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Wageningen UR

For quality of life

RAIVinvest
Creating new business opportunities in rural Africa

IFAD
Investing in rural people

Sunrise

Unilever

Oxfam
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EXECUTIVE SUMMARY

Background
Over the past decade there has been an increase in investments aimed at improving linkages between smallholder organizations and buyers of agricultural produce, many of which adopted a value chain approach. The success and failures of many of these initiatives have been well documented. The results confirm that, for most cases, the producer-first buyer point of sale continues to be the most inefficient linkage, impacting on the overall chances of a competitive and inclusive value chain.

In response, FAO and other organizations have developed frameworks and approaches to support the producer-first buyer point of sale under the title of inclusive business models. Many interventions under these frameworks have been on a pilot basis, with a specific geographic and commodity focus, which have led to localized innovations, improved local capacity and some changes in policy direction and decision making. There have been very few cases where initiatives have nationally transformed smallholder-based value chains.

Against this background, FAO convened a workshop from 1-3rd October 2013 to bring together experts from different organizations with practical experience in facilitating inclusive business models (IBM). The workshop generated discussions on good practices to promote smallholder inclusion in value chains, innovative business solutions, policies that promote inclusive business and opportunities and challenges for upscaling.

The participants were practitioners and action-researchers with hands-on experience in providing technical oversight for field and research projects aimed at improving smallholder-market linkages through the use of inclusive business models. Participants had already drawn out the lessons learned from respective work areas which were used to lead session discussions.

The Workshop objective was to identify guidelines for taking to scale inclusive business innovations that increase the role of smallholders in national and regional agrifood systems with session outputs aiming to identify:

(a) Innovations that foster inclusive business under different market and commodity contexts.
(b) Policy initiatives that promote inclusiveness as well as private sector-led agribusiness development.
(c) Guidelines that accelerate taking inclusive business to scale.
(d) A partnership strategy on the future development of the impact pathways framework.

Workshop outputs and findings
Workshop discussions took place on two interrelated levels. First the concept of IBM was elaborated as a driver for guiding business and policy choices to help agricultural transformation be more inclusive of otherwise excluded groups. Second, the role of IBM as an approach with methodologies and tools that facilitate better and more inclusive business between buyers and small farmers.

The IBM concept within the overall goal of enabling inclusive and efficient agricultural food systems
IBM is an important area of work for those groups that are dependent on agriculture and the rural economy, but without support risk further marginalization. IBM is not however a panacea for all development ills and needs to be applied alongside broader market system approaches. Discussions came up with a number of caveats and guidelines for the public and private sector, and that need to be applied alongside the concept.
In relation to guidance for the private sector, discussions concluded that it is easier to work with multinational enterprises as an entry point for issues related to inclusiveness, sustainability or fair trade because of their awareness of its impact on branding and corporate image. Engagement with national firms in developing countries is more difficult but needs to be accelerated. Their home-grown nature means that they are more familiar with cultural nuances, the political structure, and are more rooted in local economies and therefore have more sticking power than international companies.

Companies need to be sensitized to the fact however that procuring from smallholders does not necessarily equate to development. Their actions may create dependency, exploitation of farm labour and impact on local SME development, as well as impact food security by taking supplies out of the local market. It is not the role of private actors to intervene on these topics but they should at least be aware of the wider chain, market and development impact from their procurement practices and if feasible to go ‘beyond the buy’ to address them.

In relation to guidance for the public sector findings, led by presentations from FAO, IFAD and IIED, showed that the private sector investment alone cannot be relied upon to address marginalization and exclusion, and will result in poorly coordinated markets and further exclusion. The IBM concept is a valuable concept in trying to mitigate the risk of overreliance on the private sector. Efforts carried out under the IBM banner should not only target agricultural or trade related policies, but should also be embedded in and aligned with different policy and technical areas (agriculture, infrastructure, standards, trade, industry, finance, development, food security, cooperatives), with a constant eye on how policies and interventions can increasingly reach out to include more marginal groups.

**IBM frameworks, approaches and tools**

On a practical, methodological level, session discussions compared entry points, approaches, terminology, innovations and lessons, with useful findings emerging for development practitioners, researchers and the donor community.

To-date the private sector has been the primary entry point for most work on IBM, with for instance the development of good practice guidelines for multinational companies on how to better engage on smallholder procurement in developing countries, or with smallholders as consumers of customized products. A smaller group of organizations, and most of those represented at the workshop, apply a stricter narrower interpretation to IBM with a specific focus on the promotion of market inclusion on the supply side of the agricultural sector – which is seen by these partners as providing a contribution to both poverty reduction and sustainable local economic development.

Building on existing frameworks and approaches, criteria, principles and good practices for unblocking bottlenecks to upscaling IBM were identified. Discussions on the criteria of what makes a business model inclusive helped to move understanding along as described in box 1.  

The need for a sound business case for linking smallholders to a buyer and the need for a clear understanding of local contexts, commodities and institutions before upgrading interventions can be designed were reiterated. An additional principle that emerged was the need for more consideration

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1 This idea was introduced by the Sustainable Food Lab in its presentation on 'The Business Case for Investing in Stakeholders’ – ref slide 10 of PPT.
to be given to existing trading systems during the design phase. Bringing in non-profit, and often new intermediaries into the system has become the norm in project practice over the past decade but is not tenable in the long-term. It was argued that it is more efficient and inclusive to work with actors that are already integrated into the value chain and are familiar with one another. An example of how this can be done was presented by Clive Lightfoot, Rural African Ventures Investments under section 3.3.

**Box 1 Criteria – A business model is more inclusive when it:**

I. Is accessible to farmers with less assets, women and minority groups.
II. Uses trading practices according to the needs of smallholders that provide benefits: profit, stable market outlets, shared risks, access to services and finance.
III. Does not create dependency on any one value chain or buyer, and provides profitable diversified market options for smallholders.
IV. Builds capacity of farmers and farmer groups according to market needs.
V. Uses transparent platforms and forums to identify and solve problems.

Insights can therefore also be gained by appraising parallel markets, such as local spot markets, or large domestic buyers that might compete with a multinational for the same product. Appraisals for instance, could expose problems for the buyer, such as side-selling risks, or opportunities for the seller, such as diversified market outlet opportunities.

The main message is that if business continues as usual, with focus placed mainly on increasing the numbers of smallholders in value chains, as opposed to considering the quality of market inclusion – such as increasing market outlet options for smallholders, the result will be an unsustainable scenario of overt dependence on limited value chains. Appraising parallel markets will also help to raise red flags where business might unwittingly include some small producers, under an IBM banner, at the expense of excluding other small actors from the value chain.

**Moving forward and the role of FAO**

Participants agreed to work on a number of common areas of interest including knowledge management, guiding the engagement of small and large firms on smallholder procurement, and policy guidance on improving the role of the market facilitators in farmer-market linkage initiatives.

The results of the workshop will add value to FAO’s work on various levels. In its field programme - from project design to delivery and monitoring results, the good practices identified during the workshop will be adopted and mainstreamed. This process started with two trainings, funded by the Government of Ireland, for FAO project teams and partners in Africa on the IBM concept and approach. The first training was delivered in collaboration with the Centre for Development Innovation – Wageningen (CDI), in February 2014 in Uganda. The second training took place in May 2014 in Sierra Leone. The training approach and lessons from these initiatives will be mainstreamed in FAO’s field programme on linking farmers to markets and be made available electronically.

When interfacing with policy makers and Ministries of Agriculture it will be equally important to ensure that the caveats and limitations of the IBM concept are at the forefront of conversations, so that, as argued by Bill Vorley (IIED) ‘the hype of a new concept doesn’t get ahead of the reality’ and that as work on the topic moves forward, it does so in line and contributing to other equally important development agendas such as poverty reduction and food security. As a first step in this direction in December 2013 FAO convened a meeting in Ghana with mid-level policy makers from Ministries of Agriculture and Ministries of Trade and Industry alongside representatives of national and international companies such as Olam, Nestlé and Premium Foods Ghana to disseminate the
results of this workshop in the region and also to draw out priorities for IBM specific for the Africa region.

The topic of Inclusive Business Models is an important one under FAO’s new Strategic Framework and in particular under Strategic Objective 4 on “Enabling inclusive and efficient agricultural food systems.” In moving forward on the topic, FAO will collaborate with the organizations present at the workshop and beyond to ensure that synergies can be capitalized on at both the project and policy level. This will contribute to accelerating improvements in business-business linkages between smallholder suppliers of agricultural foodstuff and small, medium and large buyers.
**ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AADI</td>
<td>Accelerated Agribusiness and Agroindustries Development Initiative</td>
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<tr>
<td>AGS</td>
<td>Rural Infrastructure and Agro-Industries Division FAO</td>
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<td>AGRF</td>
<td>African Green Revolution Forum</td>
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<tr>
<td>ALSUR</td>
<td><em>Alianza Hortofruticula</em></td>
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<tr>
<td>BIF</td>
<td>Business innovation facility</td>
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<td>BM</td>
<td>Business Model</td>
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<tr>
<td>BMGF</td>
<td>Business Models for Sustainable Trading Relations</td>
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<tr>
<td>CBO</td>
<td>Community Based Organizations</td>
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<tr>
<td>CDI</td>
<td>Centre for Development Innovation</td>
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<td>CF</td>
<td>Contract Farming</td>
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<tr>
<td>CIAT</td>
<td><em>Centro Internacional de Agricultura Tropical</em></td>
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<tr>
<td>CRS</td>
<td>Catholic Relief Services</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>ECA</td>
<td><em>Empresa de Comercializacion Agricola</em></td>
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<tr>
<td>Endeva</td>
<td>Enterprise Solutions for Development</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>FO</td>
<td>Farmer Organizations</td>
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<td>GIZ</td>
<td>German Organization for Technical Cooperation</td>
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<td>IBLF</td>
<td>International Business Leaders Forum</td>
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<td>IBM</td>
<td>Inclusive Business Models</td>
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<tr>
<td>iDE</td>
<td>International Development Enterprises</td>
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<tr>
<td>HCD</td>
<td>Human Centered Design</td>
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<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
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<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<td>ILAF</td>
<td>Intervention Logic Analysis Framework</td>
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<td>LSPs</td>
<td>Local Service Providers</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>ODI</td>
<td>Overseas Development Institute</td>
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<td>P4P</td>
<td>Purchase for progress</td>
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<td>PPPs</td>
<td>Public Private Partnerships</td>
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<td>PSP</td>
<td>Production and Sales Planning</td>
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<td>RAVI</td>
<td>Rural African Ventures Investments</td>
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<td>RBM</td>
<td>Results Based Management</td>
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<td>RFLDC</td>
<td>Regional Fisheries and Livestock Development Component</td>
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<td>RW</td>
<td>Rural World</td>
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<td>SFL</td>
<td>Sustainable Food Lab</td>
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<td>SMEs</td>
<td>Small and Medium Size enterprise</td>
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<td>SNV</td>
<td>Netherlands Development Organization</td>
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<tr>
<td>SP</td>
<td>Service Providers</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
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<tr>
<td>TSS</td>
<td>Transaction Security Services</td>
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<td>WFP</td>
<td>World Food Programme</td>
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<td>WUR</td>
<td>Wageningen University &amp; Research Centre</td>
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<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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1. INTRODUCTION

1.1 Background of the workshop

Over the past decade there has been an increase in investments aimed at improving linkages between smallholders and buyers of agricultural produce. Many of these cases have adopted a value chain approach, with appraisals and support provided for actors across the entire chain. Most interventions in a chain however will crowd around the most inefficient linkage which for smallholder based value chains is the producer-first buyer linkage. If this linkage is not strengthened it will inevitably impact on the overall chances for the development of a competitive value chain.

