

SYNTHESIS OF THE SECOND VCRD DEBATE CYCLE (FEBRUARY 2005)

The main area of debate was 'How to identify intervention and leverage points'

Chapter 1: Starting points for interventions. The intervention process considers five important steps and four basic rules. It may take only a brief business talk or up to several months of research, networking and facilitation before deciding on where to focus interventions.

Chapter 2. JDI - The 'Just-do-it' approach. JDI – A learning by doing approach that raised an intensive discussion about the necessity of analyses and planning procedures.

Chapter 3. Different interventions for different actors. The diverse perspectives and motivation of various actors in VC development is an ongoing discussion on this platform.

Chapter 4. Obstacles to VC competitiveness. Several areas for VC failures are enlisted.

Chapter 5. Trust, competitors and losers. Critical success factors are the handling of trust, competitors and possible losers of VC interventions.

Chapter 1: Starting points for interventions

How much and what kind of information has to be gathered before intervening in value chains, are questions closely related to each specific VC context. Nevertheless a certain amount of information for defining business ideas and hypotheses is needed, before we (usually VC outsiders) start intervening in these complex networks.

A clear focus on going ahead without knowing everything is needed; even with the best analytical tools we will not have all the answers for planning and interventions. With other words: there are no analytic tools or methods that lead to 'the' final picture of a VC. A 'learning by doing' process, which generates more informative data through experimental learning and action research, seems most promising.

The intervention process considers six important steps and four basic rules. It may take only a brief business talk with local entrepreneurs, or up to several months of investigation, networking and facilitation before the first VC development activities are implemented.

The six steps of interventions

- I. **Define** a VC hypothesis. First create a business idea or hypothesis for a functioning VC.
- II. **Identify** change agents. Identify actors or organisations that are most likely to engage in this business idea.
- III. **Facilitate** the identification of strengths, weaknesses, opportunities and threats for the realisation of the existing business or innovative business idea.
- IV. **Assist** the VC actors to identify leverage points and decisions on an action plan.
- V. **Support** the VC actors; provide financial, technical, and moral support / trainings, capacity building.
- VI. **Moderation** from the outside; usually relations between farmers and traders, farmers and processors, traders and processors, etc., are characterised by distrust due to imbalanced negotiation power, frequency of breach of contracts, information, etc. External and neutral moderation from the outside is therefore needed.

Basic rules for interventions

The **starting point** for value chain – outsiders (public agents, donors organisations, NGOs, consultants) are the existing or potential **change agents**. These change agents (local actors, entrepreneurs or organizations) are or will be VC leaders.

VC – outsiders should **only intervene where they can add real value** to existing capacities of VC actors and VC supporters. The motivation and goals of VC-outsiders must be communicated clearly towards the VC-actors.

Participative approaches. Identifying the change agent and the business hypothesis does not always need a very participatory or bottom-up approach, but changes in the VC only occur by fully engaging the actors concerned.

VCD can be a fully **commercial ventures**. Donors or public funded agencies should not act as enterprises and thereby sabotaging the emergence of truly sustainable and viable enterprises.

Chapter 2. JDI - The 'Just-do-it' approach

An intensive and interesting discussion about the validity of JDI in VC development marked the first part of this debate cycle. The choice of the name – just do it - can implicate an understanding of 'action without reflection', what nobody is aiming at.

What is meant by JDI: JDI is a 'learning by doing' approach, that includes initial business ideas or hypotheses, short hand but direct feasibility and market surveys, a small but efficient monitoring system, followed by an action research that provides direct results based on real conditions and not studying situations.

Arguments in favour of a learning by doing approach:	Arguments rejecting a learning by doing approach:
<p>At an early stage, time-intensive research for micro-enterprises is too costly.</p> <p>Generation of more valuable data through experimental learning and action research.</p> <p>It fosters efficiency and outward-looking.</p> <p>Besides the best business planning efforts, the reality on the ground is something entirely different.</p> <p>Clear focus on going ahead without knowing everything; even with the best analytical tools we will not have all the answers for planning and interventions. Many new problems come up that need answers once you start to implement the discussed ideas.</p>	<p>As long as I don't have the desire to be an actor in the VC I should leave the JDI to those who have a direct stake in the chain.</p> <p>JDI in the hands of nascent entrepreneurs can, and often does, lead to failure.</p> <p>JDI makes a lot of sense when generating and developing a (new) business venture together with committed and informed entrepreneurs. However, value chain development does not always imply a new business venture but could for example also be done through contract farming or franchising; in such cases a systematic approach is vital.</p> <p>Many of these market assessments are difficult to make, especially for small producers, but not trying could imply that small producers are exposed to enormous risks (of which they are not aware).</p> <p>Rural producers and micro entrepreneurs are not at all used to take business decisions and are not wealthy enough to take the risk of failure.</p>

The decision of investing in systematic analyses and planning process or into learning by doing approaches is often biased by organisational practices, experiences and the specific context. It depends on the players involved (skills, qualifications, experiences, trust), on the product (small value-added or highly sophisticated), and on the intensity of the integration of the value chain and the size of the final market (local, regional, national, global value chain). JDI is a very tempting approach, which use and validity it really has, must be discussed in the next VCRD cycles.

