NETWORKING FOR BETTER VALUE CHAIN INCLUSION

Reflections on Oxfam’s work in the raspberry value chain in Bosnia and Herzegovina

Bosnia and Herzegovina is one of the world’s largest producers of raspberries. Oxfam has implemented pilot and follow-projects that demonstrate the benefits of including poor smallholder farmers in raspberry production. This case study explains Oxfam’s networking approach in a multi-stakeholder environment within the raspberry value chain, and discusses how the project benefited poor farmers, enhanced the entire value chain, and influenced the government, municipal and private sector actors to adopt an approach that favours the poorest people.
1 INTRODUCTION

Bosnia and Herzegovina is a middle-income country in South-Eastern Europe, with a population of 3.8 million and GDP per capita of about $4,000. The country is still suffering politically and economically from the consequences of the 1992–1995 war. Employment opportunities are limited; the official unemployment rate is over 40 percent\(^1\) – with youth unemployment at 60 percent\(^2\) – and one in five people lives in poverty\(^3\). With around 60 percent\(^4\) of the population living in rural areas, agriculture and rural development projects have an important role to play in overcoming unemployment and poverty.

In autumn 2014, Oxfam was selected by the International Fund for Agricultural Development (IFAD) to implement the ‘Pro-Poor Value Chain Development’ pilot project. IFAD has been active in Bosnia and Herzegovina since 1996, supporting rural communities through the (re)building of rural infrastructure and providing livestock and other assistance to individual households. Recently, IFAD has focused on ensuring poor people are included in and benefit from existing value chains.

The primary objective of the project was to develop a methodology to enable poor farmers to successfully participate in value chains producing and marketing raspberries, through their involvement in farmer organizations (FOs). The project also aimed to build the capacity of local government actors – most importantly the Project Coordination Unit (PCU) under the Ministry of Agriculture, Water Management and Forestry – to ensure that changes resulting from the project are sustainable and can be scaled up. A relatively small budget of €100,000 was originally set by the PCU to support value chain investments.

This paper will discuss the networking approach taken by Oxfam in the multi-stakeholder environment and present some of the lessons learned: both positive and negative, and regarding the influencing of key stakeholders.
2 ABOUT OXFAM’S PROGRAMME

The project target area comprised the three municipalities of Maglaj, Zavidovići and Žepče, which all have very high levels of poverty and unemployment. Project activities were implemented as follows:

1. A stakeholder analysis was carried out

Project activities began with a thorough stakeholder analysis to identify value chain participants and assess their relationships. The raspberry value chain was found to be very dynamic in the target region, with numerous participants at all levels: input suppliers, FOs, processors/exporters, private and public service providers, and local, regional, and national authorities. The analysis also revealed major differences between stakeholders in terms of their size, capacity and levels of activity; and identified gaps in terms of growers’ access to inputs (seedlings suppliers) and advisory services.

2. A networking approach was adopted from the start

Oxfam took a networking approach from the outset, involving of all stakeholders in each step of project implementation. For example, at the municipal level, we teamed up with the responsible municipal agricultural advisor to identify representatives of the social security centre, presidents of local communities and directors of active FOs. Thus in a short time we were able to set up teams of 20–30 individuals in each municipality. These teams helped identify the target communities, FOs and individual beneficiaries.

This collaborative approach enabled us to conduct a comprehensive field analysis and to gain in-depth knowledge at community level. It also enabled us to continuously monitor the different steps of the pilot initiative at community level, despite limited human resources. At the same time, the participation of a wide range of stakeholders meant the project could:

- Empower and sensitize key actors in local development on relevant aspects of pro-poor inclusion.
- Improve interactions at local and regional level, providing evidence that including poor people in the local economy is possible, and offers opportunities and benefits for the wider value chain and economy.

3. Local facilitators were identified

The team also identified a local development agency from each of the target municipalities to act as a local facilitator. This agency provided us with a team of local professionals with excellent knowledge of local stakeholders and of previous interventions in the field. This improved the networking dynamics, and helped to quickly bring everyone to the table.
4. Targeting of poor farmers and selection of farmer organizations

Targeting was carried out at several levels, as follows, but always with the engagement of multiple stakeholders:

• **Selection of FOs**: This began with consultation of municipal authorities, active processors/exporters, and a local facilitator. The final selection of FOs was based on score-card criteria developed by the project; an extensive needs assessment was also conducted to inform project interventions.

• **Focus on certain local communities (poverty pockets)**: Municipalities, local communities, processors/exporters and FOs were involved in the identification of villages with the highest unemployment rates, but also with the right conditions for growing berries and in areas that could naturally be covered by the existing FOs.

• **Targeting of poor households (maximizing inclusion of women and youth)**: The project defined certain criteria for poverty categorization, based on income per capita and land ownership. More importantly, numerous value chain participants (municipal officers, FO representatives and processors) were engaged to help identify possible project beneficiaries at the farm level.