To better support the producer-first buyer point of sale, from 2007 to 2011, FAO, with the support of the EU, pilot tested an inclusive business model approach in sixteen countries across Africa, the Caribbean and the Pacific region. The approach identifies critical success factors required for improving farmer-first buyer business relationships under different contexts and commodity market structures.

Similar to FAO, other organizations have also developed frameworks to support the implementation of inclusive business models projects and programmes. They include approaches such as the LINK method developed by SFL, CIAT, CRS and IIED; Business Modeling Framework by iDE. Oxfam, Rabobank, SNV and BIF have also supported the implementation of inclusive business projects and documented results and lessons learnt.

Many interventions by these and other research organizations and NGOs have been on a pilot basis, with a specific geographic and commodity focus. For the most part they have led to localized innovations, improved local capacity with some changes in policy direction and decision making. There have been very few cases however where initiatives have significantly transformed smallholder-based value chains.

Against this background, FAO convened a workshop from 1-3rd October 2013 to bring together experts from different organizations with practical experience in implementing inclusive business models. The workshop generated discussions on good practices that promote smallholder inclusion in value chains, for the public and private sectors and the development community.

1.2 Objectives of the Workshop

Overall Objective
Identify guidelines for taking to scale inclusive business models that increase the role of smallholders in agrifood systems.

Workshop outputs will identify:
(a) Innovations that foster inclusive business under different market and commodity contexts. This output will consolidate case examples where innovations have contributed to improving the inclusivity of business.
(b) Policy initiatives that promote inclusiveness as well as private sector-led agribusiness development. This output will be based on evidence of policy changes that have either constrained or fostered inclusive business.
Guidelines that accelerate taking inclusive business to scale. This output will contribute to taking to scale good practices and to unblocking bottlenecks that prevent the inclusivity of agribusiness.

A partnership strategy on the future development of the impact pathways framework. The strategy will identify post-workshop activities related to validating findings to-date, building on leverage points already developed and reiterative learning on taking inclusive agribusiness to scale.

1.3 Workshop agenda and workshop format

The agenda is presented in Annex 2. The workshop was structured as follows:

**Session 1:** After the opening speech each organization introduced their goals and how their work on inclusive business fits into these goals. Participants also shared their expectations for the workshop.

**Session 2: Setting the scene.** The session focused on how participating organizations interpret and define inclusive business models. Three sample frameworks (CIAT, iDE and FAO) were presented followed by a review of literature on the topic. The literature review highlighted entry points, definitions, convergences and divergences of the various approaches and possible gaps.

**Session 3: Entry points for engaging in agricultural market systems.** Three cases were presented on what we are learning from working with farmer groups; business; and NGOs/local public institutions. The discussion focused on what is working and specific challenges for each entry point.

**Session 4: Insights on buyers’ procurement mechanisms.** Two cases (Unilever and examples on contract farming) provided the basis for a plenary discussion on approaches and lessons on smallholder friendly procurement mechanisms.

**Session 5: Promoting business model linkages.** Cases discussed solutions that improve linkages between actors in the field and on how interventions can be more inclusive rather than excluding existing actors (e.g. traders and agrodealers).

**Session 6: The role of the public and private sector.** Presentations discussed how public or private sector interventions and policies have been an enabler or barrier for taking IBM to scale.

**Session 7: Inclusiveness can be interpreted in different ways.** The cases on metrics and indicators provided the basis for a discussion on what should be measured, why and how it will contribute to upscaling inclusive business.

**Session 8:** In small groups participants discussed the main lessons for moving from pilots to promoting inclusive growth across entire markets.

**Sessions 9-10:** In session 9 the results of the groups’ discussions were reviewed before sharing with a wider audience from IFAD and FAO in session 10.

**Session 11:** The group reflected on feedback received during session 10 and discussed how the participants could take the results forward in the form of a strategy and how to build on their respective comparative advantages.

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This output was disseminated at a FAO regional workshop on the topic in Ghana, December 2013 and the Seas of Change workshop February 2014. It will also for the design and implementation of the EU-funded FAO project on “improving the competitiveness of smallholders engaged in roots and tubers value chains in Africa” (2014-2018).
Session 12: Included a review of main conclusions and findings.

1.4 Profile of participants

The participants were practitioners and action-researchers with hands-on experience in providing technical oversight for projects aimed at improving smallholder-market linkages through the use of inclusive business models. Participants had already drawn out the lessons learned from project implementation which they presented during the workshop. See Annex 3 for the full participant list.
2. SETTING THE SCENE

2.1 Opening speech
by Eugenia Serova, Director of the Rural Infrastructure and Agro-Industries Division of FAO.

The topic of inclusive food systems is paramount in FAO’s new strategic framework, playing a particularly important role under Strategic Objective 4 on “enabling more inclusive and efficient food and agricultural systems at local, national and international levels”. “Inclusive” can be interpreted from several angles and can refer to markets including smallholders, small and medium sized agricultural companies, women, youth, or small economies. To achieve inclusive food systems, partnerships are needed that leverage the competitive advantages of different actors from research, the development, public and private sector. This need for synergy forms the rationale for FAO convening the workshop on Inclusive Business Models.

Sharing knowledge is an initial step under a partnership, but more of a concerted effort is required to engage on common areas of work, such as a common communication strategy, with accepted definitions and having a deeper understanding on partners’ respective roles to avoid duplication of efforts and gain more synergies.

2.2 Introduction of workshop participants

Participants were drawn from research institutes (IIED, CIAT, CDI), development practitioners (iDE, ENDEVA), the private sector (RAVI, Agropol) as well as consortia of business, non-profit and public organizations (SFL, Sunrise 2.0) and Intergovernmental Organizations (IFAD and FAO).

The participants’ main expectations were:
- To find clarity in concepts and terminology.
- To share experiences and ideas about developing Inclusive Business Models. In particular to learn from each other about practical tools and innovations.
- To identify the bottlenecks for scaling up inclusive business models and mapping out a vision of how to address these challenges.
- To identify good practices for IBM, the role of each market actor and leverage points for the private sector, government and civil society.
- To understand the view of FAO and its role in driving inclusive business.

2.3 Overview of Inclusive Business Models frameworks

In order to appraise the different approaches developed to date on the topic, this session included three methodologies (FAO, CIAT, iDE), and an overview of findings from a literature review of approaches developed by over fourteen research agencies.

Don Seville (SFL) led the session. With the purpose of uncovering common threads and differences across different methodologies and approaches, when presenting their frameworks, participants were also requested to make reference to:
- the entry point (the primary audience or the targeted practitioners)
- the definition of “inclusive”
- the key principles and practices
Presentation by Mark Lundy (CIAT) on the LINK methodology

The goal of the LINK methodology\(^3\) and toolkit is to build inclusive and sustainable trading relationships linking small-scale producers to modern markets. The methodology can be used by development agencies, NGOs and the private sector – it can also be used to evaluate PPP projects. The term “inclusive trading relationships” is defined as “the result of business models that do not leave behind smallholder farmers and in which the voices and needs of those actors in rural areas in developing countries are recognized”. The methodology focuses on how to build IBMs into market systems. The goal is not to link the poorest farmers to the most demanding markets but to invest in moving farmers up a level and make markets more accessible by helping companies sourcing down a level.

Link merges three entry points:
- NGOs: With a mission to support small farmers through service provision and coordination with buyers.
- Farmers: Who are looking to sell their produce in a more beneficial manner.
- Buyers: Seeking to expand the supply chain to include small farmers.

The methodology includes business tools and others which have been developed in consultation with development and private sector actors.
- A rapid scan of the overall value chain to understand the key actors and their relationships, key supporting services and the relevant policy and macroeconomic situation. This background review is used to identify critical points in the value chain where existing business models are not functioning or could be improved in ways that lead to greater inclusion of small producers.
- The business model canvas which looks at the production side (partner network, key activities, key resources and cost structure), the marketing side (customer relationship, customer segment, distribution channels and revenue stream) and the value proposition at the interface.
- The business model principles which provide a list of criteria to evaluate if a business model is inclusive according to the following: 1) chain wide collaboration, 2) efficient market linkages, 3) fair and transparent governance, 4) equitable access to services, 5) inclusive innovation, 6) measurement of outcomes. A scorecard and spider diagrams are used to generate discussion among the actors to understand each other’s point of view.
- The prototype cycle (comparable to the project cycle and the business planning cycle) in which there is a iterative learning process that is continuously tested and improved.

It is important for users to understand that the IBM approach is not the only tool for achieving the above goal and that the framework needs to be applied alongside other methodologies for market development such as value chain mapping which appraises actors and activities along the value chains.

Some lessons:
- Aligning the approach to policy has not been easy. Policy ‘in paper’ is very different to the actual impact on the ground. However during application of the approach, the public sphere has been leveraged where possible.
- It has been easier to engage with multinational companies as at the national level it has been more difficult to identify which companies offer more potential for IBM development.

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\(^3\) See link to document on Annex1: Further reading.
The methodology is not based on only ‘formal’ organization, as most transactions involving smallholders take place on an informal basis. CIAT is currently studying some cases of informal groups to understand the ‘organization’ around the informal sector.

A key issue is on how to assess and measure inclusivity consistently across cases.

Presentation by Richard Rose (iDE) on business modeling framework used by iDE

The ultimate goal of the iDE project cycle framework is to lead to sustainable development impacts. The iDE framework targets development practitioners implementing farmer-market linkage projects, supporting engagement with national companies in Bangladesh. Business Modeling is a key stage in this project cycle.

### Box2: iDE Business Modeling steps for implementation

**Step 1: Investigating markets.** Tools and approaches: Human Centered Design toolkit (IDEO), literature review, market map, question guide, development of a fieldwork manual to guide market investigation and analysis.

**Step 2: Developing strategy.** Tools and approaches: the Intervention Logic Analysis Framework (ILAF) that focuses attention on sustainable service provision, the development of a market strategy document and a vision of change map that highlights the areas in the market system where interventions are necessary.

**Step 3: Designing interventions.** This can be to strengthen services delivered by existing actors in the market system to fill identified gaps. Tools and approaches: Development of Business modeling including overall model and individual links (using the Business Model Canvas), an exit strategy, pilot and scale up Business Models, and financial feasibility studies.

**Step 4: Deal making.** Tools and approaches: understanding negotiating position for the joint venture, strategy and persuasion, Memorandum of Understanding/ Letters of Agreement as an entry point, trust and confidence building. For a business audience it is important to appeal to their core business rather than promoting the social/developmental agenda.

**Step 5: Delivery and iterative improvement.** Tools and approaches: Monitoring and Results Measurement quarterly outcome reports, results chains to monitor progress, and external advisory support where required.

A selected market system is investigated to understand why it is not benefiting the target beneficiary group (the target of the development agenda); this investigation identifies key areas of weakness in the value chain, supporting services, or the enabling environment which are causing this market failure.

A strategy is developed with interventions designed to overcome these service weaknesses and make the market more ‘inclusive’.

The business modeling comes in the design of these interventions, which must be led by the business incentive of existing market actors in order to be sustainable in the long-term. Understanding the current and potential business model is crucial for understanding the incentives for a company or market actor to alter the way it conducts business. The analysis identifies the support the private sector needs in order to access the market opportunity offered by low-income farmers. This forms the basis of negotiation and deal-making with the market actor. After the agreement of a joint-venture the private sector leads the activities required to reach the market, with the project supporting. This calls for iterative improvement in program delivery, and different tools can be applied to help monitor progress and impacts as they develop.

