



## **NGOs, Business and the Challenges of ‘Scaling Up’: Supporting small and medium enterprises in low-income countries**

Workshop report compiled by  
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Woburn House Conference Centre, 20 Tavistock Square  
London WC1H 9HQ

### ***Aims of the workshop***

This was the second in a series of workshops exploring the role of NGOs in markets. The first in the series was convened on 26<sup>th</sup> March 2007 and was entitled: ‘NGOs as Market Actors: Roles and responsibilities in supporting small producers in low-income countries’.<sup>2</sup> The workshop highlighted the need to explore in more depth the respective roles of and relationships between NGOs and business within markets.<sup>3</sup>

As a result of key issues highlighted in the first workshop, it was decided to focus on the theme of ‘scaling up’ for the second workshop. Specifically the objectives were:

- To explore the roles of NGOs and business in providing support to small and medium sized enterprises in low-income countries
- To learn from some practical experiences of scaling up market initiatives in the agriculture and energy sectors
- To identify options for networking and collaboration to address the challenges of scaling up

The first workshop focused on the agriculture sector, while the sectoral focus of this workshop was expanded to include carbon markets, tourism and alternative energy.

Participants at this workshop included representatives of NGOs, research institutions and business. The workshop took the format of a plenary session followed by a ‘knowledge building session’ in the morning. In the afternoon, participants broke out into three parallel working group sessions based on presentations followed by discussion. Everyone reconvened for a further ‘knowledge building session’ at the end of the day.

All the presentations from this workshop are available on the respective websites of IIED and Practical Action [\[references\]](#).

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<sup>1</sup> IIED hosted the meeting and the agenda was developed by IIED and Practical Action, with input from other participant organisations. Special thanks are due to the co-ordinator of the meeting, Maria Ruiz-Tagle.

<sup>2</sup> The report from the first workshop is available on the IIED website [\[reference\]](#)

<sup>3</sup> In the context of this workshop series, ‘business’ or ‘the private sector’ is understood to be major retailers, larger suppliers – i.e. major commercial players in the supply chain who are not local farmers or community enterprises.

## **Introductory presentations**

The workshop opened with an introduction to the workshop series and the aims of the day's event by **Maryanne Grieg-Gran of IIED**, followed by a presentation by Alison Griffith of Practical Action (see below).

### **Alison Griffith, Practical Action**

#### **'Facilitating Market System Development as a means for Scale Up'**

Practical Action's Markets Programme seeks to achieve impact at scale. A key challenge is how to move away from doing pilots (in the hope that success will be taken up and replicated by others) to a vision of systemic market change. What changes are needed in the *system* to make markets work better for poor producers?

For Practical Action, scaling up means aiming to bring about change for tens or hundreds of thousands of small-scale producers in a sub-sector. It is important that those sub-sectors (e.g. livestock, non-timber forest products, vegetables or fisheries) have the potential to absorb or respond to increased production and/or efficiency.

Further key challenges are:

- How to engage with large-scale players (business) and understand what matters to them (e.g. quality; logistics; their incentives for investment)
- What can NGOs do as facilitators to promote a viable supplier base of poor and marginalized producers (e.g. by helping farmers to organise themselves; developing markets for service providers)?
- How can facilitators enable market actors to engage in advocacy as a strategy to make markets work for large numbers of small-scale producers?

A three-year project in Peru appears to have benefited several hundred farmers in a specific watershed. They have improved their production and quality of milk, and some have diversified into cheese production. However, this project wasn't designed for significant development of the market *system* at the outset.

For the next stage the Peru team are considering:

- What changes in the market system would they envision to make dairy markets work for the poor?
- How many thousand small-scale dairy producers are there in the region (or in the Peruvian Andes as a whole)?
- Who are the key actors? (e.g. Nestle and Gloria)
- What are the incentives for these key actors to invest in developing the supplier base?

What are stakeholders' own visions for systemic market change? Approaches like participatory market mapping will bring actors together to look at the opportunities and constraints and come up with strategies that have potential to reach thousands.

Another issue is that of making payments to the private sector to support their work with poor producers. DFID have just launched their \$100 million US (multi-donor) Africa Enterprise Challenge Fund, offering grants to the private sector, to be matched by private sector contributions.<sup>4</sup> The private sector often has substantial expertise

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<sup>4</sup> See <http://www.dfid.gov.uk/news/files/aecf.asp>. The fund provides grants to private companies to test innovative but unproven business models to increase participation of the poor in markets. The aim is to stimulate US\$200 million additional private sector investment in financial and agricultural markets across Africa over the next seven years. NGOs could partner with the private sector; DfID would provide subsidy money recognising an untested market opportunity.

and financial resources, so why do they require donor funding? Firms are often reluctant to invest where the perceived returns do not seem to justify the level of risk, or where a firm lacks market knowledge. Competitive grants can help reduce risks for piloting good ideas. They can also have a 'demonstration effect' (i.e. the success of a funded project proves that the actual risk-return ratio can be more favourable than the private sector might assume).

