and their children in particular.

In some contexts it is not culturally acceptable for women to engage in activities facilitated by an NGO or in women's groups without the acceptance or even participation of their husbands.

#### Danish case example:

In Mali, as well as in many other countries, women and men complement each other's agricultural activities, by each taking on specific agricultural and economic responsibilities and each being in charge of their respective steps in the value chain functions, from primary production to the selling of the end-products. In southern Mali, BØRNEfonden's approach for promoting income generation for small producers and ensuring market access, is to therefore address entire value chains, e.g. maize being processed into maize flour or honey being processed into various products. Taking the example of honey-related value chains, men are in charge of the first steps, such as taking care of bee hives, harvesting the honey, and



storing and transporting it to the place of processing. Consequently, BØRNEfonden will assist the men in terms of access to relevant training, investment into equipment, organization into producers' associations, etc. For the subsequent steps, the women are in charge of processing the honey into soap, honey for consumption, and body lotion. The women organize the selling and marketing of the products at a roadside shop and via middlemen. Training in processing techniques and in group-based business management is therefore of utmost relevance to the women. Furthermore, BØRNEfonden has assisted the women to form their own formally registered Economic Interest groups, in order for them to manage incomes correctly, gain access to funding and be better prepared to negotiate with buyers, as well as with the producers associations delivering the raw material.

The Økologisk Landsforening, together with their partner NOGAMU in Uganda, and Danish researchers, have been successful at implementing an approach called Family Farmer Learning Groups in acknowledgement of including both men and women owing to their complementary roles.

As NGOs work to improve opportunities for poor producers, changes can take place within markets that are considered positive, but which may ultimately have unintended consequences on women. It is important to take these into consideration and recognize how to minimize their negative impact on women and household relationships. See Appendix III for practical examples of improvements in market systems and the unintended consequences on woman that NGOs can be on the lookout for.

## 8b. Support inclusion of youth

A large proportion of young adults and a rapid rate of growth in the working-age population tend to exacerbate unemployment, prolong dependency on parents, diminish self-esteem and fuel frustrations in youth. In many cases young people lack the mental and physical ability to defend themselves against exploitative labour situations, often materializing in child labour or unsafe and unhealthy working conditions. Young people are specifically vulnerable to

un(der) employment because they: lack work experience as first-time job seekers; are unable to compete with skilled and experience workers; there is often a mismatch between experience gained through education or training systems and the actual labour market demands; there is often a mismatch between youth aspirations with work and life realities; youth often have weak organization and a lack of voice; and youth often have limited access to appropriate financial and social support networks. Young people often have competing responsibilities, particularly related to education, family and income-earning commitments.

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### Illustrative Example:

A study on farmer field schools highlighted problems in targeting youth who were unable to dedicate sufficient time to the farmer field school plot or their fields. *(Campbell Collaboration, 2014)*

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Young people's need to engage in employment as well as education is sometimes referred to as 'learning while earning'. One of the greatest misconceptions about young people is that they are economically inactive. The reality is that most young people are economically active – as many are working in the informal sector and/or engaged in very small-scale or casual self-employment activities, often not captured in employment statistics. *(Aga Khan 2011)*

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### Illustrative Example:

An NGO wanted to build youth's entrepreneurship skills. Instead of providing training to youth directly, the NGO worked with a local media firm to create cartoons with entrepreneurship messages distributed through local newspapers. The NGO worked with a local radio station to set up programme interviewing young role models that the NGO identified around the country. The NGO worked to encourage national corporate sponsors (such as banks and mobile phone companies) to partner with the media house to roll the initiative out nation-wide together with in-person youth competition-style events to celebrate entrepreneurship. In this way, the positive messaging and continued capacity building around entrepreneurship was continued beyond the life of the project, delivered through

respected sources, and using youth-friendly platforms.

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When considering employment or self-employment market opportunities that are suitable for young people, EcoVentures International (EVI) has designed a *Youth Suitability Checklist* used by several organizations. EcoVentures International (EVI) is a non-profit organization, based in Washington DC, specializing in enterprise and market development, and is widely recognized for its participative, experiential training tools and curriculum. This checklist was designed as a result of learning from EVI's youth entrepreneurship projects. (See Appendix IV for the summary of the Checklist.)

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#### Danish Case Example

In West Africa, BØRNEfonden supports multiple livelihood strategies by helping families and youth engage in income generating activities that are locally relevant and have local market potential. In partnership with local institutions - public and private - and with CBO's, BØRNEfonden's approach to promoting income generation and micro business development among youth comprises of three interlinked components. Firstly, access to technical-vocational training is ensured via apprenticeship programmes, via formal vocational training institutions or via short-term tailor-made courses. Secondly, training in basic business management, market analysis and formulation of business plans is provided either via short-

term supplementary courses or as part of the technical-vocational training. Finally, access to funding is ensured, mainly via locally present Micro Finance Institutions or community-based savings and loans schemes. Experience shows that each of the three components is crucial for the youth to succeed in establishing a basis for generating income of their own.

