

RIU

Simple steps can strengthen marketing capacity

Validated RNRRS Output.

For many producers, participation in sub-Saharan Africa's market systems means taking on high marketing risks and transaction costs. Studies in Ghana, Tanzania and Zimbabwe have helped to clarify the causes behind these costs and develop solutions to them. The solutions include long-term contractual relationships, which help align incentives and motivate market participants to share information. Written buyer-seller contracts offer several advantages over verbal agreements. First, they reduce uncertainty by specifying the terms of agreement. Second, the adoption of written agreements boosts the emergence of informal economic institutions, creating trust between buyers and sellers. The set of recommendations also includes improvements in the coordination functions of local government. These guidelines can contribute to pro-poor institutional innovation in other countries.

Project Ref: **CPH09:**

Topic: **5. Rural Development Boosters: Improved Marketing, Processing & Storage**

Lead Organisation: **Imperial College Wye, UK**

Source: **Crop Post Harvest Programme**

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Description

Research into Use

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Geographical regions included:

[Ghana](#), [Tanzania](#),
[Zimbabwe](#),

Target Audiences for this content:

[Processors](#), [Traders](#),
[Consumers](#),

CPH09

A. Description of the research output(s)

1. Working title of output or cluster of outputs.

In addition, you are free to suggest a shorter more imaginative working title/acronym of 20 words or less.

Participatory approaches to decentralising market access, coordination and competition policies in developing market systems.

2. Name of relevant RNRRS Programme(s) commissioning supporting research and also indicate other funding sources, if applicable.

Crop Post-Harvest Programme

3. Provide relevant R numbers (and/or programme development/dissemination reference numbers covering supporting research) along with the institutional partners (with individual contact persons (if appropriate)) involved in the project activities. As with the question above, this is primarily to allow for the legacy of the RNRRS to be acknowledged during the RIUP activities.

Overcoming informational constraints: improving horticultural marketing and technical information flows to smallholders R 7151 (ZB 0126)

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4. Describe the RNRRS output or cluster of outputs being proposed and when was it produced? (max. 400 words).

This requires a clear and concise description of the output(s) and the problem the output(s) aimed to address.

Please incorporate and highlight (in bold) key words that would/could be used to select your output when held in a database.

Final reports were submitted nearly six years ago. Nevertheless, there are activities that are still happening in relation to the outputs. The final reports have had wide distribution since, and two outputs in the form of recommendations should be mentioned.

The research in each country explored different elements of the **market imperfections** affecting **smallholder farmers**. The research hypothesis was that improving **information flows** to producers comes through two mechanisms:

- the development of longer term **contractual relationships** to align the incentives faced by different market participants for the private provision of information;
- and improving the **market coordination** functions of **local** (rather than national) **government**

1. Concerning market and marketing information provision to smallholders, there is still a need to understand the impacts on agricultural marketing of the rollout of **new ICT** in remote and unserved parts of Sub-Saharan Africa; and to identify and promote appropriate models for **pro-poor regulation** of emerging telecoms markets. A proposal has been submitted to the Gates Foundation for planning research on rural rollout and the impact of cellphone usage on agricultural marketing. This would take place in six Sub-Saharan African (SSA) countries with counterpart funding for infrastructure development from CELTEL to the value of \$1.6 million.

2. Concerning intervention to improve market coordination, client relationships are an institutional mechanism to provide **market access** and services and reduce uncertainty. In many SSA market systems, uncertainty is pervasive, clientisation is uncommon, and traders are not the expected source of inputs and credit. Producers (and sometimes traders) either run high marketing risks, or must incur considerable transaction costs to overcome informational imperfections.

Specifically, consideration should be given to instituting **market (self-) regulation**, by producers and traders, which may be monitored by, or even implemented together with, **improved local governance** using written buyer-seller **contracts**. The use of written standard form contracts may furnish two major advantages over current verbal agreements. The first is the planning purpose: contracts reduce uncertainty by specifying terms of agreement by which performance can be measured. Second, adoption of written agreements may boost informal economic institutions. Thus, reputation effects and moral obligation rather than the force of law may obtain. In the long-term, trust would be created between buyers and sellers. An outcome of the project is a current proposal being developed with KIT (the Netherlands) and other partners for exploring market systems and, *inter alia*, self-regulation among traders in Ghana

5. What is the type of output(s) being described here?

Please tick one or more of the following options.

Product	Technology	Service	Process or Methodology	Policy	Other Please specify

		X	X	
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6. What is the main commodity (ies) upon which the output(s) focussed? Could this output be applied to other commodities, if so, please comment

The outputs are policy proposals based on work conducted among vegetable farmers. Yes, the outputs are relevant to other agricultural commodities and markets and also wider economic systems.