5. Investment and Action Plan agreed

An Investment and Action Plan (IAP) was then developed, which identified the various activities and investments needed at farm, FO and processor level. Compared to the budget originally set by the PCU/IFAD (of €100,000), this plan already envisioned a much stronger investment in the region of €1,000,000, with a beneficiary contribution of 57 percent. The majority of the investment was related to financing ‘starter packages’, which included the seedlings, irrigation systems, plant protection, fertilizers, etc. to plant 0.1 hectares of raspberries. Other investments supported the construction of a cold storage facility; small equipment and mechanization for FO strengthening; and the provision of advisory services. Once the IAP was approved by IFAD, Oxfam worked closely with all project stakeholders to ensure that the investment was properly managed, with equal benefits for poor households (including women and youth) and the different value chain actors.
3 WHAT DID WE ACHIEVE?

The pilot project earned the title of IFAD’s Flagship Project

By the end of June 2015, the pilot project was largely complete. The pilot activities not only produced effective methodology and helped to build the capacity of PCU staff; they also resulted in an end investment of over €2m and provided direct benefits to more than 300 poor households. These results surpassed all expectations, and such was the pilot project’s impact that it earned the title of IFAD’s Flagship Project in 2015 for successfully demonstrating inclusion of poor people in a value chain in a middle-income country.

The project was scaled up to several more municipalities

In late summer 2015, Oxfam was awarded another contract by the PCU/IFAD, to organize autumn planting in the same value chain, in order to test the methodology developed under the pilot and to scale up the approach to 11 selected municipalities. The objective was to reach 750 direct beneficiaries (poor households) in just three months. Despite the limited timeframe, over 800 direct beneficiaries were supported and the methodology was fine-tuned and will be used in the upcoming Rural Business Development Project (RBDP) – a three-year IFAD/PCU programme which will target 27 municipalities and will offer opportunities for an even larger scale-up.

The networking approach influenced key stakeholders

In addition to the positive impact on beneficiaries, the networking approach influenced the key stakeholders to start changing their approach to poverty alleviation, as follows:

• At national government level, the PCU praised the methodology developed by Oxfam on numerous occasions, and in autumn 2015 it successfully tested the methodology in four selected municipalities. Various leveraging scenarios were tested, attracting financial support from municipalities and processors/exporters in addition to PCU/IFAD grants. As mentioned above, the same methodology will be used in the forthcoming RBDP.

• At the municipal level, local authorities have also changed their approach as a result of this intervention. In the past, municipalities provided very little support specifically for poor farmers – equal subsidies were given to all producers and the poorest families were entitled to social welfare. Thanks to the project’s joint economic analysis, municipalities realized that it is much more cost-efficient for them to finance starter packages than to give social welfare on a continuous basis.
• At the FO level, the cooperatives and associations realized that their organizations will benefit by helping poor families to join the value chain, as a result of increased product quantities and reduced operational costs per kilo. FOs became a strong advocate for the inclusion of these farmers into the value chain. As well as welcoming the newcomers, FOs realized that some of their existing members needed additional assistance to improve their yields; some FOs therefore arranged in-kind loans for these farmers and provided agricultural advisors for free.

• The processors, in search of increased product volumes, also realized that it makes sense to include new farmers in the value chain in the areas where organized production already exists, rather than in brand new production area. They therefore offered in-kind loans to the poor farmers, together with long-term purchasing contracts.

4 WHAT HAS OXFAM LEARNED?

Overall, the networking approach can be considered a success. The advantages and disadvantages are set out below.

WHAT WORKED WELL

Efficient targeting and successful inclusion of poor people in value chains

Thanks to the engagement of multiple stakeholders, the project was able to carefully select the poorest households in the targeted villages and to identify farmers who were strongly engaged with the project as opposed to those who mainly saw the activities as a donation. Without the engagement of the local counterparts this would not have been possible, given that the project supported over 1,100 poor farmers. The engagement of multiple stakeholders in targeting also translated into more efficient project interventions.

Stakeholder confidence led to investment and leveraging

Another positive outcome of the networking approach was the high investment levels accomplished over a very short period of time. Since all stakeholders were involved from the very beginning, they were all familiar with the project approach and the expected benefits. The fact that the municipalities, processors and FOs were involved in the selection of the poor farmers gave them confidence in the targeting, and encouraged them to invest into value chain development.
For example, the processors were willing to offer in-kind loans to the new farmers, as they knew that these farmers have been carefully selected and would be supported to succeed by the cooperatives and associations. One of the processors also decided to invest a large amount of money into a local cold-storage facility, as the number of new farmers will quickly translate into larger quantities of berries for processing. The cooperatives also received some support in small-scale mechanization and equipment, in order to strengthen their capacity to absorb new members and greater product quantities.

The municipalities also saw clear benefits in the new raspberry plantations, which encouraged them to contribute 10 percent to the procurement of starter packages, as a grant to small farmers. Some municipalities also supported the FOs with new equipment and small-scale mechanization. All of these examples translated into significant leverage, resulting in total investment about five times higher than the funds spent by the PCU/IFAD.

