

# Opening



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## Preface

The international seminar *Beyond Agriculture – Making markets work for the poor* was held on 28 February and 1 March 2005 in Westminster, London. The seminar, jointly hosted by the Crop Post-Harvest Programme (CPHP) of Natural Resources International Limited and the Intermediate Technology Development Group (ITDG) provided an opportunity to explore market access issues at a time when the Department for International Development (DFID)-funded Renewable Natural Resources Research Strategy (RNRRS) had just completed a 10-year cycle, and to consider what lessons might be carried forward into the planning of future work. Its origins, however, were rooted in a number of emerging developmental priorities, and in the experience of the CPHP, one of the ten research programmes of the RNRRS.

Donors and policy makers are now re-asserting the central importance of a healthy agriculture sector as a pre-requisite for general economic growth in developing countries; and whilst opinions still vary as to the rate and feasibility of agricultural modernisation in different contexts, the role of the smallholder farmer will continue to be important for the foreseeable future in most countries. There is considerable interest in high-value export markets for agricultural produce, but internal markets are many times greater in value, and their relative importance is set to rise further. There is also general agreement that the removal of the various constraints that hinder increased access to those markets by both producers and consumers must be a policy priority. And nowhere is this all more relevant than in sub-Saharan Africa.

The CPHP has funded a large number of market-related projects over its lifetime, and the knowledge outputs generated suggested a number of key access issues for small-scale producers and members of the market chain. These projects have been comprehensively reviewed<sup>1</sup>. But the CPHP experience also addressed a number of broader issues related to the way in which research knowledge could be put to use by the poor that were also reflected in the seminar content. These issues included:

- How research gaps are identified
- How to engage with the private sector
- How to establish what human and institutional resources need developing
- How to change the perspective of researchers and the private sector in the post-harvest system.

As a result, in its latter years CPHP sought to develop a new way of doing business by shifting its focus from research to innovation, i.e., from knowledge generation to knowledge impact<sup>2</sup>. In essence this new approach set out to form coalitions that combine researchers, the private sector, non-governmental organisations (NGOs) and governments to solve particular problems. The process emphasises the intermediation functions between the producers of new knowledge (whether they

be farmers, traders, or scientists) and the users of new knowledge (such as farmers, equipment manufacturers, processors and vendors of agricultural produce).

However, it was felt that an objective consideration of market-access issues needed more than a presentation of those research outputs. The CPHP therefore joined forces with ITDG in order to bring in the perspectives of an international NGO with long experience of the practical application of technologies and policies relating to the rural economy, both on- and off-farm. This linkage, between research knowledge and evidence, and policy and practice, was a central principle for the seminar that aimed to bring together practitioners, policy makers and researchers from around the world.

Despite the declared focus on the challenges of internal markets in Africa, the issues of market access were still too broad to be sensibly covered within a 2-day event, and preparation for the seminar therefore included some additional features. Firstly, an informal consultation was held amongst the network of professionals in order to define a small number of central themes that, in general opinion, represented the key areas of challenge for market access. These emerged as:

- Building linkages and enhancing trust between small-scale rural producers, buyers in growing markets, and suppliers of critical inputs
- Supporting small-scale producers to associate, collaborate and coordinate so as to achieve economies of scale in their transactions with buyers (or suppliers)
- Making channels of information and market intelligence (e.g., about product specifications, market prices) accessible to rural producers
- Enabling rural producers to understand and better satisfy the product, process or delivery standards required by buyers.

Secondly, overview papers were commissioned from acknowledged experts, who were briefed to summarise, in an accessible and not overly academic way, the state of knowledge and the challenges in each of these areas. The four resulting papers were circulated in advance. These, together with a broad overview paper from ITDG, provided the starting point for debate and discussion. During the seminar itself participants were then able to devote as much time as possible to discussion, with additional opportunities for some related presentations and networking.

