



Food and Agriculture Organization
of the United Nations

Alliances for Action

guide for export promotion

Guide for public and private actors on how to facilitate successful alliances
for agrifood export and promotion



International
Trade
Centre

Alliances for Action

guide for export promotion

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Contents

Acknowledgements	viii
Acronyms and abbreviations	ix
CHAPTER 1 - Context	1
1.1. Introduction	2
1.2. What is the objective of the Guide?	3
1.3. What is an Alliance?	3
1.4. Target audience	5
1.5. How to apply Alliance for Action for trade promotion to the agrifood sector	5
1.6. The structure of the guide	7
KEY QUESTIONS. Before you start...	9
CHAPTER 2 - Step I. Understand	11
2.1. What is the purpose of understanding in trade promotion?	12
2.2. Fundamental principles to help the facilitator understand the value chains (VC)	14
2.3. Key sub-steps to complete the Understanding phase	14
2.3.1. Sub-step 1: select the value chain with the highest export potential	14
2.3.2. Sub-step 2: Assess the business environment	21
2.3.3. Sub-step 3: Identify and assess the strength of existing or potential alliances	24
2.3.4. Sub-step 4: Map out the business support services	27
2.3.5. Sub-step 5: Understanding the governance system of the value chain	29
2.3.6. Sub-step 6: Prioritize the constraints with the highest impact on export growth	30
QUIZ QUESTIONS. Review what you have learned	31
CHAPTER 3 - Step II. Convene	33
3.1. What is the purpose of convening in trade promotion?	34
3.2. Fundamental principles of completing the convening phase	34
3.3. Key sub-steps required to convene value chain actors and stakeholders	34
3.3.1. Sub-step 1: Identify and define potential types of trade promotion oriented alliances	34
3.3.2. Sub-step 2: Proceed to convene value chain actors and stakeholders	35
3.3.3. Sub-step 3: Design the alliance business plan	39
3.3.4. Sub-step 4: Design the alliance trade promotion services checklist	42
3.3.5. Sub-step 5: Ensure stakeholders commitment to co-invest in the Alliance	44
QUIZ QUESTIONS. Review what you have learned	44

CHAPTER 4 - Step III. Transform	45
4.1. What is the purpose of transforming in trade promotion?	46
4.2. Fundamental principles to achieve transform for trade promotion.	46
4.3. Key sub-steps required to transform the trade performance of the value chain	46
4.3.1. Sub-step 1: Facilitate the design and implementation of capacity building courses	46
4.3.2. Sub-step 2: Facilitate capacity building for trade support institutions to deliver quality services	51
QUIZ QUESTIONS. Review what you have learned	54
CHAPTER 5 - Step IV. Invest	55
5.1. What is the purpose of investing in export promotion?	56
5.2. Fundamental principles to achieve investment for export promotion.	56
5.3. Key sub-steps in the execution of the invest phase	56
5.3.1. Sub-step 1: Assess value chain financial needs and gaps	56
5.3.2. Sub-step 2: Identify and analyse the factors contributing to the finance gap	60
5.3.3. Sub-step 3: Commission investment appraisals and Cost-Benefit Analysis studies	63
5.3.4. Sub-step 4: Facilitate the development of Investment Prospectus (IP)	63
5.3.5. Sub-step 5: Facilitate the design of suitable financial products	65
5.3.6. Sub-step 6: Sensitize micro, small and medium enterprises (MSMEs), finance and support institutions to investment opportunities in the value chain	72
5.3.7. Sub-step 7: Build the capacity of MSMEs to access export finance	72
QUIZ QUESTIONS. Review what you have learned	74
CHAPTER 6 - Step V. Impact	75
6.1. What is the purpose of impact in trade promotion?	76
6.2. Fundamental principles to help you measure the impact of interventions	76
6.3. Key sub-steps required to develop a monitoring and evaluation system	77
6.3.1. Sub-step 1: Develop a results chain	77
6.3.2 Sub-step 2: Define the indicators	78
6.3.3 Sub-step 3: Establish a baseline	79
6.3.4 Sub-step 4: Project results	79
6.3.5 Sub-step 5: Measure changes	81
6.3.6 Sub-step 6: Use, analyse and report	81
QUIZ QUESTIONS. Review what you have learned	84
CHAPTER 7 - Concluding remarks	85
7.1 Policy recommendations	86
7.2 Conclusion	87
CHAPTER 8 - References	89
CHAPTER 9 - Glossary of terms	93

Boxes

Box 1. Trade and food standards	17
Box 2. Geographical Indications (GIs)	20
Box 3. Agency support for market entry	50
Box 4. Different types of finance	58
Box 5. Jamaica coconut study on access to finance	62
Box 6. Example of credit reporting in Thailand	66
Box 7. Collateral registries: a smart way to expand access to finance	67
Box 8. The successful implementation of factoring in Mexico	68
Box 9. Rural Invest	71

Figures

Figure 1. Coconut VC	13
Figure 2. Ranking of Y in the ease of Doing Business Index	23
Figure 3. Bargaining power of MSMEs within international VCs	26
Figure 4. Horticulture issues and prioritization map	38
Figure 5. Sankofa Project – ITC Alliances for Action in Ghana	43
Figure 6. Computing the financial gap	59
Figure 7. Monitoring and evaluation formulation process	77
Figure 8. Alliances for Action Results Chain	78

Tables

Table 1. Trade Map and Export Potential Map	15
Table 2. An example of products of higher export potential from Cameroon	16
Table 3. Market Access Map	17
Table 4. A case of EU Market Requirement for Horticulture Products from African, Caribbean and Pacific (ACP) Countries	18
Table 5. SPS and TBT Information Systems	19
Table 6. Business Environment Analysis Tools	22
Table 7. Alliances analysis tools	24
Table 8. Business support services	28
Table 9. An example of the results of CUBED Analysis	29
Table 10. Possible sub-alliances models	35
Table 11. Proceeding with Convening	36
Table 12. Definition or roles in alliances: the Colombian Coffee Growers Federation (FNC)	40
Table 13. Proposed topics to enhance private sector capacity to export	47
Table 14. Agriculture VC Financial Needs	57
Table 15. Factors constraining farmers and MSMEs' access to finance	61
Table 16. Financial Gaps - Nigeria Investment Prospectus (maize, soybeans and cassava)	64
Table 17. SAFIN Blended Finance Models	70
Table 18. Steps to accessing finance	73
Table 19. Example of indicators for results-based M&E	79
Table 20. The Project impact matrix for the cocoa sector in Ghana	80
Table 21. M&E Traceability and Ethics Tools	82

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The opinions expressed in this study are those of the authors and do not necessarily reflect the views of the ITC or FAO. The Alliances for Action methodology has been developed by ITC, who owns the intellectual property of the approach. In this guide, ITC and FAO have jointly adapted the approach to the specific context of export promotion.

Acronyms and abbreviations

A4A	Alliances for Action
CUBED	Commitment, Connectedness, Capability, Resources, Recognition and Reliability (the “C3R3” perspective)
FAO	Food and Agriculture Organization of the United Nations
FNC	Colombian Coffee Growers Federation
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
ITC	International Trade Centre
M&E	monitoring and evaluation
MSMEs	micro, small and medium enterprises
SDGs	Sustainable Development Goals
SMEs	small and medium enterprises
SMECS	SME Competitiveness Survey
SPS	Sanitary and Phytosanitary Measures
SWOT	strengths, weaknesses, opportunities and threats
TBT	technical barriers to trade
TISIs	Trade and Investment Support Institutions
VCAA	Value Chain Analysis Approach
VC	value chain

CHAPTER 1

Context

1.1. Introduction

Exports constitute an essential part of most economies. The advantages of promoting and increasing exports include higher revenues and profits from access to new markets, which in turn earn foreign exchange, foster innovation, and drive efficiencies from competition in international markets. Exports also reduce producers' reliance on the domestic market alone, thus lowering their risks. If orchestrated at a sector level, significant contributions to economic growth, job creation and long-term prosperity for market participants can be achieved. In agriculture, exports contribute to improving the livelihoods of agricultural producers and can help to reduce poverty and inequality in rural areas.

Enhancing the participation of micro, small and medium-sized enterprises (MSMEs) in trade is recognized as fundamental in helping to achieve all 17 Sustainable Development Goals (SDGs). Designing interventions that stimulate an inclusive impact to transform the livelihoods of many people across the globe is one of the main challenges. In this regard, export promotion, the set of policies and practices aimed at affecting, directly or indirectly, exports in a given country (Belloc & Di Maio, 2011), has assumed prominence in recent years as an essential tool for stimulating growth in developing countries. This is due to the significant positive correlation between export and economic growth. The rapid economic growth of many countries, including the Asian Tigers in modern times, was stimulated and sustained through trade promotion. In many developing countries, MSMEs in agricultural value chains (VCs) contribute significantly to gross domestic product (GDP), employment, and poverty alleviation. They are emerging as a vital vehicle that will contribute to the attainment of the SDGs. According to the World Bank (2022), formal MSMEs contribute more than 50 percent of total employment and up to 40 percent of GDP in emerging economies. These numbers would be significantly higher if informal MSMEs were taken into account. MSMEs have weak linkages with other VC actors and stakeholders, which hinder their participation in regional and international formal markets. Numerous business opportunities are present for MSMEs to seize in global markets. According to the Asian Development Bank (ADB, 2018), "Participation in VCs exposes MSMEs to a large customer/buyer base, as well as opportunities to learn from large firms and from engaging and surviving in the hotly contested sectors of the global marketplace".

Building and maintaining the necessary supply and quality capacities, finding and entering markets and then growing your presence to re-invest in operations that require astute entrepreneurs, well-resourced support services and conducive policies. In short, if a VC is to meet the requirements of a demanding market, it needs strong alliances among other VC actors to ensure the best opportunity to succeed as well as the required competitive and risk diversification strategies. While the promises of benefits of international trade are substantial, the risks and pitfalls should not be underestimated. Success stories show that exporters never succeed on their own. Along the journey, there are alliances and partnerships, formal and informal, that ensure real action and ultimately result in upgrading their part of the VC for improved and more resilient integration over time into a global VC.

The International Trade Centre (ITC) and the Food and Agriculture Organization of the United Nations (FAO) joined forces to develop the Alliances for Action (A4A) Guide for Export Promotion, referred to in this paper as the Guide. Its objective is to support and strengthen the export promotion capacity of countries, development partners and other VC players.

1.2. What is the objective of the Guide?

Alliances among producers, firms, government institutions, and support ecosystems provide the best basis to ensure the success of trade promotion efforts. This Guide presents a step-by-step approach to assist primarily development practitioners and national authorities to facilitate the development of trade promotion programmes. The objective of these programmes is to stimulate the export performance of agri-businesses, including for non-traditional crops, through value addition and product diversification. Furthermore, the Guide can be used by the private sector to build multi-stakeholder VC alliances to compete in international markets.

The Guide draws from the Alliances for Action (A4A) approach, which was developed by the ITC based on more than 15 years of experience working in inclusive agribusiness and VC development. The A4A has been proven to be effective in mobilizing VC actors and support ecosystem participants around a shared purpose: to transform VC performance on competitiveness, value addition, and export growth, among other targets.

The Guide addresses many of the VC competitiveness issues in a series of three thematic modules that help practitioners develop and implement programmes to address these issues. It walks practitioners and VC stakeholders through critical steps and processes. These steps are essential in the establishment of successful alliances, which lead to the upgrade of products, the establishment of new market outlets, and the promotion of sustainable production and consumption.

1.3. What is an Alliance?

Alliances for Action (A4A) is a multi-stakeholder initiative, developed by ITC, that brings together private and public actors with the aim to promote competitiveness and income-risk diversification for smallholder farmers and MSMEs. Above all, A4A improves commercial linkages and participation in trade by targeting VC operators and focusing on several product-market combinations. The various VC stakeholders, including lead firms and support institutions, work together and form market-led partnerships that enhance VC integration, technical support, policy alignment, and local institutional capacity building. The alliance results in an improved enabling environment and commercially-led connections between VC operators for enhanced competitiveness of both micro, small and medium-sized enterprises (MSMEs) and smallholders involved in the selected VCs.

The A4A focuses on bridging the knowledge, sustainability, and inclusiveness ‘gaps’ faced by VC operators at local, national and international level. The players employ collective action in problem-solving, market and product diversification, and inclusive participation in trade. The process results in adapted locally owned solutions and partnership systems for the VC operators from farmers to end buyers. An essential requirement of A4A success is investment and in-kind as well as monetary contributions by all participating stakeholders – or Alliance partners – for the funding of operational costs and support activities.

The A4A project delivery is structured around five components that drive the project design, implementation, and monitoring and evaluation:

1. **UNDERSTAND:** Action-oriented global, regional, and local VC and MSME competitiveness analysis. Component 1 primarily involves completing a market systems analysis and a business model assessment for the VC, cluster, and industry of interest. It entails the collection of detailed market and industry trend data, VC and MSMEs performance assessments, stakeholders' analysis, governance mapping and characterization.
2. **CONVENE:** Public-private alliances for action for the selected VC, cluster, or territorial ecosystem; Multi-level public-private partnerships are established as part of the implementation of Component 2. These Alliances are the leading VC based platforms to prioritize and put into action the findings and recommendations of the outputs from Component 1 and other available evidence. The private-public platforms draft VC business plans and additional existing sector support and partnership plans, including local, regional, and global VC dimension.
3. **TRANSFORM:** Delivery of technical capacity development package to 'unlock' inclusive growth and MSMEs and VC competitiveness in selected sectors. Component 3 focuses on delivering the professional capacity building support package, providing the required technical assistance to stimulate private investment, improve VC governance, promote network collaboration and innovative partnerships. It involves collaboration with both public and private sector support service providers for the delivery of targeted capacity development training packages by both public and private sector Alliance members. It focuses on the delivery and reinforcement of existing technical services in response to the needs and collaboration arrangements outlined in the alliance business model and each of the specific alliance support plans. Its success relies on the strength of the network of institutions providing support and on the investments committed by the private sector. Capacity development is designed to achieve scale and impact beyond the organizational support through the principle of peer to peer and lead farmer-enterprise cluster-based learning systems.
4. **INVEST:** Improving access to financial services and impact investment in VCs. Component 4 aims at determining the feasibility and efficiency of the existing supply of financial instruments based on MSME types, production systems and target markets. Most importantly, the focus is to identify and consolidate partnerships with finance and impact investment institutions to provide necessary funding for the implementation of the VC and alliance business plans. The overall objective is to facilitate access to relevant types of finance that help enterprises to overcome those constraints that limit their individual competitiveness and that of the VC as a whole. It is crucial for finance to be affordable, inclusive, accessible and available. Partnerships among investors, government agencies, financial institutions, regional development partners and buyers that work towards a common interest of availing suitable finance, should be strengthened or created.
5. **IMPACT:** Participatory VC-based monitoring, evaluation and communication system. A4A will not function correctly without a participatory VC-based monitoring, assessment and communication system. The monitoring and evaluation system of Component 5 focuses on ensuring accountability, improved performance, and learning for the future. This participatory system tracks selected value-chain-based indicators as well as development-related objectives. By concentrating on models to resolve specific VC challenges and innovations, its goal is to prove and improve public-private partnerships for inclusive and sustainable growth. This, in turn, enhances performance and contributes to more effective future programming. Documenting and sharing lessons learnt for future public-private collaborations is part of this component. The communication strategy involves reaching and connecting with local, national and international audiences and stakeholders in several thematic areas.

Alliances for Action is a holistic approach that can be used to promote private public collaboration and to better implement trade development programmes including export promotion support.

ITC provides support to build trust and joint visions and contributes to the introduction and dissemination of new ideas, sustainable practices and ethical business models. Its core competency is facilitating the creation of linkages and partnerships globally, nationally and locally. FAO's expertise in food and agricultural trade and VC development can serve in the technical and practical realms of building alliances to enhance trade and market opportunities. ITC and FAO are positioned as a key partners in the alliance that can generate or identify, shares and adapts knowledge and best practices through different levels. Figure 1 shows the linkages between the local, national and global level Alliances for Action.

1.4. Target audience

The public and private actors that can use this Guide to design export promotion programmes and develop trade and investment of agrifood VCs include:

- relevant government bodies such as line Ministries and Departments of Trade or Agriculture;
- trade promotion organizations;
- private sector associations;
- international organizations;
- national and international non-governmental organizations (NGOs);
- training institutions; and
- MSMEs associations.

1.5. How to apply Alliances for Action for trade promotion to the agrifood sector

A development partner such as ITC, FAO or other entities could be in charge of facilitating the development of A4A in its early stages. However, the private sector or government institutions can also lead the process. The partnerships between the various actors of the VC should go beyond the initial facilitation by developing partners; hence, alliances should be self-sustaining over time. Early ownership of the process by stakeholders contributes to the sustainability of the alliance. Capacity development, networking and information sharing of the value created by the alliance reinforce sustainability.

When developing an Alliance, practitioners should consider the following key elements:

- **Participatory approach:** This is the method used to identify, analyse, design and prioritize issues and interventions. The successful application of the participatory approach requires the full participation of representatives of the major stakeholders, VC players, and disadvantaged segments of the society. The challenges of a participatory process should not be underestimated. Improved ownership, interdependencies, common interest, and sustainability of the activities increase the probability of realizing benefits. A neutral facilitator who understands both the public and private sector dynamics and interests should facilitate the process.
- **Public and private sector involvement:** The success of the A4A approach requires the participation and the buy-in of public and private sector stakeholders who have an interest in, and influence on,

the performance of the VC. The public sector Trade and Investment Support Institutions (TSIs) play an essential role in influencing the dynamics in the business environment, given their mandate to administer regulations that have a strong bearing on the development of VCs. For example, they manage the following: registration of exporters, product quality certification, traceability, safety, and the provision of market information. The A4A stimulates trade promotion when major stakeholders are committed. Stakeholders should make commitments to invest, share knowledge and expertise, produce quality goods, and reduce regulatory impediments in the VC.

- **Interests of the sector are paramount:** A balanced approach creates win/win scenarios for all VC players and stakeholders because the collective importance of the industry is supreme. The A4A process does not facilitate the creation of cartels and any other un-competitive behaviour. Rather, it focuses on the promotion of vertical and horizontal alliances that enhance competitiveness and sustainability across the VC based on synergies. Achieving such a balance is usually tricky and demands continuous consultation and fine-tuning of relationships amongst the alliances' membership. It is imperative to note that the matrix of the stakeholders' association is not static because of internal and external dynamics; hence, the consultation process and backstopping should be perpetual. There is no guarantee of the continuous involvement of development partners. In this regard, A4A creates a steering or ad hoc committee, which, in the long term, evolves into an apex council that will take over the facilitator's role. The council should be composed of representatives drawn from the various nodes of the VC, line ministries, support business and technical support institutions that have the mandate to assist the sector.
- **VC development contributions to national and global goals:** The trade promotion alliance must ensure the achievement of development, growth and inclusion outcomes that have strong strategic linkages to national, regional, continental and/or global initiatives. Results that contribute to national or global initiatives or agendas usually attract support from concerned national and global stakeholders and may be adopted or endorsed. For instance, VC alliances, which have the potential to increase employment, preserve natural resources and contribute to gender equality, usually receive high-level support. Therefore, the process should always consider how the VC alliance could contribute to the achievement of national development goals and related SDGs.
- **A sustainable agrifood systems approach:** The food systems approach takes a holistic view of the entire system, starting from inputs, to production, processing, storage, trade, transport, retailing and consumption, and including all actors within it, governance mechanisms and policies that shape their function. Agrifood systems are central to improving food security and nutrition, promoting sustainable agriculture, reducing rural poverty, promoting efficient management of natural resources, and improving the resilience and livelihoods of vulnerable populations affected by conflict, natural disasters and other shocks. The challenge can be enormous because of the trade-offs that may arise when pursuing food security goals and environmental and social welfare objectives. The A4A displays a high degree of alignment with the food systems approach, as elaborated in the box below.

In line with ITC's A4A approach, FAO regularly convenes agrifood systems stakeholders to facilitate the building of alliances and a shared vision for coherence and mutually beneficial actions across the food systems. Multi-stakeholder and other innovative forms of participatory governance structures can bolster policy ownership; mobilize capacities, information, technologies, and access to financial and production resources (FAO, 2019b).

Another useful approach developed by FAO is the concept of sustainable food value chains (SFVC) defined as "the full range of farms and firms and their successive coordinated value-adding activities that produce particular raw agricultural materials and transform them into particular food products that are sold to final consumers and disposed of after use, in a manner that is profitable throughout, has broad-based benefits for

society, and does not permanently deplete natural resources” (FAO, 2014, p. vii). The guiding principles of SFVC can be found in Appendix 1.

Agrifood systems

The range of activities required to produce, process, market, retail, consume, and dispose of agricultural goods. This includes not only food and nonfood products, forestry, livestock and fisheries, but also the goods needed and produced along each step of these processes. Food systems involve a wide range of stakeholders and institutions (FAO, 2021).

1.6. The structure of the guide

The structure of this Guide follows the five components of the A4A model described in paragraph 3 above.

UNDERSTAND Markets & Food Systems:

- ➔ Identify Market-Product Opportunities
- ➔ Assess MSME competitiveness
- ➔ Define and assess institutional support network
- ➔ Assess existing stakeholders’ networks (connectivity & innovation)
- ➔ Assess global industry trends and local socioeconomic situation
- ➔ Prepare for a multi-stakeholder process.

HOW Examples: gather or produce evidence on potential market and product opportunities; mobilize internal or external expertise to assess MSME competitiveness.

CONVENE Sustainable public-private VC alliances:

- ➔ Establish alliances between firms
- ➔ Select intervention areas
- ➔ Agree on VC operator roles
- ➔ Define alliance support plan
- ➔ Commit participants’ contribution & investments
- ➔ Develop business and investment plans for each alliance and product/market option.

HOW Examples: VC stakeholder’s workshops, working sessions, capacity development and coaching on business plan preparation.

TRANSFORM Building competitiveness to put Alliances into Action:

- ➔ Peer to peer learning and innovation
- ➔ Market linkages and technical support.

HOW Examples: Capacity building on branding, market requirements in terms of food safety and product quality.

INVEST Investing in the Alliances:

- ➔ Financial literacy & financial leverage
- ➔ Blend sources of finance & investment.