Positive influence on mindset and practice of municipal authorities

The intervention was well timed, as the country’s raspberry sector continues to record strong growth. This helped to quickly generate stakeholders’ interest and improve the channelling of the funds. Engaging the municipal authorities from the very beginning resulted in a change in attitudes (at least in some municipalities) and influenced them to reconsider their practices. At the beginning of the intervention, most of the local stakeholders implied that ‘everyone is poor’ and suggested the assistance should have been distributed to existing value chain members and whoever was willing to apply. Through the value chain analysis, it became clear that major differences do exist and that the focus on the precise criteria is very important; municipalities were thus able to target specific assistance to the poorest communities and households. The PCU was continuously involved in the design of all the project implementation stages and weekly coordination meetings were held. The benefits of Oxfam’s approach quickly became visible, and will be adopted by PCU in upcoming interventions in various value chains, as noted above.

Effective empowerment of the entire value chain

The networking approach had a positive impact on the entire value chain. The volume of business has increased significantly in the different territories as a result of improved confidence among stakeholders. More than 1,100 new farmers joined the value chain and together planted 117 hectares of raspberries. Based on average expected yields and current prices, the new plantations are expected to generate an income of around €2.9m per year over the next 12 years. Thanks to the introduction of a new variety, product quantities increased by almost 50 tonnes in the first season, translating into income of around €80,000. Processing capacities increased by over 2,000 tonnes, boosting farmers’ confidence in the raspberry value chain. Through the provision of advisory services, yields at smallholder level also increased. Starter packages included irrigation systems (and in some cases, anti-hail nets), helping to improve resilience to climate extremes.
WHAT DIDN’T WORK WELL

Pressure and challenges due to limited timeframe

As mentioned above, there was a very short timeframe for implementation of both the pilot initiative and the autumn planting (nine and three months, respectively). This created some challenges for the networking approach. The presence of various stakeholders sometimes meant that more time was needed for project implementation – and time was simply not always available.

There are two planting seasons per year in raspberry production (autumn and spring) and different areas have different deadlines due to variations in altitudes and micro-climates. In some cases, deadlines were not respected, especially in the autumn planting. For example, in the process of selecting the poorest local communities, a bottleneck was created at the municipal level. Not all municipalities sent the required information on time to allow a proper data analysis. In some cases, the selection of FOs was carried out too quickly, without due diligence and based on the information provided by a single source (a processor/exporter or municipal agricultural advisor).

Processors/exporters did not have the capacity to deliver large numbers of starter packages in the limited time available. The rapid value chain expansion also put additional pressure on input suppliers. The availability of seedlings became an issue both in the spring and in the autumn planting, resulting in very different delivery dates to farmers in different communities, and very different first yields – these ranged from 100kg to 700kg.

More supervision is required

During the initial networking conference in the autumn-planting project, PCU and Oxfam presented the methodology and instruments to all project stakeholders. Responsibilities were assigned and the work plan was jointly agreed, leaving very little room for errors or delays.

However, in spite of the mutual agreement, in some cases stakeholders implemented certain steps without consulting the project management. For example, one of the processors/exporters widely promoted the project, highlighting via radio commercials and posters that beneficiaries would receive a 50 percent grant from the project plus a 30 percent in-kind loan from the processor/exporter. However, the advertising failed to mention that this assistance was targeting only poor people, so the number of applications skyrocketed (from an expected 750 to an unmanageable 1,800).

This created a huge pressure on the monitoring process, both in terms of time and resources needed to conduct the monitoring. Hundreds of applicants were rejected as they did not fulfil the targeting criteria. The municipalities could not cope with the high number of applicants, so the grant was eventually reduced to 40 percent. The changes caused confusion and anger among some farmers who fulfilled the project criteria, some of whom left the project before receiving any support. As a result of the misleading
communications, enormous energy was spent before the beneficiaries could be settled on.

**CONCLUSIONS AND NEXT STEPS**

To conclude, the networking approach taken by Oxfam in these two initiatives in the raspberry sector in Bosnia and Herzegovina has delivered numerous benefits. Poor farmers were successfully included in the value chain; the entire value chain was empowered; and, most importantly, key stakeholders were influenced to adopt an approach which better supports the poorest people.

**Learning and recommendations**

- Some stakeholders may need capacity building to efficiently fulfil their roles.
- If the networking approach is applied, more supervision is required to avoid un-coordinated stakeholders’ initiatives. A Steering Committee should be established whenever possible, and regular coordination meetings should be held.
- All agreements should be documented in advance to prevent unpleasant surprises during project implementation.
- The broader picture should also be considered in the planning process, to avoid bottlenecks in the implementation of activities.
- To further develop and for scaling up will be important to explore a wider sectoral approach for identification and dissemination of best practices especially at the level of the primary production to enhance long term sustainability and resilience.