Introduction and Background to the *Guide*

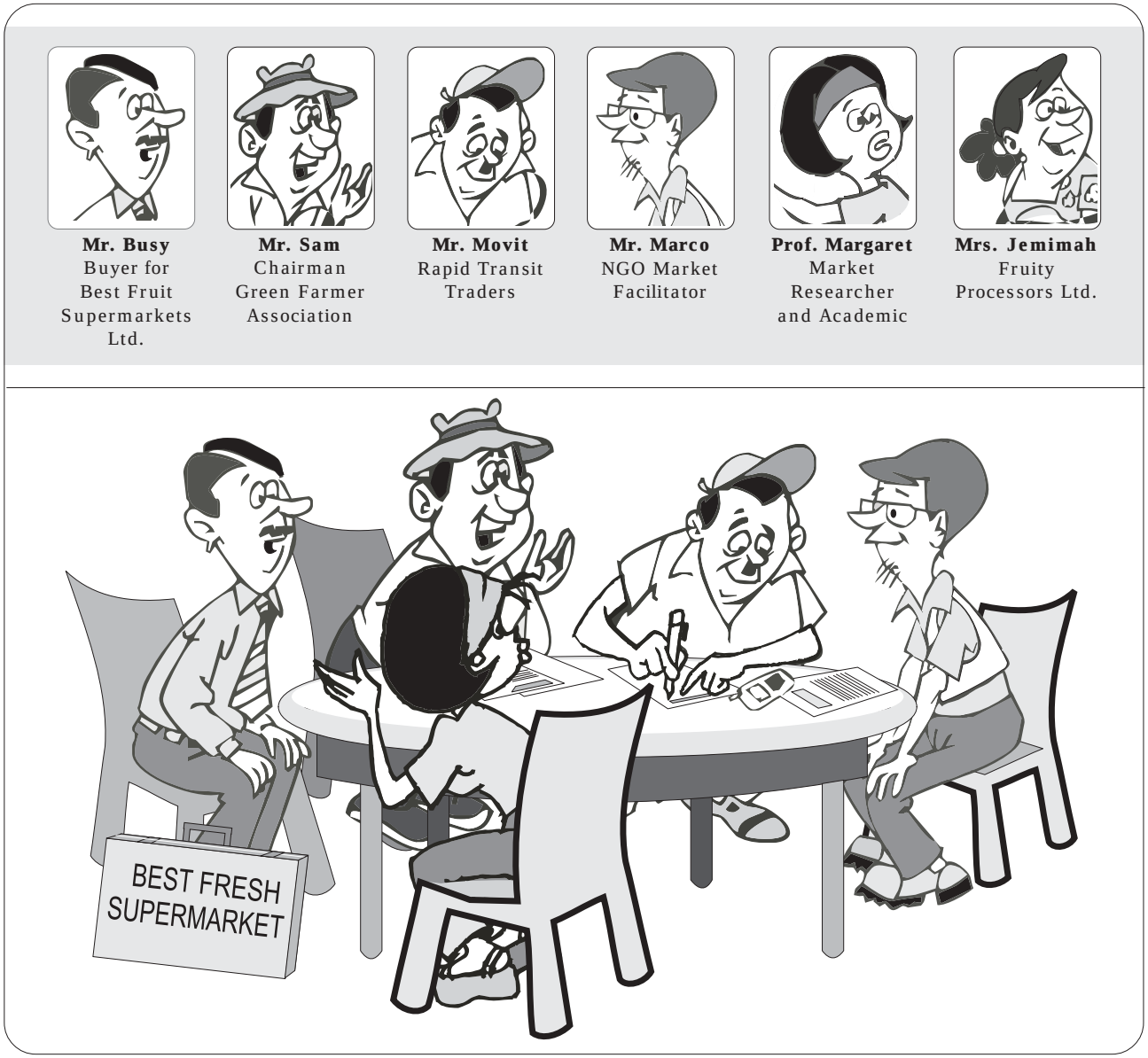

Figure 1. Market chain participants at their first planning session.

Many small-scale farmers in developing countries are finding it increasingly difficult to improve their livelihoods using traditional strategies based on agricultural production, particularly when they work as individual family units. In the past 10 years the agricultural world has changed dramatically, with reduced government expenditure, falling commodity prices, and increasing competition in the marketplace.

To assist rural communities, many donor organizations follow the convention of investing to increase the production of a limited number of commodities. This approach has merits, it is simple, can increase demand for new research technologies such as varieties and fertilizer, and usually overcomes food security issues. For communities that are unable to provide themselves with a reliable food source, this option is a necessary first step.

