



CLOSING THE GAP BETWEEN THE RURAL POOR AND THE MARKET

Approaches for developing market-led livelihoods strategies



© Claudia Stella Beltrán, Marketing Director, CORMAPA, Colombia - Wayuu indigenous community, Colombia during LDED training in business planning and marketing for high-quality fish products.

Background

The approaches recorded in this brief form part of a review of over fifty cases led by local organizations to facilitate market orientated livelihoods' paths for rural poor communities.

The cases or "mini-projects" took place under ongoing programmes and projects or catalyzed activities for larger projects. They created awareness on market-led enterprise development as a strategy for poverty reduction and better livelihoods and ultimately demonstrated the value of supporting action-learning that is in synergy with ongoing rural development activities and that capitalizes on local competence.

The average cost for each mini-project was \$14,000. Stakeholders came from a diversity of livelihoods in Africa, Asia and Latin America, including small-scale farmers, fisherfolk, cottage processors, traders, HIV effected groups; indigenous communities; and forest dependent villagers.

Technical assistance was sourced nationally, as much as possible, and all activities were continually supported from FAO, with direct technical supervision provided when required.

The structure and management of the Livelihoods Diversification and Enterprise Development (LDED) sub-programme¹, allowed for cross-country exchange of lessons and approaches, in addition to contributing to FAO's learning on rural enterprise development.

¹ Sub-programme of the Livelihoods Support Programme

Introduction

There is growing recognition that market-led diversification and enterprise development can broaden income opportunities and improve livelihoods for rural poor communities. Local people and organizations realize that the right capacity and support mechanisms must be available locally so that rural areas can become more competitively engaged with markets.

To respond to this the demand, there is the need for approaches and methods that enable local service providers and community development organizations to provide effective front-line support to rural people's market linkage initiatives so that they can develop commercially viable livelihoods strategies that can capture benefits from local, national and higher value markets, thereby increasing local market initiatives and income, while decreasing poverty and dependence on subsidies.

While most rural people continue to produce for local and national markets, small producers are increasingly setting their sights on higher value markets. To succeed in these markets however poor communities require competitive market-oriented strategies that enable them to manage the associated demand and risk. However, given the diversity of rural communities' contexts, approaches applied need to be flexible and easily adapted.

This brief describes an approach developed by a number of local NGOs supporting local communities with market linkage initiatives. Specifically the brief uses cases of mini-projects from Zambia and Vietnam to describe the development of the approach. The brief also goes on to explore how the application of the approach supported the development of market linkage strategies for (a) vulnerable groups and (b) for integrating small producers into value chains.

The approach adopted encompasses the following three stages of:-

- (1) appraisal and identification of market opportunities for rural groups
- (2) strategic action planning based on analysis and appraisal of results
- (3) multi-stakeholder consultations to support implementation of action plans

Developing market-linkage strategies

Identification of market opportunities for rural groups

The first stage of the approach starts from the perspective that rural people interact with markets in different ways depending on their economic and social situations. To understand this interaction better stakeholders leading the mini-projects adapted existing analytical frameworks with step-by-step methodologies and tools that provided an overview of a local economic situation and insights into the livelihoods of target groups. The quotes below describe the types of livelihoods-market interactions that were observed by stakeholders and taken into consideration when planning for market-led livelihoods strategies.

The mini-project in Zambia, led by the Belgian Survival Fund (BSF), adopted the approach of market appraisal, action planning and consultation before engaging in the development of a "...comprehensive LDED strategy" for target groups in the Luapula province. The BSF has been working in the province since 1996 with the FAO technical support and "...linking subsistence farmers in the province with markets to boost

The importance of markets for livelihoods

On the way to Lambwe Chomba, we met traders and farmers on foot and bicycles, respectively going from Lamba Chombwe to Lupiya taking cassava, beans and goats for sale. They were covering a distance of 85 kilometers with their bicycles loaded with the said commodities. A group of four young men who live in Lambwe Chomba were trekking goats bought from Kaputa in the Northern Province to Lupiya for sale. They were all searching for markets to improve their livelihoods.