HOW Examples: training courses on innovative financial tools, risk management.

IMPACT Communicating & learning for decision-making:

- ➔ Evidence-based participatory monitoring & evaluation
- ➔ Select tracked VC indicators.

HOW Examples: establish a baseline database and conduct impact assessments to assess improvements in terms of increased exports, revenues, yields for farmers.

KEY QUESTIONS. Before you start...

01. Which information do you already have at your disposal that will help you UNDERSTAND the dynamics of the sector concerning policies, market issues, and VC imperatives?
02. Who might CONVENE the process of A4A, and why?
03. What are the main objectives of the step to TRANSFORM?
04. Give an example of an INVESTMENT that could contribute to trade promotion?
05. How is IMPACT assessed?

Now review your answers and draft a possible timeline of high-level activities that need to be done and with/by whom, to ensure the process of embarking on A4A achieves the desired outcomes.

 **A4A Confirmation:** it is essential that you plan the A4A intervention and milestones to ensure that the process runs according to plan and that related risks are addressed. Governance of the process is also critical. Lastly, it is essential to consider who will be the key champions of the process in order to ensure the necessary coherence between policy makers, key ministries, trade support institutions and the private sector.

CHAPTER 2 - Step I.

Understand

2.1. What is the purpose of understanding in trade promotion?

The purpose of **Understand** is to gather all sector-related information that is relevant to trade promotion efforts. The objective is to identify opportunities and constraints influencing the VC as a whole and MSMEs in particular. The facilitator must perform the following activities:

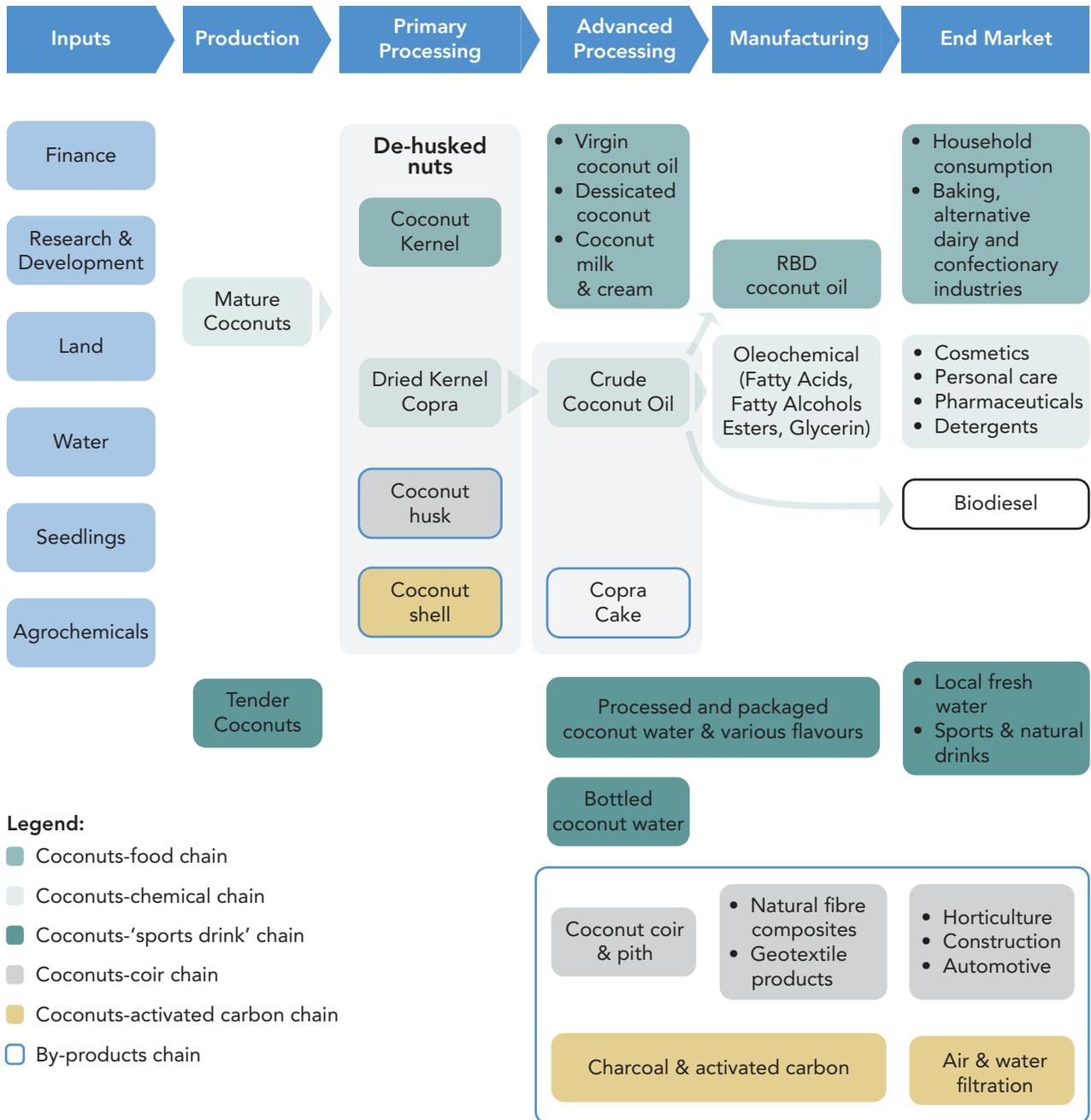
- Gather information on markets;
- Assess the competitiveness of enterprises to compete in those markets;
- Map the institutional support network;
- Analyse the network that connects the industry;
- Assess the global industry trends and the local socioeconomic context;
- Understand the key players at each step of the VC and identify the most appropriate partners for alliances at each step of the VC; and
- Lastly, prepare to convene stakeholders to pave the way for the following component of the A4A approach: CONVENE.

The VC Analysis Approach (VCAA) is the foundation of the A4A; facilitators should, therefore, use the VCAA as their principal methodology for building an UNDERSTANDING of the VC. Experience has shown that VCAA is a holistic methodology for VC analysis, which looks at several facets of the VC. Some of the dimensions it considers include the market system perspective, markets, governance, and importance of relationships, firm behaviour, transformative relationships, targeting leverage points and empowering the private sector. However, facilitators who are more familiar with other approaches, such as the systems approach, may also use them in this phase. The mapping of the VC should enable the facilitator to generate necessary data on the following:

- key-value addition processes and where value is being created;
- primary sector players (or actors);
- sufficient detail about volumes produced commercialized or processed;
- distribution channels;
- trends in GVC;
- identification of market and product export opportunities;
- assessment of the business environment;
- understanding of supply-side capacities and constraints;
- appraisal of business support services;
- evaluation of VC Governance;
- understanding of inter-firm relationships; and
- analysis of the VC upgrading opportunities potential.

At this stage, the facilitator will be able to map out the targeted VC to a level, as illustrated in Figure 1. The figure represents an example of the result of the VC mapping exercise carried out for the coconut sector in the Caribbean.

Figure 1. Coconut Value chain



Institutions:

- Country level:** Coconut Board/Authority/Associations; Coconut Research Institutes; Ministries of Agriculture; Ministry of Trade & Industry; and Bureau of Standards
- Regional/Global Level:** Asia Pacific Coconut Community; and Coconut Genetic Resources Network

Source: Abdulsamad, A. 2016. Connecting to the World Market through Regional Value chains: Partnership Opportunities in Coconut Value Chain for small Caribbean Economies. ITC. <https://gvcc.duke.edu/cggclisting/connecting-to-the-world-market-through-regional-value-chains-partnership-opportunities-in-coconut-value-chain-for-the-small-caribbean-economies/>

2.2. Fundamental principles to help the facilitator understand the value chains (VC)

- Identify VCs with the highest potential to contribute to trade promotion;
- Identify the root causes constraining export growth; and
- Prioritize interventions with the highest impact on export growth;

2.3. Key sub-steps to complete the Understanding phase

2.3.1. Sub-step 1: select the value chain with the highest export potential

The objective of trade promotion is to stimulate export growth. In this vein, development partners must target VCs that have export growth potential. To accomplish this, the facilitator should use different trade analysis tools to identify suitable VCs to support. However, national governments may direct them to work on already pre-selected VCs. If such a situation presents itself, the facilitator should validate whether the pre-selected VCs have the potential to meet the trade promotion objective by consulting with people who are knowledgeable with the VC and research. The facilitator can use tools that are user-friendly and accessible online. These tools are summarised in Table 1.



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Table 1. Trade Map and Export Potential Map

TOOL 1 - TRADE MAP

The Trade Map provides on-line access to the most significant trade database and presents indicators on export performance, international demand, alternative markets, and the role of competitors from both the product and country perspective. The tool operates in a web-based interactive environment and covers trade flows of over 220 countries and territories and 5,300 products defined at the 2, 4 or 6-digit level of the Harmonized System. Trade data is also available at the tariff line level for more than 150 countries and on a monthly or quarterly basis for more than 100 countries. Its main features are the following:

- ➔ analysis of present export markets to assess the size and concentration of exports;
- ➔ pre-selection of priority markets to illustrate the extent of import concentration and in which countries demand has increased over the past five years;
- ➔ overview of competitors in global and specific markets to identify the leading exporting countries of products. It highlights your position in world exports or the imports of partners and neighboring countries;
- ➔ review of opportunities for product diversification in a specific market;
- ➔ identification of existing and potential bilateral trade with any partner country: identify product-specific opportunities by comparing actual bilateral trade, the total import demand of partner countries, and the overall export supply capacity of the home country; and
- ➔ information on tariffs.

Information can be retrieved from the web tool (<https://www.trademap.org/Index.aspx>).

TOOL 2 - EXPORT POTENTIAL MAP

The ITC's Export Potential Map is a useful online tool to do some preliminary analysis on UNDERSTANDING the market. The tool uses an export potential and diversification methodology to assist trade advisers and policymakers in developing countries with identifying high potential products, suppliers, and markets for their trade promotion and export development activities. The methodology is based on an assessment of a country's possible exports of a product to a given target market, taking into consideration three factors: supply, demand, and ease of trade. Depending on the country's particular needs, there are two approaches:

- ➔ The Export Potential Indicator (EPI) aims to support established export sectors in increasing their exports to existing and new markets. Inspired by a gravity-type framework, the EPI identifies products in which the exporting country has already proven to be internationally competitive and which have good prospects of export success in a given target market.
- ➔ The Product Diversification Indicator (PDI) aims to diversify and develop new export sectors that face promising demand conditions in new or existing target markets. It identifies products which the exporting country does not yet export competitively but which seem feasible based on the country's current export basket and the export baskets of similar countries (extensive product margin).

The results allow policymakers to support their country’s upgrading and regional integration efforts by getting access to a unique ranking of VC opportunities that build on the capabilities and the resources available in the region. Results for 226 countries and 4 000+ products are disseminated through free web tool, the ITC Export Potential Map (<http://exportpotential.intracen.org>).

By applying the two tools across several agriculture commodities, the facilitator can rank the commodity according to its export potential. Findings from the application of these diagnostic tools should be submitted to Government Authorities to facilitate evidence-based decisions. Private companies, policymakers and trade advisers can also use these tools directly to identify competitive export opportunities for their agrifood products. The example shows the results of applying the Export Potential Map in the process of identifying products that have a higher potential to contribute to exports in Cameroon.

Table 2. An example of products of higher export potential from Cameroon

Cameroon’s total untapped export potential in 2019 was USD 1.5 billion. The products with the highest export potential in Cameroon are summarized below, showing actual, potential, and untapped export values.

Product Description	Exports		
	Actual	Potential	Untapped
Cocoa beans	588.0mn	1.1 bn	515.4mn
Wood, sawn/chipped lengthwise, sliced/peeled	366.8mn	434.8mn	195.9mn
Wood rough sawn	259.2mn	405.3mn	172.7mn
Bananas , fresh or dried	180.1mn	225.5mn	105.3mn
Cotton, not carded or combed	165.5mn	271.5mn	138.1mn

Source: ITC Market Export Potential Map. Accessed May 2019. <https://exportpotential.intracen.org/en/>

Table 3, shows the top five commodities with the highest export potential in Cameroon. Once the commodities with the highest export potential are identified, the facilitator should move to the next level to assess their market entry requirements. The facilitator has the opportunity to use many available databases and tools. ITC developed a user-friendly tool called the Market Access Map, which is available online; see the details about what it offers in Table 3.

Table 3. Market Access Map**TOOL 3 - MARKET ACCESS MAP**

ITC developed the Market Access Map to provide market access information to exporters, trade support institutions, trade policymakers, and academic institutions in developing countries. It provides information about customs tariffs (including tariff preferences) applied by more than 200 countries and faced by 239 countries and territories. It also covers tariff rate quotas, trade remedies, rules and certificates of origin, bound tariffs of WTO members, non-tariff measures, and trade flows to help users prioritize and analyse export markets as well as prepare for market access negotiations. Users can also find ad-valorem equivalents for all non- ad-valorem duties and perform aggregations of products and countries as well as simulate tariff reduction scenarios. (<https://marketanalysis.intracen.org/MacMap.aspx>)

The Market Access Map is free to users in developing countries and their representations abroad. This is made possible with the support from the European Commission, the United Kingdom of Great Britain and Northern Ireland's Department for International Development (DFID), the World Bank, the Ministry of Finance of the Russian Federation and other donors (<https://www.macmap.org/>)

Box 1. Trade and Food Standards

In order to trade internationally and have access to markets for high-value products, producers must be able to meet national food regulations. Complying with these requirements in export markets can be challenging, especially for smaller producers in developing and emerging economies. The use of international food standards established by the Codex Alimentarius Commission not only contributes to public health, but also helps reduce trade costs by making trade more transparent and efficient, allowing food to move more smoothly between markets.

Countries must have the capacity to implement international standards to enhance market access for exports. It is public and private sector expertise in effectively managing food safety along the food chain, together with the experience of the relevant authorities in effectively regulating food safety and quality, that enables a country to participate effectively in trade and influence international standards. Actors with responsibility for food control systems require knowledge and skills. Investments in this area will allow a country to more effectively protect public health, contribute to shaping international standards, and take advantage of trade opportunities.

To enhance food safety, countries must take a comprehensive approach, leveraging contributions from multiple sectors. Coordination among all relevant agencies within government as well as with stakeholders from the entire food supply chain is essential. Such effort at the national level is key to maximizing the benefits that can be obtained from Codex international food standards and the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) Agreements. Coordination at international level (e.g. between donors) is also an important prerequisite for improving the efficiency and impact of international assistance.

Source: FAO and World Trade Organization (WTO). 2017. Trade and Food Standards. FAO/WTO. https://www.wto.org/english/res_e/booksp_e/tradefoodfao17_e.pdf

The following example shows the results of applying the Market Access Map in the identification process of products requirements in the European Union market.

Table 4. A case of European Union Market Requirement for Horticulture Products from African, Caribbean and Pacific (ACP) Countries

EU market requirements for the listed products:		
<ul style="list-style-type: none"> • Limited use of pesticides: the European Union has set a maximum residue level for pesticides in and on food products; products containing more pesticides than allowed will be withdrawn from the European Union. Supermarkets have more demanding requirements. • Avoiding contaminants: for fresh fruit or vegetables the limit for lead contamination is 0.10 mg/kg and for cadmium 0.050mg/kg. • Plant health: fruit and vegetables exported to the European Union must comply with European legislation on plant health. • Marketing standards: European legislation sets general and specific marketing standards for the minimum quality and the minimum maturity of all fresh fruit and vegetables. For example, all buyers in the supply chain, such as traders, food processors, and retailers, require the implementation of a food safety management system based on hazard analysis and critical control points (HACCP). • Labelling and packaging: food placed on the European Union market must meet the legislation on food labelling. • Social and environmental compliance: for most fresh fruits and vegetables, social compliance is important, although product quality is the top priority. Examples include IDH Sustainable Trade Initiative; Business Social Compliance Initiative. 		
UK supermarkets	Products of Interest	Specific Requirements
Tesco	Mange tout peas	<ul style="list-style-type: none"> • GLOBALGAP, Fairtrade, Ethical Trading Initiative • Extra certification: Tesco Nurture, a private standard of British origin based on Good Agricultural Practices (BPA's) together with an environmentally responsible production. • Must be fulfilled by all the fruit and vegetable suppliers of Tesco's supermarkets
	Sugar snap peas	
	Cherry tomatoes	
	Avocados	
Sainsbury's	Runner beans	<ul style="list-style-type: none"> • GLOBALGAP, Fairtrade, Ethical Trading Initiative
Waitrose		<ul style="list-style-type: none"> • GLOBALGAP, Fairtrade, Ethical Trading Initiative
ASDA	Chili	<ul style="list-style-type: none"> • GLOBALGAP, Fairtrade, Ethical Trading Initiative
Marks & Spencer	Baby corn	<ul style="list-style-type: none"> • GLOBALGAP, Fairtrade, Ethical Trading Initiative

Source: ITC Market Export Potential Map. Accessed May 2019. <https://exportpotential.intracen.org/en/>

In addition to the above, the facilitator could also use the sanitary and phytosanitary measures (SPS) and TBT information system, which was developed by the World Trade Organisation (WTO) as a complementary tool to the ITC Market Access Map.

In addition to tariffs, there are SPS and a variety of technical standards on food quality, labelling and packaging, and other TBT, that exporting countries must comply with in order to gain market access in international trade. Exporters should comply with national rules for food safety, plant protection and animal health that are governed by the WTO Agreement on the Application of the SPS Agreement. There are also a number of private food standards that importers can apply. These standards are set by private firms and standard setting coalitions to facilitate supply chain management and meet consumer preferences. For example, the Global G.A.P. is a set of standards that may be required by some retailers in the importing countries.

In order to comply with sanitary and phytosanitary rules, the entire VC, including production, processing and transportation may be required to make adjustments, while national authorities are responsible for setting standards and providing the necessary certification to facilitate imports and exports. The scope SPS and TBT Information system is summarised in Table 5.

Table 5. SPS and TBT Information Systems

TOOL 4 - SPS AND TBT INFORMATION SYSTEM

Accessing relevant information on product import requirements can be an immense challenge for exporters, especially Small and medium-sized enterprises (SMEs). Every year, the WTO receives more than 3 500 SPS and TBT notifications. Four publicly available online tools help stakeholders find notifications relevant to their trade: the SPS Information Management System (IMS), (www.spsims.wto.org), the TBT IMS (www.tbtime.wto.org), ePing SPS/TBT Notification Alert System (www.epingalert.org) and TRAINS¹ database on non-tariff measures (NTMs) (<https://trains.unctad.org/>). The SPS and TBT IMS are search platforms that locate SPS and TBT notifications by parameters such as product, notifying member and objective. ePing is an online-alert system allowing users to receive daily or weekly email alerts about SPS and TBT notifications covering products and markets of interest to them. ePing also includes an Enquiry Point management tool that facilitates information-sharing and discussions at the domestic and international levels. Stakeholders can track, comment on and/or adapt to new regulatory conditions, avoiding trade disruption or addressing potential trade problems at an early stage.

Geographical Indications (GIs) are critical in promoting and building specialized brands based on origin. The GIs details are provided in Box 2.

¹ One of the advantages of TRAINS is that it provides the actual regulation in place, while the other tools only list the number and type of NTM.

Box 2. Geographical Indications (GIs)

A geographical indication (GI) is a sign identifying a product as originating in a certain territory and having particular qualities, characteristics or reputation essentially attributable to its geographic origin, including climate, soil, and local know-how. GIs are typically used for agricultural products, foodstuffs, wine and spirits, but more and more for handicrafts and industrial products. Parmigiano Reggiano, Colombian coffee and Darjeeling tea are well-known examples of GI products, since their unique features are linked to their place of origin. Geographical indications can be **powerful tools to protect and promote** agrifood products in domestic and international markets. While GIs can be drivers for the **sustainable development** of local communities, their socioeconomic benefits depend primarily on their capacity to join forces in their own GI process: effective governance to manage systems and market products and a strong private-public coordination thanks to a sound policy, legal and institutional framework (FAO 2010; FAO and EBRD 2018; Bramley *et al.*, 2009).

PROMOTION

Competitive advantage. The origin-labelled valorization strategy is a way to access profitable markets. GI is a product differentiator in the marketplace and its registration can increase the price of the final product. The “quality effect” positively biases consumers’ willingness to buy products at higher prices. For instance, the value added for Tête de Moine, GI cheese from Switzerland, is 4 percent on the domestic market and 57 percent on the export market. The premium is more than 120 percent in the case of Penja pepper (Cameroon) and 500 percent for producers of Taliouine saffron (Morocco) who received support from the government in the frame of Plan Maroc vert (the other saffron producers received a premium of 40 percent)) (FAO and EBRD, 2018).

Export opportunities. GI can diversify market destinations and increase the value exported. The Manchego Cheese is a Spanish cheese made from raw or pasteurized milk from sheep of the Manchego breed. Facing a strong domestic economic crisis in 2008, the cheese sector adopted a GI promotion strategy and expanded exports in new markets in the United States of America and Germany. The export market share for this product increased from 50 percent in 2001 to 55 percent in 2013, helping reduce the negative impacts of the economic crisis (FAO and EBRD, 2018).

PROTECTION

Stakeholders’ cooperation. The right to use the GI is conferred to all producers complying with the specifications, which represent the rules they shared and have defined together in order to register the GI. This approach boosts organized actions. The Group Representing the Penja Pepper (GRIGPP) GI is an inter-professional association that in 2013 obtained the GI status for the Penja pepper, growing in the Mounjo district in Cameroon. Among its activities, GRIGPP monitors against the misappropriation of the pepper’s name, often sold mixed with low quality imported pepper, and supports small-scale producers in their marketing and production activities (FAO and EBRD, 2018).

Collective monopolies. GI registration safeguards producers from unfair competition. The Darjeeling Tea, grown on the lower Himalayan mountain chain in India, has an excellent historical reputation. To fight against its name’s usurpation worldwide, Indian public players intervened through the National Tea Board in the GI process. In 2011 the tea acquired the status of protected geographical indication (PGI) granted by the European Union. Since then, the producers had great benefits in terms of increase in price, investments, exports, and socioeconomic gains (FAO and EBRD, 2018).