## **Plenary Presentations**

### **Alison Warters, Trading UP Business Director, Shell Foundation - 'Trading UP & Scaling UP'**

The Shell Foundation (<http://www.shellfoundation.org>) is an independent charity established by Shell. The Foundation applies 'enterprise-based approaches' to address the challenges of global poverty and environmental damage. This involves applying market-orientated principles and 'Business-DNA' (i.e. business thinking, models and disciplines). The aim is to create sustainable businesses and supply-chains that are not reliant on the next aid cheque. The Foundation works with strategic partners worldwide, commits funds and, where appropriate, leverages the assets of Shell, the company (e.g. knowledge, brand, infrastructure).

'Scaling up' is at the heart of what the Shell Foundation does. Developing world producers often struggle to access developed world markets due to a lack of knowledge, business skills or access to capital. **Trading UP** grew out of a livelihoods programme. Market access was identified as a key barrier to development. The programme facilitates access to markets for small-scale agricultural producers through the provision of seed capital, business mentoring and strategic partnerships with major retailers. Trading UP's vision is to transform retail supply chains – taking goods from the fields and workshops to the retailer's shelves.

Shell Foundation's main partner in India is Agrocel, an agricultural services provider that is helping farmers across India to convert to sustainable farming, using fairtrade practices. From 2001-2004 the Shell Foundation worked with Agrocel providing business development assistance (BDA) and seed capital. It was important to invest time and energy into building a local intermediary to provide services on the ground. Building a local intermediary is also a way to avoid creating a dependency culture among local suppliers.

The Shell Foundation worked with Indian farmers and the US-based NGO 'Organic Exchange' to demonstrate that developing world cotton farmers can sustainably move from traditional production, which is heavily reliant on pesticides and fertilizers, to organic production.

In July 2005, a partnership was established between Marks & Spencer (M&S) and the Shell Foundation to address the issue of market access. The partnership identified barriers to relations between M&S and small-scale cotton farmers in India. Interventions ranged from providing hairnets and cotton bags so that the cotton was not contaminated during harvesting, to building a stockpile so that the cotton wholesaler could guarantee orders. By March 2006, in line with its 'Plan A', M&S had become the first major British retailer to stock clothing made from Fairtrade cotton. M&S was able to deliver products demanded by their increasingly ethically-minded consumers, while small-scale Indian cotton farmers were able to receive a fair price for their produce and access to Britain's marketplace.

In 2005 the Shell Foundation started working with the Flower Valley Conservation Trust (FVCT), which was established to create jobs for poor workers and to conserve areas of *fynbos* (shrubland vegetation) under threat from expanding vineyards and agriculture. The Foundation supported a partnership between FVCT and the South African flower company FYNSA, and introduced them to M&S. Wild flower bouquets are now selling in more than 350 M&S stores. The initiative has created jobs and another ten businesses (picking teams). To ensure the wild harvesting is sustainable, the Foundation has funded training and certification in collaboration with FVCT, as the existing system was considered not to be robust enough. FYNSA is a hub for other businesses; people are approaching the director asking how to do business. The company is now looking at producing dried decorative products.

Support from the Shell Foundation has also enabled a small Ugandan dried fruit company to sell its produce in Tesco stores, with hundreds of jobs created in Uganda. As a business, NGOs and donors would not fund the enterprise. The Shell Foundation provided support initially through its Uganda Energy Fund and subsequently through a grant, helping to secure an £80,000 bank loan to pay for a new factory, which enabled the company to reach high quality standards required by international customers. The Foundation also provided seed capital for training, staff recruitment and new computer systems. The support enabled the company to earn a deal to supply Tesco. Dried banana and pineapple are now sold in 700 Tesco stores and there is potential entry to other supermarkets.

Key lessons learned to date include the following:

- **Market and Value:** Market access and commitment is essential: strategic partnerships with retailers such as M&S are very beneficial. You need a good understanding of the value chain from the producer to the end consumer. There must be an equitable share of risk and reward along the supply chain to ensure long-term sustainability.
- **Product & Supply Chain:** It is important to engage all supply chain players early on. Differentiation, design and innovation are all important. (Will the product still sell next year?) Exporting large volumes is a step-change for local producers, so you need to build capacity, reliability and quality. The pace of doing business is a cultural challenge, which needs to be addressed. Good communication is essential.
- **People:** An initiative needs to fit with local people's aspirations and potential. Is it realistic for them to be taking on the business initiative? Do they want it? It is important to carry out a skills assessment early on. You also need a human resources plan to increase organisational capacity to enable sudden growth or change. Recruitment and training are important, with clear job descriptions: there may be new roles, e.g. customer facing roles, quality control. An experienced business manager or business mentor is a critical success factor.
- **Business Administration:** Business administration may seem boring but it is essential to get it right. Important elements include a company vision, a comprehensive business plan, a marketing plan, and good financial management. You need to be proactive with monitoring & evaluation and risk management. You also need the necessary tools and training to support effective communication.

**Steven Gray, Climate Change Capital  
- The Carbon Market and Small Producers**

Stephen Gray of Climate Change Capital (<http://www.climatechangecapital.com>) addressed the challenges facing small producers of carbon credits in agriculture and renewable energy in the carbon market and the Clean Development Mechanism in particular.