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### 8c. Support inclusion of ethnic minorities

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NGOs can target strategies and benefits to ethnic minorities. Ethnic minorities are often isolated and live in remote areas. They often have limited access to land, limited access to credit and productive assets, limited access to quality social services, and limited participation in government structures and public life.

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#### Danish Case Example:

In Vietnam, Agricultural Development Denmark Asia (ADDA) works to upgrade the agricultural production skills of the ethnic minority to, among others, upgrade the agricultural production skills of the population to help reduce poverty.

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## Appendices





## Appendix I: Market Development Frameworks

The three most widely recognized market development frameworks are discussed below.

### A. Value Chain Approach

Value chains encompass the full range of activities and services required to bring a product or service from its conception to sale in its final markets - whether local, national, regional or global. The value chain approach is a method of achieving economic growth and reducing poverty that focuses on linking micro and small enterprises (MSEs), including poor, small-scale farmers, into local, regional and/or global value chains, while ensuring an enabling environment and access to the resources needed to take advantage of and benefit from market opportunities. By transforming poor MSEs' relationships with buyers up the chain and input suppliers down the chain, as well as with support service providers, the approach ensures that the poor are included in economic growth strategies. (*USAID Value Chain Wiki*)

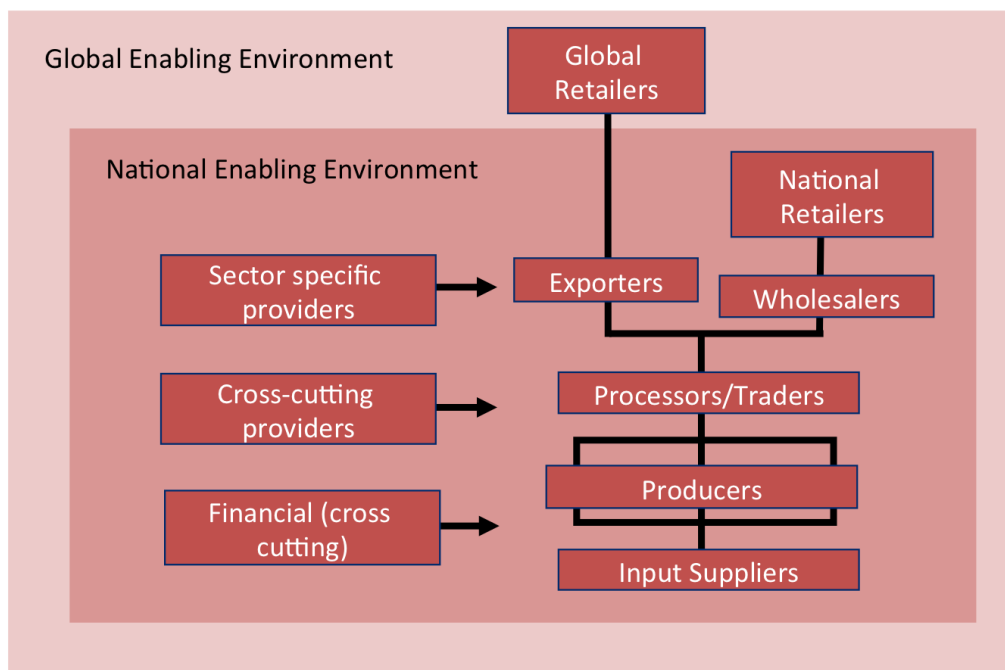
The Value Chain Approach considers the structure of a value chain and the dynamics between the structural elements. USAID's Value Chain Wiki provides a very comprehensive resource on the approach, differentiating between structural and dynamic factors.

### Structural Factors:

**End markets:** End market buyers determine the characteristics—including price, quality, quantity and timing—of a successful product or service. End market buyers are a powerful voice and incentive for change, are important sources of demand information, can transmit learning, and in some cases are willing to invest in firms further down the chain. (*USAID Value Chain Wiki*)

**Business enabling environment:** Chains operate in a business enabling environment (BEE) that can be all at once global, national and local and includes norms and customs, laws, regulations, policies, international trade agreements and public infrastructure (roads, electricity, etc.). The BEE facilitates or hinders performance of the value chain. (*USAID Value Chain Wiki*)

**Vertical linkages:** MSEs are vertically linked to a varied range of market actors including wholesalers, retailers, exporters, traders, middlemen, input dealers,



suppliers, service providers and others. Vertical cooperation reflects the quality of relationships among vertically linked firms up and down the value chain. Vertical linkages facilitate the delivery of benefits and embedded services and the transference of skills and information between firms up and down the chain. The volume and quality of information and services disseminated often define and determine the benefit distribution along the chain and create incentives for improvements at different levels of the chain. *(USAID Value Chain Wiki)*