Source: Field Notes LDED Zambia mini-project

The need for local markets

In Chiengwe district, the lack of markets was considered as the greatest constraint facing the communities. There were no markets for local agricultural products except for small quantities. People took their produce to Kaputa in the Northern Province or to Lupiya on foot or by bicycle. Transporters do not reach the area due to the poor roads that pass through the Muchinga Escarpment. The few traders who go there, offer very low prices and at times use a barter system leaving the villagers with less cash and goods. The feeder road from the market to the community passes through a dambo and is maintained by the villagers using hand hoes.

Source: Villagers in Lambwe Chomba; Field Notes LDED Zambia mini-project

income and enhance trade in goods and services on a communal basis..” formed the objective of the second phase of the programme’s objective.

To identify market opportunities for the target groups the stakeholders carried out a market and livelihoods appraisals of the Luapula province which was led by local service providers with FAO technical assistance.

Before consulting with local stakeholders and developing the LDED strategy for the province, the analysis provided the team with insights into the complex linkages between people’s livelihoods, markets, the enabling environment, and access to resources and services in and around the target area.

The results of this appraisal, which formed the basis of strategic action planning, enabled the mini-project team to identify market gaps or growth areas that local communities could respond to with enterprise initiatives. Box 1 provides a list of the enterprises ranked by stakeholders.

Strategic action planning based on analysis and appraisals

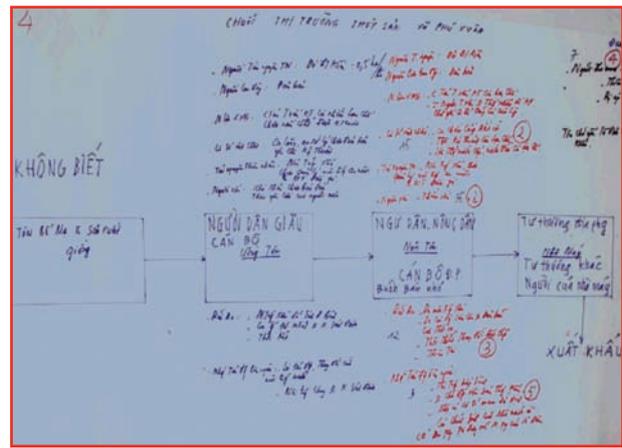
On the basis of the above analysis, organizations were able to plan strategic interventions and identify entry points for livelihoods opportunities. The appraisal provided insights into the different stages of production, processing and marketing and into the commercial relationships between market actors. This level of analysis enabled stakeholders to identify key services and skills needed to unblock constraints faced by local groups trying to interact with target markets.

The Research Institute for Aquaculture (RIA), Vietnam, working with rural coastal communities in the North of the country were concerned about the consequences of the increasing livelihoods shift from agriculture to aquaculture. To inform stakeholders how livelihoods strategies were benefiting or being challenged by the change in farming systems, a methodology for a market chain-livelihood analysis was pilot tested in 4 communities in 4 provinces, as shown in box 1.

BOX 1

Enterprises Ranking as Listed by Communities in the Project Area.

Type of Enterprise	Type of Activity	Degree of spread of the Activity
On-Farm Enterprises	<p>Food Security Crop Enterprises. These include cassava, maize, sweet potato enterprises</p> <p>Cash Crop Enterprises: These include cassava, groundnuts, maize, rice, beans and oil palm</p> <p>Other Crop Enterprises: These include: millets, tobacco, vegetables and fruit.</p>	<p>Food security crops, cash crops and other crops (vegetables and tree crops) are widely distributed in the project area. The main objective of these crop enterprises is to increase food security and enhance the household's ability to generate income.</p>
Off-Farm Enterprises	<p>Trading: Activities include petty trade, barter and exchange of consumer goods</p> <p>Beer brewing</p> <p>Construction: Activities include carpentry, and bricklaying</p> <p>Agro-Forestry: Activities include , the collection of forest products, pit sawing, charcoal burning</p> <p>Traditional Healing</p>	<p>This is a growing income earning activity and is very widespread in the project area</p> <p>Very widespread in areas that are close to district and commercial centers.</p> <p>Widespread amongst artisans in areas close to commercial centers in the project area.</p> <p>Very widespread as an off-farm income generating activity</p> <p>Widespread in all the areas as an income earning activity</p>



The above photos show flip charts developed by RIA stakeholders with market-livelihoods strategies subsequently submitted to local multi-stakeholders for consultation.