The carbon market has been growing very fast reaching US\$30 billion in 2006 of which the project based part of the market Joint Implementation/ CDM accounts for US\$5 billion. The voluntary market has also been growing and while there are concerns about the lack of standards in this part of the market, it offers more scope for development impact. The Clean Development Mechanism can be considered a success story of the Kyoto Protocol in that 720 projects have been registered and a further 900 are in the pipeline. The CDM however has major limitations in terms of achieving its objective of sustainable development. Because of the aim/concern to achieve emission reductions at low cost, the emphasis in the CDM has been on large projects in a limited range of sectors and countries. Only one reforestation project has been approved. Only 2% of projects are in Africa and mostly in South Africa and Egypt.

The CDM has had very little impact on promotion of renewable energy. Where there has been success in promoting renewables, this has had more to do with national policy than the financial incentive offered by the CDM. For example, carbon credits derived from renewable energy increased by 50% in 2006 primarily because of China's decision to identify renewables as a priority. Renewables face a number of barriers in the CDM such as high capital costs and high transaction costs compared with the volume of Certified Emission Reductions (CERs) that they produce. Developing methodologies for estimating emission reductions is also a barrier for small-scale projects.

For the CDM to deliver sustainable development, a programmatic approach is needed, bundling together various activities to achieve scale economies. For example deploying wind power water pumps for irrigation. The idea would be to create programmes applicable for a country or countries and specify individual programme activities, slowly bringing them in. Monitoring and verification activities need to be specified. This would be a way of reaching many small emission sources. This would address some of the important barriers such as the need for standard methodologies. Monitoring NGOs could play an important role in coordinating these activities, working in partnership with business. Securing finance for these activities is another challenge as there is no practical experience to draw from. Pilot projects are needed to test the programmatic approach.

**Steve Homer, Flamingo Holdings and Caroline Driver, Africa Now  
- Example of a Business-NGO Partnership**

Flamingo Holdings (<http://www.flamingoholdings.com>) is a large private for-profit company with 300 million GBP turnover and 9000 employees. It sources in 23 countries working with about 225 supplier companies. It also has 6 farms in Kenya and one in South Africa. Its business is to supply UK supermarkets with fresh vegetables and cut flowers, aiming to get agricultural products from the fields to the supermarket shelves in a short amount of time.

It did not work with NGOs in the past considering that its mindset of getting products to the market quickly did not sit well with NGO partnerships. This all changed when a series of articles in the media shortly before Mothers Day highlighted the poor

conditions for women working in the Kenyan cut flower industry. The first reaction of the company was to go into denial and leave the issue to a public relations company to handle damage limitation. But the situation got worse as the supermarkets sent a team to Kenya to interview NGOs and workers there. The local trade unions also got involved.

The company then realised that it had been wrong to rely on a single stakeholder view, i.e. that of industry, which set the standards and did the auditing. It had not listened sufficiently to detractors and had underestimated the power of new media to transmit and broadcast information about conditions in Kenya.

The agenda has shifted from technical questions of food safety to social and ethical issues associated with the provenance of products (how they are made and by whom). This requires a different set of skills, which the company did not have. At the suggestion of the Ethical Trading Initiative, the company looked for a local independent partner to audit the working conditions and contacted Africa Now.

Flamingo had a prior view of NGOs that they were disorganised with no concept of business and concerned with campaigning. But what they got from Africa Now was completely different. This partnership provided the company with auditors who knew about the local situation, with an interest in finding solutions to problems. It also brought credibility with UK customers, as the company was being independently assessed and could present itself as an enlightened company facing up to its limitations. This meant also that it could dispense with the public relations company. This first engagement with Africa Now led to a permanent partnership.

Caroline Driver from Africa Now provided more details about Africa Now's approach. The NGO has been working for 26 years. Faced with growing demand for assessments of ethical practices, it established an ethical business service with the aim of improving working conditions and market access for communities. In what it calls a 'sustainable double benefit' business model, the revenue from these services helps to fund Africa Now's development work

The emphasis is on local people and local solutions. Africa Now trains local people to do the audits. It also does training and consultancy and ethical business projects, for example working with a smallholder flower project to help them access export markets. It has developed a network of local teams across Africa. These teams have local knowledge and local language skills and a balance of skills and education and gender/ethnicity. To date, Africa Now has worked with over 120 businesses in Africa, in 13 countries and involving 63,000 workers. The main challenge has been to increase capacity to keep up with demand.

### ***Afternoon sessions***

In the afternoon there were three parallel working group sessions, one on scaling up tools, with a focus on certification, and two on scaling up in different sectors: agriculture and alternative energy. Each session started with the presentation of a case study to stimulate discussion. A group discussion followed, and participants were encouraged to address the following questions in this discussion:

1. How can successful pilot initiatives in market development be scaled up?
2. How can the private sector support the development of small and medium-sized enterprises in low income countries?
3. What role can NGOs play in scaling up market development initiatives?

Participants' responses to the above questions are summarised below together with the results of the general discussions in the morning and afternoon.

**Nick Sireau and Johnny Keane, SolarAid**  
**- Scaling Up Micro-Solar Businesses: Challenges and Opportunities**  
**from SolarAid's Experience**

SolarAid (<http://www.solar-aid.org/>) is a registered charity established by Jeremy Legget and other employees of the solar energy company Solarcentury (<http://www.solarcentury.co.uk/>). The charity was launched publicly in October 2006. SolarAid's vision is of a world where everyone has access to affordable, clean, renewable power. Its objectives are (a) to relieve poverty through facilitating the provision of solar energy to those in need and (b) to advance public education about solar energy, climate change and environmental protection and to carry out and publicise research into energy generation, distribution, supply and use.