**Horizontal linkages:** Horizontal linkages—both formal as well as informal—between firms at all levels in a value chain can reduce transaction costs, create economies of scale, and contribute to the increased efficiency and competitiveness of an industry. In addition to lowering the cost of inputs and services, horizontal linkages can contribute to shared skills and resources and enhance product quality through common production standards. Such linkages also facilitate collective learning and risk sharing, while increasing the potential for upgrading and innovation. *(USAID Value Chain Wiki)*

**Supporting markets:** Supporting markets include financial services; cross-cutting services such as business consulting, legal advice and telecommunications; and sector-specific services, for example, irrigation equipment or packaging design services. Not all services can be provided as embedded services by value chain actors, and so vibrant supporting markets are often essential to competitiveness. Service providers may include for-profit firms and individuals as well as publicly funded institutions and agencies – and include those operating in the informal sector. Support markets operate within their own value chain—most service providers themselves need supplies, training and financing in addition to strong vertical and horizontal linkages. *(USAID Value Chain Wiki)*

The very poor access fewer support services, whereas the less poor have a far greater range of support services that can be leveraged to facilitate their participation within the market system. *(Pathways out of Poverty, 2011)*

### **Dynamic Factors:**

**Value chain governance:** Governance is about power and the ability to exert control along the chain. At any

point in the chain, some firm, group, organization or institution sets and/or enforces parameters (formal or informal) under which others in the chain operate. *(USAID Value Chain Wiki)*

**Inter-firm relationships:** Supportive relationships facilitate collaboration; enable the transmission of information, skills and services; and provide incentives for upgrading. Adversarial relationships are structured to maximize short-term profits. Poor producers and other stakeholders can be asked questions that will reveal whether they consider their relationships to be mutually beneficial; whether their interactions are recurrent and substantial (involving the exchange of information, skills and services in addition to product and money) or are brief, isolated commercial interactions; and whether these relationships are entered into freely from a motive of self-interest, without social or government pressure. *(USAID Value Chain Wiki)*

**Upgrading:** In order to respond effectively to market opportunities, firms and industries need to innovate to add value to products or services and to make production and marketing processes more efficient (to upgrade). These activities can provide MSEs with higher returns and a steady, more secure income through the development of knowledge and the ability to respond to changing market conditions. Upgrading needs to be a continual process in any market by all actors in the market and can lead to local and national economic growth. *(USAID Value Chain Wiki)*

## **B. Making Markets Work for the Poor (M4P) approach**

Making Markets Work for the Poor (M4P) are approaches to poverty reduction that donors such as DFID, Sida and SDC have been supporting over the past few years.

The diagram below shows a stylized view of the market from the perspective of the M4P framework, depicting three main sets of functions: core, rules and supporting functions. These are described further below, drawing on the Dfid-funded Springfield Institute's synthesis of the M4P Approach.

**Core:** The Core is the central set of exchanges between providers (the supply-side) and consumers (demand-side) of goods and services at the core of any market.

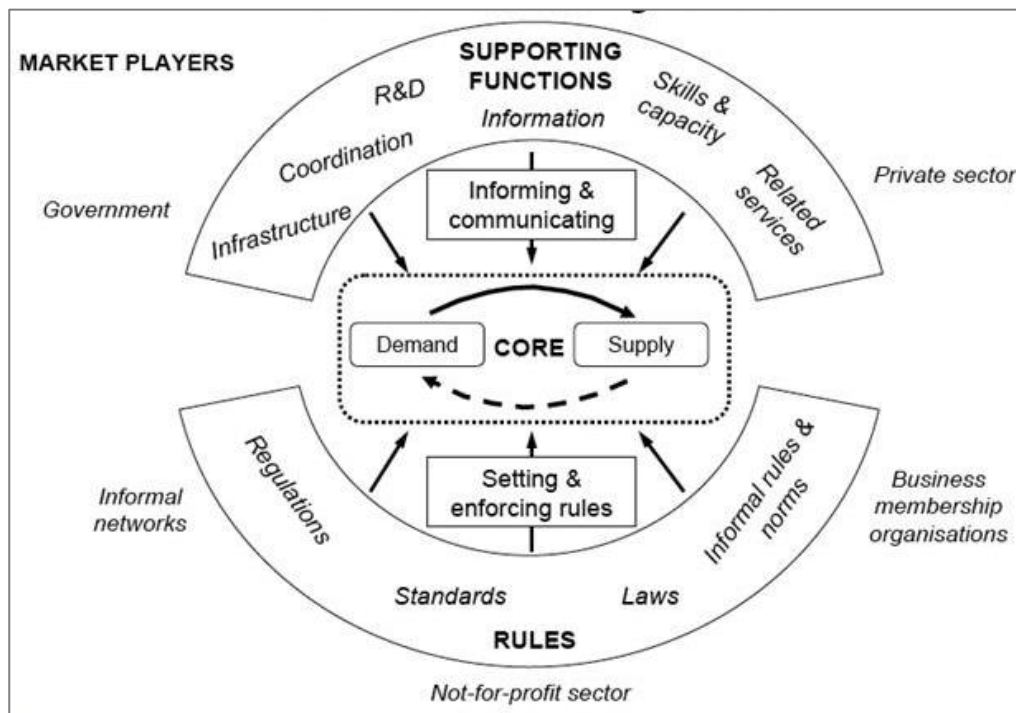


Diagram: M4P Framework showing a stylized market

Exchange can be through money or non-financial accountability (say in government-provided services) or through informal quid pro quo arrangements (in social or business networks). In most market systems, the private sector can be seen to be the main provider.