Based on the results of the analysis strategies were developed to firstly mitigate the adverse impacts of aquaculture on poor households, and secondly to promote alternative sustainable income generating activities. The strategies also included recommendations for policy, institutional and infrastructure requirements to ensure benefits from developments in the aquaculture sector for poor groups.

Multistakeholder consultations

Once organizations had carried out their research and designed provisional strategies for linking local communities to markets, the results were shared with stakeholder groups, that included; rural associations; private sectors representatives; local authorities and development organizations. These groups met to discuss solutions to constraints, roles and priorities that would define a LDED strategy for a local area or group.

Step 6 of the Guide for Market Chain and Livelihoods Analysis developed by RIA, Vietnam, (see box 2) describes the structure of a multistakeholder meeting. Stakeholder feedback and comments at the meeting helped identify strategies for local production as well as for organizational and institutional prerequisites for successful livelihoods diversification of poor aquaculture farmers.

In addition to facilitating local service providers develop market responsive livelihoods strategies for rural groups, as outlined below the approach of market appraisal, action planning and consultation also provided a practical structure for developing market linkage strategies for vulnerable groups and for integrating small producers into value chains

BOX 2

Six step process to understand livelihoods effected by aquaculture market chains

(Source, RIA, Vietnam, 2006).

The market chain for shrimp farming was selected for the sake of the pilot research. To begin the process four study teams were trained in the application of the livelihoods and market-chain frameworks. Trainees adopted and modified the frameworks to suit the needs of the mini-project which also included the adoption of participatory tools during field visits.

Due to the need to deal with different issues under the mini-project such as, markets, fisheries, livelihoods etc., the approach required a multidisciplinary team of people that included shrimp trade specialists, marketing professionals and socio-economists.

Step 1 - Site and stakeholder selection

One to two communities in each of three provinces were selected based on consultations with local authorities, site visits and data already available. Secondary data on the selected sites was reviewed and a first sketch of the market-chain map was drafted to identify key stakeholders.

Step 2 - Preparations for stakeholder analysis

Building on reviews of secondary information, open ended questions were structured around the livelihoods framework so that the focussed discussions would expose issues related to access to assets in the marketing chain, including financial, natural, infrastructure etc, levels of vulnerability of the different actors in the chain, interactions of chain actors and external influences in the chain.

Step 3 - Market chain stakeholder analysis

Based on the work carried out in step 2, focussed discussions were held with representatives from each stage. The market-chain analysis looked at all of the backward and forward linkages in the chain which enabled the researchers to identify additional stakeholders. The discussions at this stage were based on understanding;

- access to assets; financial such as credit, subsidies ; infrastructure, such as quality of roads and farming sites; human, such as education, skills etc.
- causal effects of vulnerability: likely impact of illness, natural disasters, market vagaries, etc.
- how stakeholders influence and are influenced by the chain, including types of informal and formal relations and contracts with one another.

Step 4 - Livelihoods Analysis

To improve understanding on vulnerable groups livelihoods within the shrimp market chain, once the market chain stakeholder analysis has taken place, researchers concentrated on a livelihoods analysis to understand better the contexts of the poorer stakeholders in the chain.

Step 5 - Market Chain Diagram Revision

Based on the analysis carried out in steps 1-4, researchers revised and refined their findings and initial market chain diagram. This step was also used to identify information gaps present in the analysis.

Step 6 - Multistakeholder meeting to identify livelihoods strategies

A multi-stakeholder meeting was held with representative from each stage of the chain, local authorities, service providers and the private sector to discuss the findings from the analysis, and the market chain diagram.

Based on the comments received from meeting participants the findings were revised and participants were requested to propose solutions and strategies for supporting better interaction of vulnerable groups with the market chain.