Solarcentury pays 5% of its annual net profit into SolarAid, though SolarAid is a completely independent charity. Solarcentury employees also volunteer their expertise. SolarAid also benefits because Solarcentury is a respected brand and has good connections, which SolarAid can benefit from. Donations, e.g. from Christian Aid and TRAIID, are used to meet the costs of pilot projects and research. SolarAid are currently on the verge of a new scale up programme – looking to explore carbon markets and other financial mechanisms to fund this phase of development.

Two billion people in the world have no access to electricity. Four billion people live in the developing world, mostly in Africa, Latin America and Asia. These regions also have the greatest exposure to sunlight. SolarAid believes that the provision of affordable and accessible power will, by facilitating education, access to information and communication, help relieve poverty by enabling poor communities to transform their lives, reclaim their rights and make their voices heard. Renewable power can also help to promote health, safety and general wellbeing. Kerosene is getting more expensive; it produces a poor light, fumes and a lot of heat. There are health risks – it makes people feel sick. It also produces carbon dioxide (one tonne per lamp over 5-7 years), although climate change is not a local concern.

However, the potential of solar power has not been realised – there is low awareness, lack of education, negative perceptions of solar power, and solar remains an expensive option. While solar energy usage is an obvious solution in the poor southern countries, there are many problems associated with its uptake.

SolarAid's solution is to promote micro solar businesses with very small products (one-watt solar chargers and kerosene lamps converted to LED light). SolarAid trains people in skills to make them into micro-solar engineers and entrepreneurs: they learn to make and sell their own solar products. Products are assembled in Africa; spare parts can be purchased locally. The aim is to create sustainable lasting businesses providing cheap, clean, carbon free energy to the rural poor. And they are getting useful products out to rural areas. The lamp uses small amounts of electricity and it is practical. The charger is tailored to work with the products that people already have. The micro-solar panels are small and portable, therefore transportation is easy. Other larger solar products may find distribution difficult.

The product alone does not make or break an initiative. It is also about the process and the empowerment of people to do things themselves. Women can actively take part in the businesses. Disabled people can be involved (e.g. in managerial roles if

they cannot do the actual technical work), where families were ashamed of them in the past. People in rural communities are benefiting. People are learning key skills, which they will be able to use in the future.

### ***The Pilot Projects***

SolarAid presented the findings from three African pilot projects, in Malawi, Tanzania and Kenya. The aims of the pilots were:

- **Testing the concept** (training groups of people to build own solar panels – practical, theoretical and business skills; making, then selling in communities)
- **Developing processes** (skills, marketing, business development, best practice)
- **Scoping for replicability and growth** (market research)

The Kaliya Community Youth Project, based in Nkhata Bay, Malawi, offers support, training and education to HIV/AIDS orphans. Solarcentury designed a photovoltaics (PV) for the roof of a vocational training centre. In addition, Solarcentury employees and volunteers from the UK will train the orphans how to manufacture rudimentary solar equipment. Christian Aid have also donated £10,000 to SolarAid to fund the establishment of a SolarAid Academy that will be run by the Kaliya Project to train people in the production of small scale solar devices.

The Neema Crafts Solar Project in Tanzania started with a five-week course to train small groups in basic solar engineering and sales. As a result of the initial course and some follow-up training and mentoring, the local group started to manufacture and sell solar panels to local customers. The project set up a solar workshop and encouraged disabled people to take part.

In Kenya, before SolarAid existed, its current staff (then volunteers) helped to establish Fomax, a grassroots solar business. The success of this initiative is due to the entrepreneurial founder. The volunteers initially worked with a local group, but group dynamics hampered progress. However, one group member showed great enthusiasm, so the volunteers focused on building his capacity. As they had no start-up funding, he had to buy his own tools and materials. He made four panels then sold them for a profit. There was a lot of demand for the product. In 3-4 years he has developed a business with 40-50 staff and workshops in different parts of Kenya.

### ***Market Research***

TRAID funded some market research in Malawi, which was carried out for SolarAid by ACG consulting. (The summary of the market research is available on SolarAid's website.) The market research gave SolarAid credibility. A survey is also a good basis for monitoring and evaluation. Two hundred potential customers, suppliers and traders were surveyed in northern Malawi. The questions related to demographics, energy usage, disposable income, spending habits (kerosene, batteries, charging mobile phones, etc.) and interest in the products (solar lanterns, radios, battery chargers and mobile phone chargers).

Among other things, the research concluded that there was a good market for solar lanterns and radios. The demand was less for mobile phone chargers, as those who use them are generally wealthier and have access to the grid. People were interested in the solar lanterns because of the health issues, danger from fires, the cost increases of kerosene and the brighter light. Cultural factors were important (e.g. the status of having an electric light bulb). The researchers identified an optimal price that people were prepared to pay for products. They discovered that people have disposable income mainly in April-August, so this is a good time to sell the products.