**Rules:** Rules shape market outcomes and govern participation and behaviour in markets. Rules include informal rules or norms, formal rules or laws and other standards and codes of practice. Formal providers of rules are commonly governments or membership organizations. Rules are essentially a non-commercial or public or collective role in markets. However, their enforcement (often the most problematic issue) can involve private sector players (for example, in international food quality standards or consumer protection interventions). Informal rules are generally a product of local culture and value systems and practices and invariably define the extent to which formal rules are accepted.

**Supporting functions:** The range of supporting functions that help the market to develop and grow including, for example, consultation processes; research and development (R&D); information; and capacity development and co-ordination. Labour markets, for instance, may require information on market trends,

vacancies, available skills levels and the legal framework – which are often best provided by government. Employment agencies linking supply and demand might be best provided by the private sector, while training is likely to involve both public and private organisations. Coordination in specific skills and disciplines is always likely to involve government and business or professional associations.

### C. Market Systems Development approach

The Market Systems Development framework builds on much of the learning and experience gained from the value chain and M4P approaches. A key addition is the understanding that markets are complex, continuously changing systems, which comprises of multiple value chains, households and cross-cutting markets. (See the diagram below.)

As with the value chain and M4P approaches, the market systems development approach aims to change the way that markets work through tackling market failures and strengthening the private sector in a way that creates large-scale, lasting benefits for poor people.

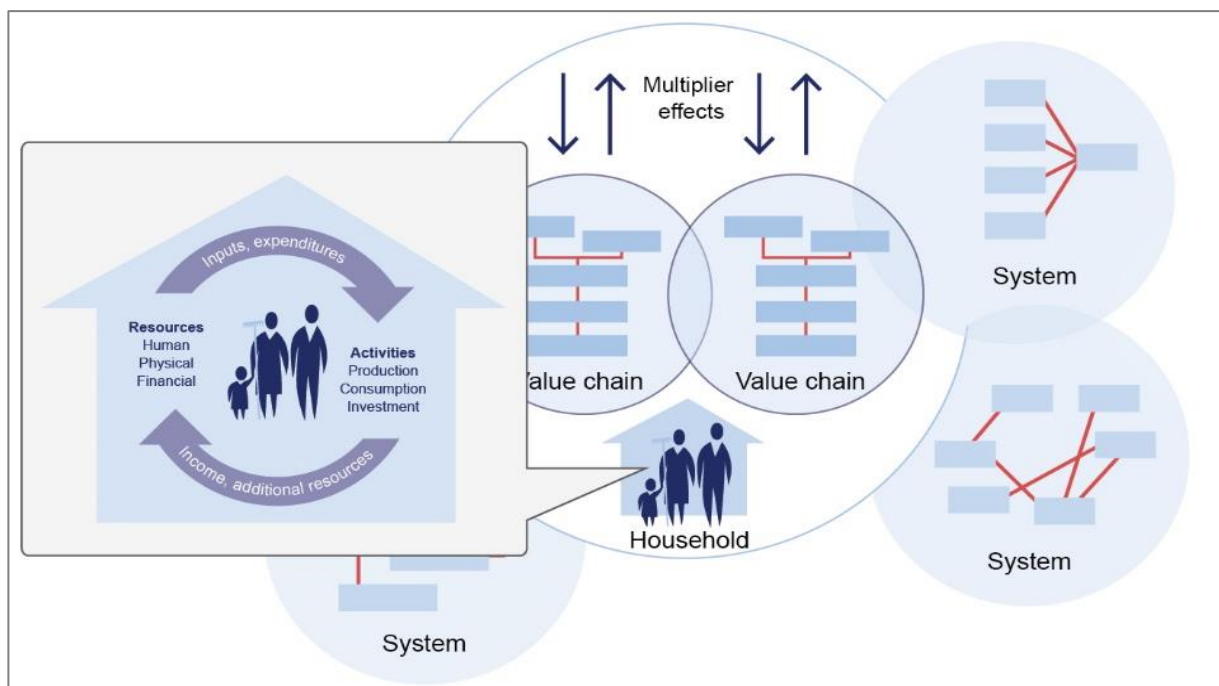


Diagram: Market Systems Development Framework (USAID)

In 2014, DFID set up a forum for knowledge exchange and learning about the role of market systems approaches in reducing poverty, called the *Building Effective and Accessible Markets (BEAM) Exchange*. With support from DFID and SDC, the *BEAM Exchange* works to strengthen and extend the application of market systems approaches in diverse development programmes– including sectors (such as health, education, sanitation and energy services) where market-orientated strategies are still innovative and emerging. BEAM aims to build a vibrant community among policy-advisors, consultants, practitioners and businesses, supporting those who design, manage, implement, evaluate and participate in programmes. BEAM improves access to field-orientated guidance and evidence of good practice and results.