Solutions were grouped into the following:

- **Prerequisites**, including measures and methods for successful livelihoods diversifications
- **Local requirements** (production, organizational, institutional), for instance, preferential credit loans; community funds; training in aquaculture technologies and management skills; diversification of culture species
- **Policy requirements**; including longer-term investment and upgrading of irrigation systems; supporting professional associations for shrimp farmers; land use certificates for shrimp farmers; provision of access to affordable good quality seeds

Market linkage strategies for vulnerable groups

The barriers to market linkages faced by rural people are well known and include; inadequate infrastructure, skills, and policy environments. In addition, however, vulnerable groups also face social and geographic marginalization; scarce access to assets and services; and food insecurity.

Adopting the approach of market appraisal, action planning and consultation enabled the development of market responsive strategies for vulnerable groups affected by disability (in Sierra Leone), HIVAids (Congo Brazzaville), women caught in conflict (Nepal) and environmental disasters (Sri Lanka). These strategies were adapted to the vulnerable groups' needs as they incorporated interventions that ensured complementarity with local support networks and activities.

Box 3 describes the approach adopted by FAO's Sustainable Fisheries Livelihoods Programme (SFLP) in Congo to identify market opportunities particularly suitable for communities with a high prevalence of HIV AIDS. On the basis of livelihoods and market analyses, products with market potential for the target groups were selected. This process was followed by consultations with key stakeholders in the communities to develop commercialization strategies.

Under the SFLP the strategies identified were tested over a period of six months to understand if, in addition to raising incomes, they could complement existing social safety nets and coping strategies for families living with HIV.

The FAO emergency office in Sri Lanka in collaboration with the Sewalanka Foundation identified a LDED strategy for vulnerable groups affected by the Tsunami in 2006 by also adopting the approach of market-livelihoods appraisals, action planning and multistakeholder consultation.

Prior to the disaster many households were investing in unsustainable livelihoods strategies. However, due to their vulnerability status they were unable to risk diversification out of these activities. While the disaster increased the vulnerability of already marginalized groups, it nonetheless presented opportunities for appraising and planning for livelihoods previously not possible.

The local economic situation of the disaster affected area was appraised after addressing immediate food security, health and housing needs. This was followed by the rehabilitation process, involving market and livelihoods analysis to identify sustainable income generating activities for groups affected by the disaster.

The rationale for this approach was based on the belief that "[d]evelopment tends to focus at either the macro or micro level. The livelihoods approach attempts to bridge this gap...[w]hile most relief and rehabilitation is not only to support those beneficiaries at the rural level, but also to link those efforts with existing activities in the urban areas...[t]herefore the support services offered must operate at several levels, which requires collaboration between relevant stakeholders." (Sewalanka LDED report, 2005).

The results of this process were used by various local stakeholders as a practical strategic reference for livelihoods planning related to their respective work areas and mandates and also as a basis for resource mobilization for post-Tsunami rehabilitation projects.

BOX 3

The following steps made up the approach adopted by the SFLP **Congo** to identify market opportunities particularly *suitable for communities with a high prevalence of HIV AIDS*.

Step 1 - Analysis of targeted groups interaction with the regional market.

This analysis looked at product mixes groups were already marketing, how they were interacting with the market and also the scale at which they were processing or adding value to production. The analysis also tried to identify additional high-value products that could be promoted among the target groups.

Step 2 - Classification of product mix

A market analysis classified and ranked potential products and Interest Group Associations (IGAs) according to (a) the level of value and processing added, (b) market prices offered, and (c) the possibility of further commercialization of products.

Step 3 - Identification of products based on the livelihoods of the target groups.

The market and livelihoods analysis were cross-checked to create a short-list of a number of products suitable for the target fishing communities. This process built on analysis that had already taken place under the SFLP, such as a livelihoods and gender analysis and base-line studies.

Step 4 - Participative analysis of the constraints and opportunities.

A participatory consultation process was carried out to identify a strategy for addressing the constraints and opportunities that people would come across when engaging with the target markets.