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4 IDE draws upon a number of tools for investigating markets, including the Human Centered Design toolkit developed by IDEO [http://www.ideo.com/work/human-centered-design-toolkit/]
Some lessons:
• For a development audience inclusive business models represent an enterprise that has a social impact. However, when approaching business, it is important to adjust the focus to appeal to the core business incentives of the companies. The primary role of the market facilitator is to identify the market opportunities represented by the target group, and make the case that reaching this group will be in the business interests of the company.
• Deal making often involves persuading organizations to try something new or change their current behaviour. This involves understanding the way of doing business in the developing country context, and often requires a lengthy process of building trust between actors. In the case of iDE, generating institutional relationships is key to moving beyond ‘project-specific’ or opportunistic/transactional relationships.

Presentation by Siobhan Kelly (FAO) on the IBM approach developed by FAO
The FAO IBM approach is based on working with farmers that already have some degree of organization, either as formal cooperatives or as informal farmer groups, and some experience or desire to engage in collectively targeting markets. There must be a business case for working with small farmers, based on a comparative advantage such as access to land, access to subsidized services and inputs; local agricultural knowledge. The business case must offset the costs and risks related to working with a large group of small farmers. The term inclusive refers to the constraints and challenges of integrating smallholder farmers into value chains.

Box 3: FAO’s IBM approach steps for implementation
1. Appraise the business models: how the actors are currently doing business.
2. Identify common upgrading priorities for buyers and producers.
3. Develop a plan for upgrading the business model including a financial plan. FAO paid a lot of attention to logistics.
4. Identify sub-set of activities that the project can support without distorting viability, unduly subsidizing or undermining sustainability. These activities typically focused on improving the business to business coordination, increasing responsiveness to customer needs and improving operational management.

Box3: FAO’s IBM approach steps for implementation

Some lessons:
• Reliable demand is needed: Greater consideration needs to be given to how buyers’ demand can influence the production system. Buyers’ procurement systems affect producers’ ability to provide a reliable supply of raw material.
• Working with service providers to focus on buyers’ needs: An iterative approach, which ‘builds back from the buyer’ is required with local service providers and NGOs not accustomed to engaging with buyers and more familiar working close to the farm gate with addressing production, post-harvesting and storage issues.
• Project designs need to be more inclusive: Market linkage projects often have defined locations and target actors but more consideration and tools are needed to include actors (e.g. traders) who fall outside the parameters of the project design but are still nonetheless important for the targeted value chains.

Presentation by Natalie Vergara (FAO) providing an overview of several IBM frameworks
There are a wide number of publications on inclusive business with different methodological approaches being applied within project contexts (see Table 1). The underlying principle is mutual benefit for low income populations and the business community, combining economic and social
value. The general consensus is that inclusive business models promote the integration of low income groups in markets.

<table>
<thead>
<tr>
<th>Org.</th>
<th>Entry Point</th>
<th>Framework</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIAT</td>
<td>Institutions /NGOs</td>
<td>LINK</td>
<td>To build inclusive and sustainable trading relationships linking smallholders to modern markets.</td>
</tr>
<tr>
<td>iDE</td>
<td>Institutions /NGOs</td>
<td>Business modeling to inform interventions in market systems</td>
<td>To have a sustainable development impact.</td>
</tr>
<tr>
<td>FAO</td>
<td>Institutions /NGOs</td>
<td>Inclusive business model approach</td>
<td>To strengthen the smallholder to first buyer business linkage.</td>
</tr>
<tr>
<td>GIZ, Endeva, Joyn-coop</td>
<td>Business</td>
<td>Guide to inclusive agribusiness</td>
<td>To help companies in developing business relationship with smallholders.</td>
</tr>
<tr>
<td>UNDP</td>
<td>Business</td>
<td>Growing inclusive market initiative</td>
<td>To provide strategies for the private sector to create value in difficult market conditions.</td>
</tr>
<tr>
<td>Oxfam, SFL</td>
<td>Business</td>
<td>Think big go small(^5)</td>
<td>To guide companies to deliver value for their business so in a way that the poor can benefit too.</td>
</tr>
<tr>
<td>SNV, WBCSD</td>
<td>Business</td>
<td>Profitable business for successful development</td>
<td>To facilitate the development of inclusive business opportunities</td>
</tr>
<tr>
<td>IBLF</td>
<td>Business</td>
<td>Framework for practical action in inclusive business</td>
<td>To provide guidelines and tools for companies to manage their core activities in a way that is profitable and also helps in fighting poverty.</td>
</tr>
<tr>
<td>DFID</td>
<td>Business</td>
<td>Business innovation facility</td>
<td>To promote business ideas that combine tangible commercial returns and development impact.</td>
</tr>
<tr>
<td>Rabobank</td>
<td>Institutions /NGOs</td>
<td>Framework for an inclusive food strategy</td>
<td>To identify opportunities for increased food production with a focus on smallholder inclusion in the value chain.</td>
</tr>
</tbody>
</table>

Organizations such as UNDP, IBLF, GIZ, SNV and Rabobank view smallholders not only as producer supplying chains, but also as employees, business owners, consumers, and buyers. Smallholders can therefore be integrated into markets either through production or consumption. The overall interpretation is that “inclusive business models are about creative solutions …that reach out to people at the base of the global economic pyramid.”

FAO applies a stricter interpretation to IBM with a specific focus on the promotion of market inclusion at the supply side of the agricultural sector which is seen as providing most scope for poverty reduction and local economic development. Based on this, the focus of the workshop was on IBMs in which smallholders are producers and suppliers of agricultural value chains.

The rationale and justification for working on inclusive business models varies according to the type of actor promoting a particular approach.

- For private sector actors “sourcing from smallholders in an era of tightening global supply and natural resource limitation is simply good business (CIAT, 2012)”. Large multinational companies such as Unilever and Hershey are increasingly collaborating with the public sector and donors to

\(^{5}\) The frameworks LINK and ‘Think big, go small’ are both outputs of the BMGF project implemented by SFL, CIAT, IIED, CRS and Rainforest Alliance.
increase their sourcing of agricultural produce from small farmers, using smallholder or community-friendly procurement practices, to ensure reliable supply to their global value chains and to improve legitimacy and generate a positive brand image (Oxfam, SFL 2010).

- For the public sector and donors, mainstreaming business principles in development and identifying areas where smallholder inclusion in value chains is justified by a strong business case is paramount to ensure that efforts result in self-sustaining models and have a higher chance of wider impact (Wach, 2012). In sectors where the bargaining power can be overtly skewed in favour of the buyer, it is the role of the public sector to contribute to a more level playing field.

Most of the approaches reviewed target the private sector, providing good practice guidelines on how to engage in developing countries and with rural communities. Field practitioners/business service providers are targeted by CIAT, FAO and iDE – where the approaches follow more or less the same pattern beginning with (i) the identification of a business case for an inclusive business model, (ii) understanding the context and value chain, (iii) followed by an analysis of the link between the smallholders and their buyers in order to (iv) design and implement upgrading interventions which make the linkage more inclusive and/or competitive.

To reach scale, there is consensus on the need for an enabling environment, and for a balance between short term results and long-term sustainability. A lot of work is going on to identify innovations that can be replicated, however success in business is often due to a number of context and commodity specific factors. There are no tools to facilitate the testing of what works in one context with its replication in another (Pfitzer and Krishnaswamy 2007). The measuring of impact and results is the main weak point of all the approaches and a major shortfall in many PPPs.

**Session findings**

**The definition of inclusive**

Based on a review of relevant literature, the term “Inclusive Business Model” implies mutual benefits for low income populations and the business community, with a specific focus on the promotion of market inclusion on the supply side for small farmers.

The session revealed that among the participants there is a variety of interpretations on what inclusive business models actually means. Participants agreed that there is a need to develop a stronger common IBM language, also in relation to other concepts such as the value chain approach and market systems.

It is not clear whether inclusive business models refer to: (i) market linkages within the supply chain, (ii) a specific way of doing business or to (iii) profitable inclusion – or all three.

**Entry points**

Entry points can be thought of in terms of the target audience or users of approaches and methodologies. Different organizations, depending on their mandate, expertise and networks will have different entry points. Some start with farmers and farmer organizations as a means of improving markets access (CIAT). Others start with companies to promote sourcing opportunities for smallholders (SFL). Entry points can also begin with policy appraisals and recommendations (ENDVA), others with sector governance.

Organizations such as CIAT, FAO and iDE also try to merge the interest of three communities – farmers, buyers and the market intermediary or NGO. FAO’s approach for instance is to work from the buyer back to the farmer organization in collaboration with local market intermediaries.
Most of the literature published to-date on IBM targets multination companies, providing guidance on how to engage with small farmers in developing countries, such as the work of ENDEVA.

Each entry point has its’ rationale or justification for promoting inclusive business. For private companies it is about securing their supply while promoting social development and building a good corporate image. For the public sector and donors it is about ensuring that business linkages with smallholders result in sustainable development, improvements in smallholders’ livelihoods and poverty reduction.

**Key principles and practices**

Each of the methodologies presented has its own principles and practices. Below are overarching, or additional principles identified during the discussions.

- An appraised and clear business case must be present before approaching partners (i.e. private companies, government and financial actors).
- Due consideration is needed to strengthen and build on existing trading systems, even if they are malfunctioning, rather than creating new systems or organizations from scratch.
- Tools and activities need to be developed from the outset in partnership with targeted buyers, and the public sector.
- Language needs to be adjusted according to the target audience, and interlocutors need to avoid using development jargon when talking to businesses.
- IBM initiatives need to use and adapt existing value chain knowledge and tools, instead of developing new methodologies from scratch. The focus should be on developing tools for upgrading the business linkages within value chains.
- Both the public sector and private sector require a clear understanding of local contexts, commodities and institutions, before upgrading interventions can begin.
- Changing organizational behavior and mind-set requires trust building and therefore long-term engagement.
3. PRESENTATION OF RESEARCH AND CASE STUDIES

3.1 Entry points for engagement in agricultural market systems

Organizations implementing inclusive business initiatives have different entry points – for some the primary engagement is with farmer organizations, for example CIAT; for others is with the buyer, for example SFL, and for some the main interface is with NGOs in their capacity as local service providers, for example iDE.

The objective of the session was to learn about what is working and specific challenges for project entry points; (i) farmer groups; (ii) business; and (iii) NGOs/local public institutions. The session was led by Siobhan Kelly (FAO).

Presentation by Mark Lundy (CIAT) on the case of ALSUR - Entry point: farmer organizations

The social intermediary Alianza Hortofruticula (ALSUR) is an alliance of farmer organizations that links producers of fruits and vegetables with customers, mainly urban supermarkets. The business model canvas was applied to develop a “double-facing” value proposition taking into account individual needs of both producers and customers. The model assured the supply of safe, good quality produce for the supermarkets and improved income level and assets for producers.

ALSUR works with 155 producers organized into 8 farmer organizations. In 2011 ALSUR traded 25 tons per week with an annual sales volume of US$603,799. ALSUR is not dependent on donor support and is a stand-alone business with its own staff. This was possible thanks to a local public-private partnership with the local chamber of commerce and a local university which provides technical assistance and promotes entrepreneurial empowerment.

A key innovation in the project was a self-managed risk management fund through which producers can recoup their cost of production if their product does not reach a market due to transportation difficulties inherent in rural Colombia. This fund is sustained by an internal levy on all produce sold which is set aside to cover these situations.