## Appendix II: Market-based Financing Mechanisms

In addition to savings mechanisms and traditional credit and loan access, the USAID Leveraging Economic Opportunities (LEO) project outlines several innovative financing mechanisms, summarized below:

### ■ **Agrodealer credit facilities**

The agrodealers establishes some criteria for customer/farmers to access credit. The agrodealers set up accounting structure or tracking system that may be in the form of a loyal customer/farmer club as a means to select and track farmers accessing credit. Farmers that are selected to access input on credit are contacted to explain the program. The selected farmers order or go to the store purchase their inputs on credit. The agrodealers log the farmers' debt in their account and begin tracking individual credits.

### ■ **Agrodealer prepayment discounts for input purchases**

Agrodealers establish a pre-payment discount. Agrodealers promote the plan during harvest times when the poor farmers have more cash on hand. Farmers selecting the pre-payment option pay a discounted amount for an input pack (seeds, fertilizer, and one round of pesticides). Farmers can pick up their products when they want or have them delivered.

### ■ **Agrodealer prepayment layaway plans for input purchases**

Agrodealers establish a pre-payment layaway plan. Agrodealers promote the plan during harvest times when their customers have more cash on hand. For farmers selecting the layaway they pay a minimum of 10% of the full amount. Layaway farmers continue to pay small amounts until they have paid the full amount for the inputs on layaway. Layaway farmers pick up or have their input delivered once they have fully paid.

### ■ **Buyer check-off with credit**

The buyer discusses with their farmers the process of providing input on credit to farmers where they could then pay off the debt via crop/product given back to the buyer. The buyer agrees with farmers on the terms, including the cost of the inputs and the buying process at harvest (i.e., if a pre-planting

price or if another process for agreeing to terms (price/quality) would be agreed to). The buyer provides inputs to farmers that are on contract/agree to the scheme or proven their commitment. The farmers use the input, grow the crop/product, and deliver the crop to the buyer. The buyer grades and weighs the crop/product, and then retains part of the proceeds to repay the credit, and gives the remainder to the farmer.

### ■ **Buyer check-off without credit**

The buyer establishes a pre-payment mechanism that includes a discount for all farmers the pay for their inputs through the buyer. The buyer holds meetings with all his farmers/suppliers to discuss the benefits, including the option to participate in a rolling check-off process. The check off process would be where each of the coming seasons the participating farmers would sell crop to the buyer and the buyer would use portion of their crop proceeds to pre-buy discounted inputs for next the season. The buyer agrees with farmers the terms including the cost of the inputs and the buying process at harvest (i.e., if a pre-planting price or if another process for agreeing to terms (price/quality) would be agree to). The buyer provides inputs to farmers that agree and pre-pay for their discounted inputs. The farmers use the inputs, grow the crop/product, and deliver the crop to the buyer. The buyer grades and weighs the crop/product, and then retains part of the proceeds to buy next seasons discounted inputs, and gives the remainder to the farmer.



## Appendix III: Gender Considerations

As NGOs work to improve opportunities for poor producers, changes can take place within markets that are considered positive, but which may ultimately have unintended consequences on women. It is important to take these into consideration and recognize how to minimize their impact on women and household relationships. The following are practical examples of improvements in market systems and the unintended consequences on woman that NGOs can be on the lookout for. (*World Vision, 2013*)

### *Introduction of new technologies and agricultural practices*

- **Change labour patterns:** Women may be spending less time clearing land or weeding, and therefore have more time for household activities or to interact with buyers. In contrast, very poor, landless women may not have the income opportunities that they used to have as day labourers providing land clearing and weeding services.
- **Change time allocation:** Women may be spending less time in the field and more time managing household activities, including finances.
- **Change safety conditions** Women may have to use heavier and less safe equipment leading to higher rates of injuries or occurrences of incidences such as miscarriage.

### *Shifts to high value crops*

- **Alter control over resources:** 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.

- **Alter control over benefits:** As incomes increase, women may experience increased conflict over decisions about how much money to spend on food for the family versus other expenses that men may find to be more important, leading to higher incidence of physical abuse for women.

