

Market Transformation Workshop, 2017: Dhaka Bangladesh

To operationalize the MoU between the Dutch Ministry of Foreign Affairs and World Bank Group on transformative change needed for agricultural growth as well as food and nutrition security, both parties together with the Embassy of Sweden and iDE organized from the 11th to the 14th of February, 2017, a Market Transformation Workshop (#MTW2017). This learning event brought together international, regional and national experts on market-based approaches and private sector engagement. In Bangladesh, agriculture has been the main driver of poverty reduction through increased incomes. An increasing number of even landless are leasing in land – often very small parcels. The trigger to organize the Market Transformation Workshop is the realization that agricultural growth and value chain development may not translate into increased profits or fully accrue their benefits to small farmers and the marginalized and vulnerable population. Government policies, often seeking immediate benefits through market interventions, such as setting low prices, have rarely succeeded in accelerating growth, improving food security or reducing poverty among farmers. A dynamic private sector, with active entrepreneurs (in input markets and output markets), is essential to drive market transformation and benefit both the farmers and consumers. For this to happen, it is critical to ensure that there is effective competition so that in efforts to maximize their gains where and however possible, they do not engage in illegal or exploitative practices. Similarly, small volumes make small and marginal farmers vulnerable to output buyers, who can take advantage of their market power and make unethical price agreements. And women are at particularly high risk of discrimination in markets where access and competitive forces are limited. Vigorous competition drives innovation and efficiency in the market place. Where conditions do not allow this, additional actions and interventions may be needed to correct for this market failure, and restore the market power of those market participants at risk. Market efficiency requires development effectiveness and development effectiveness relies on market efficiency.

A focus on seeking transformative changes in the market may appear to be unusual, but a smooth transformation is fundamental to a modernizing food system and inclusive growth. Market transformation has emerged out of practical experiences with partial market liberalization, investments in infrastructure and technology (World Bank), value chain development (Dutch Embassy, SIDA and USAID) and the “software” initiatives to ‘Making Markets Work for the Poor’ a reality (iDE and other

NGOs). On the one hand these efforts have triggered increased agricultural output and market integration. But results in terms of investment in moving up the value chain and inclusive development among sections of the rural population, progress is still below expectation. A transformative change seems to be needed but what and how? The purpose of the workshop was not to design prescriptive “blueprints” for development but rather seek ideas and approaches that open up the discourse of the concept and approach to market transformation by bringing practitioners, market actors and experts together.

The first phase of the workshop, focused on field experiential learning in the Southern Coastal Belts of Bangladesh revealed promising market transformation initiatives on the ground driven by technologies; i.e. adaptation of varieties of mung and rice along with related production packages that not only enabled farmers to meet buyers’ demands, but also transform their cropping systems and establish reliable commercial partnerships with agro-company (case of mung producers), or rice seed dealers and growers (case of rice seed farmers).

Lessons learned from value chain development indicate that six issues are important for farmers to benefit from transforming markets and value chain development:

- (1) healthy competition through free entry for competitors (especially among buyers) is essential for markets to work efficiently and fairly;
- (2) reaching volume (organized and mixed farmer groups give farmers a greater bargaining position but they also, importantly, become attractive for traders and investors);
- (3) specialization occurs naturally over time, but well targeted interventions can help in a faster transition and learning (producing only the right quality can already improve income by 40%);
- (4) density (when production is scattered and individual, the transaction costs ruin profitability);
- (5) connectivity is essential for smooth market functioning and benefits to farmers (in remote areas, or even poorly connected smaller cities, the benefits of market-based approach may not be realized to their full extent, and in some case may not be realized at all)
- (6) innovation brings a uniqueness to the product, can add significant value to the product, and offsets high transportation and transaction costs (can be through mechanization, new items or quality or even through more efficiency process to reduce costs along the value chain).

This list is not a model or approach but rather a collection and codification of experiences that seeks to define a set of design principles.

Prof. Dr. Ruerd Ruben from Wageningen University and Research (WUR) presented the flagship program on Food Systems for Healthier Diets. He drew attention on working from fork to farm: from the on-going and future dietary transition (e.g. more meat) backwards to the food production systems' requirements. He also noted that many value chain projects are good at linking farmers to backward and forward markets but fail to address land and labor markets. These markets are highly politicized (e.g. the land grabbers along rivers and the coast as well as the tenure arrangements for landless farmers). All markets are interlinked in complex ways, which should be taken into account when facilitating market transformation.

Scalability is crucial. As Paul Polak, founder of iDE, said: 'if you don't reach 100 million people and you don't make 10 billion bucks in revenues, why bother?' This challenging eye-opener does point at the mismatches between the scale of our projects and the scale of the problem or system. Bringing micro-nutrients to scale is on-going (GAIN) but most value chain development efforts would require a change to scale up and out to this dimension.

Value chains do not only create on-farm jobs but also many off-farm jobs. Traders, shopkeepers, transporters and knowledge providers can all profit from more efficient markets. Many of the poorest get employment through well-targeted project interventions.

Business ethics is also crucial. Despite widespread discrimination, exploitation and adulteration, there are also good examples. One output buyer, Anuar Hossain, shared his story where farmers came to him since they were looking for someone who could profit from them so that they could, in turn, profit from that person! Equitable sharing of profit margins and risks is essential for reiterative relations in which trust is built. This was exemplified by an input seller, Mrs. Khadiza one of the very few women to get into this line of work, who refused to sell bad quality pesticides although she could make a very high profit margin on those. A code of conduct guides her business ethics, which she hopes in turn build longer-term relationship with her clients. Mainstreaming CSR, not as a philanthropically way to spend money but as the way to make money, is another element of business ethics which shows possibility for scaling such ideas beyond small, socially driven niche investments.

The result of this learning event was the collective reflection on experiences in facilitating sustainable market transformation in a variety of different contexts. Experts, practitioners, academics, policy makers and a wide range of businesses (from female farmers to middlemen and agri-conglomerates) spent the first three days in the field. During the 6 project visits all the relevant value chain actors were present at

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the same locality. Experiential learning was combined with the facilitation of a local platform on market-based approaches. The national and international visitors thus contributed their ideas to make the local market more efficient, integrated and ethical. The workshop culminated in a large gathering in Dhaka where national and global trends and networks were connected.

Opening this final event, the Ambassador of The Kingdom of the Netherlands, Her Excellency Leonie Cuelenaere, the Ambassador of The Kingdom of the Netherlands, who noted that “Market transformation is triggered by technologies, brokers, technical assistance, government, and organized producers. We want ideas, more than a particular approach.” This was followed by a keynote address by Dr. Madhur Gautam, Lead Economist with the Agriculture Global Practice of the World Bank, who put market transformation within the broader context of transforming value chains in evolving and modernizing food systems across countries. Highlighting the critical importance of competitiveness in driving innovation and efficiency as food value chains evolve to meet rapidly growing and changing consumer demand, he underscored the relevance of these trends for Bangladesh with recent findings showing that investment in infrastructure, technology, market friendly policy reforms and emerging market opportunities have been strong drivers of rural growth.

The event concluded with the launch of Women’s Economic Empowerment through Strengthening Market Systems (WEE SMS) project, a 5-year initiative that seeks to catalyze jobs and market opportunities for women in Bangladesh, jointly implemented by iDE and The Asia Foundation, through the support of the Embassy of Sweden and Sida.