The market requirement findings contribute to the identification of suitable interventions that will enhance the capacity of the target group to produce commodities that meet export market requirements and preferences.

2.3.2. Sub-step 2: Assess the business environment

The prevailing business environment influences VCs performance; thus, the facilitator needs to assess its impact on the selected VCs. The business-enabling environment is a composite of both formal and informal norms and rules. A fair understanding, which entails the identification of norms or laws that have a bearing on the performance of the VC, is fundamental. There are several tools to assess the competitiveness of the business environment, for example, the World Bank's Doing Business, Global Competitiveness Index, and the Competitiveness impacts of business environment reform (CIBER). Data on the first two tools are readily available on the internet and can be handy in providing facilitators and stakeholders with information on the status of the overall business environment in a country and its likely impact on the performance of the VC. The facilitator should take time to study the relevant sections of these tools to develop a good understanding of the business environment. Key features of the World Bank's Doing Business portal and the Global Competitiveness Index aspects are presented in Table 6.



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Table 6. Business Environment Analysis Tools

TOOL 5 - WORLD BANK EASE OF DOING BUSINESS

The ease of doing business index is an index created by the World Bank group². In it, countries are ranked based on an average of 10 sub-indices:

- ➔ starting a business – procedures, time, cost, and minimum capital to open a new business;
- ➔ dealing with construction permits – procedures, time, and cost to build a warehouse;
- ➔ getting electricity – procedures, time, and cost required for a company to obtain a permanent electricity connection for a newly constructed warehouse;
- ➔ registering property – procedures, time, and cost to register commercial real estate;
- ➔ getting credit – strength of legal rights index, depth of credit information index;
- ➔ protecting investors – indices on the extent of disclosure, the extent of director liability, and ease of shareholder suits;
- ➔ paying taxes – number of taxes paid, hours per year spent preparing tax returns, and total tax payable as a share of gross profit;
- ➔ trading across borders – number of documents, cost, and time necessary to export and import;
- ➔ enforcing contracts – procedures, time, and cost to enforce a debt contract; and
- ➔ resolving insolvency – the time, cost, and recovery rate (percentage) under a bankruptcy proceeding.

TOOL 6 - GLOBAL COMPETITIVENESS INDEX

The Global Competitiveness Index³ integrates the macroeconomic and the micro/business aspects of competitiveness into a single index. Thus, it measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity. The following pillars are covered in the reports:

- ➔ institutions;
- ➔ appropriate infrastructure;
- ➔ stable macroeconomic framework;
- ➔ good health and primary education;
- ➔ higher education and training;
- ➔ efficient goods markets;
- ➔ efficient labour markets;

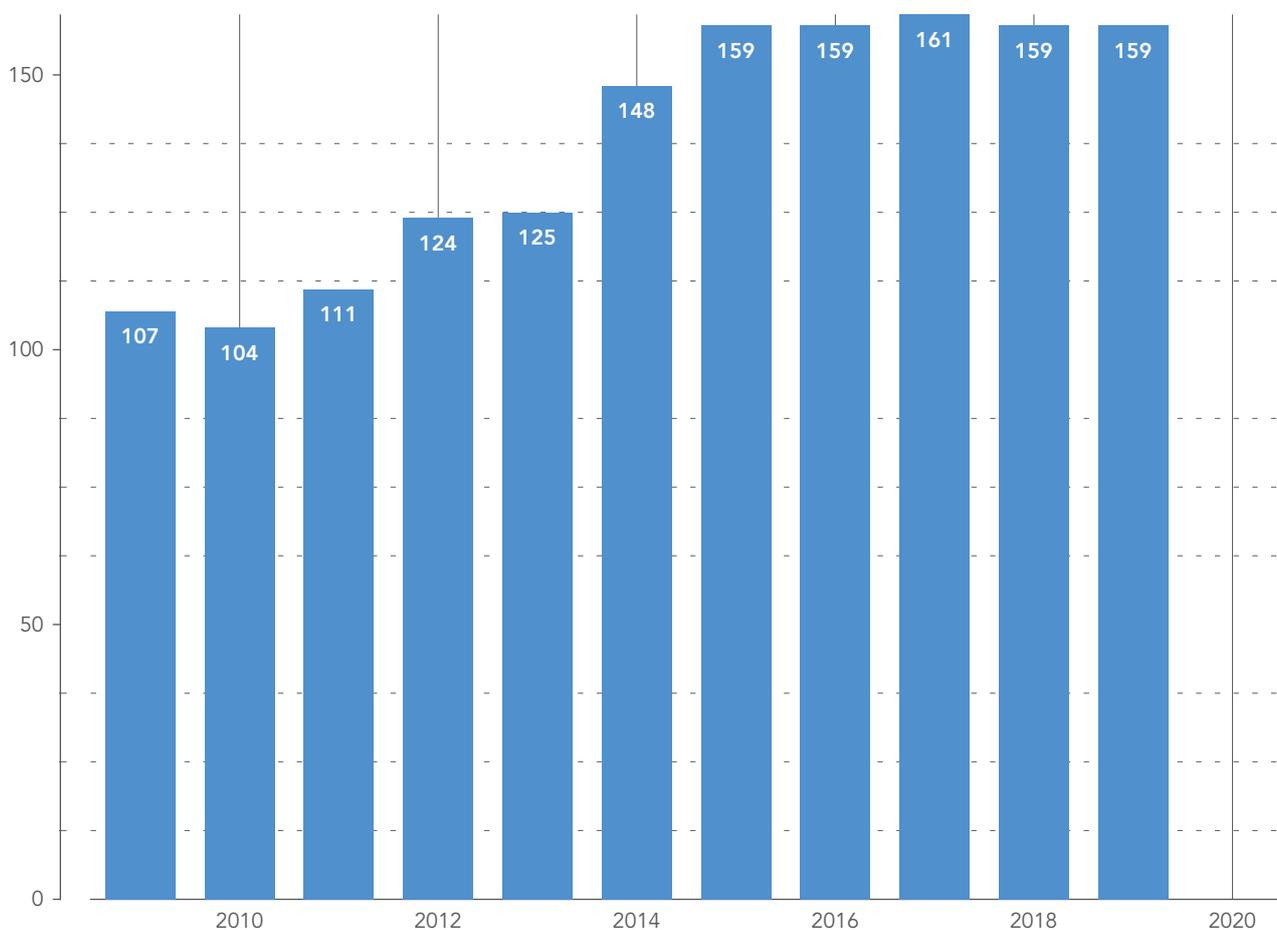
² World Bank, Doing Business: <https://www.doingbusiness.org>

³ Global Competitiveness Index: www.weforum.org/reports/global-competitiveness

- ➔ developed financial markets;
- ➔ ability to harness existing technology;
- ➔ market size: both domestic and international;
- ➔ production of new and different goods using the most sophisticated production processes; and
- ➔ innovation.

Figure 2 offers an overview of the business environment of country Y based on the World Bank’s Doing Business. Rank 159 and 1 represent the worst and the best respectively. Y is ranked 159 among 190 economies in terms of the ease of doing business, according to the latest World Bank annual ratings. The rank of Y remained unchanged at 159 in 2019 compared to 2018. The Ease of Doing Business index in Y averaged 135.6 during the last ten years, reaching an all-time high of 161 in 2017 and a record low of 104 in 2010.

Figure 2. Ranking of Y in the ease of Doing Business Index



Source: tradingeconomics.com and World Bank.

2.3.3. Sub-step 3: Identify and assess the strength of existing or potential alliances

After developing a fair understanding of the business environment, the facilitator should move on to dig deep to identify and analyse the existing associations or relationships of VC actors. In the A4A context, an alliance is a joint action between/among two or more VC actors, with the overall objective of enhancing business competitiveness.

The A4A hypothesizes that the development of alliances may lead to improved competitiveness among VCs. The synergies generated from such alliances should improve the competitiveness of the concerned parties beyond the sum level of the partners' competitiveness when operating independently. Many factors constrain vertical and horizontal alliances' capacity to contribute to export growth. The facilitator should identify some of these factors, restricting the growth of alliances by holding one-on-one consultations or focus group discussions with stakeholders. The facilitator should move on to carry out a rapid assessment, to map out the existing informal alliances and the challenges they are facing. There are many tools that the facilitator can use, which include the SWOT (strengths, weaknesses, opportunities and threats) analysis or Porter Five Forces model. However, the facilitator should use some of the tailor-made approaches that were developed by ITC and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH). SWOT analysis consists of undertaking a study to identify an organization's internal strengths and weaknesses, as well as its external opportunities and threats. Porter's Five Forces is a model that identifies and analyses five competitive forces that shape every industry, and helps determine an industry's weaknesses and strengths. Table 7 summarizes tools developed by ITC, GIZ and the World Bank.

Table 7. Alliances analysis tools

TOOL 7 - SMECS ASSESSMENT

Small and medium-sized enterprises (SMEs) are an essential global contribution to exports and economic growth. Formal SMEs contribute up to 60 percent of total employment and up to 40 percent of GDP in emerging economies. These numbers are significantly higher when informal SMEs are included⁴. To facilitate their growth and enhance their contribution to GVC, a diagnostic assessment of their performance must first be undertaken. The SME Competitiveness Survey (SMECS) assesses the current conditions of SMEs by identifying their capabilities, as well as external factors that affect their competitiveness, including a firm's enabling environment. Based on three core pillars: the ability to compete, connect, and change; this exercise helps institutions understand what needs to be done to strengthen SME competitiveness. ITC usually administers this tool in partnership with the domestic trade and investment support institutions. Also, the capacity of these (trade and investment support institutions) TISIs to use the tool is enhanced through the provision of technical capacity-building assistance on data collection and analysis of the firm-level database. The assessment generates a report on the status of the SME's capacity to participate in GVC, showing areas of weaknesses and strengths. The results contribute to the design of tailor-made interventions to address the overall shortcomings of the SMEs, so they can reach a level that would enable it to participate in the GVC.

Source: <http://www.intracen.org/smeecs/>.

⁴ World Bank, small and medium enterprises (SMEs) Finance: <https://www.worldbank.org/en/topic/sme/finance>

TOOL 8 - STRATEGIC ALLIANCE POTENTIAL TEST

The test focuses on three dimensions that are critical in the operation of alliances, namely: alliance strength, implementation strength, and functional strength.

- ➔ Alliance strength evaluates the threshold or the different number of possibilities of joint actions among the SMEs on their own and also with the lead firm.
- ➔ Implementation strength evaluates the feasibility of the SMEs and the lead firm working on their own without external managerial support.
- ➔ Functional strength reviews assess whether the parties to an alliance can meet their obligations.

There is a robust interdependent relationship among the three variables, and as a result, it is difficult to develop strong alliances in the absence of one of the three. More details of undertaking an assessment using this tool are available at this link-

Cluster Management – A Practical Guide Part A: Overview | European Cluster Collaboration Platform

Source: Adapted from GIZ Cluster programs (2007).

TOOL 9 - ASSESSMENT OF POTENTIAL ALLIANCE MEMBERS

For alliances to be successful, all the parties should bring value. Hence the potential value each partner brings to the alliance should be evaluated. This tool assesses all the potential partners concerning their capacity to deliver on the following variables such as customer benefit orientation; ability to communicate; future viability; flexibility; stability; reliability; and cooperation orientation. Practical evidence has shown that the best potential partners should score affirmative to at least 20 of the questions provided in a standard questionnaire. Trailing the broad midfield group, the lowest ranking businesses answer more than 15 of the 24 questions negatively. More details about undertaking an assessment using this tool are available.

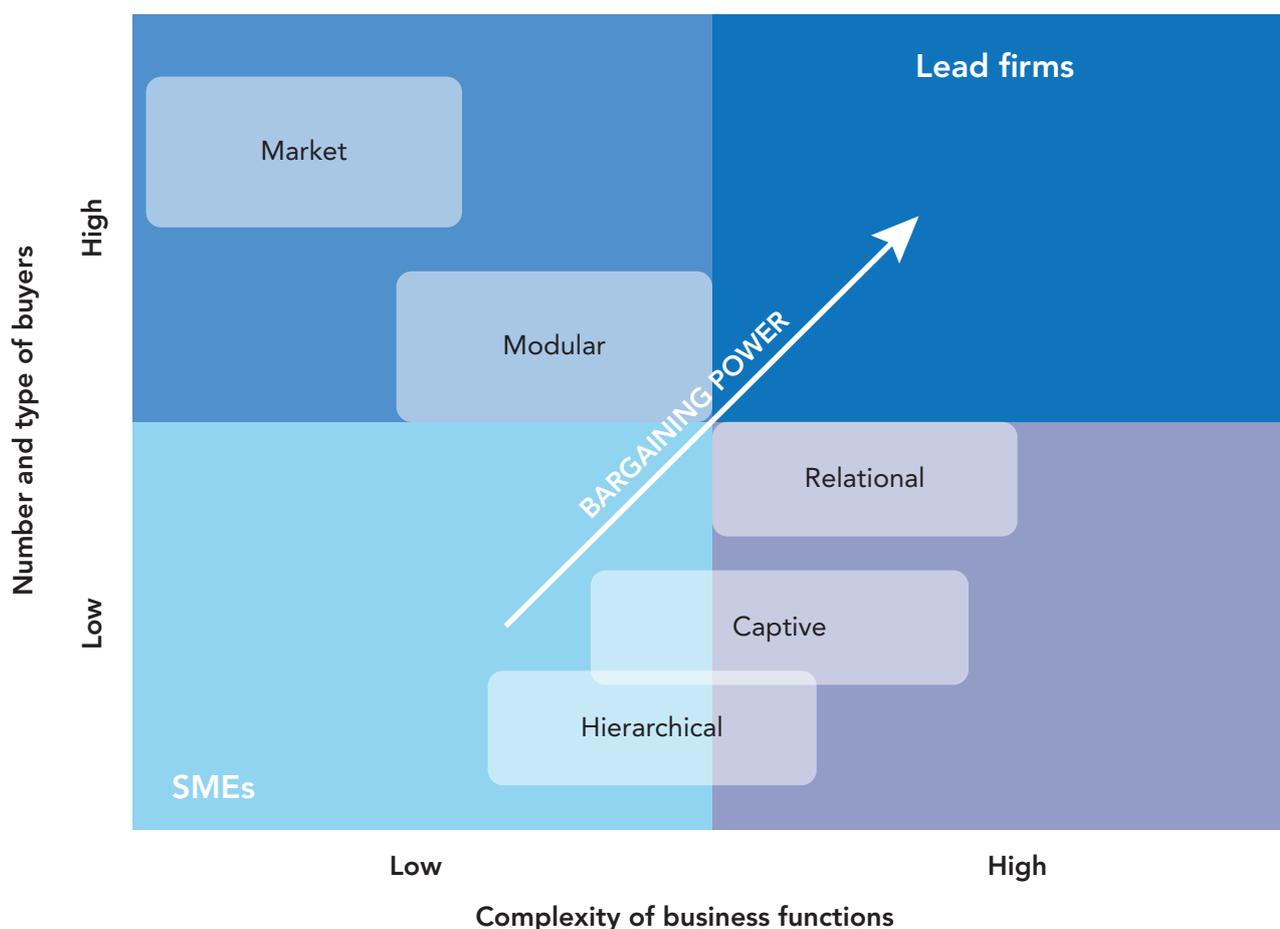
Source: Adapted from GIZ Cluster programs (2007).

The ultimate strength of an alliance is a function of the inherent powers of the partners that are part of it, and how they use this power to create related synergies. The results of the ITC SMECS survey provides a picture of the capacity of MSMEs to compete, connect, and change, which are all essential attributes that partners of successful alliances should have. The challenge faced by MSMEs is that they enter international markets at the lower end where only limited value addition takes place. These are usually at the lowest value-added point or link, and may not generate profits. As a result, MSMEs carrying out standardized business functions tend to have weak bargaining power within the chain. MSMEs can position and strengthen their position by considering:

- an upgrade path, such as a move into more complex, higher value-added business functions; and/or
- an increase in the customer base, for example by joining more VCs at the regional and global level or expanding direct sales.

The export cycle is uncompromising and requires competitive MSMEs if it is to be sustained over time. MSMEs are likely to have a stronger bargaining position when they offer complex business functions and have a large number of buyers and sales channels. Figure 3 illustrates this by showing that suppliers can increase bargaining power by moving up the VC and expanding the customer base.

Figure 3. Bargaining power of MSMEs within international VCs



Source: ITC. 2017. International Trade Centre (ITC) new alliances for VC competitiveness. ITC.

The A4A approach provides a basis for MSMEs to be involved as powerful partners, thereby increasing their bargaining power. An example of the application of the SMECs tool is summarised in Table 8. It is a summary of the findings of a study carried out in Kenya in 2019.

2.3.4. Sub-step 4: Map out the business support services

After the identification of potential or existing alliances and their strengths, the facilitator should move to evaluate the business support services in the country and the support offered to MSMEs. The performance of individual enterprises is a function of both internal and external factors. In developed countries, MSMEs have access to external business support services, which are, however, non-existent or relatively weak in developing countries. These business support services are vital in building the competitive strengths of MSMEs, and in broad terms include the following categories:

- financial services - e.g., lending, leasing, capital investing, factoring;
- cross-cutting services - e.g., business consulting, legal advice, telecommunications, advertising; and
- sector-specific services - e.g., irrigation equipment, veterinary services, handicraft design services.

The absence of, or inadequacies of such services constrain the dynamism and growth of enterprises. Given their importance for the implementation of the A4A, facilitators should make a detailed investigation of the status of the available business support services in a country. ITC has developed a tool called Commitment, Connectedness, Capability, Resources, Recognition and Reliability - the “C3R3” perspective (CUBED). It has been applied across the globe and has generated action-oriented results that have been used to contribute to the strengthening of institutions offering business support services. The broad aspects of CUBED are summarised in Table 8.



Table 8. Business support services

TOOL 10 - CUBED: INSTITUTIONAL DUE DILIGENCE ASSESSMENT FOR PROGRAMME DESIGN

CUBED has been designed to assess the capacity of TISIs to collaborate and implement required project activities. It can assist policymakers in evaluating the current capabilities of TISI needs and hence understand the status of enabling the environment. It combines two approaches: capacity assessment and risk assessment to assist policymakers and trade advisers in identifying:

- ➔ roles that each institution can play to maximize the impact;
- ➔ areas where institutional strengthening could add value to beneficiaries;
- ➔ risks for individual partners;
- ➔ aspects that may need additional monitoring and controls; and
- ➔ mapping risks to assist with planning and management.

The CUBED methodology uses three perspectives to assess an institution's project readiness and suitability to collaborate on the programme.

- ➔ The first perspective reviews six attributes evaluating the commitment, connectedness, capability, resources, recognition, and reliability (the "C3R3" perspective) of the institution to deliver on directly - or contribute to - specific activities and programme goals.
- ➔ The second (benchmarking perspective), predicated upon ITC's benchmarking methodology, provides an understanding of the overall operations and management of the institution in the areas of leadership, operational processes, service portfolio, and measurement.
- ➔ The final perspective ("risk") considers the financial, delivery, reputational, and sustainability risks for the partner and the project.

The results are analysed by country, sector, and individual institution. Each institutional profile describes the strengths and weaknesses of the institution to collaborate on the project and implement activities. It describes the risks involved and provides recommendations to strengthen the partner so it may more effectively play its role.

Source: ECOWAS: West Africa Business and Export Promotion Project (WABEP) | ITC (intracen.org).

Table 9 shows results of the application of the CUBED tool, which was done in 2019. Because of confidentiality issues, the names of the country and institutions, which were assessed, have been deleted. CUBED assessments contribute to: (1) selection of partners to work with and determination of the value they can bring into the alliance, and (2) capacity gaps of the institutions, which the alliance may need to support. The scores of the institutions are summarised in Table 9.

Table 9. An example of the results of CUBED Analysis

Institution	Committed	Connected	Capable	Resourced	Recognized	Reliable	Average	Comment
A	2.80	2.60	2.15	1.67	3.00	2.92	2.52	Good
B	3.30	2.90	3.15	3.22	3.00	2.92	3.08	Good
C	2.30	2.10	2.00	2.67	2.00	2.25	2.22	Fair
D	3.10	2.70	3.00	3.67	3.13	3.17	3.13	Excellent
E	3.30	3.10	3.23	2.44	3.13	3.58	3.13	Excellent
F	2.40	2.60	2.46	3.22	2.63	3.33	2.77	Good
G	3.00	3.10	2.69	3.67	3.13	3.33	3.15	Excellent
H	4.00	3.70	3.62	3.22	3.63	3.58	3.63	Excellent

KEY: Excellent: over 3.10 Good: 2.40 - 3.09 Fair: 1.50 – 2.39 Poor: below 1.49 and under

Note: The summary is based on an assessment, which was undertaken in a developing country. The name of the country and institutions were deleted.

2.3.5. Sub-step 5: Understanding the governance system of the value chain

After the assessment of the business support system, the facilitator should move on to map out and analyse the VC governance system. VC governance is the relationship that exists among the VC actors and regulatory institutions operating in the same VC. The nature of the relationship that exists between MSMEs, lead firms, and support institutions is critical in creating a sustainable business plan. The facilitator should develop an understanding of the prevailing governance system, and the factors constraining its development and the participation of MSMEs in global commercial oriented alliances.

Four governance regimes that are generally recognized are the buyer-driven, producer-driven, bilateral oligopolies, and transactional markets. Bilateral oligopolies have higher barriers to entry than other structures, with transactional markets having the least. The facilitator should collect data and analyse for him/her to develop a good understanding of the dominant structure of the VC. This understanding will contribute to the designing of tailor-made interventions that will help the MSMEs to participate in alliances and to contribute to export growth.

2.3.6. Sub-step 6: Prioritize the constraints with the highest impact on export growth

Lastly, in this subsection, the facilitator should come up with a maximum of five broad intervention areas under each of the following segments of the VC, which have the highest impact on trade promotion:

- internal VC competitiveness, weaknesses or constraints;
- business environment issues;
- factors constraining trade promotion alliances;
 - regulatory requirements
 - market access
 - market entry requirements
- gaps in the business support services; and
- VC Governance systems challenges.
- SMEs export market development capacity.

Armed with the information and potential intervention areas generated in this chapter, the facilitator should move to work out on the logistics of convening stakeholders.