Presentation by Don Seville (SFL): The business case for investing in smallholder chains – Entry point: business

The motivations for a large multinational company to invest in agricultural development are brand, reputation, and supply, which make up a common strategic intent behind many companies’ investments in smallholder suppliers. The criteria for selecting the groups to work with include reliability of supply at the right quality, time, and price; use of good agricultural practices and possibility to earn enough to stay in farming and provide good corporate responsibility stories.

The Guatemala Highland Alliance case is a consortium of multinational business (Sysco, Superior foods), research (CIAT) and an NGO (Oxfam) who came together to merge the interests of business with that of development. Strategies adopted were technical assistance and access to inputs (from NGOs and companies); risk management through the promotion of multiple crops for multiple buyers (local, and formal buyers) and managing irrigation, support for related but diversified businesses (seedlings, compost, cuttings), and price stability introduced through contract farming.

Some lessons:
- A communication structure between the local and global is critical with incentives for regular meetings between actors to address the issues of trust - which was mainly between farmers and
local intermediary companies. This should include a forum for problem identification and resolution with a call for patience to develop trust and see results, in addition to realistic expectations on roles and limitations.

- More work is needed at the farmer selection process so that the most committed farmers are included. The importance of on-farm technologies (i.e. irrigation) to secure reliability of supply was underestimated.
- The data gathered from the start-up analysis was not fully utilized throughout the process. There is a need to perform good feasibility studies to understand costs and benefits of linking farmers to markets.
- Many failure points were not due to the implementation of the model but due to the limited business capacities of farmers, farmer leaders and NGOs. The use of existing lead farmer network and institutions (local PPPs and educators) with embedded payments for services, including insurance, worked to address this failure point.
- It is important to have an active engagement of the firm during all the process, not just the supplier doing all the work. Future work of the SFL will look at helping companies thinking “beyond the buy” addressing the issues outlined above.

**Presentation by Nurul Amin (iDE) Commercializing Community Based Organizations in Bangladesh - Entry point: NGOs**

In Bangladesh NGOs typically seek to organize farmers into groups and focus on the provision of production technology and input support, with a secondary focus on demand-side marketing support. These types of intervention can lead to market distortions as technologies and inputs are ‘pushed’ onto farmers by development agencies. iDE has worked to promote demand-driven approaches in supporting farmer groups by sensitizing NGOs on working through local market actors, focusing on the use of local service providers (LSPs), production and sales planning (PSP) processes, and the establishment of commercial loans when working with groups.

**Green Bean case:** The project focuses on the commercialization of local community based organizations (CBOs) in the Regional Fisheries and Livestock Development Component (RFLDC) of a DANIDA program in southern Bangladesh. This program included technology and information transfer through farmer field schools and the provision of block grants to develop revolving credit funds. iDE supported the program to focus on developing the business models of the CBOs to understand the services they could provide on a commercial basis.

iDE focused on quick wins where all those involved benefitted with better revenues and incomes from participation in the business model. This was made possible by the CBO providing technology services for local processing; financial services, in the form of investments in the decentralized processing operations for green beans; and, aggregation services, through bulking processed produce and supplying institutional buyers. By commercializing the local CBOs, iDE was able to support RFLDC to bring service provision closer to the primary producer level, enabling the community to benefit and enhancing the sustainability of local services.

**Some Lessons:** NGO interventions are more effective when they build on existing strengths of farmer organizations; are designed to engage with market actors and build the capacity of farmer groups to engage in local trading systems. Programmes need to be iterative with interventions moving from NGO-heavy to more market oriented interventions.

**Session findings**

While the three cases presented have different entry points (farmer organizations, multinational businesses, NGOs) the project approach, delivery and expected outcome largely remained the same.
What have we learnt about NGOs, market intermediaries and the nonprofit sector?

- The non-profit sector can be overprotective of smallholders, preventing farmers from learning through engagement with real market forces. Provision of free services, finance and inputs also create market distortions. Heavy intervention approaches need to be replaced and balanced with service provision also for the buyer and by introducing commercially oriented services.
- The level of competence and institutional capacity of NGOs is critical, as their ability to engage with both suppliers and buyers, will contribute to the success or failure of a business model.
- NGOs need to take the lead on adopting an exit strategy from project inception, with the degree of intervention gradually reduced over time. The exit strategy should include handover to the private sector.
- Some large donors and agencies, including FAO, can work at cross purposes. For example a development agency can promote a business oriented approach in one project and in another part of the country participate in the delivery of free inputs and services inadvertently effecting local business sustainability.
- More engagement with investment funds agents and donors is needed to match ‘islands of success’ and notable innovations with suitable investment funds for upscaling purposes.
- Public-private platforms are good for sharing information and building relations in a generic sense. Once trading has begun though, they need to be managed differently.

What have we learnt about Farmer Organizations?

- Farmer organizations are not the only point of entry for integrating smallholders in value chains. Private intermediaries (including SMEs and traders) can also fulfil functions of autonomous FOs. Contract farming and outgrower schemes can also work for developing business models inclusive of smallholders. The best approach is to tap in and understand what’s already working on the ground and work from there.
- More understanding is needed on the roles of informal groups, what defines an ‘organization’, when do groups require support and when it is better not to intervene. Maybe there is too much focus on ‘organization’ in itself and not enough on behavioural and mind-set change of farmers’ perspective of the market system.
- The formal organization of farmers needs to be a locally driven process, and not artificially forced by projects.
- Working with already organized market-oriented groups will show results quicker and are good models for increasing scale as their success will attract new members.

What have we learnt about Big Business?

- Private sector commitment to sustainable and fair trade practices at high level industry fora is not always reflected in actual trading practices.
- Companies will typically only provide on-going (paid by commercial rather than development funds) technical support and extension services when the reliability and quality of supply depend on it. If large reliable suppliers exist, it is unlikely for companies to become involved in supporting smallholders.
- It is easier to engage and plan with big business than with local SMEs.
- A lack of trust and conflict appears to be more common at the local level, between suppliers and local agro processors, than with the foreign buyer. This lack of local level trust and collaboration can derail the business model and needs to be addressed as an important component of any approach.

3.2 Smallholder friendly procurement mechanisms

This session was led by Don Seville (SFL). Much has been done over the past decade on trying to address smallholder capacity to improve commodity aggregation and reliability of supply. There has been less attention however on buyers’ procurement mechanisms. The cases presented highlight the
changes that have taken or need to take place within buyers’ systems in order to improve ways of working with smallholders.

**Presentation by Justin Tait (Sunrise) on Unilever procurement mechanisms**

Sunrise is a 5 year learning programme from Oxfam and Unilever looking at procurement practices in three Unilever supply chains (tea, tomatoes and black soybean) to assess their degree of inclusivity, the impact of the company’s procurement practices and to guide Unilever on how smallholder livelihoods can be improved. This partnership is driven by Unilever’s goal, as set out in its Sustainable Living Plan, to improve the livelihoods of 500,000 smallholder farmers and reach 100% sustainable sourcing by 2020.

The business case for this approach derives from an expected fifty per cent increase in demand for agricultural products by 2050, with smallholder farmers viewed as a large untapped potential for increasing production to satisfy this demand. By understanding development concerns and aligning, where possible, Unilever’s procurement strategy with the needs of smallholders, the company can contribute to inclusive business model development.

Unilever’s theory of change is that by engaging with at least 500,000 smallholder farmers in their supply network, they will help to improve agricultural practices through access to training, inputs and services. Smallholders will be enabled to become more competitive (access to reliable market), thereby improving the quality of their livelihoods. This approach is operationalized through Joint Business Development Plans with strategic international and national suppliers who procure from smallholders such as Olam, Barry Callebaut and the Kenya Tea Development Agency.

Unilever’s procurement strategy operates on a global basis with a harmonised contracting model that is highly centralized. The procurement strategy is very diverse for each product, but the same strategy is used for both large and small farmers. Suppliers are selected based on their ability to offer Unilever a competitive proposition that meets a number of requirements. Generally sourcing from smallholders occurs for products that are targeted for the local market.

Oxfam mainly supports in areas such as livelihoods, gender, policy, environmental and labour issues, giving advice on how to manage these issues and how to measure results. This partnership has promoted ongoing thinking on ways to improve smallholder livelihoods and the development of livelihoods’ metrics. However, a baseline is missing which makes it difficult to assess impacts. For example it is not clear what the target of 500,000 smallholders represents as percentage of the total sourcing base. There are some indications that the smallholder supplier base is around 1.2 million.

**Some Lessons:**

- To have a large impact, inclusive business models cannot be limited to one company, there should be a sector-wide change of enterprises.
- Even within a single company with a keen interest to invest in smallholder procurement, there are contradictory messages coming from different departments. Cost pressures imposed on procurement managers leave little room for flexibility, for instance to shorten payment times. This lack of flexibility limits the possibility of expanding trade with smallholders.
- It is important to be aware of parallel market opportunities and identify how they can be supported as a means of diversification both for suppliers and buyers.
- Unilever is considered a business pioneer in this type of projects, with other companies watching keenly for the results of the investments.

**Presentation by Marlo Rankin (FAO) with examples on contract farming**
The purpose of the presentation is to characterize how contract farming is helping small farmers meet the requirements of modern food manufacturers, retailers, exporters and food service firms, using a real world example.

In the Punjab state of India there is a growing domestic and global market for basmati rice which is promoted by government and technological innovation. Large agroprocessing buyers cannot own or cultivate land and are obliged to buy through authorized collection agents in wholesale markets, which make it difficult however to control quality, quantity and traceability. Contract farming is a response to this scenario, however for staples it is challenging as the low differentiated characteristic of the crop, and high buyer competition favours spot-market and side selling.

The PepsiCo procurement approach was adapted to these constraints by focussing on underdeveloped production areas with inexperienced smallholders. The company provides producers a contract with an incentives package (inputs, technical assistance, premium prices, rapid payment, easy entry). Purchases take place through approved collection agents in local wholesale grain markets with less competition and lower transport costs for the farmers. There is a secured base contract price with the actual price linked to daily market prices. Side-selling is allowed if the market price is higher, however this will lead to a non-renewal of the contact for 1 year.

Some lessons: The package offered by the company may not be sustainable as the cost of the incentive package is high and it is not clear if it has a good return on investment. The company also faces increased competition as the first mover advantage diminishes, and the rewards for side-selling increase.

Session findings
What have we learnt about buyers’ procurement strategies?
- Within their respective industries Pepsico and Unilever are pioneers in developing procurement strategies that are inclusive of smallholders. These strategies are based on clear business cases to address a current or future gap in the supply of agricultural raw materials.
- The pioneering models imply higher investment and risks but also benefits from a first mover advantage. The benefits for companies could diminish as both national and international players begin to compete, but this scenario would also open up diversification opportunities for smallholders.
- Unilever welcomes a scenario where the entire industry adopts a sustainable and inclusive ‘human impact’ approach to economic development, so that wide-scale change can take place. But there are contradictory messages and approaches coming even from within companies, where one department promotes sustainability while another, charged with cost cutting, creates little room for flexible procurement practices.
- Companies and supporting intermediaries need to be aware of parallel markets and the problems these can present for the buyer (increased side-selling) while presenting opportunities for the seller (diversification).
- The role of the public sector is key in ensuring that lessons, capacity upgrades and opportunities are mainstreamed across the sector. For this to happen however public sector representatives need to be included, as part of a learning approach, in the procurement process from the design phase as vector for mainstreaming lessons across other value chains supported by the public sector.
- Without baseline information and metrics it is difficult to assess the real impact of these models on livelihoods, smallholder behaviour regarding the overall market system, and ultimately smallholder empowerment. Sunrise is currently developing a livelihoods metrics system.
We can distinguish two different models of controlling production: procurement mechanisms versus standards and private codes. They also illustrate that the impact of smallholder friendly procurement strategies does not only depend on the price, but the many other benefits involved.