Step 5 - Appraisal support service needed (training and mentoring)

A strategy was designed to address gaps in the services area by appraising key local support services to which stakeholders would need access for implementing their market-led livelihoods strategy; for instance, capacity building and mentoring for product development and marketing.

Step 6 - Develop business plans for commercial activities identified

After discussion around the product mix took place, project staff, local service providers and community stakeholders came together to develop community level business plans.

Step 7 - Pilot test business plans for selected commercial activities

Once plans had been finalized and commented on by key stakeholders, including local support providers, local government, private sector, producers, small processors, traders, etc, the plans were put into action. The implementation of these activities, however, came under the umbrella of the FAO sustainable fisheries programme after the analysis and planning had taken place under the LDED mini-project. These were subsequently monitored to appraise the impact on the livelihoods of the target communities and the programme adjusted its strategy according to the results.

An older woman in Madaba stood up during the meeting and told us, 'I'm a widow, I have no husband. I struggle to grow paprika because it has a good price, but I'm always demoralised when I get less than I think I should. I've tried so hard, but I feel I'm going backwards. It would make such a difference to us if these problems could be solved.'

Source: Quote from a participant at the LDED stakeholder meeting in Tanzania

Market linkage strategies for integrating small producers into value chains

The approach of market-livelihoods appraisal, action planning and consultation was also adopted by organizations to enhance ongoing value chain programmes that were facilitating the integration of small producers into high-value markets. The value chain approach promotes commercialization and competitiveness by improving trust and transparency among actors in a chain. By analyzing chain relationships the formal and informal dynamics in the economic, organizational and productive activities of a sub-sector become clearer. Once identified, the opportunities and constraints that relate to the competitiveness of the chain can be addressed through better coordination and efficiency.

Given the emphasis placed on collaboration, communication and competitiveness the value chain approach is seen as a way of empowering smaller actors to negotiate terms of agreements and also as an efficient approach to reduce poverty through linkages to higher value markets.

Under ongoing value chain and sub-sector development projects, the mini-project stakeholders firstly identified and worked with sub-sectors that contained significant numbers of small farms or micro enterprises. Secondly, assessments were carried out using value chain maps and livelihoods frameworks to understand constraints that prevented the chain from being more competitive. Thirdly, multi-stakeholder consultations were held to identify solutions to constraints and design strategic action plans based on better collaboration and chain efficiency.

The LDED mini-project carried out in the Southern Highlands of Tanzania used the process of appraisal, planning and consultation to assess constraints and identify a strategy to improve the competitiveness of the paprika chain for a farmers' association representing 3,500 small paprika farmers. The farmers had been supported over five years by a USAID funded project led by Development Alternatives International (DAI) and already had a market entry point to Europe through a Spanish company. However due to problems with the quality of the produce, sales had tapered off.

The quote below describes the predicament of the producers articulated at the LDED stakeholder meeting organized to identify solutions to constraints identified in the appraisal phase of the mini-project.

The cycle of misunderstanding and mistrust that existed along the chain were firstly appraised by analysing the relationships and dynamics between the actors using stakeholder interviews. The results of this analysis were subsequently presented at a multi-stakeholder meeting to tackle issues constraining the competitiveness of the sub-sector many of which were related to production and marketing problems. As shown in figure A, the issues identified during the stakeholder analysis were visually mapped and

The stakeholder meetings created a “neutral space” for stakeholders to air their concerns and build a more trusting and collaborative relationship with each other. Farmers had some security in numbers and so had the confidence to make complaints which they might not otherwise have done. There was also the possibility of a direct exchange between TSL and the farmers – TSL could clear up some misunderstandings, while the farmers could ask questions and put forward their views about perceived shortcomings in the company

Source: Lessons learned section; LDED Mini-Project Report, Tanzania

presented at the workshop attended by key chain actors that included: the farmers’ cooperatives, the farmers’ apex organization, the Paprika Growing Association, agricultural district officials, micro finance institutions, and the main buyer.

The results of the analysis and the ensuing multistakeholder consultations and discussions contributed to the development of an action plan for improving the competitiveness of the paprika value chain. The quote below extracted from the mini-project report describes the feedback from the mini-project process and its impact on improvements along the value chain.

