INTRODUCTION

The purpose of this document is to capture learning from the Enterprise Development Programme (EDP) workshop which took place in Oxford in May 2013. It gathered 20 Oxfam staff involved in EDP across 12 countries. The event and was run in parallel with the Gendered Enterprise and Markets (GEM) workshop, with some of the sessions run jointly, including the opening day with presentations by Penny Lawrence, International Director; David Bright, Head of Economic Justice; and various experts on rural economic development. A summary of the GEM event is available here.

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1 This document is based on the initial work of Nigel Thorne, with additions and editions by the EDP team Hugo Sintes, Alan Doran, Maria Michalopoulou, Kim Sophastienphong and Fabian Llinares; and contributions from all participants in the EDP Workshop Felipe Barney, Mario Torres, Ashenafi Mengistu, Dawit Derbew, Mulu Tesfaye, Mustafa Ismael, Haris Qayyum, Jessan Catre, Sinhasamy Yogarajah, Ralph Roothaert, Vadim Uzunyan, Norul Amin, Hector Ortega, Norman Sarria, David Bright, Dieudonne Rutware. Participants also included Mara Bolis and Josep Ferrer from Oxfam America and Spain.
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SESSION 1: BASICS ON EDP

EDP’s goal and objectives

The Enterprise Development Programme was set up in 2008 with the purpose of consolidating Oxfam’s learning on an important and difficult area of our livelihoods work, the set up of enterprises that can sustainably connect farmers to markets.

EDP’s general aim is to develop a model for investing in agricultural enterprises, which can leverage further support and investment into this type of businesses. Its objectives include:

- To invest in up to 24 enterprises by July 2014, of which 50% should be viable within 4 years
- To improve the livelihoods of smallholder farmers and women
- To prove the viability of EDP as a model for developing [and investing in] rural SMEs
- To contribute to Oxfam’s efforts to increase public & private investment into agriculture, SMEs
- To increase Oxfam’s funding, learning and capacity to support enterprise development.

With EDP, Oxfam subscribes to a wider movement demanding support to Small and Medium Enterprises (SMEs; also called Small and Growing Businesses), while focusing on those enterprises which are more remote, and specifically support smallholder farmers and women.

EDP’s key features

- EDP sources exclusively enterprises from Oxfam programmes
- Enterprises are identified by local staff, and screened by Oxfam experts and an Investment Committee with external members. They makes recommendations to the EDP Board.
- EDP’s average investment is £160,000; of which £60,000 in the form of a loan, channelled through a local financial intermediary. Loan repayments are recycled into the programme.
- All EDP enterprises commit to improving women’s economic leadership, and often include natural resource management, policy and learning components.

EDP’s achievements

Since it started, the programme has:

- Reviewed and advised more than 100 business ideas emerging from Oxfam programme
- Raised £4.6 million, mainly from individual donors; opening a new source of income for Oxfam
- Reached nearly 30,000 farmers, with farmer membership almost doubling (see Fig 1)
- Increased women’s representation in rural enterprises from an average of 21% to 37%
- Increased total enterprise sales by an average of 50% a year in the last three years.

Fig 1. Number of farmers and women in EDP

![Graph showing number of farmers and women in EDP]

- Farmers (all)
- Farmers (12 only)
- Farmers (women)
• A key criteria of success for EDP is whether enterprises become viable. This includes profitability and a few other business factors. Of the 17 enterprises invested in as of March 2013, five (30%) are profitable and close to viability; seven (40%) have still important issues to address but can become profitable; and five (30%) are not going to be profitable either in the short term, or in the medium term (see Figure below).

Fig 2. Enterprise viability status

EDP’s success factors
• We have learned many lessons on how to improve our ratios of success. These have been summarised in EDP’s Key Success Factors (see below) and include the need for a sound analysis of the market and business model, and sufficient capacity and leadership in the enterprise.

Fig 3. Key success factors in EDP Enterprises

<table>
<thead>
<tr>
<th>Market</th>
<th>Technology/Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is the market for product growing?</td>
<td>11. Expertise on technology available</td>
</tr>
<tr>
<td>2. Specific buyers and alternatives?</td>
<td>12. Timeline if large investment planned</td>
</tr>
<tr>
<td>3. Able to market and better than competition?</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Model</th>
<th>Local support</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Is the business registered or trading for 1 year</td>
<td>13. Oxfam has capacity/ time?</td>
</tr>
<tr>
<td>5. Business model has worked here/ elsewhere?</td>
<td>14. Partner has capacity &amp; clear role?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leadership/management</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Leadership exists and aligned with Oxfam</td>
<td>15. Financial partner and needs clear?</td>
</tr>
<tr>
<td>7. Management skills in place</td>
<td>16. Strong mentor?</td>
</tr>
<tr>
<td>8. Owners and/or Board committed?</td>
<td>17. Other donors compatible?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agriculture/Production</th>
<th>Women/Social</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Climate risks can be partly mitigated</td>
<td>19. Strategy (with alternatives) in place?</td>
</tr>
</tbody>
</table>