QUIZ QUESTIONS. Review what you have learned

Take a few minutes to consider the components of UNDERSTAND to check if adequate coverage has been given to each of them.

Please also indicate, in case there are gaps, how you intend to address them:

01. Have you identified market-product opportunities?
02. Have you assessed SME and MSME competitiveness?
03. Have you assessed the potential for strategic alliances?
04. Have you identified potential models of partnerships?
05. Have you identified potential matching actors/partners?
06. Have you defined and assessed institutional support networks?
07. Have you assessed global industry trends and local socioeconomic situation?
08. Have you prepared for a multi-stakeholder process?

 **A4A Tip:** there will always be gaps. It would be unrealistic to assume that facilitators can cover everything that is needed. But it is essential that you evaluate having sufficient understanding to proceed as required and acknowledge where there are gaps that need to be filled, by whom, and when.

CHAPTER 3 - Step II.

Convене

3.1. What is the purpose of convening in trade promotion?

The **Convene** phase brings together VC players and stakeholders to identify, formulate, and prioritize intervention areas. The knowledge generated by the facilitator during the understand phase is blended with more inputs that are generated in the stakeholders' workshop. The selection of intervention areas, agreement on VC operator roles, and definition of alliance support plans are the critical sub-elements of the Convene component. Private sector engagements fall into four categories: business matchmaking, incentivizing investment, providing technical or business advisory services, and leveraging private sector finance (Abdulsamad and Manson, 2019).

3.2. Fundamental principles of completing the convening phase

To complete a successful convening phase, the facilitator should observe the following essential principles:

- equitable participation of all representatives of the various nodes of the VC and stakeholders;
- knowledge of the interest and strengths of the VC actors and stakeholders before the workshop;
- use of a participatory process, which ensures a bottom-up approach;
- ability to moderate the contribution of the VC actors and stakeholders to ensure equal participation;
- creation of productive and commercial alliances;
- strengthening supporting institutions such as trade promotion organization, marketing services, extension, research and development bodies; and
- boosting of public-private sector collaboration in facilitating access and compliance with the product, safety, and supply chain standards as required for international markets.

3.3. Key sub-steps required to convene value chain actors and stakeholders

Five sub-steps are adequate to assist a facilitator to complete the convening phase of the A4A. However, facilitators can modify the list of steps to suit their situation, especially resource constraints; for example, time and money.

3.3.1. Sub-step 1: Identify and define potential types of trade promotion oriented alliances

The facilitator should be able to answer the two key questions:

- what constitutes an alliance?; and
- what is the purpose of the alliance?

On one level, an alliance is simply an opportunity for firms to come together to engage around issues, themes, and opportunities of common interest. On the other hand, an alliance involves joint action between/ among two or more VC actors concerning different aspects of supply chain management with the overall objective of enhancing business competitiveness. The synergies generated through joint action should boost competitiveness beyond the sum of value created when the partners are operating outside an alliance.

Alliances may manifest themselves in different forms; however, they all fall under one multi-stakeholder association, which can potentially generate many sub-alliances. The sub-alliances, in turn, contribute to the leading multi-stakeholder association with the mission of enhancing trade promotion. One of the objectives of the multi-stakeholder association is to promote good governance by creating a channel of communication between different stakeholder groupings. Some of the potential sub-alliances that may originate from a food VC are summarized in Table 10.

Table 10. Possible sub-alliances models

Possible sub-alliances models	Description(s)
MSME(s)/MSME(s) alliance	MSMEs aggregate their output to meet minimum export order quantities. MSMEs may establish a trading company to facilitate this, or they export through semi-government marketing organizations or a private agent.
SME(s)/large enterprise alliance	A vertical partnership, this whereby MSMEs deliver to large firms, which are then involved in aggregating, grading, packaging, and exporting.

With a clear definition and purpose, the facilitator should proceed to convene VC actors and stakeholders. The clarity in the definition and purpose are essential to the facilitator, since they act as a framework to keep the deliberations among stakeholders focused on the defined goals.

3.3.2. Sub-step 2: Proceed to convene value chain actors and stakeholders

The facilitator should view the development of alliances as an iterative process that encompasses several steps. These steps may be linear or be repeated several times to improve relationships among VC players who may be harbouring opposing views or interests. The convening process is enhanced through the use and application of tools listed and described in this section. However, the facilitator can improvise and use other tools to improve the probability of attaining the objective of convening. Furthermore, the facilitator should realize that not all VC actors are suitable or willing to participate in the alliance from the beginning. The facilitator should proceed with those who are interested and facilitate the creation of commercial linkages. The value created by these initial alliances incentivizes those who were sitting on the fence to join the initiative. The following are tools the facilitator should use in the convening phase:

- a seminar for initiation and awareness-raising; and
- a seminar on prioritizing the interventions and awareness-raising.

To complete this sub-step, the facilitator should proceed to the next level of the convening phase which consists of understanding how the various stakeholders could contribute to the establishment of the alliance as well as its sustainability. This could be done by applying the tool elaborated in Table 11 below or other tools available in the literature and that can help the facilitator to achieve similar or better results.

Fundamentally, the alliance has an effective leadership and governance framework to manage the risks and the challenges that generally hinder public-private alliances. Below are some examples of the issues that the alliances can encounter:

- conflict of interest and individual agendas;
- lack of connection between regional, national and local markets;
- policies or their implementation not aligned with the alliance goals;
- private sector and most large enterprises capturing all benefits;
- rent-seeking behaviour;
- lack of action of the alliance; and
- lack of representation or voicing of the issues affecting the most vulnerable actors or marginalized communities.

One essential risk mitigation element lies in the selection of stakeholders entitled to become members of the Alliance. They should be relevant to specific issues that fall under the mandate of the council, and are truly representative of a specific group. The attentive selection of alliance members should help minimize the risk of rent-seeking. The choice of well-known and respected technical and academic members with relevant expertise further reduces risks as these members can lead discussions within the stakeholder council in an impartial way (Devlin and Moguillansky, 2009; Devlin, 2014).

Table 11. Proceeding with Convening

TOOL 11 - ALLIANCE POTENTIAL CHECKLIST

The facilitator must develop a fair understanding of how the potential VC actors and stakeholders can contribute to the alliance before holding a stakeholder CONVENING workshop. He or she must administer a short questionnaire to build the profile database of the major stakeholders. The tool generates information that helps to gauge the magnitude of the potential for cooperation. The gathered information is used to check whether there is scope or actual willingness to cooperate, as well as to determine if alliances already exist. The stakeholder analysis results should be presented and deliberated upon during the workshop. The tools analyse the following dimensions: Existing forms of business alliances either horizontal or vertical; the presence of an enabling environment and availability of business development support services (BDS) to support alliances.

Source: Adapted from GIZ Cluster programs (2007).

TOOL 12 - SEMINAR FOR INITIATION AND AWARENESS RAISING

The stakeholder's workshop should cover the following subjects:

- ➔ presentation on VC potential, based on the tool elaborated above;
- ➔ value addition opportunities which can be generated through the formation or strengthening of alliances (incentivizing);
- ➔ experience of existing alliances can be showcased, and their results demonstrated, as a measure to stimulate interest among non-participating enterprises;
- ➔ reports by lead firms and MSMEs on their experience with existing forms of alliances and how to improve them;
- ➔ analysis of existing and possible forms of alliances;
- ➔ participatory SWOT analysis;
- ➔ participatory assessment of support needs; and
- ➔ participatory evaluation of the benefits of establishing alliances.

The Participants: representatives from the various nodes of the VC, consulting firms, academic institutions, farmers or business associations, regional development agencies, and ministries.

Duration of the workshop: One or two days.

Source: Adapted from GIZ Cluster programs (2007).

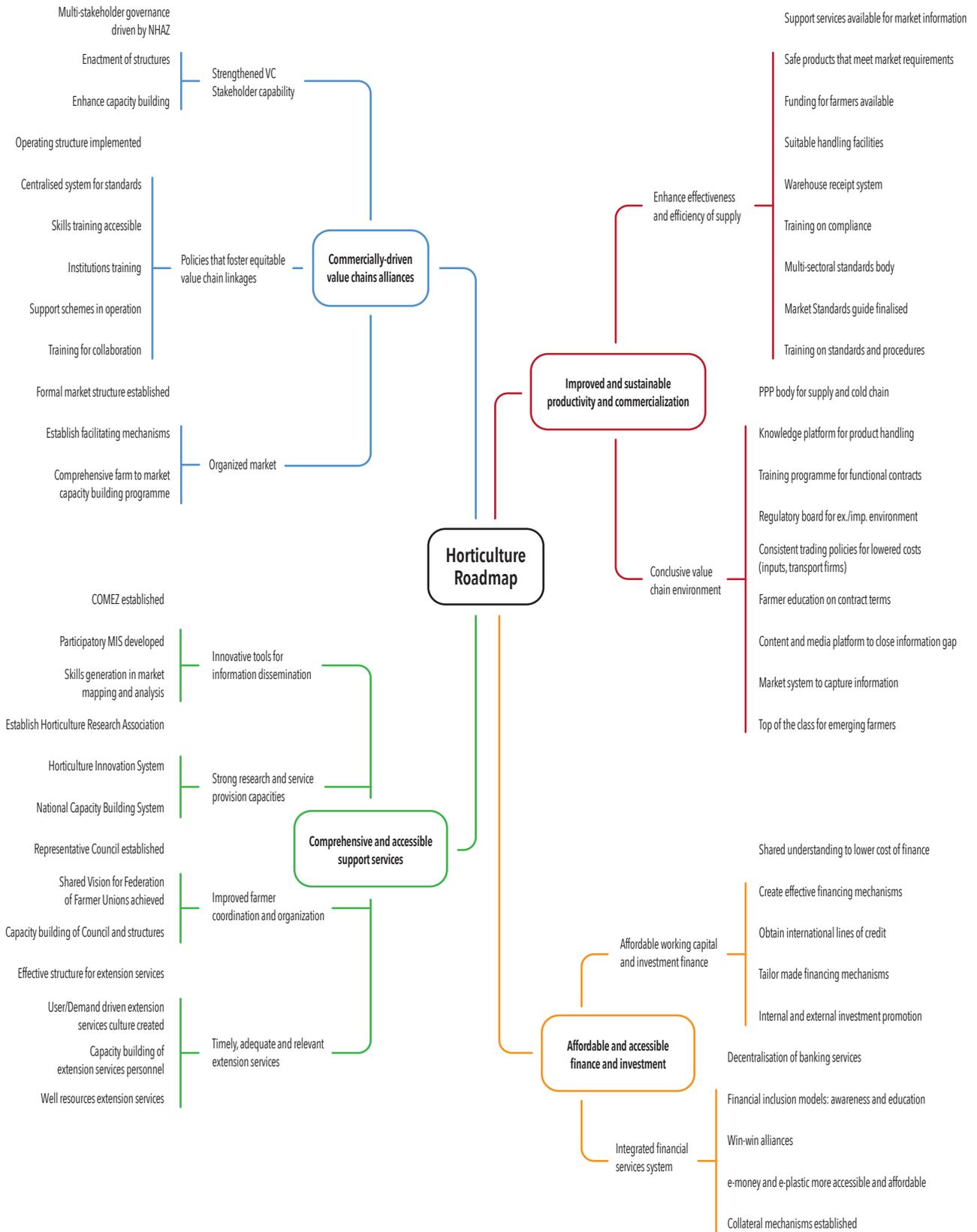
TOOL 13 - SEMINAR ON INTERVENTION, IDENTIFICATION & PRIORITIZATION

The seminar should draw from the SWOT analysis and all the results from the first CONVENING workshop, based on the TOOLS above. Through a brainstorming process, stakeholders record proposed interventions on cards as a way to ensure contributions from all, and to limit stakeholders who tend to dominate such discussions. After the identification process, the interventions are grouped according to the aspect of commonality. Lastly, the potential interventions are prioritized using a participatory voting system. Below is an example of brainstorming and prioritization using various methods, such as sticking cards.

The result of this prioritization exercise will consist of a roadmap summarizing the goals, objectives, and critical interventions agreed upon by stakeholders. Figure 4 below shows the roadmap for the horticultural sector lead by ITC in Zimbabwe.

Alliances for Action guide for export promotion

Figure 4. Horticulture issues and prioritization map



3.3.3. Sub-step 3: Design the alliance business plan

The alliance brings together VC actors whose general aim is to maximize returns to their investment. However, if such interests are not moderated, the alliance may collapse as MSMEs may be frustrated by the high dominance of lead firms. Thus the facilitator should play a delicate role in establishing a shared win/win vision, which can anchor the drafting of the alliance's business plan. A joint business plan can provide an outline of a business model that generates win-win outcomes for all the players. It acts as a reference point or Guideline for the implementation of the alliance activities. The outline of the business plan should cover the following aspects of the alliance, and any others that the facilitator in consultation with the stakeholders may deem necessary:

- executive summary;
- description of the alliance;
- goals of the alliance's planned investment projects;
- organization and alliance management;
- marketing, competition, and sales;
- products and services;
- financial analysis; and
- opportunities and threats.

A detailed action plan should complement the business plan and should include the following parameters:

- tasks: should be defined in an actionable format, and should have direct logical links with the vision of the alliance;
- priorities: given resource scarcity each task should carry a priority mark as agreed by stakeholders;
- responsibilities: the person or committee tasked to execute the task should be defined;
- focal point: person(s) or a subcommittee or stakeholders that are needed to support the task should be identified;
- resources/means: the required resources should be defined; and
- status: the status of implementation should be defined.

In addition to the above, the business plan should also take into account the question of inclusiveness by ensuring VC-wide collaboration, effective market linkages, fair and transparent governance, equitable access to services, inclusive innovation, and measurement of outcomes. The facilitator can also learn how other alliances in other parts of the world have been able to define the role and responsibilities of various stakeholders. Table 12 illustrates how the Colombian Coffee Growers Federation (FNC), defined the roles and responsibilities of its members.

Table 12. Definition or roles in alliances: the Colombian Coffee Growers Federation (FNC)

Background	The FNC was founded in 1927. Its headquarters are in Bogota, Colombia, and it has foreign offices in China, Japan, the Netherlands, and the United States of America.
Members & employees	The coffee grower members number over 540 000, and it has 2 655 employees.
Mission & vision	Its mission is to work for the well-being of Colombian coffee growers through an effective, democratic, and representative organization. The vision is "To consolidate the coffee growing families' social development while guaranteeing the sustainability of coffee growing business and the positioning of Colombian Coffee as the best in the world."
FNC governance & structure	There are 15 departmental committees (state or provincial), and 366 municipal (local) committees, comprising coffee grower's representatives elected every four years. Departmental representatives are regional delegates at the annual National Coffee Congress, FNC's highest authority.
Funding	FNC manages the National Coffee Fund, which is funded via contributions from coffee growers, coffee sales, and royalties from Juan Valdez®.
Main markets	Belgium, Canada, France, Germany, Japan, Spain, the United Kingdom of Great Britain and Northern Ireland, and the United States of America as well as 400 Juan Valdez® Coffee Shops in Colombia and other countries.

VC stages	GROWING	COLLECTING	PROCESSING & MERCIALIZATION	DISTRIBUTING	MARKETING & BRANDING
<p>Lines of action aligned to VC</p> <p>Coffee Tree Renovation Programs: Offers cash or in-kind incentives to maintain coffee trees at the optimal level of productivity.</p> <p>Innovation & Technology Transfer: Through Cenicafe', FNC's scientific research and technology development centre, the aim is to improve yields, develop pest and disease controls, and improve input and labour efficiency.</p> <p>There is also a technical service team of 1 500 members who provide rural extension services.</p> <p>Campaigns: For adequate management of crops, pests and diseases.</p>	<p>Purchase Guarantee and Marketing: Through a network of 34 coffee cooperatives and about 530 purchase points, FNC ensures fair and competitive prices, and consequently product and revenue leakages are minimized.</p>	<p>Through <i>Buencafe' Liofilizado de Colombia</i>, FNC has the world's largest freeze-dried coffee factory.</p>	<p>Through <i>Almacafe'</i>, quality controls are implemented for every coffee lot exported.</p>	<p>FNC owns 90 percent of the shares of <i>Procafecol</i>, (the balance owned by growers who opt to buy in) a private company, established in 2002 to be the custodian of the Juan Valdez® brand. The thrust was developing a marketing VC alliance aimed at improving international recognition and visibility of Colombian Coffee by creating a trademark based on a fictional character Juan Valdez®, to establish worldwide reputation of Colombia's coffee beans and increase coffee producer's profits. In addition, FNC achieved recognition for Café de Colombia as a Protected Geographical Indication (PGI). Thanks to the efforts by the FNC, <i>Café de Colombia</i> was the first non-European PGI recognized in 2007 by the 27 countries of the European Union. Additionally Colombian Coffee has supplementary protection instruments in the United States and Canada under the Certification Mark system, and in other countries it is recognized as a Denomination of Origin.</p>	

Source: Adapted from <https://www.federaciondecafeteros.org> (2018).

3.3.4. Sub-step 4: Design the alliance trade promotion services checklist

The evolution of alliances follows an iterative⁵ process as the facilitator in consultation with stakeholders should identify a set of services that the alliance framework should continuously offer to VC actors. The alliance services checklist provides a range of possible services that the Alliance may provide to its membership to achieve its mission and vision. The portfolio of services responds to the critical needs that should be addressed to foster the strengthening of the Alliance and to generate additional value to its members. The general Guideline of the services that can be provided is summarised below. However, the facilitator working with stakeholders should come up with his or her own list, tailor-made to address the root causes of VC challenges:

- marketing & PR to promote specific products;
- training & qualification on what? Standards, food safety, certification;
- applied R&D (for example product development);
- quality management and certification;
- joint procurement, sourcing (of seeds, seedlings ...);
- policy action & lobbying (if constraints such as regulations are impeding exports); and
- financing, access to capital (VC, SME credits). Finding sources of finance or assessing existing tools and how they could be tailor-made to facilitate exports.

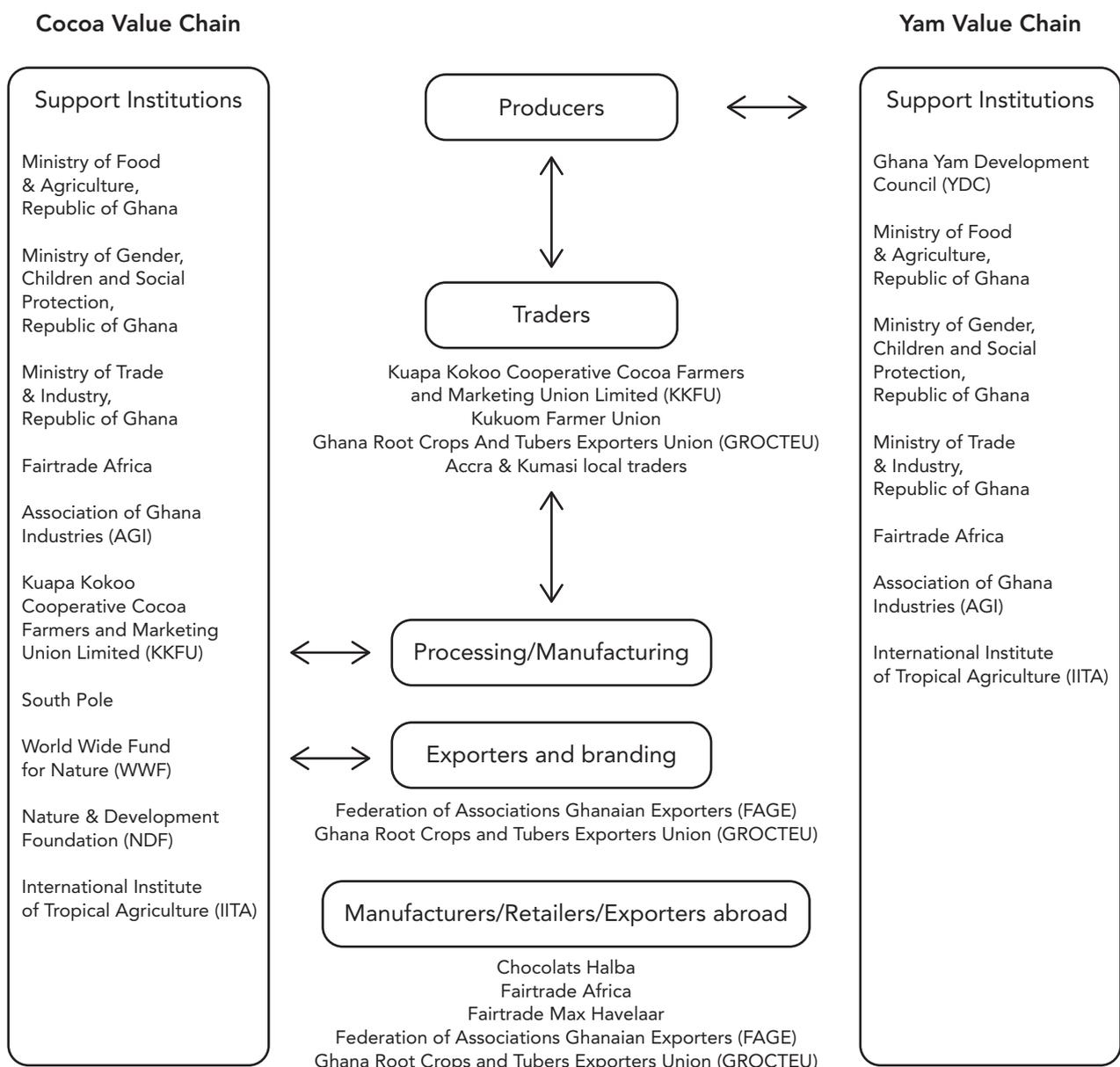


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⁵ A process for arriving at a decision or a desired result by repeating rounds of analysis or a cycle of operations. The objective is to bring the desired decision or result closer to discovery with each repetition (iteration).