## **Ed Millard, Rainforest Alliance - Certification to scale up market penetration**

Ed Millard from Rainforest Alliance presented an overview of environmental and social certification schemes and their role as a tool to scale up the participation of small farmers. He outlined the three main types of certification systems: governmental, non-governmental and private sector but emphasised their differing objectives. While government systems are aimed at consumer protection, the objective of NGO schemes is to bring about a change in company and consumer behaviour. Private sector schemes are aimed at supply chain management and market growth.

Ed reviewed four of the main NGO schemes.

- **Fair trade:** This scheme started with pincushions in the 1950s and moved into international trade with the certification of coffee in the 1970s. It has now a range of products, including coffee, chocolate and bananas. It started as separate initiatives in UK (Fairtrade) and the Netherlands (Max Havelaar). There are now 20 fair trade labelling initiatives in 21 countries, forming part of the Fair Trade Labelling Organisation (FLO) group with common standards and principles such as a guaranteed minimum price for producers. A million producers in 500 organisations in 60 countries are involved and sales reached US\$ 1 billion in 2005.
- **Organic:** These schemes, including the Soil Association in the UK, now cover 30 million hectares worldwide, while sales reached Eur 25 billion in 2005. Although their aims are primarily environmental, their standards include social justice issues.
- **Utz Certified:** This started with coffee but is now extending to other crops. It aims to set minimum standards for both environmental and social aspects of performance. 200 producers in 18 countries have been certified so far and 36,000 tonnes of Utz certified coffee have been sold.
- **Rainforest Alliance:** This scheme has balanced social, environmental and economic standards for agriculture. It has certified over 400,000 ha of forests in 58 countries and 250,000 acres of farmland in 18 countries. Sales of certified products under this scheme exceed US\$1 billion, including 15% of the world's bananas.

As certification systems have developed, there has been a move to consolidate systems to increase flexibility and credibility. The various certification schemes have joined together in the ISEAL alliance to set standards for the certification process and to meet the requirements of the International Organization for Standardisation (ISO). Certification schemes, which often started as one activity amongst a range of producer support activities of an organisation, have now become separate bodies, with clear separation from producer support activities.

The impact of certification, although operating in niche markets, can be seen in the mainstream markets where social and environmental management issues have become higher priority. Companies have reacted to certification by taking specific measures such as Nespresso's AAA Sustainable Quality Programme, which sets standards and develops verification and assessment processes (see <http://www.nespresso.com/aaa-program/en/>) and Starbucks' Coffee and Farmer Equity or C.A.F.E. Practices programme, which is a code of conduct for suppliers ([http://www.scscertified.com/csrpurchasing/starbucks\\_background.html](http://www.scscertified.com/csrpurchasing/starbucks_background.html)). There have also been industry-wide initiatives such as the Ethical Tea Partnership (<http://www.ethicalteapartnership.org>), the Common Code for the Coffee Community

(CCCC) (<http://www.sustainable-coffee.net/>) and the Sustainable Agriculture Initiative Platform (<http://www.saiplatform.org/>).

Market access for small producers has been clearly affected by certification with the growth of specialist companies committed to fair trade such as Cafédirect and Green and Black's and retailer commitments to fair trade (e.g. Marks and Spencer) and to whole foods. Manufacturers such as Kenco have also made commitments to sustainable sourcing.

Taking the example of Rainforest Alliance coffee, certification has resulted in benefits both for companies and for coffee farmers. Kenco has committed to source all its coffee from Rainforest Alliance certified farms. Certification gives Kenco third party corroboration of its responsibility claims and a mechanism to manage its supply chain.

However, certification could also be a market barrier for some producers, particularly those with insufficient management capacity. The standards are not appropriate for all producers and the costs of adopting the standards and the application and auditing for certification may be prohibitive for small producers.

### **Jo Zaremba, Oxfam - Scaling up for small scale agriculture**

Jo Zaremba gave a presentation on two case studies from Oxfam's work: Agro Tourism in St. Lucia and Global Agricultural Scale up (India). These case studies provided contrasting examples of how to have an impact at scale.

#### ***Agro Tourism in St. Lucia***

In the Caribbean, agriculture is a critical activity for poverty alleviation. In 2001 a WTO ruling ended the EU preferential regime for African, Caribbean, and Pacific (ACP) nations because this 'discriminated against Latin America', thereby leading to the end of the banana trade in the Caribbean Windward Islands, and a need to change livelihoods strategies in the region. For Oxfam in the Caribbean this meant 'starting with clean slate' to develop a new programme based on market analysis of livelihoods.

In St Lucia, Oxfam spent 18 months implementing a multi-stakeholder dialogue and information gathering process in St Lucia itself and in the UK. They engaged with hotels, government, NGOs and farmers and held a large multi-stakeholder meeting. Different stakeholders brought very different perspectives to the analysis. For example, smallholders reported difficulties communicating with hotel representatives; hotels reported that local farmers were not providing quality or quantity. A Programme Development Committee was set up, including private sector and civil society representatives.

The St. Lucia Agro-Tourism Market Model can be viewed in more detail in the presentation [[reference to presentation on website](#)]. The project implementers worked through the market model to analyse the situation, identify problems and devise solutions. People identified that there was a lack of effective domestic supply chains; historically poor quality and inconsistent supply; and inadequate business support services for producers. For the hotel industry, there was a lack of incentives or reliable supply chains to 'buy local'. Problems were often down to lack of communication, understanding, and joint problem solving.