Similarly the international NGO CABI in collaboration with FAO’s “Mountain Products Project” adopted this approach to understand how small-holder coffee farmers in the highlands of Kenya could mitigate the effects of coffee price volatility.

Building on the results of sub-sector studies CABI organized a series of workshops to construct sub-sector maps for high quality coffee, with honey and macadamia as possible complementary alternative diversification options. Figure B shows a visual map of the constraints identified in the chain, and potential entry points that project stakeholders could address. The workshops were attended by farmers’ cooperatives, processors, marketers, finance institutions, public research institutes, and government representatives.

Discussions at the workshop identified constraints and solutions for all three of these sub-sectors. The results of these activities included a proposal for donor support for a value chain project for the small-holder coffee farmers.

Ultimately the approach of appraisal and analysis, followed by planning and stakeholder consultation is not a ground-breaking innovation. However this brief aims to provide, using field-based experiences, a logical process which local service providers adopted to address the issues and constraints they faced when trying to develop market-led livelihoods strategies for their rural clients.

Conclusion

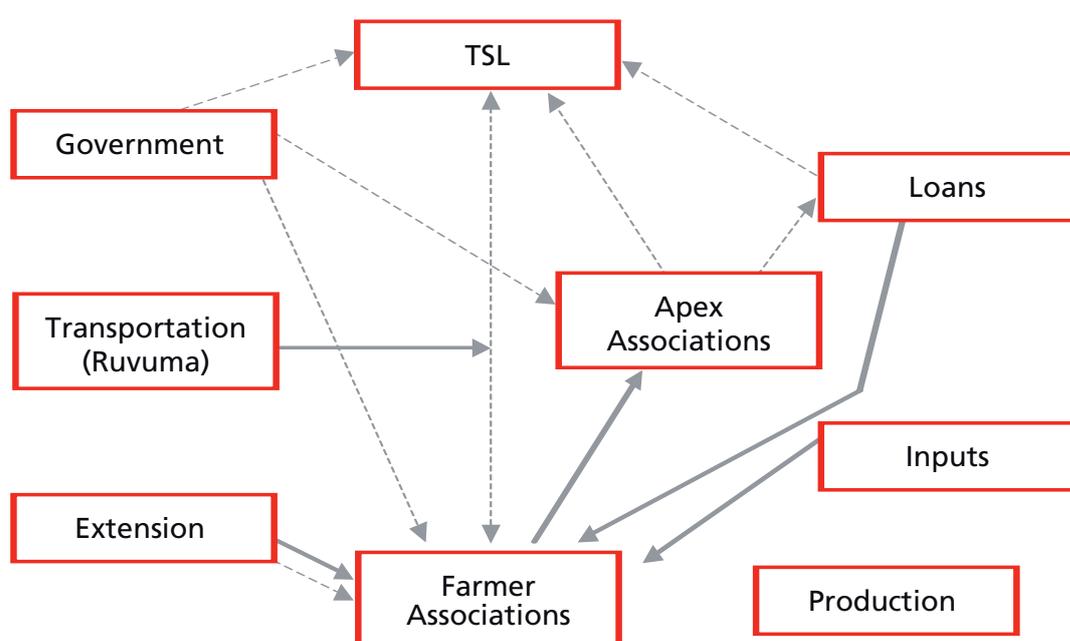
This brief synthesizes approaches from 16 cases that aimed to develop market-oriented strategies and livelihoods paths for rural poor communities. The front-line organizations adopting these approaches found that:-

- equipped with the appropriate capacity and approaches local organizations provide effective front-line services for enhancing rural communities' market-led livelihoods strategies
- approaches that support local diversification and market-led enterprise development need to reflect the diversity and complexity of rural poor communities' contexts
- despite market access inequities faced by rural communities and vulnerable groups, the promotion and strengthening of market-led livelihoods strategies are essential components for rural development