3.3 Promoting business model linkages between sellers and buyers

This session was led by Florence Tartanac (FAO). Cases included innovative practices and mechanisms that improve linkages between smallholders and buyers. Cases provided the basis for a discussion on how targeted interventions and pilots can be more inclusive rather than exclude actors involved in ongoing and parallel trading systems (e.g. traders, agrodealers, and SMEs).

Presentation by Heiko Bammann (FAO) on Examples from the Caribbean

The case was part of a FAO pilot project on IBM implemented in the Caribbean from 2007 to 2011. The intervention built on existing structures such as national and regional farmer organizations that were supported to analyse their business model and develop their own business plans based on market opportunities. Farmer organizations’ capacity was improved to deliver services to farmers and facilitate linkages with buyers. The provision of free ‘goodies’ like fertilizers, inputs and the term “project” were avoided to increase a sense of ownership and promote a change in mind-set.

In Jamaica the potato farmers depended on traders who made their rounds over the island and bought the potatoes ad-hoc at the farm gate for sales to supermarkets. The project assisted the farmer organization to learn about the supermarket requirements and value-added activities (washing, sorting, packaging and delivery) to respond to requirements. By engaging in direct sales with the supermarket a higher share of the sales price went to the farmers.

In St. Vincent and the Grenadines the farmers decided to export directly. Representatives from the Farmer Organization met with buyers in the UK to understand their requirements. Through the use of village coordinators it was possible to improve logistics and increase export quantities by 100%.

Some lessons: For small island development states the quantity, quality and consistency of supplies, lack of trust and motivation to work in groups, are the critical challenges when targeting large buyers. Building the capacity of FOs in agribusiness management skills, and developing business plans that targeted potential buyers contributed to a change in attitude, away from traditional dependence on project support, to a more market-oriented and proactive approach to agriculture.

Presentation by Clive Lightfoot (RAVI) on Transaction Security Services

The Transaction Security Services (TSS) model works with traders and brokers to link farmers to markets rather than bringing in NGOs to do the job. The traditional farmer-trader relationship is based on buy low and sell high with smallholders as price takers. The TSS agent’s commission is tied to the price the farmer gets - offering an incentive for the agents to set the highest possible price for the farmers.

TSS is an effort to bring organization to an unorganized market by:

- A network manager in urban markets who uses mobile phones to communicate price and quantity to TSS agents close to producers.
- A TSS agent, who organizes product collection, ensures quality is consistent with buyer requirements and transports products in labelled bags that can be traced to producers.
- The TSS agent pays the producers directly on delivery.
- The TSS agent receives a commission by mobile money.
- A mentoring platform for brokers.
Some lessons: To avoid fraud, TSS agents are entrepreneurial farmers known by the community. The use of cellphones to perform transactions also means there is a record of products, weights and payments, making fraud more difficult. The system can be scaled up to hotels and supermarkets, but there is some difficulty in working with large buyers such as WFP, due to long payment time lags.

Presentation by Christina Gradl (Endeva) on solutions for companies to integrate smallholders in their value chain

Christina Gradl presented an ENDEVA/GIZ publication entitled Growing Business with Smallholders: A Guide to inclusive Agribusiness, which targets companies interested in developing business models with smallholders for both procurement and sales to low income groups. The guide looks at the challenges from the perspective of both partners and is based on 40 case studies. It is conceptualized on the idea of the growing season with 5 steps:

- Discover - the inclusive business opportunity.
- Assess - the smallholder context and its challenges.
- Plant - five solutions for inclusive agribusiness.
- Nurture - three levels of collaboration.
- Harvest - share the benefits and review results.

The business partners are encouraged to look at challenges from their business partner’s perspective. The guide also identifies five challenges and proposes solutions for developing business with smallholders. GIZ provides training for companies interested in the approach.

Session findings:

What have we learnt about linkages between suppliers and buyers?

- Informal linkages can be very complex and the current and expected supplier-buyer linkage needs to be unpacked and more clearly understood before interventions are planned.
- More consideration needs to be given to designing interventions around existing trading systems, with actors that are already familiar with one another, rather than bringing in new (non-profit) intermediaries into the system which is not sustainable. Similar to the TSS approach there is some evidence of this type of approach in Latin America.
- While it is not sustainable for project teams and NGOs to be involved in brokering linkages and contracts with prospective buyers, the urgency of project indicators and to show the donor ‘value for the buck’ encourages this type of approach.
- There is a need for more thorough preliminary feasibility studies assessing the costs and benefits for private investments, before asking companies to invest in inclusive business models.
- Change may be visible in farmer organizations, as a result of an intervention, but business models are not static. Therefore indicators are needed to measure business capacity overtime and to understand if farmer organizations can adapt strategies to changing market forces.

3.4 Where have the public and private sectors been a barrier or an enabler in taking IBM interventions to sale?

This session was led by Heiko Bammann (FAO). The session objective was to identify where the public and private sectors have been either an enabler or barrier to scale.

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6 See link to document on Annex1: Further reading.
Presentation by Stephanie Gallatova (FAO) on findings from the African Green Revolution Forum (AGRF) on new models to bring together smallholder and agribusiness

The cases presented were developed for the 3rd Agricultural Green Revolution Forum, that took place in Maputo, September 2014. The theme was Inclusive Business Models and evidence of scalable models for smallholder inclusion.

Diageo case: With the purchase of the Ethiopian Meta Abo Brewery in 2012, and the pledge to source barley domestically, Diageo partnered with the public Agricultural Transformation Agency, a local NGO and local farmer cooperatives to mobilize smallholders to increase high-quality barley production. Diageo provides access to subsidized inputs and training, invested in seed varieties and pays a 20% market premium. The partnership is still in its infancy, but it is already showing signs that the quality of production is improving. The other cases presented during the forum were Sunripe Ltd in Kenya, the Soyco Componay in Rwanda and Empresa de Comercializacao Agricola (ECA) in Mozambique.

Some lessons:
This type of partnership requires a long-term commitment and significant upfront investments by both the public and private sector. Partners’ roles need to be clear from the start, with public sector sensitivity on when it needs to step back to let the private sector engage. Experienced private sector business partners with technical know-how and the ability to manage several layers in the supply chain are essential. Incentives are needed for all partners to perform and be held accountable, particularly the public sector. There is a lot of scope for work with the public sector on dismantling disabling tax and regulatory environments. Constant reassessment of progress is required to respond to market changes.

Presentation by Marco Camagni (IFAD) on IFAD’s experiences with Public Private Partnerships

The presentation underlined how IFAD has shifted from the typical approach focused on supporting production/productivity improvements to try to link smallholders to markets, increasingly adopting a value chain approach. IFAD is identifying mechanisms for further and more systematic engagement with the private sector and how IFAD can leverage their resources and expertise for a more sustainable inclusion of small-scale producers in agriculture value chains.

A preliminary stocktaking exercise of 25 ongoing PPPs all over the world distinguished three models of smallholder inclusion: i) Formal contractual arrangements for a long-term commercial relationship between a company and small producers (e.g. outgrower schemes, contract farming) ii) Delegation of a particular function of the value chain to small producers (e.g. collection or processing centres) and iii) Joint ventures between the private sector and small producers.

The roles of IFAD funded projects in the above-mentioned PPPs include:
- Facilitation of linkages and building trust between private sector and small producers.
- Help organise producers and ensure proper targeting.
- Help small producers access technical assistance, business development services, certification, credit and other financial services, and key production factors (inputs, land, and water).
- Invest in collective productive infrastructure.
- Finance small producer shares in joint ventures.

The roles of the private sector include:
- Signing contracts with small producers.
- Providing specialized training and help to meet certification and quality standards.
- Providing inputs on a loan basis.
- Co-financing investments in productive infrastructure.
- Joint ventures with SPs.

The roles of the government include:
- Invest on public infrastructure and services.
- Provide land on lease.
- Provide extension services.
- Ensure an enabling environment for investments, contract farming and export.
- Technology research.

Some lessons: Building trust between actors is a key success factor of any PPP. An honest broker function could help in that respect: sometimes this function is played by IFAD-funded project staff but increasingly by independent and specialized service providers. Different roles and ownership titles in PPPs need to be clear from the outset. It is often difficult to align different working rhythms of the private and public sector. There is a need to improve public infrastructure as incentive for private sector investments. The lack of a conducive legal framework in certain countries makes it hard to establish strong partnerships.

Presentation by Bill Vorley (IIED) on the results of the “Tipping the balance” analysis and report

The “Tipping the balance” report explains the role of policy in tipping commercial investment and agricultural markets for/or against small-scale and women farmers. Main findings from the report include:

- The role of public policy on this topic cannot be overestimated. The private sector and investment cannot do everything, and overdependence will lead to poorly coordinated markets and the inclusion of only the well connected, organized and capitalized small actors.
- Before policy levers in agricultural investment (policies, land/natural resources, access to land, contract farming, supply chains) and market governance (FO support, market diversification, coordination, competition, quotas, standards, trade policy) are addressed, the basics need to be right, with agriculture mainstreamed into wider development policies, basic infrastructure and institutional, cross-cutting gender laws, voice and participation.
- There are not necessarily gender discriminatory policies but policies are generally gender blind causing unequal opportunities.
- Policies need to be customized around the differentiated rural worlds which can be found across developing countries:
  - RW1 the commercial farmers and semi-commercial family farms,
  - RW2 the small family farms,
  - RW3 the landless and almost landless families (not enough land to feed own family).
- For RW2, it is important to improve institutions and governance of domestic markets and support inclusive formalization of informal trade. This can be done by investing in simple infrastructure like market spaces to diversify market outlets, breaking up cartels (use of competition policy), licensing wholesalers and traders, and introducing grades and standards.
- The policies need to address horizontal linkages for improved performance.
- Policy also has an important part to play in farmer organization and for instance in developing good cooperative law.
- The introduction of quotas and market preference (tax exemptions for companies procuring from smallholders, access to export quotas) especially in for instance public procurement, would enable more careful targeting of market interventions than subsidies.

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^7 See link to document in Annex1: Further reading
• Policies on standards and certification need to have smallholder specific elements to allow for participation. Provide training and other support to make international standards and certification programmes work for small producers. Trade policies can be used in a progressive way to ensure that smallholder-based sectors (rather than importers) benefit from economic growth – with the option to treat smallholder-based crops as an infant industry.
• For RW 3 the priorities are more related to labour welfare, wages, safety nets and promotion of labour generating sectors and in some cases land reform.