The material presented in these proceedings is not therefore a consistent statement of knowledge, nor does it necessarily represent the full views and positions of any of the organisations involved. It contains as many hypotheses and unanswered questions as it does firm knowledge and evidence, and as such it provided, and hopefully will continue to provide, a stimulus for further enquiry and debate.

## **Endnotes**

1. Marter, A. 2004. CPHP thematic review: food marketing projects. DFID Renewable Natural Resources Research Strategy, Crop Post Harvest Programme Report. Natural Resources International, Aylesford, Kent, UK. 24 pp.
2. Barnett, A. 2004. From research to poverty-reducing innovation. Sussex Research Associates Limited, Brighton, UK. [Policy leaflet] 4 pp.

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## Welcome

**Jim Harvey** (Head, Livelihoods Advisers Group, Department for International Development, London, UK)

I am very pleased to be with you today. It's great to see such a broad gathering and I'd especially like to welcome those of you who have travelled from outside of the UK, including Richard Mkandawire from the New Partnerships for Africa's Development (NEPAD) There are two reasons why I'm pleased to be here:

Firstly, the subject is a very important one. Just a few years ago agriculture had all but fallen off the development map. Now it is really back on the scene again and people are beginning to recognise its importance in poverty reduction all around the world as evidenced by NEPAD, the Commission for Africa, and the policy documents of the World Bank. Agriculture is still the major sector, the major source of income and the major source of jobs in many countries – especially for poor people. And in a rapidly urbanising world that importance is retained beyond what the bare statistics would suggest. Two weeks ago the World Bank published their report *Beyond the City: the rural contribution to development*<sup>1</sup>. This report on Latin American countries, the most highly urbanised in the developing world, found that natural resources and the rural economy were far more important to overall economic growth and poverty reduction than the bare statistics suggest. If that is the case in Latin America, how much more important must it be in sub-Saharan Africa?

But we have to acknowledge that there are sceptics about agriculture and that they have some reason. Whilst trade reforms are clearly vital – and the subject of attention in this '2005 year' – it is already evident in many countries, particularly those in sub-Saharan Africa, that the supply side and all the constraints around it need urgent attention if advantage is to be taken of the new opportunities.

Some of this is pretty basic stuff: roads, rural access, reliable electricity, functioning ports, etc., but some is more qualitative – like the business and investment climates, and the regulatory environment. Some aspects are changing year by year – there is a very fast-moving scene on food and production standards that already influences export markets (as those who live in the UK have seen over the last few days with the Sudan-1 scare and its repercussions) and that will increasingly affect domestic markets<sup>2</sup>. Export markets are important but domestic markets – particularly in sub-Saharan Africa – are likely to be hugely more so over the next 15–20 years.

But it isn't always clear how poor people can benefit from such markets. If they are lucky some can find jobs in the marketing chain, but making markets work for poor people – producers and consumers – is both a slogan and a really



urgent need, so I hope we can get under the skin of the issue over the next couple of days.

My second reason for taking great pleasure in being here is that the Crop Post-Harvest Programme is one of the research programmes funded by DFID under our Renewable Natural Resources Research Strategy. I have been associated with this Programme for the past 6 years and have seen its work develop to engage on these issues, so it is great to see that work coming to fruition. I have also had a much looser association with ITDG whom I would like to compliment for being the co-sponsor of this seminar. ITDG is an organisation that both DFID and I hold in a very high esteem and we are delighted to see this partnership here today.

I wish you a very successful seminar.