One of the key issues was the incoherence of the trade policy framework. Regional government lacked information and awareness. The tourism industry preferred to import its goods. There was a lack of 'joined-up' policy.

The objectives of the Caribbean Agro-Tourism project were to:

- Increase trade in local fresh produce
- Develop hotel demand
- Increase production capacity
- Develop efficient St. Lucian enterprise operating in farmers' interests & trading commercially with tourism sector
- Link the private sector, small farmers and the government
- Advocate for a supportive national and regional trade policy framework
- Promote replication in other Caribbean states

Key activities in St. Lucia included the following:

- Trading Systems – with existing institutions
- Producer training / diversification of crops and business development services
- Market information, production planning and marketing/branding
- Financial services – revolving fund (Oxfam put up starting capital)
- Linking: Trading Company – 4 Co-ops; Programme Development Committee; business to business
- Advocacy
- Identify national agricultural, land and tourism policy
- Influence extension services
- Influence trade policy

The outcomes of the St Lucia project included improved access to local food markets for hotels, leading to a 20% increase in sale of local produce. The project managed to influence a total of 12 hotels (having started out engaging with just one!). There were direct benefits to 400 households, made up 1,600 people, of which 40% were women.

The project implementers concluded that the key to scaling up across the Caribbean was NOT a straight replication of the St. Lucia model, but creating the 'market conditions' that allow for multiplication of similar solutions through existing institutions across the Caribbean. Promotion of regional trade was an important element of success. It was important to demonstrate that a single Caribbean market can support Caribbean farmers. Replication by hotels ('business to business') was seen as a critical factor. Advocacy was identified as an important element – particularly with the Caribbean Community (CARICOM), the Caribbean Hotel Association and the Caribbean Tourism Organisation. Producer organisations must run on viable business models. It is important to see producer organisations not as 'development projects' but as businesses. Support services are also provided by businesses. It is essential to foster trust and the acceptance of the private sector in the region. The whole process was assisted by participants agreeing to differ on certain matters.

### ***Global Agricultural Scale Up (India)***

The aim of this project was to scale up the impact of smallholder agriculture on poverty reduction, equality and economic development. The aim was to have an impact on 6 million farmers.

The three goals were:

1. Governments, civil society, private sector, and international institutions believe in and support smallholder agriculture.
2. Smallholders are empowered to improve their livelihoods.

3. Oxfam agriculture programmes and other institutions apply effective strategies to improving smallholder agriculture.

Despite more than 8% GDP Growth in India, millions are being left behind. Two hundred million poor people live in rural India; 60% of the population depends on agriculture. There are huge post-harvest losses; less than 2% of country's produce is currently processed; there are huge gender & social inequalities; and government investment in agriculture is less than 1%. Sixty-five percent of India's fish industry is based in inland fisheries. There is potential to link from local to national to export (processed) markets. No national policy or state policy exists on inland fishing. Oxfam is currently working in Tikamargh and Chattapur, developing local communities' confidence, capacity, and connectivity.

The Budelkhand 'Fish Ponds' Project aimed to ensure access to natural resources (ponds). The aim was to promote horizontal expansion in existing districts. Providing access to 56 then 300 then 1000 ponds equated with an impact on 2000, 10,000 and over 25,000 households respectively. The project also touched other value chains (e.g. agricultural produce and other pond-based products such as ducks). The market development activities included establishment of a fishing zone, development of technology and infrastructure. There was state level advocacy by fisher-folk relating to policy. At the national level there was work with the inland fisheries network and policy recommendations. The key is that the local 'umbrella' committee does the expansion. They have helped other communities to gain rights; organised selves to lobby for their rights and needs; proposed and are developing fisheries policy.

### ***Discussion of key questions***

#### **Question 1. How can successful pilot initiatives in market development be scaled up?**

##### **Goals and vision**

To scale up successfully one needs a vision for the full-scale initiative. Organisations tend to focus initially on the small-scale pilot initiative. A more effective approach is to think strategically and in scale from the outset, then develop and test out tools and approaches at the smaller scale (i.e. 'pilot down'). Thus, to enhance market opportunities for smallholder farmers, you need a vision of systemic market change that relates to tens of thousands or even millions of farmers, rather than focusing from the start on one watershed to 'see if it works'. Similarly if a retailer wants to convert to organic cotton, they need to think first of all how much cotton they need to make that conversion, then think about what that means in the context of the supplier countries.

Participants also noted that it can be a problem when NGOs and donors bring pre-determined agendas that are not based on specific contexts. It is also important for NGOs to work with a light touch, but preliminary engagement needs to be active. There should be a target number of producers and markets, but one needs to be aware of market constraints and that markets can change as a project develops.

##### **Market research**

A scale-up programme needs to be grounded in strong market research: you need to know your market and tailor your product to meet the demand. This includes socio-economic and cultural factors. Approaches need to be demand-driven (needs-driven), not product-driven.

### **Local ownership**

Local ownership is essential for ensuring a pilot initiative can be scaled up into a long-term sustainable business or business programme.