Session findings

What did we learn about the role of public and private sectors as barriers or enablers to scale?
• In some countries governments are starting to see the importance of IBM and the advantage to move from a subsidiary model to a system with profitable agri-business enterprises that are inclusive of small actors.
• The IBM concept needs to be taken to high-level policy discussions in order to trickle down into policy design and action. Not as a single and isolated policy goal, but mainstreamed across policies and institutions (including ministries of agriculture, trade and commerce), resulting in a variety of options that provide more inclusive opportunities inside and outside agriculture.
• There is a role for platforms which support the mapping out of policies and forums for discussing cross-sectoral policy options and PPPs – Vietnam is a good example.
• Policies need to be customized according to different ‘rural worlds’ categories and also in line with future trends. Demographics of growing cities with increasing demand for food while the youth leave farming. The structural transformation of agriculture will only be inclusive if it supports the transitioning between the three different rural worlds, especially a viable future for RW2.
• Inclusiveness is not only about scale and numbers included in organized or formal markets but the diversity of options created and the quality of that inclusion.
• Not all states have the same capacity and ability to implement policies, which is where the role of an organization such as FAO comes in to close these gaps. Enabling support can be given by mapping out relevant policies, investing in long-term public sector capacity to cross-pollinate policies and support cross ministerial dialogue around specific topics.

3.5 Measuring the impact of inclusive business

The session was led by Marco Camagni (IFAD). The objective of the session was to identify how we should be measuring inclusiveness. Inclusiveness can be measured in different ways: from number of smallholders included in a project; increase in incomes; increase in numbers of contracts with smallholders; business growth indicators etc. Different stakeholders (farmers, businesses, project managers, donors, government) also have different interests on where they measure impact and the types of indicators they use.

Presentation by Don Seville (SFL) on measuring performance in smallholder supply chains

The private sector is interested in measuring the impact of their business model, in order to: show that trade contributes to better livelihood for brand building (Unilever), to assess returns on investments in productivity (Mars) or to understand the supply chain and partnerships needed.

There is a need to be efficient when measuring performance: What are the fewest questions (indicators) that give “sufficient” insight into livelihoods and performance with enough scientific robustness?

Traditionally the private sector measures the effects of their decisions and their investments in terms of productivity increase, access to services, income increase and reinvestment of producers on their own farms. They see productivity increase as the main factor to increase smallholder income. They
have trouble measuring development aspects such as food security, gender and environmental impact.

Convergence on indicators can be seen under access to services, markets, practice adoption and productivity and livelihoods. There is an active community of practice through which companies, certification organizations, and development organizations are discussing common indicators for shared questions when looking at the livelihood questions in agricultural supply chains.  

**Presentation by Bill Vorley (IIED): More inclusion? Better inclusion? Or less exclusion?**

In modern agrifood chains there are exclusionary forces, such as traceability and demands for standards and certifications. A major restructuring is underway in some emerging economies, where modern businesses are trying to establish economies of scale and greater integrity of supply through consolidating production.

Often IBMs narrow the supply chain. A lead firm may simultaneously be engaged in inclusive business projects with new smallholders and be unwittingly complicit in the exclusion of longstanding smallholder suppliers (e.g. who supply intermediaries) and the exploitation of workers.

In addition, there needs to be further attention to wage labour. Workers on small farms can face worse conditions than formally contracted labourers on plantations. Access to labour markets is especially important for the rural poor with no or very little land (RW3) and there is a large overlap in smallholder and rural labourer households.

If companies want to really address ‘inclusion’, there is need for attention to reduce exclusion and better inclusion of wage labour and smallholders. It requires current supply networks to be mapped to understand the number and location of smallholders and workers.

**Session findings**

*What have we learnt about measuring the impact of IBMs?*

- The first challenge is to define the nature of an inclusive supply chain and if it means the inclusion of as many poor people as possible in the chain or bringing a smaller number of actors out of poverty as a result of inclusion in the chain.
- Consumer interest in Fairtrade certification has meant that the private sector is willing to collect data to verify the basis of its claims to consumers. Investments in evaluating inclusive business models also need to be paid for. To be sustainable, data collection has to generate benefits for those involved in the process, which requires greater consumer awareness to reward the extra costs.
- Simple proxy indicators need to be developed (e.g. Side selling as an indicator of success) which replace expensive household surveys, that are often dependent on, and skewed to respond to academic research.

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8 [http://www.sustainablefoodlab.org/performance-measurement](http://www.sustainablefoodlab.org/performance-measurement)
4. IDENTIFYING PATHWAYS FOR INCLUSIVE BUSINESS MODELS

4.1 Group work

The objective of this session was to recap on what had been discussed during the previous sessions and also to bring in areas which require more attention or which had been absent from the discussions. In three small groups participants brainstormed three questions, below a summary of the points discussed.

Question 1. Keeping in mind durability, what works to take inclusive business models to scale?
- When scaling up, the quality of inclusion also matters.
- When designing IBMs care should be taken to avoid overt dependency on any single buyer and ensure that suppliers have the capacity to adapt to market changes.
- Ensure that NGOs and service providers are market facilitators and do not take over tasks of other actors in the market system.
- Create a policy shift from aid to market development. Increase the awareness of IBMs both at the consumer and public levels.
- Lessons learned by private sector actors working on IBM need to be more widely shared and included in the development and donor forums. National policy platforms can provide the space for the public-private discussion on how business can play a role in development.
- To accelerate success, donors need to harmonize their approach to business development and remove interventions causing market distortion.
- Policies should also look horizontally and not focus exclusively on vertical linkages.
- For staples value chains, the role of the public sector is important, both in terms of policy and as an entry point of IBMs as a buyer through institutional procurement.

Questions 2 & 3. What did we miss during the discussion in the last two days and what needs more attention?
- Financing for development of IBMs and capacity development for SMAEs and farmers in both short and long terms.
- The public sector should enter into the arena as a promoter of IBMs not only as regulator.
- How do we get more companies into this game? How to stimulate local capacity for the emergence of local IBMs, with for instance the inclusion of more SME driven models, not only large multinationals.
- More attention needs to be paid, not only to inclusion, but also the implications of this inclusion, to think about who is being excluded as a result – for instance looking at labour issues.
- The role of private sector in research and development. What are the type of actions the private sector should focus on?
- Transferable lessons from high value commodities to staples. Different public policies for different crop categories.
- What models work for smallholders to engage with buyers in IBMs? Are they coops, firms or hybrids, or through lead farmers?
- We should build on the consensus of what is accepted about IBMs. Develop common questions and answers, for example more common metrics on how we value performance of IBMs.
- Set-up good documentation guidelines that are shared and used across organizations so that we can use available knowledge more effectively.
- Diversified and multiple market outlets can be an indicator of inclusion.
- Inclusiveness of youth; how to keep youth interested in agriculture?
4.2 Recap of IBM pathways and peer review

An open FAO seminar was convened at the end of the three day workshop to share the findings from the discussion with other FAO staff interested in the topic and to seek feedback from peer development practitioners. The seminar looked at (i) a common definition for IBM; (ii) potential areas of work for collaboration; (iii) challenges on the way forward and a peer review discussion.

Eugenia Serova, Director of the Rural Infrastructure and Agroindustries Division of FAO opened the session and highlighted the importance of the subject in light of FAO’s strategic framework. Within that framework, it is important to account for gender issues when developing inclusive business models, to develop a global agenda and partnership to understand who is doing what and to avoid competing over resources and allow for greater dissemination of positive results.

Definition of inclusive business models
In this session participants revisited the definition of inclusive business models and agreed that a more inclusive business model is one that intentionally invests in/pays attention to:

- Creating opportunities for smallholders and workers.
- Is accessible to farmers with less assets, women and minority groups.
- Uses trading practices adapted to the needs of smallholders – providing them with more benefits – including profit, stable market outlets, shared risks and access to services (inputs, credit and planting material).
- Builds capacity of farmers and farmer groups according to market needs.
- Uses transparent platforms and forums to identify and solve problems.

Inclusive business model work means direct collaboration with businesses of all scale, including changing how business is done. The goal is a mutually beneficial and commercially viable value chain. The work can also include interventions at the level of the enabling environment to promote more inclusive business.

“Inclusive trade” takes place within a value chain where there is interaction of multiple business models. This takes place in the context of market systems. More inclusive business can include services or support business.

It is not helpful to talk about ‘inclusive or not inclusive’ with businesses, or non-development actors. It is more relevant to refer to policies, practices, investments and partnerships that can create opportunities to secure or expand reliable supply chains with small scale producers in ways that also contribute to social impact.

Areas of work for collaboration among IBM practitioners
Groups presented potential areas of collaboration:

1. Knowledge management: Develop a platform for common knowledge sharing and management, which could be a subset of FAO’s work on sustainable food value chain development.

2. Private sector engagement: Guiding principles for engaging with the private sector include personal engagement (target inspired business leaders), tackling business needs and commercial viability, co-investment and cross sector relationships. To achieve this there is a need of clear cases with measurable development impacts and good feasibility studies accounting for financial outcomes. Also a communication strategy that engages business in the learning process (often peer to peer learning is most effective).

Participants belonged to the Rural Infrastructure and Agro industries division, Economic and Social Department, Social Protection Division, Trades and Markets Division of FAO.
3. Policy and enabling environment: Develop research on existing multi-stakeholder platforms and investigate best practice for promotion of IBMs, how they could be facilitated and improved and what are their impacts. In addition, do more research on the impact of IBM to have better evidence to convince governments and the private sector, including M&E systems at project level and RBM linked to global level. Endeva recently published an overview of policies that support inclusive business. Furthermore, support farmer organizations to be better represented in policy dialogues.

4. Role of intermediary organizations like NGOs: As enabler and facilitators rather than service providers. Programme design and donor financing mechanisms should have both short term goals (business model viability) and long-term vision (sustainability). Mechanisms for assessing the performance of intermediary organizations should be mainstreamed. These intermediaries should share responsibility on programme design and implementation.

Challenges on the way forward, presented by Bill Vorley

The role of FAO and IFAD in addressing the challenges is important as they provide the link between the role of business in development and the role of policy. Their mandates cross the whole system, and include drivers of inclusion and of exclusion (e.g. food safety, finance and infrastructure). As such they can cross-pollinate ideas across these fields so that all of these drivers are working in the same direction.

Rural transformation, especially in emerging economies, is resulting in two-tier and exclusionary development as a result of rapid changes and stress. Whether rural transformation in emerging economies has a hard or a soft landing depends on business and policy choices. There is a strong business case to meet small producers half way, but they need to be supported with upgrading and trading practices, adjusted to support their inclusion, and beyond productivity. Smallholders need to be recognized as the guardians of food security, social cohesion and resilience in the face of climate change.

A huge population, (rural world 2) will not be part of mainstreamed IB initiatives because they do not have the access and capacity to make the grade and because for many the informal markets suit them better than modern value chains. Rural world 3 with the fewest assets will need to be supported with farm labour opportunities and non-farm rural opportunities – that will make or break inclusive rural development.

It is also the role of FAO and IFAD to challenge the hype when it gets ahead of reality. There are risks when IBM concept goes mainstream:

- For the development sector: Risk of seeing IBM as the only route for smallholder development and investing all policy initiatives in this space, ignoring policies that have broader market system impacts.
- For business: Risk of a new round of paternalistic development interventions, this time driven by the private sector, e.g. through presenting business models with high levels of dependency as ‘inclusive’, but which in reality limit market opportunities for smallholders. Risk of business acting in inconsistent ways to include some small producers in IBM initiatives while excluding other small producers in other parts of the business or eroding labour welfare.
- For researchers: Risk of rushing to publish case studies of successful IBM while these business models are still dependent on temporary subsidies that cannot be sustained over the long term. Research should go back to case studies after 2 to 5 years to see whether inclusion is being sustained.