## Endnotes

1. *Beyond the City: the rural contribution to development*. World Bank, Washington DC, USA.  
According to the study, while rural natural resource activities only account for 12% of regional gross domestic product (GDP), their effect on national growth and poverty reduction is nearly twice as large due to the forward linkages to other economic activities and their high contribution to exports. For instance, for each 1% growth of the rural natural resource sector, there is a 0.22% increase in national GDP and a 0.28% increase in the income of the poorest families. This represents more than twice the expected 0.12% increase corresponding to the sector's share of GDP.  
In addition, the research found that the rural population in the region is actually 42% of the total, almost double the official figure of 24%, when measured according to the Organization for Economic Cooperation and Development (OECD) criteria for defining rurality, which include both population density and distance to major cities. This means that rural problems, such as poverty, have been highly underestimated and need much greater attention and more adequate public policies.
2. Recent food safety issues such as those related to *E. coli* breakouts, 'Mad Cow' disease, tainted animal feed products, and the contamination of berries and olive oil have contributed to more stringent food safety and agricultural health standards (Sanitary and Phytosanitary Standards, or SPS) in high-income countries. The report: *Food Safety and Agricultural Health Requirements: challenges and opportunities for developing country exports* stresses that these new standards, characterised by the report as a 'double edged-sword,' place particular demands on developing-country producers and exporters of high-value food products, such as fruit, vegetables, fish, meat, nuts, and spices. "In many cases, however, such standards have played a positive role, providing the catalyst and incentives for the modernisation of export supply and regulatory systems and the adoption of safer and more sustainable production and processing practices," says Steven Jaffee, Senior Economist, World Bank. "Countries can use this as an opportunity to differentiate themselves."  
The research, based on a series of case studies in developing countries, reveals that developing country suppliers are not faced with all-or-nothing, comply-or-perish choices. Suppliers should, according to the report 'determine the products and markets in which they can best compete and use diverse approaches to comply with standards.' New private-sector standards will also bring more attention to the entire supply chain.

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## Opening address

*Richard Mkandawire*

The New Partnership for Africa's Development (NEPAD) is delighted to be associated with this very important meeting. NEPAD is a programme of the African Union, and I think all of us in Africa agree that it is maybe the last hope for Africa. We are all aware of the continued deterioration of livelihood opportunities in Africa, perhaps the only continent where per capita food production has been declining over the past 40 years. African Heads of State and government are saying that this situation should not be allowed to continue. All of us are familiar with the images of starving children and malnutrition that appear on our TV screens and frequently in the media. That situation is uniquely African and the African leadership are committed to preventing it from continuing. They prioritised agriculture alongside infrastructure at the top of the development agenda, and when they met in Maputo in 2003 they committed themselves to increasing the budget allocation to agriculture by 10% within the next 5 years. There are already indications that most governments are moving towards this commitment and NEPAD is highly delighted that the international community are beginning to acknowledge that something needs to be done to focus attention on agriculture. Within such official development agencies as those of Germany, France and the United States of America I think there is also now acknowledgement that this should be done. Indeed, the World Bank itself is also saying we need to get the agriculture sector moving again. But I think the challenge is how is this going to be done, and where our focus should really be. And this is why I think it becomes extremely important that various knowledge institutions and practitioners on the ground really begin to share information. The NEPAD Secretariat have written to the Minister for Overseas Development, the Right Honorable Hilary Benn, requesting him to ensure that agriculture is placed on the agenda of the Group of Eight (G8) industrialised nations at their meeting later this year that will be chaired by the UK Government. Within the context of the commitment by African leadership to specifically address agriculture, a framework document, the *Comprehensive Africa Agriculture Development Programme* has been prepared and was endorsed in Maputo in 2003. A number of countries and regional economic communities are beginning to align their programmes to this document that was produced through a wide range of consultative processes within Africa and is thus a truly 'home-grown' product – not one from the Food and Agriculture Organization of the United Nations (FAO) or the World Bank – it is a document from Africa that actually brings together various interest groups to pay special attention to common areas of interest. It

identifies four 'pillars': land and water, market access and infrastructure development, addressing full security, and science and technology. So we are very pleased that this seminar is concentrating on market access and infrastructure development, and we hope to learn what is actually taking place on the ground and about some of the challenges that confront small-scale producers in accessing markets. We know that in Africa the withdrawal of the public-sector parastatals has affected markets and that the private sector has not been keen to fill that vacuum. This is a challenge we need to address. But how? Are there innovative ways of actually ensuring that small-scale producers are linked to markets? There is general agreement that Africa is going to evolve as one of the largest markets for its own products in the next decade or so and it is therefore very important that within Africa itself inter-regional trade is strongly promoted.