### **Identifying and nurturing key entrepreneurs**

Private sector engagement is necessary from the early stages of an initiative. It is important to identify key entrepreneurs that can implement a project. The process needs to satisfy what people want to do and are going to be able to manage themselves in the future. Otherwise there is a risk of failure. In Kenya, for example, SolarAid's work has been successful because local entrepreneurs have kept it going when SolarAid volunteers have been away.

### **Capacity building**

Entrepreneurs require mentoring and training. Markets change and local entrepreneurs need the skills to be resilient and adaptable in the face of change. Investing in building the skills of local entrepreneurs is good use of development dollars. Skills are fundamental to scale-up, so that people can move up the chain or shift to another product or market. Skills development can be enhanced not only through training, but also by providing ongoing mentoring and support, e.g. by facilitating ongoing access to other entrepreneurs. Networks and 'hubs' are useful to catalyse engagement, capture creativity and bounce ideas.

Continuity is important – when you leave, you need to think who is going to keep people up to date in terms of skills. Strategic thinking is critical from the design phase, including thinking about how knowledge will be used in the future. It is important to consider those institutions where skills are taught, nested and maintained (e.g. for agricultural extension).

### **Mobilising resources**

Mobilising resources within the system is important to enhance market opportunities for small-scale entrepreneurs. Participants noted the need to consider public and private funding and incentives. What incentivises a company such as Syngenta to get involved in development-oriented initiatives, for example?

How can donors and NGOs justify giving money to retailers to develop new ethical markets? One argument is that the private sector needs a certain level of security about the future before investing. The donor supports them through the risk management process to cover initial investments and non-traditional areas of activity such as environmental and social monitoring or changes in the enabling environment. Thus the donor is not funding the private sector, but co-funding investment to bring small producers into markets. However, the counter-argument is that competition should be the incentive for those kinds of risks to be taken. If a private sector entity sees a business opportunity and it works, then others will take similar risks. Pilots are a way of demonstrating the benefits.

Successful scale-up initiatives need to consider the range of other possible financial mechanisms that could ensure sustainability of a business-based service in the long term. Community centres, for example, could charge for solar services. There are micro-financing possibilities (e.g. Malawi's micro-loan foundation); leasing or lend-lease; franchise-type operations. An NGO or other player seeking to develop a micro-finance facility would need to partner with a specialist micro-finance institution.

### Public policy and regulation

Scaling up is also partly about policy and government regulation. The role of policy is important in the development of the carbon market. The removal of state funding for agricultural extension services is a significant factor in the development of the markets. We are sometimes constrained by thinking about markets outside of the context within which they work.

### Monitoring and evaluation

Good quality monitoring and evaluation are essential for all projects. The costs of these also need to be factored in to any initiatives. Currently not enough monitoring and evaluation is being undertaken. We need to be able to demonstrate a bigger impact of an initiative that goes to scale. How do we monitor and measure? How do we demonstrate we are reaching the poor? It's very difficult and expensive to measure impact (e.g. easier to measure amount of milk produce than poverty impact). Donor money could be used to do impact assessments.

Other issues included:

- a) **Availability of resources/components.** It is critical that the necessary raw resources/components are available, if possible locally, at the required scale and for the appropriate type of product.
- b) **Quality:** Need training and systems to ensure quality of production.
- c) **Cost:** Products need to be designed to be affordable for the market. The micro-solar products are affordable for local markets. However, people may not be able to afford larger solar systems.
- d) **Marketing and distribution** are also essential considerations.
- e) **Maintenance:** Projects need to build in mechanisms to ensure ongoing maintenance (e.g. of solar systems), which requires a steady flow of finance and making capital available to rural areas.

## Question 2. How can the private sector support the development of small and medium-sized enterprises in low income countries?

### Roles

Participants identified a range of ways that the private sector can support development of SMEs, including:

- **provision of access to finance** (e.g. banks setting up financing mechanisms, or major companies providing the start-up finance for a micro-credit fund)
- **provision of seed funding**
- **capacity building** of local SMEs and entrepreneurs (e.g. transfer of skills from solar industry in the North to solar industry in the South).
- **funding for NGOs** to support SMEs
- **lobbying** of key industry players and governments, to enhance the 'enabling environment' for development of sustainable local businesses, including regulation
- **risk taking:** the private sector needs to be open to experimentation with high-risk projects and new business practices; it needs to learn to be more risk-averse and should build on success stories.

### Drivers

Participants suggested an alternative question: not *how* the PS can support SMEs, but *why* – i.e. the reasons/drivers. These included:

- Companies taking a long-term view: building relations with supplier base, ensuring sustainability, securing access to resources/assets

- Short term gain (e.g. CSR)
- Economic benefits, which may be considered short term or longer term

### **Question 3. What role can NGOs play in scaling up market development initiatives?**

#### **Business service provision**

Participants noted the lack of business service provision and the need for an entity to act as an intermediary and provide a whole range of services, while pooling resources, maintaining quality of production and keeping in contact with people on the ground. Businesses that have paternal relations with their smallholders or NGOs that also occupy this niche, providing extension services and a great deal of support, may inadvertently create a dependency culture. One challenge is how to avoid fostering dependency. This is an issue that donors such as DfID could focus on trying to address.