Increased financial returns usually justify the formation of an alliance between two or more firms and can result from several opportunities that the alliance creates. The case study of Ghana Cocoa VC demonstrates the benefits of alliances. The diagram below describes the partnership generated around the cocoa and yam alliances in Ghana. The key beneficiaries are the farmers and members of the Kuapa Koko Farmers Union (KKFU). They receive technical assistance aimed at enhancing crop diversification in cocoa-based cropping systems with the support of the Yam Development Council (YDC), Fairtrade Africa, various Government of Ghana support institutions, inclusive trade and trade promotion agencies such as the Federation of Associations of Ghanaian Exporters (FAGE). The cocoa beans produced according to sustainable production criteria are processed locally or exported. As an example, an international buyer, Chocolats Halba of Switzerland, is funding the implementation of sustainable production systems based on Dynamic Agroforestry (DAF) as well as purchasing additional quantities of cocoa beans from KKFU. Figure 5 shows the various stakeholders and VC actors, part of the multi-stakeholder platform, that are working together in Ghana supporting the development of the Cocoa and other associated crops VCs.

Figure 5. Sankofa Project – ITC Alliances for Action in Ghana



3.3.5. Sub-step 5: Ensure stakeholders commitment to co-invest in the Alliance

Once the business plan is developed, the facilitator should proceed to work with all the stakeholders to determine who can contribute resources to the VC alliance. This commitment is fundamental, as many similar interventions have failed to take off after completion of strategies or business plans. Thus, the facilitator should invest his or her time to securing it. In most cases, this is viewed from a financial perspective, but it could also be the provision of time, expertise, business introductions, networking, and knowledge sharing. Ideally, if there is substantial buy-in by the participants to the Alliance, then those resources are more likely to be forthcoming. These 'selling points' or benefits aligned to the interest of all categories of stakeholders need to be identified and publicized. The contribution modalities must be formalized within the governance system of the alliance to avoid free riding.

QUIZ QUESTIONS. Review what you have learned

Take a few minutes to consider the components of CONVENE to double-check that adequate coverage has been given to each of them and if there are gaps, how you intend to fill them:

Have the following taken place?

01. Key alliances been established and address both horizontal and vertical dynamics of the VC?
02. Priority intervention areas been agreed upon?
03. VC operator roles been confirmed?
04. Alliance support plan endorsed by stakeholders?
05. Participant's contributions and investments committed?
06. The business and investment plan for each alliance and product/market option been agreed upon?

 **A4A Confirmation:** the critical milestone happens when the stakeholders endorse the alliance platform and its business plan.

CHAPTER 4 - Step III.

Transform

4.1. What is the purpose of transforming in trade promotion?

A blended approach drawing from desk research and participatory methodologies was used to understand the trade promotion aspects of the VC. The Convene phase laid the foundation for the public-private alliance and prioritization of issues, which led to the formulation of a business plan. The emphasis is now on the dynamics that the **Transform** phase can play in catalysing the trade promotion process. The facilitator should focus on the implementation of interventions identified and prioritized in the business plan, which can transform the operations of the VC into a formidable trade promotion alliance. The foreseen interventions, aiming at overcoming recurring supply and coordination weaknesses, consist of training on different topics, networking sessions, partner search and matching, business tours, and trade fair participation, among others. The nature and intensity of these interventions can vary depending on the situations prevailing in the target country or VC.

4.2. Fundamental principles to achieve transform for trade promotion.

Implement activities with a logical link to issues identified in the Understand phase and prioritized during the Convene phase, and take into account the following fundamentals:

- prioritization of strengthening existing informal alliances rather than creating new ones;
- focus on interventions, which can create visible value to the alliances;
- implementation of various interventions is a process, not a one-off event; hence similar sessions may have to be repeated several times; and
- pilot and replicate successful interventions.

4.3. Key sub-steps required to transform the trade performance of the value chain

4.3.1. Sub-step 1: Facilitate the design and implementation of capacity building courses

The findings generated under the Understand phase that led to the definition and prioritization of interventions under Convene have set a solid base to proceed to the implementation of tailor-made interventions under Transform.

The interventions should address the capacity gaps and constraints identified and aimed at seizing the export market opportunities, which were identified in the end market analysis during the Understand phase. In Table 13, possible interventions are elaborated. However, the facilitator has the freedom to add more interventions depending on the unique constraints identified in the VC. The implementation of these interventions should not be a one-off event. The facilitator should propose a program to assist in the implementation of these activities, and the M&E system should generate data, which is critical for informing the fine tuning of the activities. The M&E approach is elaborated in Chapter 6 of this Guide. Transformation entails behavioural change, which can only take place with continuous reinforcement and reiteration of training programs, such as networking sessions, among others.

Table 13. Proposed topics to enhance private sector capacity to export

Proposed interventions	
End market analysis	<p>Build on the capacity of market intelligence</p> <p>A course module covering the following aspects:</p> <ul style="list-style-type: none"> • international, regional and domestic market trends of specific products; • tariffs and preferential regimes in potential destination markets, • quality standards (e.g., GLOBAL GAP) and packaging • other market requirements such as SPS and other regulatory requirements; • identification of markets offering export opportunities and meeting consumer preferences; and • export procedures.
Market entry preparation (before and after the border requirements)	<p>Build on the capacity for market entry procedures:</p> <p>A course module covering the following aspects:</p> <ul style="list-style-type: none"> • regulations, taxes, charges and fees before the border • necessary steps of processing export orders (before or after the border), • specific requirements for specific target markets (for example the European Union and the United States of America under the African Growth and Opportunity Act (AGOA)); • costing and pricing in line with the prevailing market prices in the target markets, • communication, branding, packaging strategies tailored to targeted markets; • trade fair preparation • B2B meetings
Product certification	<p>A training program on product certification focusing on all the requirements that the enterprises must meet for their products to comply with market specifications and certifications that highlight environmental, social and quality principles.</p>
Business environment analysis	<p>Enhancing Business Intelligence</p> <p>A workshop on building the SMEs for which an understanding of the business environment is critical, as it can help SMEs to plan their production and marketing processes. Before the border regulations have a bearing on export capacity and performance, hence there is a need for the SMEs to be informed about the prevailing business environment in the domestic market. Where possible, analytical capacities of enterprises should be enhanced in order for them to gain the necessary knowledge and make strategic decisions on product positioning or pricing.</p>

Vertical, horizontal & alliances

Build capacities to create and develop:

- SMEs must be trained in the various models of vertical and horizontal collaboration. The capacity building can focus on the following:
 - an outline of the various modes of collaboration;
 - the merits and demerits of each mode;
 - contracting and contract management;
 - lead firm selection approaches; and
 - collaborating and networking with other VC players, for example, financial institutions.
- Facilitate the creation of alliances between MSMEs and international buyers
- Present specific and real product-market supply and demand opportunities to the VC players & stakeholders including:
 - tender and expression of interest to potential buyers to work in the VC alliance;
 - undertake due diligence of prospective buyers;
 - select suitable buyers; and
 - sign letters of collaboration with the buyers defining the scope of collaboration.
- Facilitate the building of suppliers' capacities (Coops, MSMEs & lead farmers) to meet market demand and quality compliance
 - tender and expression of interest to Coops, MSMEs & national lead farmers to work in the VC alliance;
 - undertake due diligence of prospecting Coops, MSMEs & national lead farmers;
 - undertake compliance assessment of Coops, MSMEs & national lead farmers;
 - selection of Coops, MSMEs & national lead farmers to collaborate within the alliance;
 - sign letters of collaboration with the Coops, MSMEs & national lead farmers defining the scope of collaboration;
 - identify and assess the suitable trade fairs which have the potential for generating business to the target MSMEs;
 - identify and assess MSMEs alliances which can participate in the selected fairs;
 - train the MSMEs alliances to prepare and participate in the fair effectively;
 - collect and review data on the impact of MSMEs participation during the fair; and
 - draw lessons to help to fine-tune the next cycle of participation.

	<p>Facilitate benchmarking and peer learning in the following way:</p> <ul style="list-style-type: none"> • identify and assess successful alliances nationally and internationally; • identify and assess MSMEs alliances which can participate in benchmarking tours; • train the MSMEs alliances to prepare for and participate in the benchmarking tours effectively; • collect and review data on the impact of MSMEs participation during the benchmarking tours; and • draw lessons to help to fine-tune the next cycle of participation. <p>The training should provide a practical perspective on contract administration techniques, trends, and procedures including:</p> <ul style="list-style-type: none"> • the fundamentals of contract law and model contracts; • links between contract administration and project management, in nature and purpose; and • types of contracts, as well as risk allocation strategies. <p>Source: ITC SME Trade Academy (intracen.org).</p>
<p>Establish linkages between firms and trade support institutions</p>	<p>Network Building</p> <p>Many SMEs operating in various developing countries are isolated, mainly because of a lack of information. A seminar should be organized whereby the SMEs have an opportunity to receive presentations from important TSIs about the services they offer. Also, networking sessions can be organized for the SMEs to discuss pertinent issues with TSIs of interest. This can contribute to enhance an interface between TSIs with SMEs, which usually does not exist in many developing countries.</p>
<p>Government policy and commodity alignment</p>	<p>A seminar should be organized where officials from the relevant ministries can present opportunities concerning the production and export of products designated by the Government. In many developing countries, designated or priority commodities usually receive technical or financial support from the Government. This seminar allows the SMEs to learn about packages on offers and also to create a relationship with government service providers.</p>

Box 3. Agency support for market entry

AGENCY SUPPORT FOR MARKET ENTRY

Government agencies play an important role in supporting exporters to gain entry into targeted export destinations. Agencies can support producers and export companies to better understand entry requirements, obtain the necessary export certifications, develop the capacity to comply with requirements in export markets, develop market linkages and develop in-market business relationships, and build confidence in the quality and safety of agrifood products with the importing countries' national authorities.

Initial market entry strategy. Depending on the consumer preferences in the targeted import market, the first step to initiate the export process would be to ensure that the product has all of the requisite certifications, such as fair trade, organic, and halal certifications. If the product does not meet entry requirements, then technical support should address the upgrading of product safety and quality.

Building linkages with the relevant authorities in the export market. In order to facilitate and prepare for market access, it is important to understand SPS entry requirements in the import market and establish contacts with the competent authorities for food safety, national plant protection organizations and veterinary services, depending on the type of product exported. It is important to build awareness of international standards and practices in the area of SPS in the exporting country's specific industry and VC that intend to engage in exports. The competent authorities in the exporting countries should be able to produce the necessary certificates requested by the importer. Exporters should review the various technical, SPS-related, food labelling and packaging, port inspection and test requirements for food products and the relevant information should be exchanged in advance with the importing country to identify any possible issues.

Source: FAO. 2018. GCC Market access guide for live animals, meat products and water from Georgia. Regional Initiative on Agrifood Trade and Regional Integration in Europe and Central Asia.



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TOOL 14 - MARKET ACCESS – A GUIDE TO PHYTOSANITARY ISSUES FOR NATIONAL PLANT PROTECTION ORGANIZATIONS.

The International Plant Protection Convention (IPPC) published a [practical Guide](#)⁶ that provides national plant protection organizations (NPPO) with a step-by-step process to gain market access for plant and plant-based products. It covers the rights and obligations of NPPOs as they apply to trade in plant and plant-based products, a practical Guide in achieving market access, and the importance of maintaining trade. This Guide can be a useful tool for the public sector to better understand the organizational, preparatory work, consultative process and rights and obligations to gain market access, while also preventing the introduction of pests into new areas.

Establishing contacts in the export market. The support of state bodies for agrifood exporters is key to building a strong market presence. A common practice for exporting countries is to conduct trade missions to demonstrate their commitment and credentials for high quality and safe production of agrifood products. The trade mission would include meetings with the relevant authorities and potential buyers, gathering data and information and attending any potential agrifood trade events. Official trade missions are a useful recourse for generating initial opportunities for exporting companies.

In some instances, sales will not follow unless significant effort is dedicated over time to building relationships and convincing distributors and retailers of the quality, supply capacity and long-term commitment to its market. Moreover, government agencies can build market linkages together with exports companies by developing contacts and business relationships through support from embassies and chambers of commerce. They could facilitate introductions to potential customers, business partners and the local chamber of commerce.

Supporting national marketing effort. National trade agencies play an important role in promoting agrifood products in export markets. Agency support includes: establishing a trade office in the embassy in the importing country to support market development, developing and maintaining up-to-date and high quality market information on target agrifood products, coordinating a trade stand at regional trade shows, and facilitating introductions and market contacts.

Inviting delegations to an exporting country. An additional type of support, and for some importing countries a required step, is to invite a delegation from the importing country to the exporting country to inspect and approve facilities, as well as build awareness of the country's food production capability.

4.3.2. Sub-step 2: Facilitate capacity building for trade support institutions to deliver quality services

The facilitator should deploy resources to support the undertaking of a detailed gap analysis of a whole range of TSISs. This analysis should be followed by a program of institutional capacity building, which may

⁶ International Plant Protection Convention. 2013. Market Access A Guide to phytosanitary issues for national plant protection organizations. <http://www.fao.org/3/ca6381en/CA6381EN.pdf>

include training of personnel, purchase, and commissioning of equipment. These interventions should target relevant organizations; however, the facilitator may expand the list depending on the needs of the alliances:

- national trade promotion organizations;
- quality support institutions, e.g., metrology, certification, and accreditation;
- regulatory bodies, which deal with the issuing of import and export certificates; and
- testing laboratories and research institutions.

Beyond building the capacity of these institutions, the facilitator should plan for the hosting of networking events, to create relationships between the institutions and MSMEs alliances. Below is one example of the types of activities that can assist countries in strengthening competitiveness in their agrifood sector.

CASE STUDY: The Dominican Republic's banana sector strategy

The banana industry is an important source of employment and income in the Dominican Republic (DR), accounting for 6.5 percent of the agricultural sector GDP. Banana is also one of the main agricultural exports: even though DR is a small player in the global market, its exports have grown from 11 000 tonnes in 1990 to 334 000 tonnes in 2010, generating an income of 3.3 percent of the country's total export revenues. The European Union market is the main export destination (95 percent of shipments). The banana sector is facing a series of challenges, as the Joint United Nations programme report on organic and fair trade banana markets highlighted (2013). The DR's market share is at risk of reduction due to the erosion of the DR's preferential market access to the European Union due to a reduction of European Union tariffs on bananas from other countries such as Colombia, Ecuador and Peru. To remain competitive in the market, producers should focus on supplying high quality certified organic bananas. Smallholder farmers are especially challenged, facing problems with the high production costs, weak branding strategy, low compliance with quality requirements, low management capacity, climatic and financial risks, and deficiencies in transport and storage. To increase the banana sector's competitiveness in the global market, the Joint United Nations report recommends to policymakers and stakeholders to adopt a comprehensive market strategy that includes measures to:

- improve product quality for exports by supporting producers in meeting the quality requirements. Measures include the control of black sigatoka, a leaf-spot disease of banana plants, the improvement of pest management practices, drainage, irrigation, fertilization, thinning practices, etc.;
- increase productivity and reduce production costs. Producer organizations (POs) can play a key role in assisting smallholders with the implementation of quality production and technology, to reduce costs of production, provide certification, and improve handling, packing and trading;
- sustain producer organizations to improve their ability to provide effective services to their members to enhance the competitiveness of smallholders' production and exports of bananas, by introducing good agricultural practices (GAP);
- increase the effectiveness and credibility of organic and fair-trade standards, strengthening producers' capacity to comply with certification standards, and extend Global Gap certification to all exporters;

- invest in a country-of-origin based product branding to increase consumers' awareness of DR bananas' specific characteristics and differentiate them from other competitors;
- diversify to non-European Union markets to reduce business risks, considering the inclusion of the United States of America and other markets; and
- establish long-lasting effective relationships between producers and producer organizations with exporters, importers, distributions and retailers to enhance trust, reduce transaction costs and perceived risks.

Governmental actors are moreover recommended to boost investments in product quality, agricultural extension services, and infrastructures; introduce incentives for the use of risk management tools to mitigate climatic risks; create a trust fund system for credit guarantees; improve public private sector partnerships; promote agronomic research, e.g. on black sigatoka.

Source: FAO. 2013. The Markets for organic and fair-trade bananas from the Dominican Republic: Recent developments and prospects. Recommendations towards the Development of a Sustainable Market Strategy. Report prepared for the Joint United Nations (UN) programme on "Strengthening the banana value chain through the growth of inclusive markets" (programme title: UNJP/DOM/013/SPA, 2010-2013).



QUIZ QUESTIONS. Review what you have learned

Take a few minutes to consider the components of TRANSFORM to double-check that adequate coverage has been given to each one of them and where there are gaps, how to fill them:

01. Please provide three examples of training to enhance the trade promotion capacities of MSMEs.

02. Please provide three examples of training that could enhance capacities of TISIs.

03. Is capacity building in priority areas bearing fruit?

 **A4A Confirmation:** it is essential to share signs of improvement and success with stakeholders. It promotes goodwill among alliance partners and provides motivation for areas that still need to be addressed.

CHAPTER 5 - Step IV.

Invest

5.1. What is the purpose of investing in export promotion?

Access to international markets is associated with high entry barriers. These include stringent market requirements, product quality and specifications, large orders, consistency of supply, timely delivery, and lengthy payment periods, which require sustained access to financing. Additional costs pertain to obtaining certifications, developing and implementing new communication and branding strategies. Limited access to funding is a significant obstacle to the growth of the agri-business sector in developing countries. All VC actors and other independent investors should work in alliances to develop investment packages, with the aim of addressing financial challenges.

This section provides facilitators with a step-by-step approach to developing interventions that would lead to improved MSMEs and farmers' access to finance.

5.2. Fundamental principles to achieve investment for export promotion.

Demand for finance in agriculture spans from short-term working capital and trade finance to long-term debt and equity investment. Farmers and agro-enterprises require tailored financial products to succeed. The process is quite tedious, and facilitators should follow a stepwise approach, Guided by the following steps:

- assess VC financial needs and gaps;
- identify and analyse the factors contributing to the finance gap;
- commission investment appraisals and cost-benefit analysis studies;
- facilitate the development of investment prospectus (IP);
- facilitate the design of suitable financial products;
- sensitize MSMEs, finance and investment support institutions on new investment opportunities; and
- build the capacity of MSMEs to access export finance.

5.3. Key sub-steps in the execution of the invest phase

5.3.1. Sub-step 1: Assess value chain financial needs and gaps

Enterprises, whether large or small, require either short or long term finance, or both. The investment is needed to support capital projects, innovation, to pre-finance new orders and entry into export markets, among others. On the other hand, the finance gap is the difference between the amount of finance needed by the VC and what is available from different sources. The sources are either internal or external; within the enterprise or from other VC players and the financial sector. Table 14 shows the financial needs of an agriculture VC.

Table 14. Agriculture VC Financial Needs

	Agricultural value chain				
	Inputs	Production	Transport, storage, handling	Processing	Marketing, distribution
Who needs funding?	<ul style="list-style-type: none"> • Input producers • Input importers • Agro dealers • Primary producers/farmers 	<ul style="list-style-type: none"> • Primary producers/farmers 	<ul style="list-style-type: none"> • Primary producers/farmers • Local buyers (e.g. grain operators) 	<ul style="list-style-type: none"> • Local buyers (e.g. processing companies) • International companies 	<ul style="list-style-type: none"> • Brands/retailers
What is the funding for?	<ul style="list-style-type: none"> • Input production • Export and import • Technical assistance • Transport, marketing 	<ul style="list-style-type: none"> • Access to land • Equipment, transport • Labor • Inputs • Technical assistance 	<ul style="list-style-type: none"> • Transport • Labor • Equipment • Inputs • Technical assistance 	<ul style="list-style-type: none"> • Transport • Labor • Equipment • Inputs (goods) • Export and import • Technical assistance 	<ul style="list-style-type: none"> • Inputs (goods) • Marketing • Labor • Equipment and transport
Main funding challenges include...	<ul style="list-style-type: none"> • Time critical • Technical expertise to optimize use • Currency • Repayment linked to primary production 	<ul style="list-style-type: none"> • Time critical • Technical expertise • Production risks • Market risks • Availability of monetizable collateral 	<ul style="list-style-type: none"> • Quality of local infrastructure • Time critical 	<ul style="list-style-type: none"> • Technical expertise • Quality of local inputs (reliability, quality) • Reliability of demand • Market risks 	<ul style="list-style-type: none"> • Market reliability • Local policies (e.g. import restrictions, price caps) • Reliability of supply and demand

Source: SAFIN. 2019. Annual Progress Report 2019. Smallholder and Agri-SME Finance and Investment Network. Rome, IFAD. https://www.ifad.org/documents/38714170/41978849/safin_ar2019.pdf/790e4d66-1b0a-6bcc-27de-f0ccc9a50d1e?t=1592912093000

The facilitator should perform two tasks at this level, namely identifying all the financial needs of the VC and quantifying them. Then he or she can proceed to estimate the financial gap. Broadly, financial needs fall into short and long term finance. Box 4 below summaries the mechanics of calculating the two. In practice, this is a big task which demands investment and VC experts to identify all the variables and come up with an estimated amount. The facilitator can appoint consultants to undertake this task, which provides all the details about the required finances and their quantum.

Box 4. Different types of finance

LONG TERM FINANCE – this is the summation of the total expenditure on fixed assets. For example, if farmers are planning to mechanize production by investing in tractors, harvesters, construction of new packing shades, among others, the total cost of the fixed assets is the required long term finance.

Short-term finance

- The complete operating cycle includes the number of days of production (work in progress time), the number of days the product is stored and the period during which the producer waits for payment (credit days period).
- Production cost includes the material, energy and labour expenses, as well as a minimum permanent stock of raw material inputs.
- Storage costs refer to losses.