NEPAD would like to find out how institutions, particularly in the North can assist us in working together to document what is working on the ground. Despite the picture that has been painted of Africa there are actually pockets of successes out there, but these have not been well documented and perhaps insufficiently explored for scaling up. The work being undertaken by Natural Resources International in this area is commendable and I hope that this meeting will come to a consensus on how these efforts can be continuously supported by documentation that enables the exchange of experiences across Africa. NEPAD can play a key role by facilitating mutual learning between regional economic communities, national governments, and institutions in the UK and elsewhere. We would like to make a special appeal to DFID to allocate resources to those institutions that are engaged in the process of documentation, sharing experiences and networking because we believe that is one way we can begin to make a difference in Africa. We would like to commend NR International, and the Intermediate Technology Development Group (ITDG) for hosting this meeting and hope to engage further with them because we are committed to partnerships and to the promotion of the best practices that I believe will be shared during this meeting.

From the African side our leadership are absolutely committed to making sure that there is a change in the circumstances of small-scale producers, and to ensuring that there is a new beginning in the way of doing business in Africa, by addressing issues that confront small-scale producers, and by ensuring that various new alliances that are emerging, i.e., that the private sector, non-governmental organisations and other players, begin to make a contribution to raising issues of poverty and hunger in Africa. This meeting will assist us in further articulating a new development agenda in Africa in terms of how best we can improve the well-being of the majority of small-scale producers. I hope that by its end we will be on common ground as to how we can make a difference to the vast majority of the people in Africa who are living under enormous deprivation. And we hope again that the international community will continue to pay attention to these critical issues.

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## Keynote address

*Mandi Rukuni*

### Introduction

In this keynote address we should bear in mind that there are four main themes to this seminar and that they have been addressed in the papers that were circulated to you.

The four themes are:

- **Building linkages and enhancing trust between small-scale rural producers, buyers in growing markets, and suppliers of critical inputs**
- **Supporting small-scale producers to associate, collaborate and coordinate to achieve economies of scale in their transactions with buyers (or suppliers)**
- **Making channels of information and market intelligence (e. g., about product specifications, market prices) accessible to rural producers**
- **Enabling rural producers to understand and better satisfy the product, process or delivery standards required by buyers.**

When I considered the first theme about building linkages and enhancing trust between smallholders I thought that during our deliberations we should focus on the issues of linkages and trust. The second theme with which the papers are very concerned is economies of scale issues that are extremely important when we talk about collaboration and collective action etc. When considering information and knowledge, if there is one underlying strategic issue, it is the use of knowledge by the groups that we would like to support and this is what I will use as my underlying issue to cut across all the themes. We should not forget that delivery standards include not only infrastructure issues, but also building skills among the smallholders, farmers and dealers that we are trying to help get into the market.

There is strong evidence in the papers that we are trying to help poor smallholder farmers and dealers to help themselves, and that there are three ways of assisting them to do this by:

- Improving collective action
- Building capacity to use knowledge to transform power
- Aligning the groups with global and meta trends.

### Core theory of success

Collective action all starts with the quality of relationships we are building in any group or individuals we expect to be effective, either as a commodity association or any other force that is going to take on the market. The quality of relationships



is not always a numbers game because the higher the quality of relationships then the higher the quality of collective thinking. It is not always collective action but collective thinking that counts, and collective thinking is dependent on high-quality dialogue and interaction. High-quality collective thinking leads to high-quality action and therefore high-quality results. To achieve success in building strong collective action credibilities, we need to start by understanding how relationships lead to success.