### *Introduction of new market channels*

- **Change time allocation:** Women may need access to childcare to be able to participate in markets more actively.  
Example: Women may risk decreasing the ability to nurse babies for a healthy length of time if they have to travel to areas or undertake tasks without their babies.
- **Change routes travelled:** Women may need to travel on less safe routes to access new markets or inputs.

### *Introduction of new storage facilities*

- **Change of control of food resources:** Warehousing receipt programs and other off-farm storage programs decrease women's ability to retain produce as food for the household

### *Formalisation of contracting instruments*

- **Formalisation of ownership of land and equipment** can change household dynamics.
- **Increased pressure for women to transact with sex** as a form of contract compliance.

### *Introduction of more formalised financial requirements*

- **Change income control:** Contract farming, certain cooperative memberships, and warehouse receipts programs, for example, often require the opening of a bank account. Bank accounts are often opened in the name of the man heading the household. Buyers often make payments directly into these bank accounts. This removes women's knowledge of what income is being received and women's access to the income. Women may therefore not be in favour of more formal financial

structures that could decrease their control over income.

- **Change financial management** (owing to formalisation of household financial management practices)  
Example: By supporting or requiring transparent record-keeping systems in households, women can no longer hide how they are allocating income and are no longer able to get away with spending as much on food, medicines, or school fees.
- When working through produce groups or producer associations, the role of women can be supported through adaptations to activities such as (*World Vision, 2013*):
  - Announce information about participation in groups using communication channels used by women
  - Hold meetings at times and in venues that support women's participation
  - Provide for shared child-care while group meetings are being held
  - Encourage membership fees to be at a level and payment schedule that women can manage
  - Create women-only groups, if appropriate, to encourage the entry of more women into the market where it is unacceptable for women to intermingle with men that are not family members
  - Facilitate women-only meetings, where appropriate, if it is not possible to create women-only groups
  - Advocate for processes that enable women to be more fully involved as both participants and leaders, such as ensuring that training on governance addresses women's leadership roles
  - Investigate potential barriers to women's leadership positions within groups. These may be explicitly spelled out in the rules or by-laws, or they may be informal. For example, do meeting times or eligibility requirements prevent women from leadership positions?
  - Encourage membership to be based on output (e.g., litres of milk for sale or baskets of tomatoes) rather than access to factors of production (e.g., legal title to land or registered ownership of animals)
  - Encourage a change from exclusive membership criteria to a more graduated membership, which is based on increased quality and quantity of product delivered to an association, to allow women to gradually gain access as they become more involved
- Encourage official membership of women, not just as wives, but rather registered in their own names (not their husbands'), such as women who are household heads (primary breadwinners, second wives, or where husbands are not present for various reasons)
- Include programme targets on the percentage of members who are female and who serve in leadership positions within the group
- Encourage adoption of gender-sensitive practices and policies (such as non-discriminatory membership or gender-sensitive technical trainings)
- Encourage membership requirements that do not require land ownership, which would often exclude women's participation
- Advocate for rules to allow non-producer members to attend trainings and access benefits, which will still allow women to join and benefit where they have been traditionally excluded because of lack of certain assets or land rights.



## Appendix IV: Youth Suitability Checklist

When considering employment or self-employment market opportunities that are suitable for young people, EcoVentures International (EVI) has designed the following *Youth Suitability Checklist*. EcoVentures International (EVI) is a non-profit organization, based in Washington DC, specializing in enterprise and market development, and is widely recognized for its participative, experiential training tools and curriculum. This checklist was designed as a result of learning from EVI's youth entrepreneurship projects in over 10 countries in Africa, Latin America, the Middle East and South East Asia

- **Require low levels of training:** NGOs should consider market opportunities requiring lower levels of training as youth have limited time for training, as they have to balance time with schooling and other household activities. This particularly applies to youth-headed households.
- **Not conflict with schooling:** Youth should generally be encouraged to continue schooling rather than incentivized to stay away from school to attend training or earn incomes.
- **Short term income turnaround:** Market opportunities for youth need to be able to generate income in the short term as they are often competing with other opportunities including income or social capital earned through involvement in negative activities such as drug dealing, gang membership, or terrorist activities.
- **High transferability of skills:** Markets and economies are dynamic, and young people are often transitional in nature. NGOs should consider the transferability of skills across sectors as key in identifying viable opportunities that can produce sustained income generating and/or employment options for youth over the long-term.
- **Low amount of start up assets necessary:** Youth generally have extremely low access to tangible assets for business start up. NGOs should focus on market opportunities requiring low start up assets.
- **Little / no access to financing and capital required:** There is low provision of financing and capital for youth because of the perceived high risk of dealing with youth. NGOs should consider market opportunities needing extremely low or no start up financing.
- **Safe for youth:** In recognition of child protection considerations, NGOs should focus on market activities that are safer for youth to be involved in.
- **Safety of business physical assets:** Youth are particularly vulnerable to robbery and enterprises that require high-value stock would be at high risk.
- **Complement family obligation** (financial, social, and time considerations): In many circumstances youth play support functions in the household, are often head of households themselves, and should be encouraged to include social development activities beyond continuous work. NGOs should consider market opportunities that would not be too demanding and time intensive.
- **Complement health considerations and physical ability:** Where there are high incidence of various illnesses and infections amongst youth, NGOs should consider market opportunities that take this into consideration.
- **Positive peer perception of income-earning activity:** EVI sees the need for self-motivation and confidence building as integral to the development of young people. EVI therefore recommends that NGOs focus on market opportunities that would be highly likely to be viewed as positive within the community and amongst the youths' peers.
- **High long-term employment potential:** Recognizing the need for sustained income potential, NGOs should consider market opportunities within sectors that are more likely to be able to grow and develop in the future to increase potential for long-term employment, rather than very short term, once-off income-generating activities.