Notes:

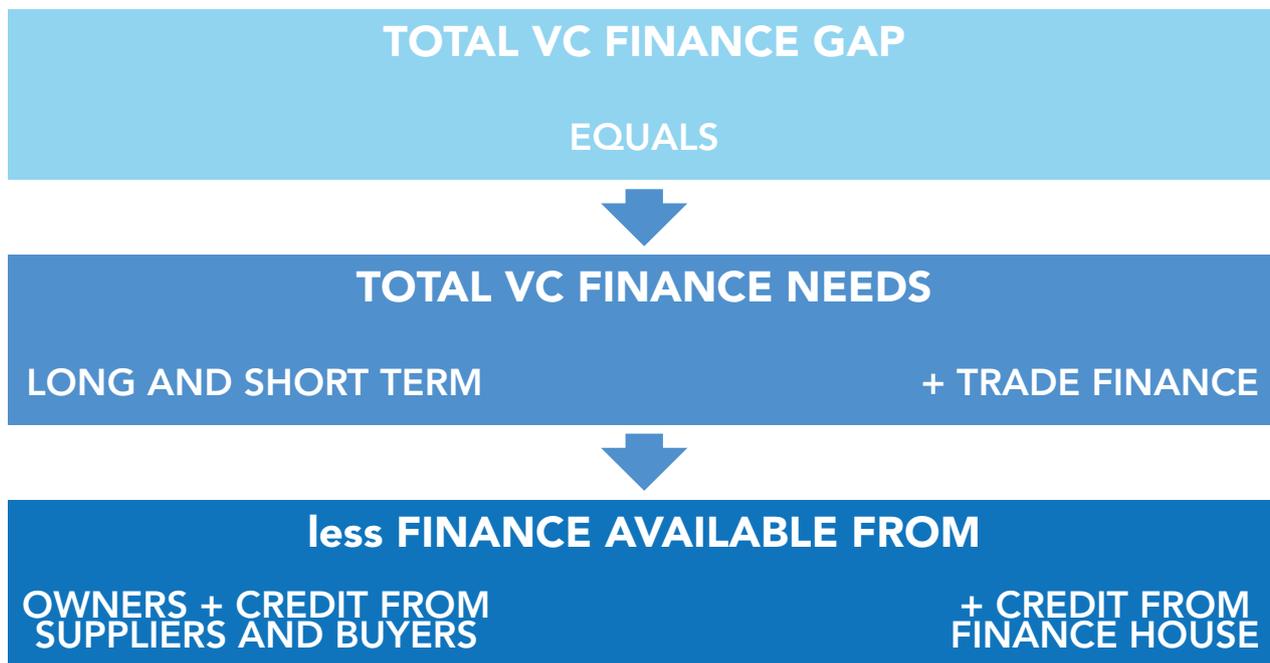
- Working capital = (production cost/day + storage cost/day) * total operating cycle in days
 - Production cost/day = Number of units * (production cost/unit)/production cycle in days
 - Storage cost/day = Number of Units * (storage/unit)/storage period in days)

Source: Springer-Heinze, A. 2018. ValueLinks 2.0. Manual on Sustainable VC Development, GIZ Eschborn, 2 volumes.

Information in Table 16 is used to compute the long, trade and other short term financial needs of an enterprise. This process should be repeated at every node of the VC; once the financial requirements per enterprise are known, the next step is to come up with the total financial needs of the whole VC. The aggregation of the VC financial needs is simple if the enterprises display the same structure and size. In the case of broader heterogeneity in structure and size, this may demand to compute the needs of every enterprise and could turn out to be a costly exercise. In the case of heterogeneity, the facilitator should resort to stratified random sampling.

Once the needs are known and the amount required covering both long and short (working and trade finance) term finance is estimated, the next stage is to calculate the financial gap. The gap is equal to total financial requirements less the sum of financial resources available from different sources. Figure 6 illustrates the VC finance gap.

Figure 6. Computing the financial gap



Source: Authors

The finance gap is usually wider for farmers and MSMEs than for large enterprises. The latter have access to different financing packages available from financial institutions because they meet the conditions set by banks for them to obtain such finance. However, the small scale agriculture food sector participant does not meet the requirements; and hence fails to get bank finance. The shortfall of funding in each category (long, short term and trade finance) has different implications to the structure, upgrade or performance of the VC or individual enterprises, for instance:

- **Long term finance gap** – a gap at this level entails that farmers, MSMEs and other enterprises in the VC would fail to invest in machinery, irrigation systems, sorting and grading shades, among others. The financial exclusion constrains the MSMEs from improving productivity, innovation and consequently keeps them trapped in subsistence agriculture.
- **Short-term finance gap** – this gap undermines the capacity of VC actors to procure adequate inputs: seeds, fertilizers, herbicides, among others. This scenario may negatively impact acreage, output, yields and quality, which would, in turn, result in them failing to meet export order quantities and also realizing low incomes.
- **Trade-finance gap** – its shortage restricts farmers, and MSMEs from exporting and importing their crops and inputs respectively. Agriculture VC in developing countries depends significantly on imported inputs, for example equipment, fertilizers, seeds and other accessories. A trade finance gap makes it difficult for MSMEs to enter into global VCs, both on the supply and demand side. The boxed text below illustrates the magnitude of the trade finance gap in Africa and Asia.
- Globally, over half of trade finance requests by SMEs are rejected, against just 7 percent for multinational companies. Global liquidity is concentrated within the most prominent institutions and their clients.

- SMEs in developing countries face even more significant challenges in accessing trade finance. The estimated value of unmet demand for trade finance in Africa is USD 120 billion (one-third of the continent's trade finance market) and USD 700 billion in developing Asia. Bridging these gaps in provision would unlock the trading potential of many thousands of individuals and small businesses around the world.

Source: WTO. 2016. Trade Finance and SMEs – Bridging the gaps in provision. Geneva, WTO. https://www.wto.org/english/res_e/booksp_e/tradefinsme_e.pdf

5.3.2. Sub-step 2: Identify and analyse the factors contributing to the finance gap

Once the finance gap is known, the facilitator should proceed to identify and analyse the factors which are contributing to it. The identification and analysis involve interviewing enterprises (farmers and MSMEs), financial institutions and other stakeholders. The paradox is MSMEs fail to obtain finance in the same country, where large enterprises can quickly get funding because of the factors elaborated in Table 15. For example, the perceived high risk of investing in SMEs in Nigeria leads most commercial lenders to require collateral worth at least double the value of the loan under consideration (e.g. asset or property), which most SMEs are unable to commit.⁷



⁷ <https://www.safinetwork.org/>

Table 15. Factors constraining farmers and MSMEs' access to finance

Factor(s)	Description
<p>High cost and risk of lending to MSMEs</p>	<p>In many countries, financial institutions are not interested in advancing finance to small scale farmers and MSMEs in general, because of several reasons. These factors undermine efforts by commercially oriented financial institutions to develop products that match the needs of small scale farmers or MSMEs. Some of the commonly cited reasons in literature or various engagements with stakeholders are as follows.</p> <ul style="list-style-type: none"> • Most of the small-scale farmers do not own non-movable assets. Non-movable properties are the most attractive assets to use as collateral. • In many countries, small scale farmers have no history of banking and borrowing; as such, it is difficult to profile their situation and cash flow performance. Beyond this, most of them do not keep records. • The operational sizes of the farmers and MSMEs are tiny, which makes it expensive to administer their loan applications, processing and following up, given the overheads of many financial institutions. • Agriculture VCs are prone to several risks, because of adverse weather conditions, pests and diseases. Also, the seasonal nature entails farmers may not be able to make monthly payments throughout the year. • There is a psychological barrier between financial institutions and small-scale operators; the latter have an irrational fear to engage with the modern commercial setting; instead, they opt for informal financial lenders.
<p>Weak VC governance</p>	<p>The relationship between MSMEs and farmers in many developing countries is fragile. A healthy governance system imposes MSMEs to adhere to an agreed code of conduct, on production, harvesting and post-harvesting management. This healthy relationship leads to the growing of high-quality crops. Working in cooperatives reduces the cost and risk of providing loans to farmers. The absence of a robust governance system increases the costs of contract enforcement, which is usually lower when cooperative/alliances platforms are the conduits of loans.</p>

Underdeveloped financial sector

In many developing countries, banks only have branches in major cities and towns, which are far away from rural areas, where most of the agriculture activities take place. This scenario imposes a geographical barrier to farmers who operate in remote areas. Locating banks in rural areas is expensive because of the low business volumes; however, with the emergence of mobile money, this gap is quickly being closed. On the side of farmers, transport cost to travel back and forth to the bank to apply for and make repayments on loans raises the cost of acquiring the loan directly and indirectly (opportunity cost associated with production time lost when they travel to town to do banking).

The integration of the mobile phone money transfer in loan repayment plans has increased the access to farm input credit facilities, a step that is reducing poverty among smallholders. The study dubbed 'How digitizing agriculture input payment in rural Kenya is tackling poverty' established that farmers accessing input loans from One Acre Fund (OAF) prefer repayment via mobile money service commonly called MPesa. One of the reasons is that the farmers can pay the weekly remittances in segments.⁸

Inadequate knowledge of the VC

Several banks in developing countries offer generic products, which are not suitable for the varying needs of different VCs. This is partly because most of them do not have research departments to support them to develop a good understanding of the VCs in countries of their operations. Agro VCs have varying gestation periods ranging from three months to more than five years. This scenario entails that each crop VC should have its unique lending scheme, which matches up with its production cycle. A tomato farmer will require three months to start harvesting, whereas a coffee farmer needs a minimum of three years. When the export dimension is included, the delivery and payment cycle may also vary for different products.

A study carried out in Jamaica confirms some of the issues summarized in Box 5

Box 5. Jamaica coconut study on access to finance

Trends in coconut and associated product markets offer a tremendous opportunity to Jamaican agribusiness industries in the Caribbean. The global demand for coconut water is projected to grow by 25 percent per year over the period 2017-2023. These untapped opportunities can benefit thousands of smallholder farmers and MSMEs through increased revenue and profitability. Naturally, this can occur as long as they can compete in and better connect to local, regional, and international VCs by developing the required product and marketing capacities. However, when it comes to smallholders involved in production and commercialization, the investment becomes riskier, and putting finance to a productive use becomes even more of a challenge.

A baseline assessment conducted with 200 farmers in 2017 in Jamaica revealed 100 percent financed their production yet none had bank finance. Most felt that loans were risky but necessary ((38 percent), yet 30 percent described them as an unnecessary risk). More than 90 percent had never obtained a loan, and about 80 percent do not keep financial records. Also, a significant constraint concerns the lack of collateral,

⁸ Farm BizAfrica: <https://farmbizafrika.com/terms-and-conditions/10-smart-farms/494-mpesa-eases-farmers-inputs-loan-repayments>

as few producers own the land. In short, no matter how attractive the market prospects might be, the capacity of family farmers to invest in developing their business was constrained because of limited access to finance. The A4A model, implemented in the Caribbean engaged smallholder farmers and MSMEs to manage risk and facilitate networks through the provision of technical expertise, capacity building, and catalysing investment. Business modelling was done in partnership with farmer associations, financing institutions, policymakers, and buyers. The business models were to reduce the perceived risks and align policies to support farmer-led organizations and alliance partners in the expansion of coconut production and commercialization.

5.3.3. Sub-step 3: Commission investment appraisals and Cost-Benefit Analysis studies

Closing the financial needs gaps is key to boosting the performance of the agro VC. A VC approach offers more sustainable results than a segment or enterprises targeted approach. The financial needs of the MSMEs and other VC players are the mirror image of the investment opportunities available in the target VC. The facilitator should respond by taking the following action steps:

- document the financial gaps and needs of the VC players as described in sub-step 1;
- commission investment appraisals or cost-benefit analyses on studies on how to respond to the constraints elaborated in sub-step 2.

In developing countries, there is an acute shortage of data on opportunities, costs, and risks associated with investing in different VCs. This scenario has partially deterred financial institutions from extending loans to many VC players because they are not able to assess risks of the potential clients. Hence, the quantification of socioeconomic costs and benefits is increasingly critical in making the business case. The A4A approach facilitates for the identification of investment projects and the preparation of business plans to be submitted to investors, donors and financial institutions for their evaluation. During the Understand and Convene phases an identification of investment needs and the definition of the support plan for the sector can provide invaluable inputs for the development of public, private partnerships and trigger investment according to blended finance principles.⁹

5.3.4. Sub-step 4: Facilitate the development of Investment Prospectus (IP)

The facilitator should transform the findings of the studies into an investment prospectus framework, which aligns VC financial needs with the interest of investors. The IP provides a variety of investment opportunities that will give prospective financiers relatively standardized information to decide whether or not they might want to invest in the VC. The A4A approach has embedded this instrument in selected countries. IPs was developed in collaboration with SAFIN partners in the Dominican Republic and Jamaica.

Farmers in developing countries face multiple challenges, ranging from finance to purchase inputs and farming equipment and logistics systems. Climate change has also brought new risks such as recurrent drought, and many MSMEs have no access to crop failure insurance. The prospectus should identify and list

⁹ Blended finance is the strategic use of development finance for the mobilization of additional funding towards sustainable development in developing countries (OECD, 2022).

areas of the potential investment, especially for commonly shared facilities such as irrigation systems, power, and logistics, among others.

One area, which has the potential of offering good returns to investors, is the construction of irrigation infrastructure. In various developing countries, many farmers share a single irrigation scheme. A perennial challenge, which has been reported and observed in the field, is that once the pumping system breaks down, farmers fail to mobilize resources to maintain it. The investment prospectus should adequately identify and describe possible investment opportunities covering some of these existing common facilities. Independent investors may take over the management of such facilities and charge farmers for the use of water, electricity, and chilling facilities. Private investors would value the investment prospectus, as it would allow them to make informed decisions based on the costs and benefits of the project. The prospectus should contain information, which demonstrates the viability of private sector investment in the identified common facilities. Also, it shows the financial gaps in the VCs, as illustrated in Table 16.

The Investment Prospectus (IP) focuses on the maize, soybeans and cassava VCs in Nigeria. The gaps and opportunities in these VCs were analysed using three major production states as proxies; Kaduna state (North-West Nigeria) for maize, Benue state (North Central Nigeria) for soybean and Kogi state (North Central Nigeria) for cassava. The IP identified opportunities to enhance finance and investments that would improve the productivity, efficiency, profitability, resilience and viability of smallholder farmers and agri-SMEs by highlighting investment opportunities in or across these three VCs.

The VCs were mapped across the following segments: (a) input supply and distribution, (b) on-farm production, (c) on-farm post-harvest processing, (d) storage and logistics and (e) post-farm processing. To address the financial gaps along all sections of the maize, soybeans and cassava VCs, the following investment opportunities have been identified.

Table 16. Financial Gaps - Nigeria Investment Prospectus (maize, soybeans and cassava)

<i>in billion Naira</i>			
	Maize	Soybeans	Cassava
Supply of improved seeds	85.6	14.6	163
Large tractor lease	155.7	17.9	56.6
Post-harvest	30.4		
Storage and logistics	6.2	0.438	
Processing	240	28.1	430

Source: SAFIN. 2019. Annual Progress Report 2019. Smallholder and Agri-SME Finance and Investment Network. Rome, IFAD. https://www.ifad.org/documents/38714170/41978849/safin_ar2019.pdf/790e4d66-1b0a-6bcc-27de-f0ccc9a50d1e?t=1592912093000

5.3.5. Sub-step 5: Facilitate the design of suitable financial products

The discussion in section 5.3.2 elaborated some of the factors that limit small scale farmers and MSMEs' access to finance. These factors include high cost and risk of lending to MSMEs; weak VC governance; underdeveloped financial sector; and inadequate knowledge of the VC. Given this situation, efforts to improve the MSMEs' access to finance should focus on interventions that address the cited constraints. The challenge, which facilitators face in their efforts to dismantle these challenges are enormous because these constraints are influenced by business environments, which cannot be easily altered to favour the desired outcome. Despite the cited limitations, facilitators should take time to interrogate these factors through studies, meetings with financial institutions, farming communities, government and representatives from the various nodes of the VC. The information generated would contribute to structuring interventions that weaken the negative impact of the constraints, hence improving MSMEs' access to loans.

The basis of conventional finance is immovable and based on collateral, which in most cases MSMEs are unable to provide. The immovable property mitigates against the risk of non-repayment, thus provides security to lenders. As stated before, most MSMEs and small-scale farmers do not own immovable assets, making them unattractive to traditional lending. The facilitator should explore interventions that create non-immovable based collateral; examples of these include credit reporting systems, secured lending (collateral registries), and factoring and SAFIN-blended finance models, among others. This section elaborates these models and also shares case-studies of their application across the globe.



5.3.5.1. Credit reporting systems

A credit report is a statement that has information about your credit activity and current credit situation such as loan paying history and the status of your credit accounts.¹⁰ Credit Reporting Bureaus (CRBs) collect financial information about individuals and create credit reports based on that information, and

¹⁰ Consumer Financial Protection Bureau: <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-report-en-309/>

lenders use them along with other details to determine loan applicants' creditworthiness.¹¹ They eliminate the information asymmetry, thereby helping financial institutions to compute risk profiles of prospective MSMEs and therefore correctly price the loans. MSMEs with a reasonable repayment profile can easily be separated from bad debtors, and thus be rewarded by getting finance, which is reasonably priced. The CRBs usually capture the following variables: field of business activity, court judgements, receivership or liquidation, presences on bad debt checklist, utility payment records, assets and liabilities, tax and income tax statements, and income and other personal financial information of the owner. The facilitators should engage relevant authorities to consider establishing CRBs and at the same time mobilize MSMEs to register. A 2008 survey of 91 banks in 45 economies documented that the availability of credit information is a critical factor in SME access to finance. In developing economies, in particular, 70 percent of banks reported that the presence of a credit bureau facilitates lending to this category of borrower (World Bank, 2018). Box 6 illustrates an example of successful CRBs in Thailand.

Box 6. Example of credit reporting in Thailand

In May 2016 the National Credit Bureau of Thailand began offering FICO SME scores to banks and financial institutions to allow them to better assess the creditworthiness of SMEs. The FICO SME Score, which predicts the probability of delinquency of more than 90 days in 24 months, is computed using an empirically derived model. It uses data from the National Credit Bureau of Thailand and Business Online Public Company Limited. It generates a three-digit number between 490 and 813 in eight risk bands from AA to HH, which rank-orders SMEs according to risk. The higher the score, the lower the risk.

Up to five “reason codes” are returned to the lender to help with the interpretation of the score. The FICO SME Score provides lenders in Thailand with a useful tool for rank-ordering the credit risk of SMEs. Using the scores, lenders can make lending decisions that are faster, more accurate and more consistent. Lenders can also use the FICO SME Score to support their “Internal-Ratings-Based” (RetailIRB) approach to calculating the required minimum regulatory capital. The score applies to different types of products, and lenders can use ratings to make decisions across the entire lifecycle of an account.

Source: World Bank. 2018. Improving access to finance for SMEs. Opportunities through credit reporting, secured lending and insolvency practices. May 2018. Washington DC, World Bank. <https://documents1.worldbank.org/curated/en/316871533711048308/pdf/129283-WP-PUBLIC-improving-access-to-finance-for-SMEs.pdf>

5.3.5.2. Secured lending

Lenders are more willing to provide finance to borrowers if there is security to cover against the risk of non-repayment. The most preferred form of security is fixed assets, for example, land and buildings. MSMEs in several developing countries found themselves in a fix, because 80 percent of their assets are movable, for example, machinery, equipment and receivables. Therefore, facilitators need to investigate how movable assets can be converted into collateral. In the developed world, movable assets are used as collateral because there are laws in place, which has enabled the creation of collateral registers. A collateral registry, which records the potential existence of security interest in movable assets, can protect the rights of creditors in secured lending. Collateral registries can reduce the costs of credit monitoring by notifying parties about the

¹¹ Investopedia: <https://www.investopedia.com/terms/c/creditreport.asp>

existence of a security interest and establishing the priority of creditors against third parties (World Bank, 2018). Some World Bank and IFC interventions to support countries to develop collateral registers are as follows:¹²

- Between October 2007 and June 2011 the secured transactions reform work the World Bank Group supported in China cumulatively facilitated USD 3.58 trillion accounts receivable financing, of which USD 1.09 trillion went to SMEs. As a result of the reform, the total number of commercial loans involving movable assets grew by 21 percent per year over 2008-2010, versus a flat rate over the period 2006-2008.
- In Colombia, in less than one year more than 100 000 loans secured with movable assets have been registered in the movable collateral registry, of which 5 000 were for SMEs for an aggregate amount of USD 3.43 billion (compared to a few hundred per year before the reform).
- Liberia started a collateral registry in 2014 to securitize movable assets, making it possible for farmers and entrepreneurs to use such assets against which they could borrow money. In less than a year since its launch, USD 227 million in loans were registered, despite the fact that this coincided with an Ebola outbreak.

In several developing countries, many semi-commercial farmers have immovable assets in the form of structures, trucks, harrows, and planters, among other implements. These movable assets can form a good base for building the collateral of MSMEs. Box 7 provides other examples of improved SMEs' access to finance as a result of the implementation of the collateral registers.

Box 7. Collateral registries: a smart way to expand access to finance

Collateral registries are breaking down barriers to lending, especially for women and younger entrepreneurs who often do not have credit histories or banking relationships. Colombia's collateral registry was launched in March 2014. Since then, it has received over 1.3 million registrations.

Also, about one-fourth of these registrations represent credit to micro, small, and medium enterprises—and there is clear potential to increase the numbers. More than 100 financial institutions, including some of the largest banks in the country, are already participating in the registry as lenders. The associated legislative reforms were made possible through a three-year partnership between the Colombian Government, the Association of Chambers of Commerce, and the IFC.

The IFC has also worked with partners in more than 30 countries in Latin America and the Caribbean and other regions to establish the legal and institutional frameworks that enable borrowers to use movable assets to guarantee loans. Because of the IFC's efforts, impressive gains are being made.

Mexico has implemented an electronic movable-collateral registry—with 97 percent of the registrations supporting loans to small and medium enterprises. In May 2015, a new secured-transactions system came into effect in Costa Rica. In the year that followed, there were about 9 500 new registrations. More than 4 500 small and medium enterprises received loans secured by movable assets.

IFC is now working on similar initiatives in Chile, Costa Rica, the Dominican Republic, Paraguay, Peru, and Saint Lucia, potentially creating new opportunities for tens of thousands of small entrepreneurs like Sonia Arias.¹³

¹² International Finance Corporation: <https://www.ifc.org>

¹³ International Finance Corporation: <https://www.ifc.org>

5.3.5.3. Factoring

Factoring is whereby suppliers sell their accounts receivables at a discount (generally equal to interest plus service fees) and receive cash from a factoring company. The factoring company takes a right to collect the seller's invoices from its customers, by paying the seller the face value of these invoices, less a discount. For example, a farmer can sell tomatoes for USD 500 on a 60-day credit, which usually impacts negatively on his/her cash flow, to cover for that he can sell the invoice to a factoring company who then provides cash to him/her of less than USD 500, based on prevailing interest rates. The factoring company will then wait to collect the full USD 500 after 60 days, and the discounted factor is the gross margin of taking the risk. In trade finance, a similar model called forfaiting is used. In this case, the equivalence of the factoring company is called the forfeiter. The difference between the two is that forfait supports both parties, i.e. the importer and exporter. Many SMEs cannot afford to wait for 60 to 120 days to receive payments in both domestic and international trade, respectively. Factoring/forfait reduces the cash flow challenges, which usually undermine SMEs to venture into domestic formal and international trade, which are dominated by long payment periods. The successful implementation of factoring is illustrated in Box 8.

