

Agricultural value chains ad tools for local development and poverty reduction: which governance models and which public-private partnership?

“If the only tool you have is a hammer, to treat everything as if it were a nail”,

Abraham Harold Maslow, 1966.

“Anyone who believes in indefinite growth on a physically finite planet, is either mad or an economist”, Kenneth Ewart Boulding, 1973.

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Scope of the paper

These technical notes are meant to inform the preparation and the technical discussion at the seminar: *“Agricultural value chains and tools for local development and poverty reduction: which governance models and which public-private partnership?”* organised by Fondazione Un Raggio di Luce and Oxfam Italia.

The main contribution of the present paper is to set references to support the organising partners in introducing key questions for the seminar: *“Under which conditions and context agricultural value chains can represent effective tools of local development, with a specific targeting and focus on marginalised women and small-scale producers. Which chain governance arrangements are enabling and supportive of a sustainable and effective development? What the role of the private sector and of public policies can be?”*.

The notes are divided into 5 parts:

1. Small-scale farming
2. Market-led development
3. Shared value and inclusive business models
4. Governance
5. Emerging themes

These five parts are complemented by the present introduction, a glossary and references. Each technical note concludes with additional resources on the theme and some key questions.

Two areas considered relevant to be treated from the very beginning are the definitions of value chain and inclusive business model.

Value Chain:

(Porter, 1985) *the high-level interrelationship between a business' key operations or activities that are involved in delivering value to that business' customers*

(Downing et al., 2007) *“the full range of activities that are required to bring a product from its conception to its end use. These include design, production, marketing, distribution, and support to get the product to the final user. The activities that comprise a value chain may be contained within a single firm or may embrace many firms. They can be limited to a single country or stretch across national boundaries.”*

The principles for the development of inclusive business models¹ - to linking small-scale producers to formal markets from Vorely, Seville and Lundy. These have been adopted in most of the experiences developed globally since early 2009 from Oxfam, Credit Suisse, Rockefeller foundation, WFP and others. They are:

- Value chain-wide collaboration and innovation to address issues related to doing business with smallholders;
- Market linkages through specialised intermediaries;
- Fair and transparent governance through the supply chain (including clarity from the outset on terms of trade, quality standards and pricing structure);
- Equitable sharing of costs and risks (e.g. micro-insurance, supply chain risk management funds, and shared investments to improve the functioning of the chain); and
- Equitable access to services (including technical expertise, business training, agricultural inputs and appropriate financing).

Some of the key guiding questions that will hopefully emerge during the seminar and for which these notes represent only a starting point are:

- Who are the target groups that can benefit from value chain approaches?
- How to support inclusive business models and strengthen women and producers organizations collective action?
- Which market channels can benefit more smallholders and how relevant is the context in determining the most opportune mix of market channels?
- Is there the need of broader a deeper collaboration and specialized intermediaries to facilitate relationships among actors that have not been traditionally partners?
- Which are the roles of different actors (Civil Society Organizations, corporations, financial service providers and Public Sector) in supporting an inclusive market-based development?
- What are the specific areas of intervention of public sector's policies?

¹ B. Vorley (IIED), S. Ferris (CRS), D. Seville (SFL), and M. Lundy (CIAT) (2009) 'Linking Worlds: New Business Models for Sustainable Trading Relations between Smallholders and Formalized Markets', Sustainable Food Lab white paper: <http://www.sustainablefood.org/images/stories/pdf/nbm%20linking%20worlds%20.pdf>