Chapter 3. Different interventions for different actors

Different actors have diverse perspectives

Continuing the discussion from the first VCRD cycle about the different perspectives, motivations and possible intervention areas, we tried again to distinguish between 'private entrepreneurs', 'public funded projects' and 'social entrepreneurs', i.e. business incubation centres. The list of actors is not complete nor is the inventory of aims, motivations and roles; so far it represents the participants own role in VC development. It was noted that we should integrate a discussion about the role of national and local governments in further discussion cycle.

Actor	Actors' aim	Clients / Intervention points	Role of public sector
Private entrepreneurs	Profit	VC – actors Public agencies	Pay the private entrepreneur to take care of public interests
Public funded projects or programs	Development Goals	VC – actors, Local & National Governments, International Trade Organisations	Fund the project
Social entrepreneurs / (Business incubation centers; Farmers associations)	Profit & development goals	Local entrepreneurs Producers	Funds for R&D for poor areas; pilot efforts

As most of the participants are VC-outsiders and one of our main interests is finding out how donors or public funded interventions can best nurture VCs, we enlisted the possible roles of VC-outsiders.

The roles of VC-outsiders (donor organisations)

Moderator / Facilitator: The VC key actors have to identify intervention points, decide on an action plan and on what to do next. A neutral outsider is often necessary for organising stakeholder meetings and trust building activities. An external moderator seems inevitable in VCs where mistrust is common and for facilitating learning processes.

Trainer/Coach: To train/coach rural producers to be capable to take informed decisions.

Information: An outside understanding of the functioning of the whole chain can be an important contribution for VC actors; their specific point of view is being integrated into the whole chain.

Support / Empowerment: Strengthening of the whole chain and support the weakest link that would have the biggest impact (financial, technical and moral support).

Initiator: Initiator or instigator of change, value chains and markets.

Trust-broker: for public-private and private-private partnership.

The important role of facilitation

Should the facilitator have a stake in the success of the VC?

Some voices say he shouldn't...

A neutral outsider is often necessary for organising stakeholder meetings and trust building activities.

An external moderator seems inevitable in VCs where mistrust is common and for facilitating learning processes.

VC-outsiders are best suited for facilitation in order to ensure transparency and pro-poor advocacy. A private business would pursue its own agenda first.

It is very tricky to ensure that publicly paid people can efficiently work for the public interest while at the same time enhancing the private gain of entrepreneurs.

Other voices say he should....

The income the facilitator makes should be dependent on the success of the whole network.

The services of the facilitator are paid in a sustainable way; for example: Commissions (i.e. for funds, credits, products); profit sharing; or by the public for public interests.

Private facilitators paid by the public = fee-free brokers to enable an industry to make its own decisions.

One pre-requisites for funding is a notable spin-off. Be a social entrepreneur among other social entrepreneurs but engage on clear business terms.

There are many arguments for a facilitator being a VC-outsider from the perspective of development agencies. From the entrepreneurial point of view, based on the idea that the VC and its actors need facilitation and support for networking, trainings etc. during the entire lifecycle and not only during the initial phase to withstand competition, the arguing is clearly towards VC-inside facilitation. Both possibilities seem viable, and which form is most adequate in different contexts has to be discussed in further VCRD cycles.

Chapter 4. Obstacles to VC competitiveness

Why fail some VC to be competitive

Reasons for VC failures:

- **technological** (e.g. low productivity in production and processing, starting from choice of inappropriate varieties for processing, ignorance of appropriate technologies)
- **economical** (e.g. lack of entrepreneurial spirit, risk adversity, ignorance of cost calculation and price setting tools)
- **social** (e.g. power structures, actor constellations, interests and trust.)
- **political**, administrative, legal framework conditions
- **institutional** framework conditions (BDS, certification schemes, qualifications of consultants,)

Chapter 5. Trust, competitors and losers

A trustful relationship between the VC actors is a crucial factor for VC development. Any intervention might create local instability, mistrust and unequal competition. Publicly funded

organizations act often as though they are enterprises, thereby sabotaging the emergence of truly sustainable and viable enterprises.

Some actors may lose power, influence or simply drop out of an existing chain through a donor intervention. The most probable losers from increased information (access) are not the producers, nor the consumers, but someone among the traders. These actors might become critical for VC success.

Critical success factors	Success strategies
Building trust	Facilitation through neutral outsiders. Aiming at win-win situations. Involve VC actors in identifying interventions and implement them with the help of local and international consultants, donors, etc. The VC participants are in the 'implementation-seat'. The VC interventions stops when the actors are not ready to move themselves. Transparent processes. Interventions should not lead to distorting competitive structures.
Competitors	Strengthen negotiation power of rural producers by promoting farmers groups and facilitate joint marketing. Create a tender situation between the competing companies. Engage several companies, competition can be very healthy.
Losers	---- <i>No success strategy has been discussed so far</i> ----

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