Unfortunately, in the past, production-based approaches give little attention to marketing issues. Rapid increases in production, with no other changes can lead to markets, especially local markets, being oversupplied. In the worse cases, this can create a situation where farmers receiving less income than before the project.

This situation is not caused by a lack of resources or genuine effort to support rural populations, but is a consequence of limited business planning, the need to produce dramatic results within a 3-5 year project cycle and lack of coordination between support agencies and local private sector participants. We believe that for many communities, particularly the poorest communities, a more robust strategy is required which has realistic timeframes and achievable goals. We believe that each intervention should begin with a basic business planning process (Figure 1). In this figure we attempt to show those critical participants who can assist in making markets work better for smallholder farmers. Greater effort should also be made to bring together development agencies working within a defined geographic area and that the local community should be closely involved in the design and testing of options that meets their needs.

To address this challenge, CIAT's Rural Agroenterprise Development Project (RAeD) has developed a series of participatory methodologies which aim to assist rural service providers to enable farmers to benefit from improved social structures, learn basic agroenterprise skills, and improve their ability to innovate. This process has been divided into a number of discreet tasks, which when combined, make up a strategy entitled the "participatory and area-based approach to rural agroenterprise development".

"Agroenterprise" is defined in this *guide*, as a business activity that is implemented by resource-poor smallholder farmers. The approach is based on the idea of developing skills and building assets before moving to scale. "Service providers" are those agencies, organizations, and local entrepreneurs who facilitate the process of learning and market engagement. Service providers who do not have expertise in rural business development are encouraged to start small and to read the *guides* thoroughly before attempting to replicate ideas on a broader scale.

Overview of the Area-based Approach for Rural Agroenterprise Development

This *guide* provides the starting point for applying the strategy developed by CIAT's Rural Agroenterprise Development Project (RAeD), to address the entrepreneurial development needs of institutions that support rural communities. The methods, tools, and learning approaches described here, were the result of many collaborative projects undertaken over the past 10 years in Latin America, Africa, and South East Asia. The implementation draws heavily upon participatory methods that assist the facilitating institute to focus on realizing new business opportunities for rural communities. The basic steps in the process include:

(i) Developing partnerships, area-based analysis, and planning.
(ii) Market opportunity identification.
(iii) Analyzing production chains and generating business plans.
(iv) Implementing agroenterprise projects.
(v) Strengthening business development services in rural areas.
(vi) Evaluating and advocating for improved marketing policies.

This approach was developed in response to demand from partners who wanted a systematic method for shifting from a food security strategy that focused on increasing production to a market-oriented approach that emphasizes local empowerment and building local skills for income generation and market engagement.

The approach aims to provide rural communities with the basic skills to understand their market environment, identify market opportunities, design new agroenterprise projects, and integrate projects within market chains. This process is flexible and decisions will enable smallholders to adopt the most appropriate marketing strategy to assist their prospects for increased income, such as:

1. Improving the competitiveness of products in local and regional markets.
2. Achieving economies of scale through collective action and group marketing.
3. Diversifying into improved or higher value products linked to growth markets.
4. Adding value to products by changing farming practices to accesses higher income markets enhance product quality and incorporate processing activities.

A flow diagram linking actions and good practice guides is shown in Figure 2, and