Box 8. The successful implementation of factoring in Mexico

Nacional Financiera (NAFIN), a Mexican development bank institution which has provided movable asset financial products since 1980, is a successful example of the implementation of factoring and reverse factoring. NAFIN, which established its factoring program with the advice of the World Bank Group, provides reverse factoring services to SMEs through its Cadenas productivas (productive chains) program. The main feature of the program is that it links small, risky suppliers with large, creditworthy—and often foreign-owned—firms that buy from them. Small firms can then use the receivables from their larger clients to secure loans. Participating SMEs must be registered with NAFIN and have an account with a bank that has a relationship with the buyer. Following a factoring transaction, funds are transferred directly to the supplier's bank account, and the factor becomes the creditor (that is, the buyer repays the bank directly). The factor collects the loan amount directly from the buyer after a period of 30 to 90 days.

NAFIN requires that all factoring services are offered without additional collateral or service fees, at a maximum interest rate of seven pp above the bank rate (five pp, on average), which is about eight pp below commercial bank rates. All factoring is also done without recourse, which allows SMEs to increase their cash holdings and improve their balance sheets. The sale of receivables from the supplier to the factor and the transfer of funds from the factor to the supplier are made electronically.

NAFIN's electronic platform provides factoring services online, reducing costs and improving security. In fact, over 98 percent of all services are provided electronically, saving both time and labour costs. The electronic platform allows all commercial banks to participate in the program, giving national reach via the internet to regional banks. NAFIN has grown thanks to this technology rapidly raising its factoring market share from 2 percent in 2001 to 60 percent in 2004. NAFIN's platform also reduces fraud, which is systemic in the factoring business in the United States of America and other developed economies. Since only large buyers are able to enter new receivables, sellers cannot submit fraudulent receivables. Moreover, since the bank is paid directly by the buyer, suppliers cannot embezzle the proceeds. The success of the NAFIN program highlights how the use of electronic channels can reduce costs and provide a greater portfolio of financial services to SMEs. The case also underscores the importance of legal and regulatory support—Mexico's electronic signature and security laws have proven critical to NAFIN's success and could be a model for other developing economies.

Year	Credit in Million Pesos	# of Enterprises Benefited	% of benefited SMEs	% of Government Procurement
2015	211 776	6 647	99.8	42
2014	228 094	7 163	99.3	23
2013	250 402	7 100	99.7	40
2012	116 588	4 580	99.2	22

Source: World Bank. 2018. Improving access to finance for SMEs. Opportunities through credit reporting, secured lending and insolvency practices. May 2018. Washington DC, World Bank. <https://documents1.worldbank.org/curated/en/316871533711048308/pdf/129283-WP-PUBLIC-improving-access-to-finance-for-SMEs.pdf>

5.3.5.4. Smallholder and Agri-SME Finance and Investment Network (SAFIN) blended

OECD defines blended finance as the strategic use of development finance for the mobilization of additional funding for sustainable development in developing countries. This means that government and development finances are used to catalyse other investments towards a specific development purpose but on non-concessional terms.¹⁴ The ITC through A4A is part of a harmonized effort to mobilize finance for agri-MSMEs. The network provides a common ground to share learning, address strategic issues and knowledge gaps in a coordinated manner, and foster innovative solutions to address common challenges (SAFIN, 2020). The partners have developed a variety of financial instruments, which are based on the following principles:

- anchor blended finance to a development rationale;
- design blended finance to increase the mobilization of commercial finance;
- tailor blended finance to the local context; and
- focus on effective partnering for blended finance and monitor blended finance for transparency and results.

The facilitator should consider joining the SAFIN network or participate in the various workshops where stakeholders deliberate and share experiences on how to finance and improve accessibility to MSMEs. SAFIN partners have developed several financial products for the benefit of the agriculture VC across the globe; the instruments are summarized in Table 17. The facilitator can draw lessons from this.

¹⁴ <https://www.safinetwork.org/>

Table 17. SAFIN Blended Finance Models

Grants	Debt	Guarantee/ insurance	Equity
<p>A sum of money given for a specific purpose, typically conditional upon certain qualifications as to the use, maintenance of specific standards. 5 Grant funding does not have to be returned.</p>	<p>Market loans or concessionary loans, i.e. with terms substantially more generous than market loans. Concessionality is achieved either through interest rates below those available on the market, grace periods, or a combination. 6 Note that this funding must be returned.</p>	<p>A guarantee is a promise to take responsibility for another entity financial obligation if the initial party cannot meet its obligation. 7 Insurance refers to an arrangement where a third party undertakes to provide a guarantee of compensation for pre-agreed losses or damage.8</p>	<p>Equity is capital invested in a firm that is not returned in the normal course of the business. Capital providers (investors) only recover their money when they sell their shareholdings to others, when there are dividends, or when the assets are liquidated, and proceeds distributed.9</p>
<p>Grant instruments include:</p> <ul style="list-style-type: none"> • technical assistance • design funding • performance-based payments & Results-Based Financing (RBF) • challenges, prizes 	<p>In addition to more traditional instruments such as direct loans and credit lines, concessional debt instruments include:</p> <ul style="list-style-type: none"> • repayable grants (interest-free loans / zero-interest loans) • impact bonds • advances, rebates • subordinated loans, junior 	<p>Guarantee and insurance instruments include:</p> <ul style="list-style-type: none"> • credit guarantees • subsidized production insurance (various incl. parametric weather insurance) • subsidized market insurance (various incl. minimum volumes) • subsidized price insurance (various incl. hedging instruments) 	<p>In addition to direct equity investments in companies, and collective investment vehicles/funds, risk absorbing equity instruments include:</p> <ul style="list-style-type: none"> • first loss tranches • quasi-equity • other equity products

Source: SAFIN. 2019. Annual Progress Report 2019. Smallholder and Agri-SME Finance and Investment Network. Rome, IFAD. https://www.ifad.org/documents/38714170/41978849/safin_ar2019.pdf/790e4d66-1b0a-6bcc-27def0ccc9a50d1e?t=1592912093000

ITC, working with stakeholders from the Dominican Republic, facilitated the development of the design of the sector-specific product; productive alliances for market linkages and patient investment fund. These instruments may improve MSMEs’ access to finance in the Dominican Republic. For more details, the facilitator should refer to the following link: www.safinetwork.org

The facilitator can also consider using the Rural Invest tool. This tool helps with the preparation of agriculture and rural investment development projects and business plans. The details about this tool are summarized in Box 8.

Box 9. Rural Invest

What is Rural Invest?

Rural Invest is a free multilingual methodology and toolkit. Developed by FAO, it helps with the preparation of agriculture and rural investment development projects and business plans. Rural Invest is a flexible tool designed for small- and medium-scale projects across different sectors in agriculture, livestock, fisheries, agro-industries, and infrastructures. It can be applied to develop both income-generating and non-income-generating projects, in the order of USD 5 000 to USD 500 000. FAO provides customized courses for users to prepare, compare, review investment proposals, and effectively take advantage of the toolkit. The toolkit comprises training courses, user manuals, online and in-country training, and a computer software program.

What are the critical features of Rural Invest?

Rural Invest is a participatory, interactive, bottom-up, and decentralized approach. Any group, agency, project, organization or private institution can use it to prepare an investment proposal or mobilize resources. Key features include a participatory and interactive approach involving all stakeholders; systematic guidance throughout the project life cycle; a user-friendly software with comprehensive help features; automated technical and financial calculations; analytical tools for quality review of investment proposals. The software is available in eight languages: Arabic, English, French, Spanish, Portuguese, Russian, Turkish, and Mongolian.

What are its objectives?

Rural Invest was developed by FAO with the support of national and international development partners to strengthen local technical capacities in project design and implementation. With its simplified approach to rural investments, the toolkit contributes to FAO's Strategic Objective to enable inclusive and efficient agricultural food systems. Rural Invest responds to local needs, priorities, and circumstances by adopting a participatory methodology involving communities, entrepreneurs, government field technicians, project staff, and financing institutions.

What is the impact of the tool?

- Rural Invest's impact is considerable: 34 countries have used the toolkit, 1 286 investment projects were done, 564 people have been trained.
- In Mongolia, the School of Economics and Business (SEB) of the Mongolian University of Life Sciences (MULS) became the key institute for teaching and developing Rural Invest. Since 2013, over 30 trainees, including seven master trainers, have applied the toolkit to their work and also managed large-scale FAO and World Bank rural development projects.
- In Kenya, Rural Invest is being used for hundreds of small-scale investments in crop production, livestock, and forestry to improve farmers' livelihoods and living standards. Since 2009 the Kenya Forest Service (KFS) uses Rural Invest to prepare investment proposals. KFS has trained 44 employees, 709 farmer groups, approximately 11 000 farmers. In total, 560 projects have been funded for the benefit of over 2 000 small-scale farmers.

Source: FAO. Rural Invest <http://www.fao.org/in-action/rural-invest/en/>

5.3.6. Sub-step 6: Sensitize micro, small and medium enterprises (MSMEs), finance and support institutions to investment opportunities in the value chain

The undertaking of studies and the production of the investment prospectus is a necessary condition to address the information asymmetry between VC actors and finance houses/investors. However, it is not sufficient to stimulate financial flows to the VC. The facilitator should step up his/her efforts to close this gap by promoting new tools and piloting activities to sensitize finance houses and investors about opportunities in the VC. Joint networking seminars between financiers and VC actors should be organized, and joint venture matching arrangements should be explored, among others. Platforms for VC actors to pitch their projects and investment needs should be arranged, and successful examples should be showcased.

5.3.7. Sub-step 7: Build the capacity of MSMEs to access export finance

Many studies have revealed that MSMEs and other VC actors fail to obtain finance and investment partners due to their low financial literacy levels. The observed capacity gaps that include the following, among others:

- lack of knowledge about determining the amount of money they require, its terms and conditions;
- limited capacity to choose the right bank or investment partner;
- failure to match the financial products on offer and their specific needs;
- limited technical ability to apply for the loans available; and
- failure to keep business records.

Given the above, the facilitator may need to design interventions to address some of the listed challenges. The facilitator could use the manual, which was developed by ITC. The manual provides a detailed road map on how MSMEs can access finance for export business. The scope of the Guide is summarized in Table 18.



Table 18. Steps to accessing finance

Topics	Sub-topics
Overview of SME finance	Importance of SMEs; finance: a pivotal constraint to SME growth; barriers to formal finance: financial institutions' perspective; high transaction costs; imperfect information; high default risk of SMEs; limited collateral; barriers to formal finance: SME perspective
Understanding your financial needs: do you need to borrow?	Cost and benefit of external finance; efficient financial management; assessing your financial need
Understanding various financing instruments	Some crucial differences between domestic and international transactions; various financing transactions; trade credit, promissory notes and bills of exchange; cash advances; out grower schemes; discounting receivables; term loans; leasing; grants and subsidies; equity finance (stock shares, venture capital and business angels); financing international transactions; methods of payment in international trade; trade financing options; understanding and managing risks; effects of the crisis on lending and trade finance
Choosing the right service provider	Types of service providers; commercial banks; specialized financial institutions; non-bank financial institutions; equity sources; choosing the right financial institution
Securing finance	Application; applying for a loan; applying for other sources of finance; application evaluation; loans; other financing schemes; approval, loan documentation, and disbursement; bank consultation and approval process; loan documentation and disbursement; what to do if your application is rejected
Being a responsible borrower: repayment stage	Satisfying contractual obligations; managing operational risks; enterprise risk management; examples of risks and how to deal with them; what to do in case of default; rescheduling loans; restructuring loans

Source: ITC.2009. How to access trade finance. A Guide for exporting SMEs. Geneva, International Trade Centre (ITC).

In addition to the above, the facilitator should consider training enterprises and financial institutions on key aspects of VC functioning. The training should cover cropping systems and cropping seasons as well as the peculiar features of the export cycle, which requires enterprises to deal with trade-specific issues such as, logistics and trade barriers. The scope of the training is summarized in the box below.

QUIZ QUESTIONS. Review what you have learned

Take a few minutes to consider the components of INVEST to ensure that adequate coverage has been given to each one. Where there are gaps, how can they be addressed?

01. What are the steps to be followed in case there are no customized financial tools for export promotion with respect to the targeted product/country combination?
02. What is an investment prospectus, and what are the advantages of designing one?
03. What are the critical elements of the export cycle, and why are these more complex compared to domestic commercialization procedures?

 **A4A Confirmation:** an A4A process goes a long way towards providing the means for all players involved in the provision and receipt of funding to INVEST with confidence, thereby positioning the sector on a sustainable growth path.

CHAPTER 6 - Step V.

Impact

6.1. What is the purpose of impact in trade promotion?

The final step in A4A is to assess the Impact by determining how effective the collective efforts of all the alliance partners have been in achieving the stated goals. The underlying emphasis of this ‘Impact Assessment’ is to communicate and learn from the actions and the decisions taken. The strength of the A4A is that it is a holistic approach, which draws from various methodologies ranging from the VC, Systems, and Result Based Management, among others.

6.2. Fundamental principles to help you measure the impact of interventions

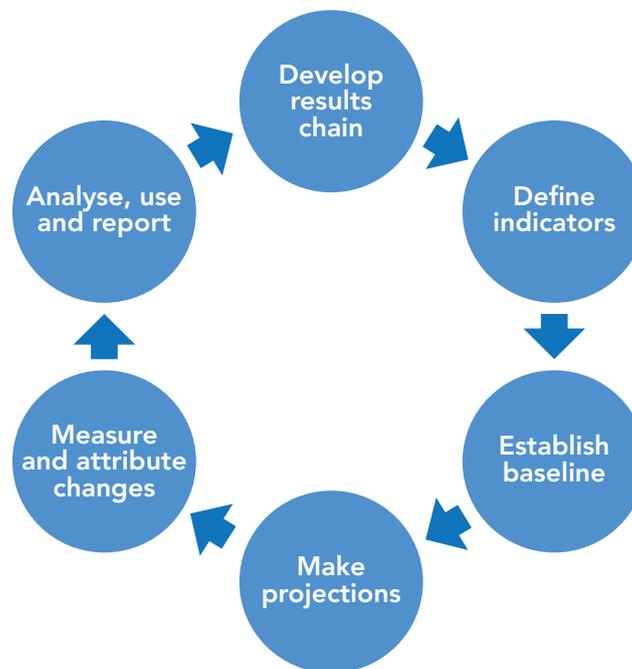
The purpose of this is to establish how the ‘Alliance’ is working and to determine how it can work better and how it can be up-scaled. The critical point to note is that whatever is done must fit the purpose. M&E actions work best if they are built-in to the design, implementation, governance structure, and processes from the start. If not, they may be viewed as a tedious, time-consuming, and bureaucratic exercise for compliance purposes. There are three core principles to ensure an effective process of M&E:

- It is an investment in A4A and not a burden. The success stories build pride and a sense of accomplishment, which, in turn, fosters a virtuous circle;
- Local ownership of the process is crucial for ongoing sustainability. M&E should not be imposed; otherwise, it just becomes a ‘tick box exercise’, which can end up not being worth the paper it is written on; and
- Leadership commitment and visibility are fundamental to its acceptance and buy-in to the process. If the leading personalities and structures in the A4A support it and value it, then more stakeholders are likely to accept it.
- In the context of A4A approach, the focus of any M&E exercise should be results-based and should follow the following criteria:
- Link M&E to agreed plans: The M&E design should have a logical link with A4A result areas for it to create value to the intervention and to incentivize stakeholders to participate in it. Nothing annoys participants more than having to provide information that they believe to be superfluous or irrelevant.
- Use a variety of data sources: Hard data should be gathered, such as production and sales volumes, as well as soft data such as feedback from meetings. If the form of data collection can be standardized and made user-friendly, harnessing technology, then gathering and analysing is likely to be more comfortable. The data should cover all variables related to the production and export performance of the VC, among others.
- Feedback sessions. Undertaking regular meetings with stakeholders reviewing the progress being made in the implementation of the A4A business plans. Feedback sessions work best if the agenda of the meeting is well defined. Participants should feel free to air their views, and decisions reached should be communicated.
- Strive for cost-effectiveness and efficiency. The cost-benefit of the M&E is debatable, so the quicker it can be collected, without compromising its quality and feedback given to stakeholders, the more value participants will see in it.

6.3. Key sub-steps required to develop a monitoring and evaluation system

The backbone of an M&E system is the results chain of a project or program. The A4A result chain is illustrated in Figure 5 in this document. A results framework represents the underlying logic that explains how the development objective of a project is to be achieved. The M&E framework is designed by translating the results chain of intervention into indicators. These indicators measure the degree to which inputs are transformed into specific activities and outputs. The logic defined by this framework fits very well with the A4A approach. For example, activities implemented in understanding, convene, invest, and transform phases lead to immediate and long term impacts. These, in turn, contribute to the evolution of subsistence small scale farmers into agricultural enterprise operations and ultimately feed into global VCs. Based on this understanding and the principle defined above, the facilitator should progress into designing the M&E system to measure the impact of the interventions, following the steps defined in Figure 7.

Figure 7. Monitoring and evaluation formulation process

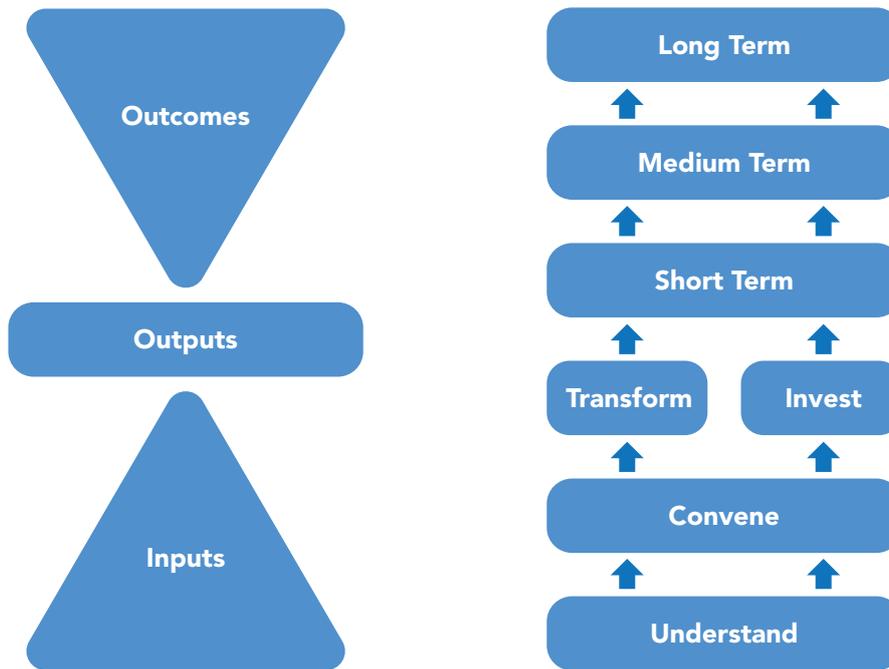


Source: Authors

6.3.1. Sub-step 1: Develop a results chain

A generic results chain is provided here; however, the facilitator is expected to review it and reframe it to suit the context in which the intervention is taking place. A4A sees the ultimate goal as trade promotion and, ultimately, growth. From the project management perspective, the results chain should end at the level where stakeholders are carrying out the recommendations under Transform and Invest. The A4A results chain is illustrated in Figure 8.

Figure 8. Alliances for Action Results Chain



Source: Authors

6.3.2 Sub-step 2: Define the indicators

Once the results chain is well defined, the facilitator should move on to work on identifying and defining indicators. These indicators should be drawn from the four phases of the A4A, namely Understand, Convene, Transform, and Invest. Each box shown in Figure 6 should have at least three to five indicators. The number of indicators for each result area may vary from one to five, depending on the expected changes that may need to be measured. The facilitator should ensure that the indicators are SMART, defined as follows:

- **specific:** indicators must be clearly defined and specific to the changes described;
- **measurable:** indicators must be measurable;
- **attainable:** the target should be achievable within the set time
- **relevant:** indicators must be relevant to the changes in the result chain box; and
- **time-bound:** indicators must be identified within a specific timeframe.

Given that the focus of A4A is on improving the performance of agricultural VCs, a simple example of results' indicators is illustrated in Table 19.

Table 19. Example of indicators for results-based M&E

Narrative summary	Questions to see if the results chain is working	External assumptions and risks
Farmers' income increases	Has income increased?	Have other sources of income changed?
Farmers increase sales	Is more being sold?	Are markets available? Have prices changed?
Farmers increase production	Has production increased?	Has yield been affected by weather, pests or other elements?
Farmers adopt improved methods	Are farmers using the new methods?	Are quality inputs available? Are prices attractive?
Farmers' capacity strengthened	Has the training been effectively delivered?	Are farmers sufficiently educated to absorb training?
Farmers are trained	How many farmers have attended training?	Has the Directorate of Agriculture allocated required staff?

Source: Mallorie, Ed. 2011. From Results Chain to M&E plan. Presentation 16-21 April 2011. Asia Institute of Technology, Thailand. <https://www.fao.org/3/au765e/au765e.pdf>

The following key questions should inform the number of indicators per result area:

- Do funders, government, and farmers require this indicator?
- Will the indicator contribute to understanding the expected causality between different levels of the project?
- Will the indicator help the facilitator in designing or defining the next step of intervention?

6.3.3 Sub-step 3: Establish a baseline

A baseline serves as a benchmark for all future activities, and where project managers can refer to make project management decisions. The assessments, which are done during the Understand phase, and also information generated during the Convene phase, provide essential baseline data of key trade promotion performance indicators. The baseline data is linked logically to the project intervention areas and the indicators which can be measured as the project is being implemented. The facilitator is recommended to develop a detailed baseline data, which can be used as a basis for measuring the impact of the project with regard to trade promotion.