## Annex V. Illustrative Indicators

USAID supported research on “A Note on Indicators of Sustainability for Value Chain Projects” through ACDI/VOCA in 2012. The Note provides illustrative indicators relevant to varied contexts, the most applicable shared here.

The following illustrative indicators provide signals of changes in the market system, such as an increased resilience to shocks and an ability to adapt to change, which are used as signals that the market system can continue to drive pro-poor growth over the long term. The indicators suggest whether a project is on track for achieving this. In isolation, no one of these indicators provides evidence of sustainability, but positive movement in several of these areas strengthens our claims of achieving sustainable impact. (ACDI/VOCA, 2012)

The illustrative indicators do not represent a conclusive list. They are relevant to multiple strategies, including advocacy and capacity building approaches that end up having the following outcomes:

### 1. Individual & household behaviour: Households improve their ability to withstand shocks

- Personal saving increases
  - Percentage increase in personal savings of small- scale producers
- Financial services are used increasingly to cushion potential shocks
  - Percentage of small- scale producers accessing financial services
- Human capacity increases, enhancing the ability to compete in this or other market systems / value chains
  - Number of farmers and others who have applied new technologies or management practices as a result of NGO assistance
  - Number of individuals who have received NGO supported short- term agricultural sector productivity training

### 2. Supporting markets & institutions: Systems & institutions that support firm improvements are strengthened

- Research institutions become more market-driven & sustainably financed
  - Number of research institutions conducting market research
  - Number of research institutions with business plans
- Standards bodies become more market-driven & sustainably financed
  - Number of new or improved standards that align with specific market requirements
  - Number of standards bodies with business plans
- Agricultural extension services improve
  - Percentage of smallholder farmers reporting satisfaction with extension services
- Export promotion activities improve
  - Number of exporters reporting assistance or services from export promotion agency
- Input suppliers strengthen their distribution systems to small farmers
  - Number of small farmers purchasing inputs from private sector suppliers

### 3. Financial supporting markets & institutions:

Financial services are improved & made more accessible

- SME access to institutional borrowing on sustainable terms improves as better-tailored products are introduced
  - Total number of clients (households and/or microenterprises) benefiting from financial services provided through donor-assisted financial intermediaries, including non-financial institutions or actors
  - Value of agricultural and rural loans

- Number of MSMEs, including farmers, receiving donor assistance to access loans

- Safe & convenient savings vehicles are provided & used
  - Number of people with a savings account or insurance policy as a result of donor assistance

**4. Business enabling environment:** Policy, regulatory, & legal improvements facilitate upgrading by producers, processors & marketers

- Price controls & taxes that discourage production are removed
  - Number of quantitative restrictions and quotas eliminated this year
- Dispute resolution mechanisms improve
  - Number of new or improved policies, procedures or regulations that support the resolution of contract disputes
- Legal & regulatory reforms cut the cost (in time & money) of establishing & operating a business, building facilities, & hiring & firing labour
  - Average number of days required to trade goods across borders (average of export/import time)
  - Ease of Doing Business rank
- Government promotes new business creation, competition, & labour mobility
  - Number of new local and national government initiatives to support business creation and competition

**5. Informal business enabling environment:**

Informal business environment becomes more transparent & equitable

- Predatory trading practices decline
  - Measured qualitatively
- Trust in business relationships rises (repeat customers, renewed contracts)
  - Number of repeat supply contracts entered into by smallholder producers
  - Number of buyers or suppliers providing embedded services to smallholder producers

- Benefits are distributed more equitably within the value chain
- Percentage change in the proportion of final price accruing to smallholder producers

- The speed with which innovations spread throughout the value chain increases
  - Measured qualitatively

**6. Infrastructural development:** Improvements in infrastructure support firm upgrading

- Farm-to-market roads are built & better maintained
  - Kilometers of roads improved or constructed
- Electricity supply becomes more reliable
  - Percentage of time without electricity decreases
- Export facilities (ports, air freight) are expanded & improved
  - Kilometers of irrigation canals, drainage ditches, market feeder roads, and/or other measureable municipal services and/or market infrastructures rehabilitated
- Information infrastructure improves
  - Total public and private dollars leveraged by donors for ICT infrastructure projects



## Appendix VI: Resources & Tools

The following resources provide further detail and tools that can be used to complement this Guide.