7. What production system(s) does/could the output(s) focus upon?

Please tick one or more of the following options. Leave blank if not applicable

Semi-Arid	High potential	Hillsides	Forest-Agriculture	Peri-urban	Land water	Tropical moist forest	Cross-cutting
	X			X			X

8. What farming system(s) does the output(s) focus upon?

Please tick one or more of the following options (see Annex B for definitions).

Leave blank if not applicable

Smallholder rainfed humid	Irrigated	Wetland rice based	Smallholder rainfed highland	Smallholder rainfed dry/cold	Dualistic	Coastal artisanal fishing
X			X	X		

9. How could value be added to the output or additional constraints faced by poor people addressed by clustering this output with research outputs from other sources (RNRRS and non RNRRS)? (**max. 300 words**).

The outputs were policy recommendations that need action. While initiatives are under way to implement these action points (which do involve policy design and action research) it is unfortunate that hitherto it has not been possible to take the work further forward and put the recommendations into use. Implementing the proposals to try institutional innovations is the only way to ensure that value is added and initiative generated and effected.

Elsewhere I have commented briefly on the current efforts to advance the concepts discussed here with KIT in Ghana (the Netherlands), the Gates Foundation in six SSA countries; and in India with the World Bank (outcome of R7530).

Please specify what other outputs your output(s) could be clustered. At this point you should make reference to the circulated list of RNRRS outputs for which proformas are currently being prepared.

These proposals could be clustered with other initiatives to strengthen decentralised government capacity and introduce participatory mechanisms for local (self-) regulation of agrifood market activities in order to improve market coordination and performance across a range of objectives. The cluster should be concerned with pro-poor policy initiatives at the local/decentralised level to improve the governance, coordination and efficiency of markets and thereby increase market opportunities for poverty reduction.

The proposal would be to cluster these outputs with those of participatory market assessments, such as R8182 and R8418, and institutional development and interventions such as R8275, R8274, R8498, and R8334. Also the recommendations of the social science component of R7530 envisage engagement with diverse market system stakeholders to regulate, self-regulate, coordinate and improve market governance and efficiency. This may also be linked to R7502 and R6306, and other project under the heading 'market information tools'. There are various participatory initiatives under the NRS programme that have potential to be clustered.

Validation

B. Validation of the research output(s)

10. How were the output(s) validated and who validated them?

Please provide brief description of method(s) used and consider application, replication, adaptation and/or adoption in the context of any partner organisation and user groups involved. In addressing the "who" component detail which group(s) did the validation e.g. end users, intermediary organisation, government department, aid organisation, private company etc... This section should also be used to detail, if applicable, to which social group, gender, income category the validation was applied and any increases in productivity observed during validation (max. 500 words).

Results were validated through end-of-project workshops with in-country stakeholders who were primarily the beneficiaries of the project. Results were presented to various fora which included the poor beneficiaries, policy makers and agricultural market traders in Ghana, Tanzania and Zimbabwe. Local and central policy makers were also involved at various times during the research process, and their comments and commitments were included in the discussion fora and in the final report.

11. Where and when have the output(s) been validated?

Please indicate the places(s) and country(ies), any particular social group targeted and also indicate in which production system and farming system, using the options provided in questions 7 and 8 respectively, above (max 300 words).

See above comments in response to question 10, and note that the research was done among vegetable growers primarily in high potential areas. Nevertheless the recommendations apply to a range of production systems and countries in Africa, and are probably relevant also to diverse production systems and stakeholders in other regions. The groups targeted were the moderate poor and some categories of the extreme vulnerable poor for whom market access is problematic: women, poor people in remote areas, and indigenous and other minority groups.

Current Situation

C. *Current situation*

12. **How and by whom** are the outputs currently being used? Please give a brief description (**max. 250 words**).

The recommendations have not been directly taken up by policy makers and other end-users. There were not the continuity nor the resources necessary to be effective.

Nevertheless, initiatives are still under way, as noted in response to question 4. Better governance of markets is no less relevant now that it was 6 years ago, and the need for institutional innovation is more strongly felt now.

13. **Where** are the outputs currently being used? As with Question 11 please indicate place(s) and countries where the outputs are being used (**max. 250 words**).

See above.

14. **What is the scale of current use?** Indicating how quickly use was established and whether usage is still spreading (**max 250 words**).

See above.

15. **In your experience what programmes, platforms, policy, institutional structures exist that have assisted with the promotion and/or adoption of the output(s) proposed here and in terms of capacity strengthening what do you see as the key facts of success?** (**max 350 words**).

See above.

What is needed is an innovative approach to improving market coordination that includes all stakeholders and has some regulatory 'bite'.

'Making Markets Work for the Poor' (MMW4P) is an approach to poverty reduction that stresses the importance of commercial activities in the livelihoods of most or all poor peoples, but acknowledges that the competitive market ideal, like states, often fails to provide the structures, incentives and information to include all the poor. It includes analysis from a systems perspective, and presupposes the participation and cooperation of diverse stakeholders, usually including the poor, NGOs, civil society, private sector businesses, and public sector authorities. Inclusion of multiple stakeholders in the analysis and improvement of exchange also responds to a view that the coordination of economic activity may result in more efficient and equitable outcomes than so-called competitive markets.