Collective action is one of the silent themes that came through all the papers. Is it the economic interests of groups that make up the primary force that leads to powerful cohesive groups, or is it social and/or political issues? The evidence seems to support the idea that economic interests are more likely to coerce groups together much more quickly and much more strongly, so that they are able subsequently to deal with social and political issues.

At the Kellogg Foundation we have put a lot more emphasis on supporting commodity groups and commodity associations rather than farmer's unions that tend to be a lot of political hot air! Farmer's unions can be pretty powerful, they can open doors, they can go to the Minister and the Minister will pay attention, but quite often they don't understand the business or the market. When we are talking about increasing the competitiveness of these commodity groups, reducing their transaction costs and helping them to understand better how to add value, I would say very strongly that it is not always going to be possible nor desirable to try to get into the external markets, because charity begins at home and if there is a lot more exchange of goods and services at the village level this kindles understanding and the local market will help to grow the competencies of these budding businesses.

If one compares Africa and South Asia, I think the extended family is being under-utilised as the primary business force in Africa where we only use it for funerals and weddings. At least the Asians still use it for business, and they are very astute. It is not just about getting information, or knowledge about the markets, it is about actually building real practical skills to be able to do so many of the tasks necessary to be good players of the market. People need to understand both the formal and informal rules that apply in the market. This is possible with collective action. It is not a numbers game, most of us here work for non-governmental organisations and government and so on, so we hold certain values and we are not always comfortable dealing with commercial entities, particularly when they are fairly aggressive. It is a dog-eat-dog world, not pretty for most of us, but it is the world we live in. When we talk about the ability of a group of individuals to actually understand and have the knowledge and information and capacities to deal with the market, it is not always going to be because of the numbers, it is a knowledge issue. That is why I am emphasising knowledge, and when it comes to knowledge, certainly the majority is not always right, otherwise we would still believe the world was flat!

So – even if it is a tough world – we are still trying to empower these groups, and starting again with a simple model, there are only four sources of power in the world:

- Violence
- Politics
- Money
- Knowledge.

Among these violence is unfortunately the most widely used, and then politics is the next – and those of you who really know will agree that politics is a form of official and organised violence. Money is the third most important source of power and finally, knowledge is the fourth. But as you all appreciate, knowledge is the only source of power that does not diminish when you share it. Everything else, if you share you lose something – that’s why at the end of the day knowledge is the most powerful force.

Here are a few insights on the transformative power of knowledge from the circulated papers that are dealing with issues not in terms of case studies, findings and insights but right at the cutting edge.

- We need to move from tacit to explicit and systematic knowledge
- Learning how to learn is vital
- Learning is largely a social process (participation).

One of the issues that we face is – How do we quickly move from tacit knowledge to explicit and systematic knowledge? Because most of the papers are loaded with what I would still consider tacit knowledge, i.e., knowledge that exists mostly in the heads of people but has not yet been translated to prototypes. How do you actually mass translate this type of knowledge for ordinary people who want to use the information? Although we may be pre-occupied with ‘information and knowledge’ when we translate this to the groups we are trying to assist, we actually need to know how we build their capacity to learn fast so they can get from information to knowledge through the following steps:

- From ‘frameworks’ to ‘prototypes’
- From ‘first generation’ to ‘second generation’ knowledge
- Action learning–outcome-based learning (information–knowledge–skills–values).