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Feedback and FAO Peer review

- Gender issues: The private sector finds that there are no practical actions on how to implement a gender sensitive approach in business so the development sector needs to develop more practical tools for them.
- Food safety: Food safety regulations and certifications are mechanisms to protect consumers so it is a must. We need to make sure these mechanisms are not causing exclusion and support the participation of smallholders.
- Role of FAO and IFAD: FAO can be a neutral convener between business and government to ensure that IBMs do not generate greater exclusion elsewhere in the market system. Furthermore, FAO needs to extract good practices from cases for its clients, the governments. FAO and IFAD should focus on finance and capacity building.
- Language: The word inclusive generates a bad reaction from the private sector, requiring a more ‘private sector sensitive’ language and communication approach.
- The bigger picture: It is important to look at agricultural transformation and keep in mind that informal value chains can maintain a lot of on and off-farm employment. In addition, success stories around finance seem to revolve around RW 1 & 2, and FAO & IFAD should ensure that the policies on finance are adjusted to RW3.

Follow-up action

After the peer review session, participants discussed the four topics for follow-up action to identify concrete activities. As a result an activity matrix was developed with ongoing and planned work, including lead institutions/persons and collaborators. The matrix is presented in Annex 4.
5. CONCLUSIONS

Meeting participants were practitioners and action-researchers with experience in projects aimed at improving smallholder-market linkages through the use of inclusive business models. The overall objective of the meeting was to identify guidelines for taking to scale inclusive business models and move lessons from innovations and successes into mainstream agricultural development. During the course of the sessions, discussions took place on two interrelated levels, first the role of IBM as an approach with methodologies and tools that facilitate better and more inclusive business between buyers and small farmers (session two-three) and second the concept of IBM as a driver for guiding business and policy choices to help agricultural transformation be more inclusive of otherwise excluded groups (sessions six-eight). More specific objectives were to identify inputs for a framework and guidelines that unblock bottlenecks preventing the upscaling of innovations in IBM and to get a sense of scope for partnership between the organizations that participated in the meeting and beyond.

There are various methodological approaches being applied to promote inclusive business models. There is however general consensus that inclusive business models promote the integration of low income groups in markets. The underlying principle is mutual benefit for low income populations and the business community.

5.1 The IBM concept within the overall goal of enabling inclusive and efficient agricultural food systems

IBM is an important area of work for those groups that are dependent on agriculture and the rural economy, but without support risk further marginalization. IBM is not however a panacea for all development ills and needs to be applied alongside broader market system approaches. Discussions came up with a number of caveats and guidelines for the public and private sector that need to be applied alongside the concept.

The Public sector:

- The private sector investment alone cannot be relied upon to address marginalization and exclusion, as there is a risk that interventions will result in poorly coordinated markets and further exclusion.
- The IBM concept should not be an isolated goal applicable to only agriculture or trade related policies, but work on the topic should promote cross-fertilization among different policy and technical areas – agriculture, infrastructure, standards, regional integration, finance, development, food security, and cooperatives - with a constant eye on how interventions can reach out to more marginalized groups.
- Evidence has shown that organized markets are more inclusive and fair. Policy has an important role to play in the organization of farmers, starting with good cooperative law. If policy on farmer organization is not clear, interventions will be inconsistent, not in synergy with government agricultural and trade policies and create confusion over the marketing roles, structures and service provision of producer groups, organizations, cooperatives, apex groups and associations.
- Policies also need to be customized to address the needs of different categories of the poor, and mitigating the risk of further exclusion as a result of agribusiness development. The categorization referred to as Rural Worlds 1, 2 and 3, presented by Bill Vorley of IIED is useful for this. Examples of customized policies for the poor are increasing and are more effective than subsidies, for instance competition policies that prevent abuse of market power, particularly for staples and the development of grades and standards customized to small actors’ abilities. Tax
systems should accommodate bringing small informal actors into the formal sector rather than excluding them through complicated registration procedures and high fees.

- The focus on vertical value chains has been useful for bringing the private sector into the discussion around development, mainstreaming business thinking and tools on efficiency and growth among the development world. However, policies also need to address horizontal linkages, with a focus on ensuring that small actors have options and access to diversified market outlets, so that they are not locked into single value chains. Competition policies can also contribute to this, by protecting traditional wholesale and retail markets, and increasing access to local market infrastructure.

**The Private Sector:**

- It is easier to engage with multinational enterprises on issues related to inclusiveness, sustainability or fair trade because of their awareness of its impact on branding and corporate image. Engagement with national firms in developing countries needs to be accelerated. Their home-grown nature means that they are more familiar with cultural nuances and the political structure. They are more rooted in local economies and therefore have more sticking power than international companies. Owners of companies and large commercial farmers are often well connected to politicians and can positively influence political choices and policies.
- Companies need to be sensitized to the fact that procuring from smallholders does not also necessarily equate with development. Their actions may create dependency, exploitation of farm labour and impact on local SME development, as well as affect national food security, by taking supplies out of the local economy. It is not the role of private actors to intervene on these topics but they should at least be aware of the wider market system, including the development impact from their procurement practices and if feasible to go ‘beyond the buy’ to address them.
- Wide-scale change will not take place if it is only limited to a few multinational companies adopting an ‘inclusive business models’ approach. There needs to be an industry wide strategy, and the rhetoric needs to match action in the field. Governments also need to ensure that multinational action complements what local businesses are doing, both in terms of contributing to local economic development and human development.

### 5.2 IBM frameworks, approaches, and tools

On a practical, methodological level, session discussions compared approaches, terminology, innovations and lessons, thereby contributing to building consensus on an overall body of work on IBM. In addition to existing frameworks, the following criteria, principles and good practices for unblocking bottlenecks to upscaling IBM were identified.

**Criteria – A business model is inclusive when it:**

- Is accessible to farmers with less assets, women and minority groups.
- Uses trading practices according to the needs of smallholders that provide benefits: profit, stable market outlets, shared risks, access to services and finance.
- Does not create dependency on any one value chain or buyer, and provides profitable diversified market options for smallholders.
- Builds capacity of farmers and farmer groups according to market needs.
- Uses transparent platforms and forums to identify and solve problems.

**Principles that are reiterated across approaches and where there is convergence are:**

- Clear roles of entry points: Public sector, NGOs and private sector entry points require a clear understanding of local contexts, commodities and institutions, and their respective roles, before upgrading interventions can begin. This requires their participation from the ‘idea’ state through to exit.
• Use existing linkages: Due consideration is needed to strengthen and build on existing trading linkages, even if they are mal-functioning, rather than creating new linkages or organizations from scratch.
• Adjust the language: Language needs to be adjusted according to the target audience, and interlocutors need to avoid using development jargon when talking to businesses.
• Use IBM with existing concepts and tools: IBM needs to use and adapt existing value chain and market knowledge and tools, and focus on gaps when developing tools which facilitate the upgrading of business linkages within value chains.
• Long-term engagement: Changing organizational behaviour and mind-set requires trust building and therefore long-term engagement, even beyond public and private temporary subsidies and support have been removed to evaluate real ‘inclusive’ development.

5.3 Good practices for implementing and upscaling IBM initiatives

Design phase
• Design project interventions by strengthening and building on existing trading systems, even if they are mal-functioning, rather than creating new systems or organizations from scratch.
• At the project inception phase spend more time on the farmer selection process to ensure that the most committed and capable farmers are included in the business model. This phase is also important for understanding the profiles of other poor farmers and workers that will be excluded or involved indirectly in the supply chain and to understand their role and benefits and the impact of the business model on their livelihood.
• Appraise parallel markets and the problems these can present for the buyer (increased side-selling) and the opportunities for the seller (diversification of market outlets) and work solutions into project interventions.

Implementation
• Replace and balance heavy NGO intervention by gradually introducing commercially oriented and fee paying services for both small farmer and buyers – if needed.
• Support public-private platforms to share information and build trust, and to link investment funds with notable innovations in need of incubation or ready for upscaling.

Exit strategy
• Involve the public sector and local educators as observers and learning agents in the IBM process and on capacity upgrades. Including mainstreaming learning and capacity upgrading into the project exit strategy, so as to facilitate the handover of support roles at the end of the project.
• Design a handover process to the private sector which consolidates linkages with project stakeholders for commercially embedded service provision, which have already been initiated during project implementation.

5.4 Moving forward and the role of FAO

Partners agreed to work on the following areas to consolidate work efforts and gain synergies:
• Knowledge management - common questions and answers, high quality documentation and development of common metrics.
• Private sector engagement – how to guide the engagement of small and large firms in business with smaller less endowed suppliers.
• Policy guidance based on best practices identified from existing multi-stakeholder platforms and the impact of IBM on target groups and communities.
• Guidance on the role of market facilitators in linking smallholders.
The results of the workshop will add value to FAO’s work on various levels. In its field programme, from project design to delivery and monitoring results, the good practices identified above will be adopted and mainstreamed. For instance, FAO will begin with trainings, funded by the Government of Ireland, for FAO project teams and partners in Africa on the IBM concept and approach.

When interfacing with policy makers and Ministries of Agriculture it will be equally important to ensure that the caveats and limitations of the IBM concept are at the forefront of conversations, so that ‘the hype of a new concept doesn’t get ahead of the reality’ and that as work on the topic moves forward, it does so in line with and contributing to other equally important development agendas such as poverty reduction and food security. As a first step in this direction in December 2013 FAO convened a meeting in Ghana with mid-level policy makers from Ministries of Agriculture and Ministries of Trade and Industry alongside representatives of national and international companies such as Olam, Nestlé and Premium Foods Ghana to disseminate the results of this workshop in the region and also to draw out priorities for IBM specific for the Africa region.

The topic of Inclusive Business Models is an important one under FAO’s new Strategic Framework and in particular under Strategic Objective 4 on “Enabling inclusive and efficient agricultural food systems.” In moving forward on the topic FAO will collaborate with the organizations present at the workshop and beyond to ensure that synergies can be capitalized on at both the project and policy level. This level of partnership is key for accelerating improvements in business-business linkages between smallholder suppliers of agricultural foodstuff and small, medium and large buyers.
Annex 1: Further Reading


IBLF. A guide to inclusive agribusiness. http://api.ning.com/files/fkhoCm9qa2jv418ptNB1TGLa2UGVcynmDUJlRYyD6URr7zGThHgbFHxvNpXxRBv7rQgTvhBPnOsOG8yKr-b5hXMpzPeTUF/InclusiveBusinessGuide.pdf