This brief was written by Siobhan Kelly, coordinator of the LDED sub-programme, with the technical guidance of Doyle Baker, Chief, AGSF and LDED sub-programme convener. The author would also like to thank AGSF officers for their comments on the brief, in particular, Edward Seidler (Senior Officer), Siobhan Casey, Alexandra Rottger, and Ida Christensen, TCIL

FIGURE A
Value chain analysis diagram for paprika in Iringa and Ruvuma regions
Southern Highlands of Tanzania

The value chain diagram presented below shows the main actors/stages in the value chain, the links between the actors and includes estimates of the cost of some of the activities. The lines denote firm or established links and dotted lines denote weak links. (Source DAI, Tanzania, 2007)



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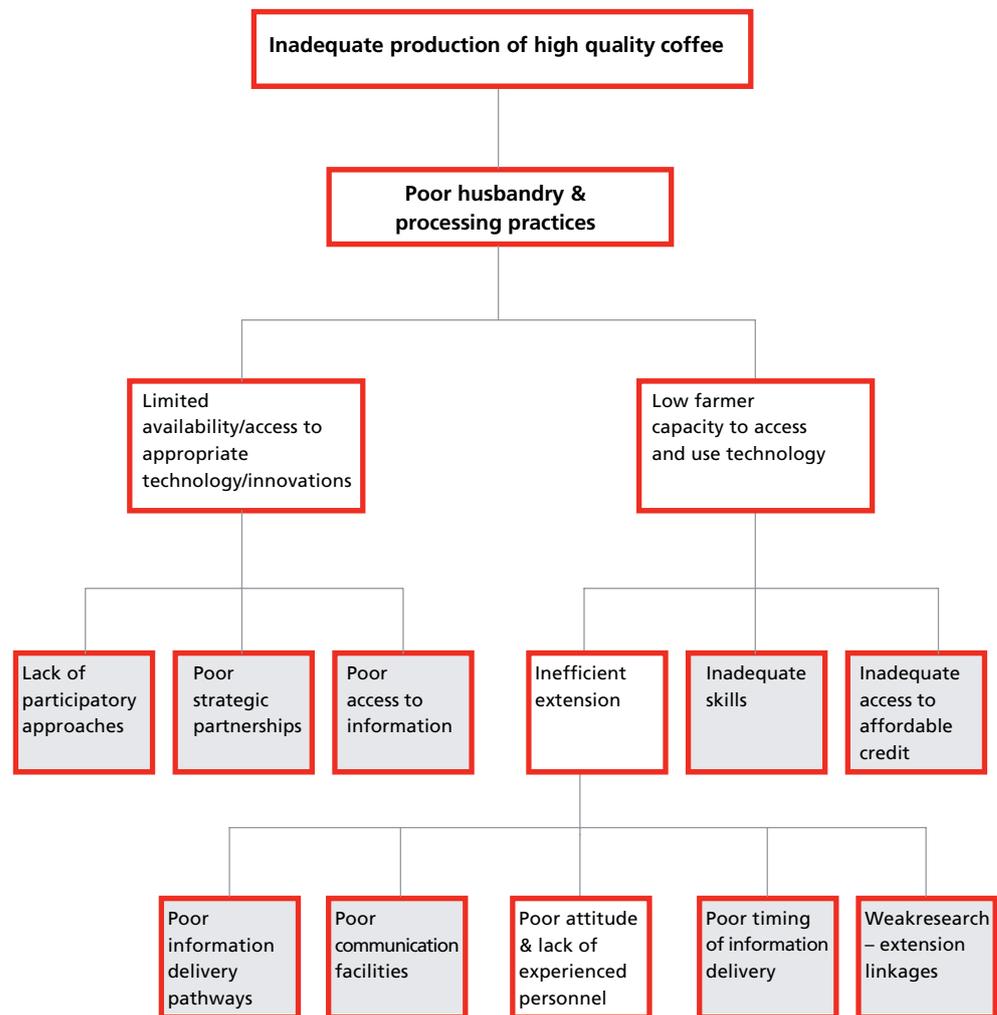
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FIGURE B

Constraints to sustainable coffee production in Kenya. The shaded areas show potential intervention points. (Source, CABI, Kenya, 2007)



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