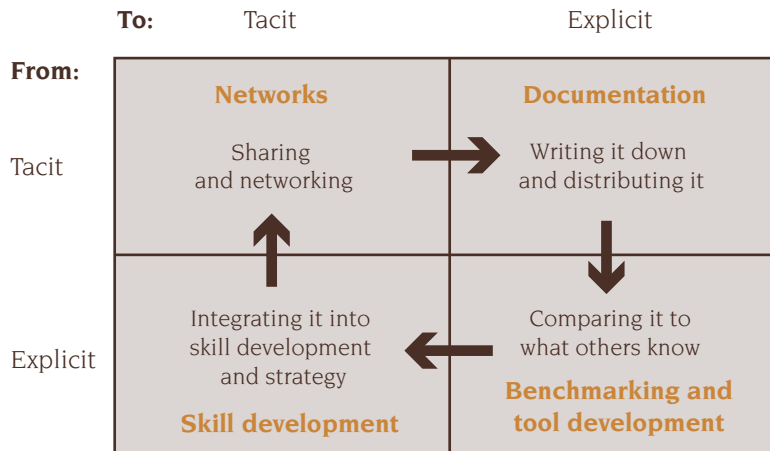
I don’t think it is how much information such groups can access all the time, it is about how they learn and re-learn quickly, building their capacities to learn, and once again acknowledging that learning is largely a social process; that is why in most of the papers there is a mention of participation. Participatory process are discussed in the papers, and as I said earlier participation, for us in the non-prof-it world is soothing – it makes us feel we are being democratic, it is part of value-based leadership and inclusive. But at the end of the day if you are going to make it in the market you also need results-based leadership, so the social process must encompass both capacity to embrace and be democratic as well as capacity to allow great ideas to surface and move the groups forward. That is why it becomes important to separate political organisation from business leadership of groups, otherwise if you mix the two you will have problems.

We have to move from information to knowledge because knowledge is the application of information and a lot of information that exists in developing countries today, certainly in rural groups, is very difficult to translate into action.

Information needs to be packaged in a way that allows those who take action to move from frameworks and concepts to prototypes. This is a way of simplifying the way that knowledge is applied because if we can build one or two prototypes, even from the knowledge that we have in this meeting, at least two or three good prototypes could be built. If you want to build a successful commodity association these are the proven steps you should take.

It is then necessary to move from first-generation to second-generation knowledge, because with only first-generation knowledge you don't have the confidence to recommend or replicate. In our discussions we should identify what comes through most of the cases presented that leads us to confidence in making a recommendation.

Also coming through the papers strongly is that action learning as an important way for farmers to learn. Most of you will be familiar with this framework for knowledge, basically it is arguing that since we are spending most of the time in the top left-hand column sharing and networking, a lot of the tacit knowledge is just not documented. It needs to be documented in a fashion that allows those who are likely to use it to: bench-mark, compare, contrast, and combine it with what else they have, so that it can be translated into forms that go into skills development.



## Basis of understanding markets and deal-making

### Strategic use of knowledge

There are three levels of progress. When it comes to the market a lot of people in Africa, I think, are the worst marketeers in the world. We are the most brilliant artists, we make great things, but we struggle when it comes to marketing them. One of two things happens: either we fail to establish a production process that allows us to replicate the products to specific standards that are required by the market, or if somebody succeeds with their product locally then everyone tries to go for the same thing!

By **strategic use of knowledge** I think we need to move to what I'm calling improvement change, in other words, how do we actually make maximum use of the existing knowledge that these farmers already have in trying to get to the markets from the known to the unknown?

**At the second level** we are trying to build their capacity for intelligent borrowing, at that stage it is really 'copying from the best in the class.' It's the quickest way to get to the top, but we know that some people are more intelligent at borrowing than others, and I think here the Asians have been better than Africans, so we need to see more intelligent borrowing in Africa.

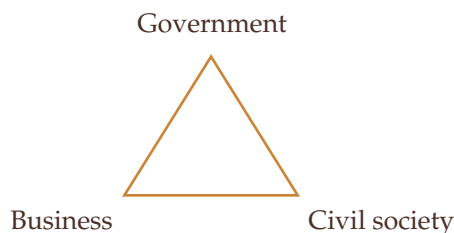
**At the highest level** is the mindset change, being able to move from the known to the unknown.