#### **Facilitation**

NGOs can provide evidence for the private sector to use (e.g. establishing the 'business case' for actions; looking at the issue of risk). They can also fund research, provide education, expertise and training. They can provide a valuable role by co-ordinating, brokering relations and sustaining networks. They can facilitate the development of service markets: the kinds of markets that make small-scale producers a realistic proposition for buyers. NGOs and other facilitators can contribute by finding champions to promote market initiatives and approaches.

#### **Lobbying and advocacy**

NGOs can also lobby governments to change policy. They can play an important advocacy role with the public, including enhancing consumer awareness about complex supply-chain related issues. NGOs can themselves act as agents of change through their own initiatives (e.g. Cafédirect).

#### **Other key issues discussed:**

##### **Market distortion**

Participants noted that there was a lot of concern over the potential of NGOs and other actors (especially donors) to distort markets. In general this was considered to be a negative phenomenon, although some argued that it could be positive. NGOs should not squeeze out market actors by providing services for free that other people could provide for a cost. The questions are who should be providing these services and what are the most effective models for this service provision. NGOs have done damage by setting up parallel supply chains, then being forced to exit the market, leaving producers in a worse state.

Some NGOs avoid subsidising anything because they want to be able to step aside. However, even in such cases, training is often provided to entrepreneurs at no cost. Participants argued that there is a place for subsidised or free services, but care needs to be taken with the application of such services. It is important to look at the range of functions in a market, and what people want to be paying for and not paying for in the future. Investment in public goods, such as education and training, serve to build people's capacity to move the initiative forward once external support has been withdrawn.

The way subsidies are managed is important for effectiveness. Money should be used to get projects running until they have the capacity to run of their own accord.

Subsidies can be used to reduce the perception of risk. If that new way works, then people will be inspired once the evidence is there. But the model has to be replicable.

Subsidising micro-finance is also controversial. The 'purists' who criticise this are ignoring the fact that you may need a subsidy and some time to figure out what is a viable model. The question is how to allocate the subsidy. There is a social performance element of micro-finance, which tends to be forgotten. We need to consider not only the sustainability of a micro-finance initiative, but also who you reach with the initiative.

### **Thinking about local markets**

Participants noted the importance of distinguishing between export and domestic markets. With export markets, standards are driven from the North. In emerging markets there are different drivers: Fair Trade and ethical trade have not made it into the mainstream in most of these markets. It was also noted that the 'CSR market' is competitive – Europe may price itself out of the market with all its requirements for audits and the costs of compliance.

Only a relatively small proportion of local entrepreneurs are engaged in export markets. In many cases, the best way is for smallholders to develop is to provide for their own markets. In many cases, long-term sustainability will come from regional markets (e.g. in sub-Saharan Africa). In some cases, talk of 'scaling up' may not even be relevant – but we still need to address the needs of these people. However, for some, e.g. cotton and coffee producers, the international market is still more appropriate.

### **The environment**

Participants noted that we had not discussed the environment enough at the meeting – nor is it discussed sufficiently in these kinds of debates in general. The inter-relationships between sustaining natural environment and reducing poverty are critical. Businesses tend to talk not about poverty but about sustainability, especially big global issues such as climate change – we could tap into these debates. In the vision of scaling up, we also need to take into account the limits on natural resources. This group (of participants at this workshop and their contacts) could discuss the inter-relationships between environment and development.

### **Involving the private sector**

At future workshops or other events related to this topic, participants expressed the need to involve more people from the private sector, with more private sector speakers. Presentations could push the boundaries of thinking on sustainability. The corporate sector has bought into the 'people, planet, profit' mantra. It would be interesting to hear how this discourse has developed. Rio Tinto livelihoods programme is one example.

### **Communication of work**

We need to think about how we communicate and how we inspire people about good things that are coming out of pilots. We need to think how we package and disseminate information from our pilots. We are good at talking to donors and to academics. But there are other audiences if we are thinking about scaling up. These include business people, local policy makers and potential service providers. We need to communicate with them in different ways. How do we inspire these actors to take on new business models?



### **Organisational structure**

The structure of organisations, initiatives and relationships is important. This influences the way that NGOs interact in communities and with market actors. Significant factors include whether an NGO has offices in the field and how it establishes partnerships with local actors. Local offices may affect the design of projects and the way relationships are perceived locally (e.g. the role of a small office in small town; the way local staff influence local relations; how staff relate to the community). What are the cost implications of setting up the infrastructure associated with a local office? Also, leaving and 'exit strategies' are more difficult if you have close relations within a community.

### **Looking ahead**

#### **Possible questions to address in future meetings**

1. Development of the SME sector
2. How to bring rural poor into value chains
3. Focus in greater depth on how the private sector can help (with more participation of the private sector)
4. How to ensure the environmental agenda is integrated and not forgotten (need to think of a term that speaks to both environment and poverty)
5. Monitoring and evaluation
6. Building and maintaining partnerships

#### **Other networks**

Markets and Livelihoods – reference

Climate change and development group – IIED – reference

Poverty and Conservation Learning Group – IIED – reference

#### **Feedback**

If you have any comments on this report; suggestions for future meetings (partnerships, potential funders, etc.) or then please contact ...

[Future meeting plans?]