### Danish Civil Society:

- **Policy for Danish Support to Civil Society 2014:** Ministry of Foreign Affairs (MAFO)  
[http://um.dk/da/~media/UM/Danish-site/Documents/Danida/Samarbejde/Civil-org/Dokumenter/Strat/Civilsamfundspolitik\\_UK\\_web.pdf](http://um.dk/da/~media/UM/Danish-site/Documents/Danida/Samarbejde/Civil-org/Dokumenter/Strat/Civilsamfundspolitik_UK_web.pdf)
- **Market Development Resources: USAID Value Chain Development Wiki**  
[www.microlinks.org/good-practice-center/value-chain-wiki](http://www.microlinks.org/good-practice-center/value-chain-wiki)
- **USAID MicroLinks**  
[www.microlinks.org](http://www.microlinks.org)
- **BEAM Exchange**  
[www.beamexchange.org/en/](http://www.beamexchange.org/en/)
- **Springfield Institute**  
[www.springfieldcentre.com](http://www.springfieldcentre.com)
- **SEEP Network**  
[www.seepnetwork.org](http://www.seepnetwork.org)
- **EcoVentures International**  
[www.eco-ventures.org](http://www.eco-ventures.org)
- **Integrating Very Poor Producers into Value Chains Field Guide**  
[www.microlinks.org/library/integrating-very-poor-producers-value-chains-field-guide](http://www.microlinks.org/library/integrating-very-poor-producers-value-chains-field-guide)
- **Income-generating Activity Guide**, Danish Forum for MicroFinance
- **Participatory Market System Development (PMSD) Roadmap**  
<http://practicalaction.org/pmsd>
- **Handbook on Income-Generating Activities for the use of Danish NGOs and their**

**partners in the South**, Project Counselling Services 2000

- **Review of Income Generation activities of Danish NGOs**, Project Counselling Services 1989
- **GIZ ValueLinks Manual (English)**  
<http://www.valuelinks.org/index.php/material>
- **Technical Centre for Agricultural and Rural Cooperation (CTA) Resources**  
<http://www.cta.int/en>
- **LINKing Smallholders: A guide on inclusive business models - International Center for Tropical Agriculture**  
[http://dapa.ciat.cgiar.org/wp-content/uploads/big-files/2012/LINK\\_Methodology.pdf](http://dapa.ciat.cgiar.org/wp-content/uploads/big-files/2012/LINK_Methodology.pdf)

### Danida Business

- **Danida Business Partnerships**  
<http://um.dk/en/danida-en/activities/business/partnerships/>
- **Danida Business Finance**  
<http://um.dk/en/danida-en/activities/business/finance/>
- **Business Project Development**  
<http://um.dk/en/danida-en/activities/business/business-project-development/>
- **GoGlobal**  
<http://startvaekst.dk/goglobal.dk/english/>
- **The Export Credit Fund (EKF)**  
<http://www.ekf.dk/en/Pages/default.aspx>
- **Investment Fund for Developing Countries (IFU)**  
<http://www.ifu.dk/dk/Service/English>
- **Trade Council**  
<http://um.dk/en/tradecouncil/>

### **Corporate Social Responsibility (CSR):**

- **CSR Denmark**  
<http://csrgov.dk/>  
<http://www.csrkompasset.dk/> (only in Danish)
- **The Danish Council for Sustainable Business Development**  
<http://bcsd.dk/>
- **Global Compact, Small and Medium-sized Enterprises on Their way Towards Global Responsibility (English)**  
<http://um.dk/en/~media/UM/English-site/Documents/Danida/Activities/Business/DBPartnerships/IPD/Publications/GlobalCompact.jpg>

### **Resources in French:**

- **Integrating Extremely Poor Producers into Markets Pocket Guide (French)**  
<https://www.microlinks.org/sites/default/files/resource/files/FIELD-PocketGuide-French.pdf>
- **Technical Centre for Agricultural and Rural Cooperation (CTA) Resources (French)**  
<http://www.cta.int/fr/>
- **GIZ ValueLinks Manual (French)**  
<http://www.valuelinks.org/index.php/material>

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**EcoVentures International 2013:** Youth Suitability Guidelines, Margie Brand. 2013

**IFOAM 2010:** The Organic Business Guide, Developing sustainable value chains with smallholders. 2010

**MAFA 2014:** Ministry of Foreign Affairs (MOFA)’s Policy For Danish Support To Civil Society

**NGO Forum 2012:** Vækst og Beskæftigelse. Undersøgelse af danske miljø- og udviklings-NGOers erfaringer med vækst og beskæftigelsestiltag og eksempler til inspiration. 2012

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