## Arbitrage

Arbitrage involves information – knowledge – skills – rules/values, e.g., for cross-border trading. In traditional societies it requires a lot of self-confidence to believe that you can see the world differently from the way you did not so long ago, and that you can go from these ideas to the markets and can ultimately be the best. In terms of the market, no matter how sophisticated your ideas, marketing boils down to arbitrating; because if there is a deficit over here but there is a surplus over there, and I can go and pick it up from over there and bring it over here and make money, that's marketing!

This is the basis of understanding markets and deal making and deal-making skills and it is extremely important for these groups that we are trying to promote. We could build a lot of other skills, but I often find in the work that I am doing in southern African that these groups lack the capacity to structure deals and enter into heavy-duty contracts.

## The golden triangle



In the developing regions, quite often government and business don't see eye-to-eye on what needs to be done for the development agenda for poor people. And then civil society quite often doesn't trust either government or business. So as long as government policies are tentative because they really don't understand what is happening – the government then becomes schizophrenic so that during the day they will say all sorts of populist things about "Well they don't really believe in

the market forces....they need to moderate," they just kind of get a bit mushy, but some of them believe in the market and they will be doing their deals at night, so no one is getting anywhere! I believe that some of the ideas we are talking about require hard-nosed dialogue between these three groups and between the countries and the regions and I think the network process will help us to make progress towards this.

## **Trends in public spending on agriculture in Africa**

The trend is still downwards in terms of public-sector spending on agriculture in Africa. It decreased from 7.5% to 6% between 1980 and 1998 so in spite of all the declarations such as the Lagos Plan of Action in 1980 that said: 'Take it up to 10%' it is still going down and the share of agriculture expenditure in total government expenditure has also decreased from 6.27% to 4.88% during the same period. If you look at the Asian countries that managed to pull themselves out of poverty, they were averaging 15.4% of total government expenditure into agriculture in 1972, so we do have a long way to go in Africa. Just as an example on infrastructure, if we look at the road densities that we have to achieve in Africa to be at the same stage India was in the 1950s, for some countries a 10-fold increase is needed. Africa is a larger continent than Asia geographically, distances are greater, but we have the lowest rural road densities so how do we get to the markets?

Some of the meta trends do work in favour of poor farmers who are trying to get to the market, cultural diversity elements, the growing demand of natural products in the world, and the realisation – even in the United States whose government refuses to sign the Kyoto agreement – that big business is now able to prove that sustainability pays. So it should be possible in future for organic agriculture and environmentally friendly products and services to get our poor farmers into the big markets.

## **In conclusion**

I am going to leave you with a couple of African philosophies for collective action. The thing about development, particularly building capacity and competence to play hard on the market does not happen overnight, you really just have to be patient and go for the long haul, because things take time and that's what termites have done. Termites are masters of collective action, they can bring down a building and you don't even know it. They get organised, they've got great leaders, they know exactly where to go and you think you've got a big beautiful building but one day you make the mistake of leaning on a wall..... and everything falls down! So I think we need a lot of hard work, the termite philosophy, and to identify the long-term investment issues that we need to make these endeavours a success.

Then lastly there is the African feast – termites are the competitive side of collective action – but then there is a nicer side. The African feast is the exact opposite. The whole community knows that on Saturday there is to be a great feast at



such and such a location. Every household brings something. You bring what you have and take what you need. This is how knowledge is going to help, transform and empower the poor people of the region.

So we should build linkages and trust, but should beware of the conspiracies of silence – because if people don't trust you they may not tell you everything that you need to know to help them. Because they are used to being disadvantaged, rural people and poor people can sometimes conspire not to speak. I have emphasised economies of scale as opposed to economies of size just to ensure that although I believe that big business has a large role to play, we have to distinguish how we scale things up for small-scale producers as opposed to economies of size, which are more important for the larger firms. Coupled with enhanced networking, deal-making skills and technologies for delivery, we have many contributions to bring to the feast.