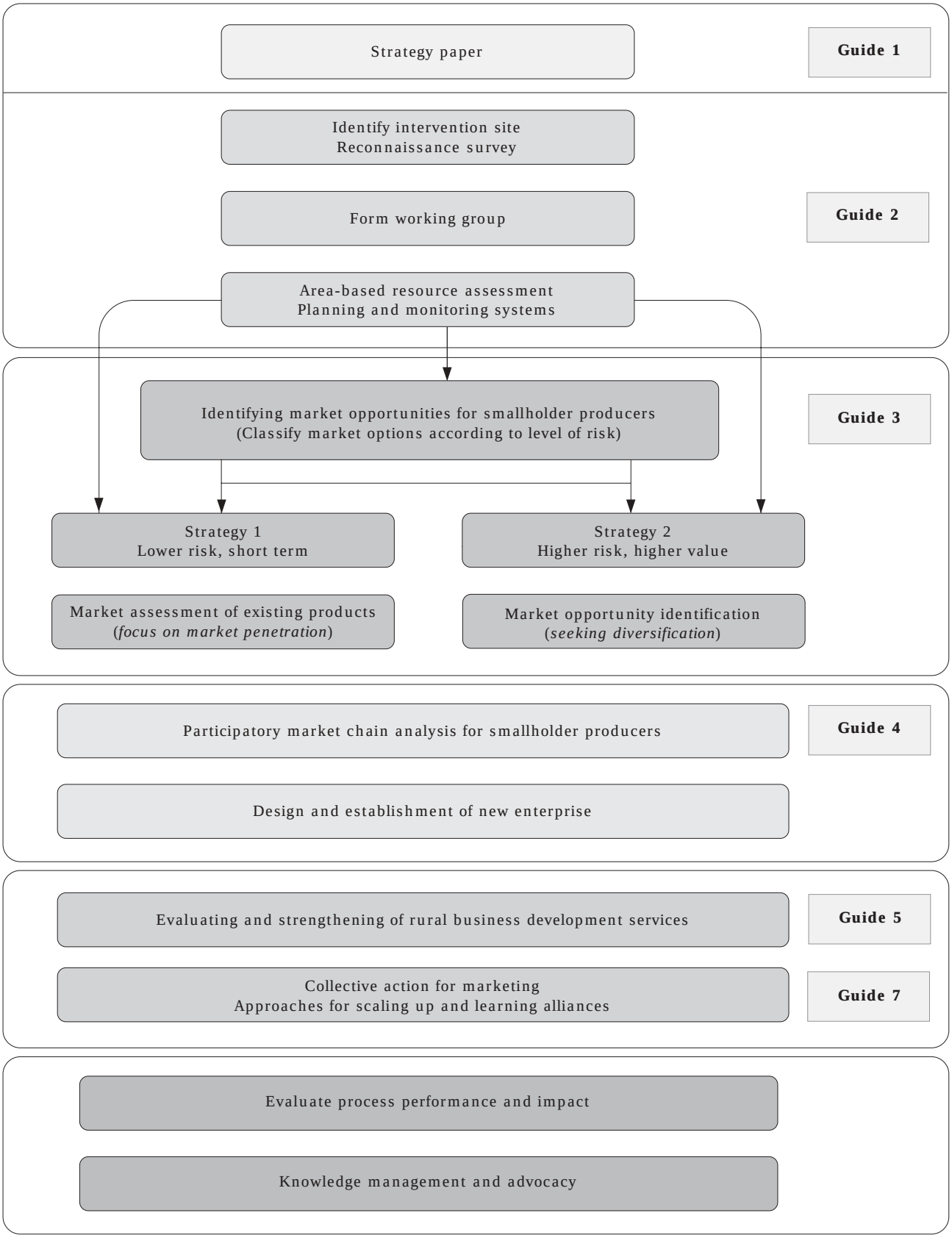

Figure 2. Flow chart of key stages in the participatory agroenterprise development approach.

Note: Guide 6: "The Market Facilitator's Guide" is a summary of Guides 2-5.

Appendix 1 provides an overview of the relationships between the main tasks in the agroenterprise strategy, with an indication of the time and effort required. For each stage, there is time allocated for (i) learning, (ii) putting ideas into practice, and (iii) evaluating the outcome. This participatory process aims to work towards building a consensus for activities to increase the likelihood of success.

Given that local contexts have unique features and that markets are dynamic, service providers should implement the methods based on local opportunities and resources. Enterprise activities are complicated social activities that need to be facilitated by skilled staff with motivated partners. In all cases the approach requires that roles and responsibilities are agreed at the outset; that planning and investments are client-led and performance is critically observed.

Experience shows that for these approaches to be effective, service providers and farmers need to acquire new skills and new working arrangements. This change from a production to a marketing perspective requires time and finances, which is why we recommend the approach is first introduced within a long-term capacity building program, typically over a 2-year period.

N.B. In certain situations and locations, this market-led approach may not be the most appropriate, such as in areas suffering from civil insecurity or chronic food insecurity, where food assistance maybe the primary need.

Objectives and Structure of the *Guide*

The aim of this *guide* is to provide a systematic means to (i) select and evaluate an area, (ii) establish an overall working group to support inter-institutional agroenterprise development, (iii) profile client groups to implement enterprises, and (iv) agree area plans for joint activities.

This guide has the following sections:

- Basic principles of livelihood development.
- Agroenterprise working group development.
- Selection and diagnosis of an area.
- Profiling of clients.
- Planning for action.
- Making decisions on pilot testing.
- Designing a system for monitoring, evaluation, and learning.

The results from each section are used as the input for the following section. On finalizing the methods in this *guide*, you will have

(i) Selected an area.
(ii) Established a working group made up of diverse organizations.
(iii) Undertaken an area resource assessment.
(iv) Agreed upon joint activities with partners for marketing and enterprise development.