6.3.4 Sub-step 4: Project results

This entails making estimates about the anticipated magnitude of change on the defined indicators. These project changes should be realistic, however not exact. The importance of these estimates is that they allow project implementers and stakeholders to compare the expected benefits of interventions with their estimated costs. And deciding whether the intervention is value for money, i.e., likely to result in sufficient

and sustained developmental impact to justify its cost. It is imperative to note that projections differ from targets. The A4A has developed a template for setting up projections, and as presented in Table 20, which was developed for the UKTP project being implemented in Ghana, starting in July 2019. Similar impact matrixes are being developed for all A4A projects.

Table 20. The Project impact matrix for the cocoa sector in Ghana

Before the Project		Projections during the Project following A4A			
Impact Level Indicators	Item	Total (Year 0)	End of Year 1	End of Year 2	End of Year 3
Sales in the export (EU/UK) market before the project	Exports (USD Million)	512	598	729	928
Sales in the export (EU/UK) market before the project	Exports in '000MT	160	187	228	290
Total beneficiaries (SMEs)	Total beneficiaries	5	5	5	5
Increased quality of jobs supported through trade between Ghana and the UK/EU in the cocoa derivatives sector	Number of quality jobs supported	1150	1346	1642	2085

Source: Authors.



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The projections help provide a picture of the direction of the project. It is vital that the assumptions underlying these projections be articulated clearly to funders and other stakeholders. These projections should be reviewed annually and should be adjusted in line with the prevailing business dynamics in the project environment.

6.3.5 Sub-step 5: Measure changes

The facilitator should create a plan for collecting the data and information on the implementation and performance of the project, and this plan should respond to the following fundamental questions:

- what information can be collected?
- what are the sources of information?
- when will the information be collected?
- how will the information be collected?
- what methods can be applied in measuring attributable change?
- who is responsible for collecting and analysing the information?
- what possible weaknesses and limitations are there in measurement?

6.3.6 Sub-step 6: Use, analyse and report

Ultimately the real justification for embarking on the more significant linkages to international VCs is to achieve developmental objectives in the home country. These A4A industry value-chain imperatives are aligned to the SDGs. For example, Goal 8: Decent work and economic growth, Goal 9: Industry, innovation and infrastructure, and Goal 12: Responsible consumption and production. In this context, the legitimacy of the accomplishments can be amplified.

Sector sustainability is ensured through stakeholders being part of a success story. It is undoubtedly worth the effort as the financial (export earnings), social (increased and higher-quality employment), and environmental (responsible production) benefits accrue to all who participate. Customers should know this VC can be relied upon and financiers can see returns on their investment. And this will, in turn, open up other funding streams, whether from private, public, or international sources.

Traceability and ethical production are creating opportunities for enterprises from developing countries to export to leading global markets. The facilitator should find ways of incorporating tools that take into account these two aspects. Transparency and compliance are essential in VC and export development. It is vital to take into consideration those consumers and buyers who want to know product origin and demand producer transparency, primarily when the product is imported.

Today's consumers are ethically driven and have high awareness regarding the health, social and environmental impacts of food products, in particular in high-income countries. Ethics, transparency, and sustainability are significant trends influencing the way companies and countries produce and, most importantly, compete. In the context of alliances, M&E of product characteristics has become an essential tool for tracking progress by consumers, VC operators, and policymakers.

Table 21. M&E Traceability and Ethics Tools

TOOL 15 - ITC'S SUSTAINABILITY MAP

Its main objective is to allow easier access to essential information on sustainable trade. The primary beneficiaries of the platform include micro, small, and medium-sized enterprises (MSMEs), and international buyers. It is also a useful tool for public-sector officials who need to understand how sustainable production and consumption trends affect the competitiveness of their key sectors and domestic exporters. The sustainability map¹⁵ consists of four modules and builds on ITC's already well-established online tools, which include the trade map, market access map, export potential map, among others, which already account for over 600 000 registered users across the globe.

TOOL 16 - RISE FRAMEWORK

The RISE framework is an evaluation tool that aims to communicate the added value brought by artisanal production to partners and consumers. Developed by ITC's Ethical Lifestyle Initiative RISE stands for respect, invest, sustain, and empower. The system monitors and tracks the production of food and fashion items to ensure that activities take place ethically and in a fully traceable supply chain. It evaluates and supports sustainability, social and environmental responsibility, traceability, and impact. RISE allows us to monitor and evaluate the efficiency and effectiveness of projects and identify economic and social impact in the supply chain. As a result of data gathering, surveys, and analysis, the RISE capture data and success stories instigated by the production.

TOOL 17 - ENTERPRISE PROFILING TOOL

To compete in local, regional, and international markets, enterprises need to maintain a competitive product offering. Market competitiveness requires enterprises to assess their internal business operations systematically and to address identified weaknesses. ITC and industry experts developed the enterprise assessment survey. It assesses different areas of operational performance (competitiveness parameters) – from the handling of raw materials, the state of processing facilities, right through to end-market sales. When seen as a whole, this assessment provides a snapshot of current performance across different business areas to provide an overall picture of operational performance.

The overarching objective of this assessment is to identify areas of weaknesses in key business activities that are negatively impacting productivity, quality, competitiveness, and overall enterprise performance. The assessment analyses the current state of selected business areas, called 'competitiveness parameters' such as:

- ➔ productive capacity;
- ➔ management skills;
- ➔ quality production;

¹⁵ ITC: <https://sustainabilitymap.org/home>

- ➔ market linkages and suitability;
- ➔ financial capacity;
- ➔ labour standards and wages;
- ➔ environmental impact;
- ➔ compliance and certification;
- ➔ community involvement and suitability to work with refugees, IDPs, returnees, farmer groups; and
- ➔ legal structure and social enterprise compatibility.

Why is this enterprise report useful?

This report is a useful Guide for MSMEs to understand the current performance of enterprises across different areas of their business. The assessment identifies areas of strong performance as well as areas that need improvement in business processes. The findings can be used to design capacity-building interventions to boost quality, productivity, competitiveness, and the overall performances of enterprises in the food sector. The use of measurable indicators is in line with the old philosophy that one can only manage what one knows and can measure. These results can be used as a baseline to implement continuous improvement initiatives and measure their effectiveness.

The enterprise assessment results can be used to compare the MSMEs' performance against others across different business areas. Benchmarking is a useful way for managers to gauge their successes, pinpoint their shortcomings, and make necessary changes to improve competitiveness.

These assessments are useful for organizations and trade support institutions with a mandate to contribute to the development of competitive enterprises and industries within the country. These results illuminate areas where businesses across the sector are performing well, as well as areas of weakness. This information is valuable for institutions to design support services that respond to the needs of the market and contribute to improved industry performance. These results can also help in the design of effective policy that responds to the needs of SMEs.

How to use this report?

This report is a good reference to develop new business solutions and monitor continuous improvement efforts as they are implemented.

Overall, this report can be used as:

- ➔ A baseline record of operational performance prior to direct enterprise support activities;
- ➔ A preliminary benchmark of enterprise performance relative to other processing companies in the coconut sector; and
- ➔ A record of the implementation plan outlining the tailored business solutions agreed upon with enterprise management for implementation.

Lessons learnt from implementing Alliances for Action

The design of the A4A process must be supported by the major public and private sector stakeholders. Through governance models that are focused on ensuring that it is inclusive and representative and it must not result in the capture of special interests in favour of any particular party. The mode of operation should be impartial and objective, based on empirical evidence and thorough diagnostics.

QUIZ QUESTIONS. Review what you have learned

Take a few minutes to reflect on the lessons learnt and the IMPACT achieved.

01. Tell your story.

CHAPTER 7

Concluding remarks

7.1 Policy recommendations

Governments and international organizations can actively support the adoption of the A4A approach for the development of agrifood exports. Private sector stakeholders (producers, providers of services, traders, and others) play a leading role at all stages of the process to develop a more competitive sector and gain access to foreign markets. The role of government agencies, on the other hand, is to create the enabling environment that facilitates market access and provides vital public services, such as sanitary and phytosanitary control and certification. Moreover, designated public institutions can convene stakeholders and coordinate their inputs while ensuring the inclusiveness of the process.

The A4A approach has been implemented in various countries and sector combinations. This has allowed the identification of key policy recommendations that have often emerged during stakeholders' consultations and project implementation.

In this regard, the following areas can be identified for specific priority interventions:¹⁶

- reduce trade restrictions, make trade rules transparent and facilitate trade by streamlining import and export procedures and creating an enabling regulatory environment;
- strengthen SPS systems and implementation of international standards, including for food safety, plant protection, animal health, and other relevant technical standards;
- establish a designated national body responsible for coordinating trade promotion with a clear mandate, responsibilities and functions, and budget;
- involve the private sector (e.g. chambers of commerce and producer or exporter associations) in dialogues with relevant authorities to develop trade promotion support programmes;
- support legislation and development of national brands based on origin, quality attributes and geographical indications (GIs);
- establish programmes for funding trade promotion activities (for example participation in fairs and trade shows, obtaining certification, etc.) based on co-financing mechanisms;
- develop market information and market intelligence systems;
- establish trade representations in embassies in export markets;
- promote intergovernmental coordination among key government agencies responsible for agricultural support, SPS and TBT measures, trade/investment promotion, and customs to streamline the efforts;
- create the required enabling environment to foster private-sector investment in trade infrastructure, logistics and transport; and
- support development of knowledge and skills needed for improving the quality, packaging and food safety of products for exports as well as related services (logistics, marketing, etc.).

¹⁶ Adapted from the discussions during the roundtable “Best practices in export promotion: Experience in Latin America, Eastern Europe and Central Asia” organized by FAO and hosted by the Leibniz Institute of Agricultural Development in Transition Economies in Halle, Germany, on 24–25 May 2016.

7.2 Conclusion

The A4A approach creates value in agrifood value chain development because of its inclusive and bottom-up approach, which places farmers and MSMEs at the centre of the development and trade promotion interventions. Its key outcomes, which include employment creation, export growth, income generation and diversification, youth and gender promotion, and foreign exchange earnings contribute directly to the realization of the 2030 Agenda and attainment of the SDGs.

CHAPTER 8

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CHAPTER 9

Glossary of terms

Facilitator: the organization or person leading the implementation of the Guide.

Horizontal collaboration: an alliance made of enterprises at the same node of the value chain (VC).

Lead firm: a large enterprise which can act as an aggregator of produce from small farms or enterprises.

MSMEs: micro, small and medium-sized enterprises
(no standard definition, at implementation, the definition is based on a given country's definition).

Vertical collaboration: an alliance made of enterprises at different nodes of the VC.

Appendices

Appendix 1. Sustainable food value chains (SFVCs) (FAO, 2014)

#	Principle	Case
1	SFVC development is economically sustainable. Ensuring the sustainability in food VC development starts with the identification of sizeable opportunities to add economic value	The potato VC in India: Financial incentives supplemented by capacity-enhancing and risk reducing elements under a contract growing scheme for PepsiCo's Frito-Lay resulted in 13 000 farmers producing 70 000 tonnes of potatoes in 2013, from 1 800 to 12 000 respectively in 2008.
2	SFVC is socially sustainable. The development of SFVCs requires that the value added by upgrading have broad-based benefits for society and result in no socially unacceptable costs.	The pineapple VC in Ghana: Blue Skies, a fruit processor, has promoted inclusiveness in the VC without undermining competitiveness. Value is captured by farmers, workers, consumers and government, while negative externalities are minimized.
3	SFVC development is environmentally sustainable. Sustainability in food chains depends on minimizing negative impacts on the non-renewable natural resources on which the agrifood system critically depends.	The beef VC in Namibia: Namibia's dynamic and market-driven stakeholders collaborate through the Meat Board of Namibia, a public-private partnership that established the Farm Assured Namibian Meat (FAN) scheme. Combining Good Agricultural Practices (GAP), with other good practices has seen exports grow substantially and faster than other countries in the region.
4	SFVC development is a dynamic, systems-based process. Only by identifying and addressing the root causes of underperformance in the system can truly sustainable food VCs be realized at scale.	The vegetables VC in the Philippines: Working in conjunction with USAID and FAO, NorMInVeggies (a producer association) identified and addressed key constraints pertaining to (1) aggregation, capital & knowledge, (2) quality (3) logistics and (4) market.

<p>5 SFVC development is centred on governance. Strategies that take behavioural assumptions and governance mechanisms, and the factors that influence them, into account are more likely to result in high levels of impact.</p>	<p>The tea VC in Kenya: At the time of writing the case there were 63 tea factories, each with 60 buying centres, and supplied by an average of 7 000 smallholder growers. Each tea factory is a separate company, fully owned by some of the farmers who supply it. Six members of the factory board are elected from buying centre-committee members, with a factory board supervising a professional factory management team. The 63 factories in turn own the Kenya Tea Development Agency (KTDA).</p>
<p>6 SFVC development is driven by the end market. Value is ultimately determined in the end market, and therefore any upgrading strategy has to be directly and clearly linked to end-market opportunities.</p>	<p>The rice VC in Senegal: An initiative which showed early promise was Terral rice, a new rice brand owned by Durabilis, a Belgium-based impact investor. Following a hybrid strategy with a local brand name and an international symbol inspired by India, allowed Durabilis to segment according to local and foreign markets.</p>
<p>7 SFVC development is driven by vision and strategy. Only by carefully targeting realistic development goals and targeting particular points and stakeholders in the VC can SFVCD be effective.</p>	<p>The coffee VC in Central America: This case illustrates how a project funded by the Inter-American Development Bank used a well-targeted approach to sustainably strengthen the coffee VC in Costa Rica, EL Salvador, Guatemala, Honduras and Nicaragua after the international coffee price crisis in the early 2000s. The model implemented had three core components: access to markets, access to training and coordination and building collaboration.</p>
<p>8 SFVC development is focused on upgrading. In VC development, successful translation of a vision and strategy into an effective plan that increases competitiveness, and requires a realistic and complete set of carefully assessed and often innovative upgrading activities.</p>	<p>The Ndagala VC in Burundi: By introducing a rack drying process for fish, income doubled, employment increased fourfold and consumers obtained a better quality product.</p>
<p>9 SFVC development is scalable. Achieving scale, i.e. transformational change, will require that interventions focus on points of leverage or put in motion a demonstration and replication process that is based on realistic assumptions</p>	<p>The dairy VC in Afghanistan: Following on from the successful development of integrated dairy schemes in three areas of Afghanistan, a fourth was introduced in Herat, which resulted in small scale farmers organizing themselves into village-level cooperatives, which in turn organized into a dairy union. The latter manages a vertically integrated system that links farmers directly to consumers, with value addition being the core driver.</p>
<p>10 SFVC is multilateral. Successful upgrading of a food VC requires coordinated and collaborative efforts by the private sector, as the driver of the process, and the public sector, donors and civil society as its facilitators.</p>	<p>The salmon VC in Chile: The emergence and resilience of the salmon VC is largely the result of strong collaboration between public and private sector.</p>

Appendix 2. Government support to trade promotion: country examples

Developing agrifood exports is a major priority for many countries that consider it a vehicle for achieving sustainable growth in agriculture. Trade promotion organizations (TPOs) implement programmes, often with government support, to pursue this goal, with varying tools, institutions and operational frameworks across countries. Some examples of successful export promotion policies and strategies are highlighted below.

In Poland the Ministry of Agriculture and Rural Development and the Ministry of Economy provide funding opportunities for agrifood export promotion strategies. The Agricultural Market Agency coordinates the activities of the nine promotion funds. Each fund targets specific products, and finances up to 500 activities per year oriented to both internal and external markets. In 2011 a programme was launched to promote regional, traditional and organic food quality products for exports. Since 2016 the development of external trade cooperation has been enhanced. Representatives of producers and processors are actively engaged in the Agency's planning and decision-making, while the role of the state is limited to the funds' gathering and financial settlement, making Poland a unique case.

In Chile, the Export Promotion Traditional Fund (FT) and the Agricultural and Forestry Exports Promotion Fund (FPESA) offer opportunities for Chilean companies to reduce trade barriers, increase and diversify their exports, strengthen their international business relationships, promote trainings and innovation technology. ProChile, the Chile Trade Commission supervising FT, promotes Chilean companies in global markets through its offices in 38 countries. For instance, ProChile conducts market researches in collaboration with industry associations to identify market priorities with the best export potential.

In Brazil, the Trade and Investment Promotion Agency (Apex-Brazil) is a leading player in export promotion strategies, carried out in coordination with the concerned ministries. Apex-Brazil's mission is to foster the competitiveness of Brazilian companies, products and services by boosting innovation, internationalization, and attraction of foreign direct investments. Among its activities, the Agency organizes innovation seminars and offers targeted market-prioritization services. National institutions and agencies collaborate through the National Network Project of Foreign Trade Agents to develop small businesses' export capacity and providing counselling on export procedures.

The European Union's efforts to promote agrifood exports focus on stimulating demand for European Union agricultural products in international markets. While the European Union sets the main policy priorities to enhance cohesion at supranational level, the European Union Member States may adopt different strategies according to their needs and institutional settings. One successful export promotion measure was the "Enjoy, it's from Europe" visual identity that identifies the European origin of the products for the benefit of producers promoting their products in and outside the European Union.

Overall, lessons from national experiences in export promotion suggest that public and private sector stakeholders should focus their efforts on enhancing coordination and dialogue among the relevant organizations and institutions; working towards a positive image for the country or the sector; enhancing and giving visibility to the quality of agrifood products; allocate financial resources for export promotion; invest in market research and strengthen sanitary and phytosanitary systems. These recommendations are explained in more detail in the Conclusions section.

Source: FAO. 2019. Agrifood Marketing and trade promotion policies: Case studies of Austria, Brazil, Chile, Estonia, Poland and Serbia. Synthesis Report. FAO, Regional Office for Europe and Central Asia. <https://www.fao.org/publications/card/en/c/CA2883EN/>

Appendix 3. Resource Links

Resource link: the internet is full of free information that can assist you in planning your A4A intervention. No single organization can claim to have a monopoly over what is required to achieve sustainable export success. Some of the more useful links that experienced facilitators of the A4A methodology have used include:

European Union: Trade help desk

 <http://trade.ec.europa.eu/tradehelp>

The European Commission resource states:

The European Union is the world's largest single market and the EU Trade Helpdesk is your one-stop-shop to access it. The European Union is committed to helping exporters like you in its trade partner countries with the information you need to:

- Make the most of the trade agreements that are put in place
- Bring your products to the EU market

You can obtain comprehensive information on the European market, rules of origin, statistics, import duties, requirements and import taxes.

European Union: Market Access Database

 <http://madb.europa.eu/madb/indexPubli.htm>

The Market Access Database (MADB) is an interactive, free online service for European Union exporters, where European Union companies can find information on import conditions for more than 100 countries. Specific information provided is:

- the import tariffs and internal taxes to be paid per product and per country;
- customs and import procedures, formalities and requirements, including samples of the necessary forms to be completed;
- the main trade barriers faced by European Union exporters abroad.

This provides information on a whole range of issues inter alia technical terms, Incoterms and SPS requirements.

CBI: Ministry of Foreign Affairs, the Netherlands

 <https://www.cbi.eu/>

The CBI the Centre for the Promotion of Imports from developing countries, contributes to sustainable and inclusive economic development in developing countries. Annually, CBI supports many entrepreneurs in becoming successful exporters on the European market through its export coaching projects. It publishes numerous market studies every year. The CBI provides useful information to complement the FAO and ITC resources. For example:

Want to export fresh fruit and vegetable to the European Union?

<https://www.cbi.eu/market-information/fresh-fruit-vegetables/>

This will give you sector information (like what type of competition will you face?) as well as promising products and tips to find buyers and do business. You will also find links to ITC tools such as fruit and vegetables, <http://www.intracen.org/itc/market-insider/fruits-and-vegetables/>, Trade Map and Standards Map.

<https://www.cbi.eu/market-information/fresh-fruit-vegetables/buyer-requirements/> A 15 minute read of this link will give you access to **certification as guarantee**, in turn taking you links to HACCP, Global G.A.P, BRC, FS, SQF, FSSC 22000 and GFSI (Global Food Safety Initiative), **labelling and packaging** (Including Transport), **social and environmental compliance**, **soft skills and niche markets** (such as organic). For a printer friendly version see <https://www.cbi.eu/node/979/pdf>

You can also source industry specific websites such as:

Fresh fruits: <https://www.freshfruitportal.com/>

Food innovation: <https://www.sial-network.com/>

They claim to be the largest trade fairs in the world: www.anuga.com

Information in relation to international trade and trading systems that facilitate market access.

The Canadian Trade Commissioner Service

 <https://www.tradecommissioner.gc.ca/Guides/exporter-exportateurs/exporting-Guide-exportation.aspx?lang=eng>

OECD's Global value chains

 <https://www.oecd.org/sti/ind/global-value-chains.htm>

International Trade Centre's Export Potential Map

 <http://exportpotential.intracen.org/#/home>

International Trade Centre's setting up Trade support institution (TSI)

 <http://www.intracen.org/itc/trade-support/setting-up-trade-support-institution/>

Food and Agriculture Organization of the United Nations (FAO)

IPPC Market Access Guide

<https://www.ippc.int/en/news/market-access-a-Guide-for-nppos/>

SAFIN - Workshop proceedings on the use of blended finance to mobilize private capital towards agri-SME's, learning from experiences in Africa, 1-2 October 2019

The CFS principles for responsible investment in agriculture and food systems (CFS-RAI)

<http://www.fao.org/cfs/home/activities/rai/en/>

The OECD-FAO guidance for responsible agricultural supply chains

<http://www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm>

Rural Invest - a methodology and toolkit designed to help with the preparation of sustainable agricultural and rural investment projects and business plans

<http://www.fao.org/support-to-investment/knowledge-resources/learning-tools/ruralinvest/en/>

STDF report - prioritizing SPS Investments for Market Access (P-IMA)

http://www.standardsfacility.org/sites/default/files/P-IMA_Guide_EN.pdf

Alliances for Action
alliances@intracen.org

International Trade Centre
Geneva, Switzerland

Markets and Trade Division – Economic and Social Development stream
Markets-Trade@fao.org

Food and Agriculture Organization of the United Nations
Rome, Italy