# ANNEX2: WORKSHOP AGENDA

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<td>09:00 – 10:00</td>
<td><strong>Workshop introduction</strong> Facilitator: Florence Tartanac</td>
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<td>• Workshop opening - Eugenia Serova, FAO</td>
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<td>• Workshop objective, outputs and program</td>
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<td>Break</td>
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<td>2</td>
<td>10:30 – 12:30</td>
<td><strong>Setting the scene - Overview of Inclusive Business Models (IBM) frameworks</strong> Facilitator: Don Seville</td>
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<td>• Examples of some frameworks</td>
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<td>- LINK methodology by Mark Lundy, CIAT</td>
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<td>- Business Modelling by Richard Rose, iDE</td>
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<td>- IBM approach by Siobhan Kelly, FAO</td>
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<td>• Overview of several IBM frameworks by Natalie Vergara, FAO</td>
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<td><strong>Discussion:</strong> What do we see as the main challenges/opportunities for scale and impact?</td>
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<td>3</td>
<td>13:30 – 15:00</td>
<td><strong>What are we learning about engagement in agricultural market systems?</strong> Facilitator: Siobhan Kelly</td>
</tr>
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<td></td>
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<td>• Perspective from <strong>farmer organizations</strong>: Case on horticultural crops for national and international markets by Mark Lundy, CIAT</td>
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<td></td>
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<td>• Perspective from <strong>business</strong>: Case on the private sector working on an inclusive supply chain by Don Seville, SFL</td>
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<td>• Perspective from <strong>NGOs and Institutions</strong>: Case on engagement in system development for agriculture technology transfer in Bangladesh by Nurul Amin, iDE</td>
</tr>
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<td><strong>Discussion:</strong> What’s working and what are the biggest challenges for wider and more sustained engagement?</td>
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<td>Break</td>
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<td>4</td>
<td>15:30 – 17:00</td>
<td><strong>Smallholder friendly procurement mechanisms.</strong> Facilitator: Mark Lundy</td>
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<td>• Sunrise project on buyer procurement mechanisms and how they impact on farmer livelihoods and attitudes to investment by Justin Tait, Sunrise project Oxfam/Unilever</td>
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<td></td>
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<td>• Examples on contract farming by Marlo Rankin, FAO</td>
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<td><strong>Discussion:</strong> How do approaches differ when investing in HV, Export, Staple crops?</td>
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<tr>
<td>Session</td>
<td>Time</td>
<td>October 2 2013</td>
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</table>
| 5       | 08:30 – 10:00 | **Promoting business model linkages between sellers and buyers.** Facilitator: Calvin Miller  
- Examples on promoting grower-buyer linkages by Heiko Bamman, FAO  
- Case on Transaction Security Services (TSS) by Clive Lightfoot, RAVI  
- Solutions for companies to integrate smallholders in their value chain by Cristina Gradl, Endeva  
**Discussion:** How to include and not exclude existing trading systems to increase impact and scale? |
|         |            | **Break**                                                                    |
| 6       | 10:30 – 12:00 | **Where have the public and private sectors been a barrier or enabler to scale?** Facilitator: Heiko Bammann  
- Findings from the African Green Revolution Forum on new models to bring together smallholder and agribusinesses (AGRF) by Stephanie Gallatova, FAO  
- Results from stocktaking exercise on the enabling/disabling role of public and private sector for VC projects by Marco Camagni, IFAD  
- Results from ‘Tipping the Balance’ analysis and report by Bill Vorley, IIED  
**Discussion:** What are policies/private sector strategies that can impact on entire markets? |
|         |            | **Lunch**                                                                    |
| 7       | 13:00 – 15:00 | **Measuring the impact of inclusive business** Facilitator: Marco Camagni  
- Metrics from the private sector on measuring impact of livelihood & sustainability in chains with small scale providers by Don Seville, SFL  
- Which indicators to focus on: more inclusion? Or better inclusion and less exclusion? By Bill Vorley, IIED  
**Discussion:** What should we be measuring to guide the upscaling of inclusive business? |
|         |            | **Break**                                                                    |
| 8       | 15:30 – 17:00 | **Developing pathways to take inclusive business models to scale** Facilitator: Siobhan Kelly  
1. Keeping in mind durability, what works to take inclusive business models to scale?  
2. What did I miss during the discussion in the last two days and what needs more attention? |
<table>
<thead>
<tr>
<th>Session</th>
<th>Time</th>
<th>October 3 2013</th>
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</thead>
<tbody>
<tr>
<td>9</td>
<td>08:30 – 10:30</td>
<td>Recap of IBM pathways Facilitator: Mark Lundy</td>
</tr>
<tr>
<td></td>
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<td>Break</td>
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</tbody>
</table>
| 10      | 11:00 – 12:30 | Peer review of IBM pathways with IFAD and FAO Facilitator: Siobhan Kelly  
|         |           |   • Opening remarks by Eugenia Serova, FAO  
|         |           |   • Definition of inclusive business models by Don Seville, SFL  
|         |           |   • Areas for work for collaboration among IBM practitioners (group tasks)  
|         |           |   • Challenges on the way forward by Bill Vorle, IIED  |
|         |           | Lunch          |
| 11      | 13:30 – 15:00 | Developing a partnership strategy and framework for impact pathways Facilitator: Mark Lundy  
|         |           |   • Topics for follow-up  
|         |           |   • Next steps  |
|         |           | Break          |
| 12      | 15:15 – 16:30 | Review of main conclusions and findings Facilitator: Florence Tartanac and Don Seville |
## ANNEX 3: LIST OF PARTICIPANTS

<table>
<thead>
<tr>
<th>Num</th>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mark Lundy</td>
<td>Centro Internacional de Agricultura Tropical (CIAT)</td>
</tr>
<tr>
<td>2</td>
<td>Don Seville</td>
<td>Sustainable Food Lab (SFL)</td>
</tr>
<tr>
<td>3</td>
<td>Justin Tait</td>
<td>Sunrise Project Oxfam/Unilever</td>
</tr>
<tr>
<td>4</td>
<td>Richard Rose</td>
<td>International Development Enterprise (iDE)</td>
</tr>
<tr>
<td>5</td>
<td>Nurul Amin</td>
<td>International Development Enterprise (iDE)</td>
</tr>
<tr>
<td>6</td>
<td>Monika Sopov</td>
<td>Centre for Development Innovation Wageningen (CDI)</td>
</tr>
<tr>
<td>7</td>
<td>Bill Vorley</td>
<td>International Institute for Environment and Development (IIED)</td>
</tr>
<tr>
<td>8</td>
<td>Marco Marco Carnagni</td>
<td>IFAD</td>
</tr>
<tr>
<td>9</td>
<td>Christina Gradl</td>
<td>Endeva</td>
</tr>
<tr>
<td>10</td>
<td>Clive Lightfoot</td>
<td>Rural African Ventures Investments (RAVI)</td>
</tr>
<tr>
<td>11</td>
<td>Samuel Legendre</td>
<td>Agropol</td>
</tr>
<tr>
<td>12</td>
<td>Stephanie Gallotava</td>
<td>FAO</td>
</tr>
<tr>
<td>13</td>
<td>Florence Tartanac</td>
<td>FAO</td>
</tr>
<tr>
<td>14</td>
<td>David Neven</td>
<td>FAO</td>
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<tr>
<td>15</td>
<td>Siobhan Kelly</td>
<td>FAO</td>
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<tr>
<td>16</td>
<td>Heiko Bamman</td>
<td>FAO</td>
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<tr>
<td>17</td>
<td>Pilar Santacoloma</td>
<td>FAO</td>
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<tr>
<td>18</td>
<td>Marlo Rankin</td>
<td>FAO</td>
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<tr>
<td>19</td>
<td>Luana Swensson</td>
<td>FAO</td>
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<tr>
<td>20</td>
<td>Giang Duong</td>
<td>FAO</td>
</tr>
<tr>
<td>21</td>
<td>Alba Rio</td>
<td>FAO</td>
</tr>
<tr>
<td>22</td>
<td>Natalie Vergara</td>
<td>FAO</td>
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### ANNEX 4: MATRIX OF COLLABORATION FOR PROMOTION OF IBMs

<table>
<thead>
<tr>
<th>Idea</th>
<th>Action</th>
<th>Status</th>
<th>Funding</th>
<th>Champion</th>
<th>Collaborators</th>
<th>Time frame</th>
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</thead>
<tbody>
<tr>
<td><strong>Knowledge management</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1.1 Platform to cover topics and evidence on tangible benefits to businesses, practices and processes, failures and lessons learned, collective analysis / sense-making, guides for structuring cases with key issues, results measurement theory of change of IBM.</td>
<td>1.1.1 Insertion under FAO’s megaportal on value chains</td>
<td>Planned</td>
<td>FAO</td>
<td>David Neven (FAO)</td>
<td>SFL, CIAT</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Private sector engagement</strong></td>
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<td></td>
<td></td>
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<tr>
<td>2.1 Evidence based cases and feasibility studies to engage business</td>
<td>2.1.1 Slush fund for quick and competent feasibility study to provide business with relevant information to make investment decisions</td>
<td>Proposed</td>
<td>Don Seville (SFL)</td>
<td>FAO</td>
<td></td>
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<tr>
<td></td>
<td>2.1.2 HandBook on innovations on IBM</td>
<td>Planned</td>
<td>FAO</td>
<td>Siobhan Kelly (FAO)</td>
<td>CIAT, SFL, CDI</td>
<td>2014-2015</td>
</tr>
<tr>
<td>2.2 Strategy for peer to peer learning (supplier-buyer round tables; cross-sectoral learning, small-large peer exchange).</td>
<td>2.2.1 IFAD (Nemas) on business to business learning platform</td>
<td>Planned</td>
<td>Marco Camagni (IFAD)</td>
<td></td>
<td></td>
<td>2015-</td>
</tr>
<tr>
<td>2.3.2</td>
<td>List of skills to engage the private sector for investments</td>
<td>Planned</td>
<td>Mark Lundy (CIAT)</td>
<td>iDE, Enveda</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.4.1</td>
<td>SME capacity building: training programs, development toolbox, model to link SMAEs-intermediate product handlers</td>
<td>Ongoing</td>
<td>FAO</td>
<td>Pilar Santocoloma (FAO)</td>
<td>iDE</td>
<td>2014</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Learning from IBM application in the staples sector Malawi, Uganda, Rwanda, Cameroon, Civoire.</td>
<td>Planned</td>
<td>FAO, EU</td>
<td>Sionhan Kelly (FAO)</td>
<td>CIAT, IIED</td>
<td>2014-2018</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Analysis of characteristics of existing trading systems in LA including informal actors</td>
<td>Ongoing</td>
<td>Mark Lundy (CIAT)</td>
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<tr>
<td>2.5.1</td>
<td>FAO’s publication on successful and successful cases of contract farming in developing countries including and analysis of the contractual legal clauses</td>
<td>Ongoing</td>
<td>FAO</td>
<td>Marlo Rankin (FAO)</td>
<td>2015</td>
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</table>

**Policy and enabling environment**

<p>| 3.1.1 | Research on existing multi-stakeholders platforms | Proposed | Florence Tartanac (FAO) |</p>
<table>
<thead>
<tr>
<th>Idea</th>
<th>Action</th>
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<th>Collaborators</th>
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<tbody>
<tr>
<td>Evidence based cases and feasibility studies to engage business</td>
<td>Endeva’s publication on policy that enables IBMs</td>
<td>Performed</td>
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<td>Christina Gradl (Endeva)</td>
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<td>2013</td>
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<td></td>
<td>Review of PPPs and voluntary standards</td>
<td>Ongoing</td>
<td>FAO</td>
<td>Pilar Santocoloma (FAO)</td>
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<td></td>
<td>Latin America regional review of public/private sector engagement?</td>
<td>Ongoing</td>
<td></td>
<td>Mark Lundy (CIAT)</td>
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<tr>
<td>Dissemination of best practices to promote IBM with local governments</td>
<td>Regional IBM workshop at Accra</td>
<td>Performed</td>
<td>FAO</td>
<td>Siobhan Kelly (FAO)</td>
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### Role of intermediary organization

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<tr>
<th>Idea</th>
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<th>Collaborators</th>
<th>Time frame</th>
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<tbody>
<tr>
<td>Research on understanding the role of intermediary organization in IBM</td>
<td>Analysis of typology of intermediary models</td>
<td>Proposed</td>
<td></td>
<td>Mark Lundy (CIAT)</td>
<td>iDE</td>
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<tr>
<td>Support to intermediaries as enablers of business models</td>
<td>Capacity building programme for intermediaries and project teams on the IBM approach (East and West Africa projects)</td>
<td>Ongoing</td>
<td>FAO, Govire</td>
<td>Siobhan Kelly (FAO)</td>
<td>iDE</td>
<td>2013-2014</td>
</tr>
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