Interventions are not aimed primarily at individuals or groups of the poor themselves, but at making the market systems work. Institutions are key, and improvements are sought through organisational and institutional development initiatives and self-regulatory activities to improve the efficiency and equity in commercial arrangements. Improvements in the institutional environment for business can also be derived from creating stronger incentives from legal and policy changes. One such area which needs attention in developing countries

is competition policy, which needs to protect small firms – like a ‘shark net’ - and promote economic initiatives at early stages of development.

This has been highlighted recently with the communication by UK trade minister Ian McCartney and development minister Gareth Thomas to the EU about trade laws: there is a need to consider the ‘Singapore issues’, and in particular an appropriate, local and decentralised approach to competition policy.

Current Promotion

D. Current promotion/uptake pathways

16. Where is promotion currently taking place? Please indicate for each country specified detail what promotion is taking place, by whom and indicate the scale of current promotion (max 200 words).

Promotion is currently confined to that need for action in implementing the recommendations. As noted, some initiatives to take the work forward have been constrained by lack of funding support. Currently, there is a proposal to the Gates Foundation to rollout ICT to unserved rural areas with the aims:

- To improve local access to information
- To identify appropriate pro-poor regulatory mechanisms for the telecoms sector.

I am working with KIT to implement a proposal to work with traders in Ghana to understand their perspective on making markets work more efficiently and effectively. This will have various outcomes including possibilities for systems of co-regulation or sector self-regulation: ie local policies that fall within the scope of competition policy, to restrain anti-competitive action and promote market inclusion and efficiency with respect to the poor. Collective action is likely to be an important element, with both advantages and disadvantages from equity and efficiency perspectives.

I am also engaged with the World Bank in proposing a co-regulatory approach to issues of food safety, environmental management and business standards that we have been unable to finance through DFID and the FCO GOF programme. This is an outcome of R7350.

17. What are the current barriers preventing or slowing the adoption of the output(s)? Cover here institutional issues, those relating to policy, marketing, infrastructure, social exclusion etc. (max 200 words).

Principally funding mechanisms to engage with local market systems and policy stakeholders in selected pilot regions to design and implement the appropriate new institutional initiatives.

18. What changes are needed to remove/reduce these barriers to adoption? This section could be used to identify perceived capacity related issues (max 200 words).

Uptake of the initiatives by DFID and other donor organisations.

19. *What lessons have you learnt about the best ways to get the outputs used by the largest number of poor people? (max 300 words).*

N/A.

Impacts On Poverty

E. Impacts on poverty to date

20. *Where have impact studies on poverty in relation to this output or cluster of outputs taken place? This should include any formal poverty impact studies (and it is appreciated that these will not be commonplace) and any less formal studies including any poverty mapping-type or monitoring work which allow for some analysis on impact on poverty to be made. Details of any cost-benefit analyses may also be detailed at this point. Please list studies here.*

N/A

21. *Based on the evidence in the studies listed above, for each country detail how the poor have benefited from the application and/or adoption of the output(s) (max. 500 words):*

N/A

- *What positive impacts on livelihoods have been recorded and over what time period have these impacts been observed? These impacts should be recorded against the capital assets (human, social, natural, physical and, financial) of the livelihoods framework;*
- *For whom i.e. which type of person (gender, poverty group (see glossary for definitions) has there been a positive impact;*
- *Indicate the number of people who have realised a positive impact on their livelihood;*
- *Using whatever appropriate indicator was used detail what was the average percentage increase recorded*

N/A.

Environmental Impact

H. Environmental impact

24. *What are the direct and indirect environmental benefits related to the output(s) and their outcome(s)? (max 300 words)*

This could include direct benefits from the application of the technology or policy action with local governments or multinational agencies to create environmentally sound policies or programmes. Any supporting and appropriate evidence can be provided in the form of an annex.

Environmental impacts will not be significant for what are primarily policy initiatives. Inasmuch as product safety proves to be an area of concern, improving best production and marketing practices may result in environmental benefits. However, the intensification of agricultural production as a result of better functioning markets may result in negative externalities.

Participatory market governance initiatives do have the potential to introduce constraints to environmental exploitation such that net effects could be positive.

25. Are there any adverse environmental impacts related to the output(s) and their outcome(s)? (max 100 words)

Only, as noted above, inasmuch as better functioning market systems increase demand and supply and intensification of production systems.

26. Do the outputs increase the capacity of poor people to cope with the effects of climate change, reduce the risks of natural disasters and increase their resilience? (max 200 words)

Improving the economic situation is likely to have positive impacts on the resilience of poor people, but in themselves, participatory market governance initiatives do not have the potential to increase the capacity of poor people to cope with climate change.