Workshop objectives
This workshop, which took place in the last week of May, had the following objectives
• To share lessons and experiences among the countries involved in EDP; as well as with other Oxfam staff involved in other types of livelihoods work.
• For Oxfam staff to meet EDP Board members, supporters and Investment Committee members
• To gather ideas from our staff for the design of the re-launch of the EDP Programme in 2014

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2 This excludes another two which exited in 2011. They are sustainable as businesses, but Oxfam’s contribution was limited, and they have therefore not been assessed using the viability indicators.
SESSION 2 – ENTERPRISE BUSINESS MODELS

Introduction to EDP enterprises

- Through EDP, Oxfam has chosen to invest in enterprises which connect remote poor farmers to markets and services (Oxfam calls them *specialised intermediaries*).
- These are typically based in rural and remote areas and are often, but not always, farmer-owned.
- They are early-stage, in that their level of development is basic (typical annual sales at the start are below $25,000). They have not yet accessed finance from formal markets, nor have a full management team in place.
- These characteristics, plus the fact that Oxfam’s loan is typically well below $250,000 (the average is $90,000) differentiates EDP from other models such as *Root Capital* or *Grassroots Business Fund*.

Legal structures

- EDP-supported enterprises have actually taken different legal forms, depending on the local context and interest of the promoters. Below are some of the types promoted so far, and a few examples.

<table>
<thead>
<tr>
<th>Legal Form</th>
<th>Number</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative</td>
<td>4</td>
<td>Aproalce, Pavitra, Dafacos, Armenia</td>
</tr>
<tr>
<td>Alliance of cooperatives</td>
<td>1</td>
<td>Colombia</td>
</tr>
<tr>
<td>Union/Federation of cooperatives</td>
<td>3</td>
<td>Zembaba, Assosa, Sri Lanka</td>
</tr>
<tr>
<td>Hybrid NGO-cooperatives</td>
<td>2</td>
<td>Palestine, Philippines*</td>
</tr>
<tr>
<td>NGO owned</td>
<td>(1)</td>
<td>(Veterimed)</td>
</tr>
<tr>
<td>Private ownership (individual)</td>
<td>2</td>
<td>Tanzania, Rwanda,</td>
</tr>
<tr>
<td>Private ownership (various)</td>
<td>2</td>
<td>Bangladesh, Pakistan*</td>
</tr>
<tr>
<td>Total</td>
<td>14 (15)</td>
<td></td>
</tr>
</tbody>
</table>

* Not yet registered

Case study 1: from Rwanda, by Dieudonné

BN is owned by a woman entrepreneur who was already supplying mushroom seeds to 150 growers. She was selected to provide seeds to new disadvantaged groups, with the commitment to also buy back the mushrooms at a guaranteed price and sell them to the market. This was seen by EDP as a safer strategy (both for farmers, and for the Oxfam’s loan) than starting a new farmer-owned enterprise from scratch, as farmers were still un-organised.

- In order for the enterprise to obtain EDP’s financial support, BN agreed to certain conditions (later stipulated in a contract) to do with provision of inputs, prices, etc.
- Unfortunately, the enterprise has been distracted with other priorities and not shown significant commitment to this project. Oxfam has been unable to influence the owner-manager to meet fully her obligations to growers under the agreement. The manager was also reluctant to share financial information, which reduced Oxfam’s trust in her.
- Oxfam has tried to manage this by only providing 40% of EDP’s loan in a first stage. This has proved a useful bargaining lever. The loan was provided through a local registered entity (rather than directly by Oxfam), and the enterprise is obliged to repay to maintain a good credit record in the country.
- Also, Oxfam appointed a half-time consultant based in the local financial institution (FI), which ensured a consistent message from Oxfam and the FI.
- Still, the relationship has not been as successful as envisioned, so Oxfam is now seeking other private sector partners to fill in BN’s role. The choice of a more advanced enterprise was not necessarily
wrong, and the idea of working with more established businesses can be a quicker route to scale. This was however clearly the wrong enterprise, and Oxfam’s ability to influence insufficient.

- The team in Rwanda are now seeking collaboration with other established enterprises, but know better how to identify the keen ones, and feel more comfortable in negotiating the arrangement.
- Note that in this particular case, Oxfam also tried to introduce a profit-sharing mechanism between the private company and farmer, but the manager insisted that this would be unpractical as farmers were not experienced enough to engage in those conversations.

**Case Study 2: An enterprise set up by traders in Bangladesh, by Norul**

The project is the production of chillies in a delta area in the northern part of the country which is most vulnerable to excess flooding.

- The team decided to back-up the set up of a company owned by a small number of traders.
- While the status is that of a cooperative it is effectively a private company owned by 20 people only.
- The owners of the company are leaders, men and women, who are also linked to village groups. They are experienced in business, have put their own equity and are able to make quick decisions.
- The alternative would have been to set up a cooperative open to all farmers trading chillies, but Oxfam local staff and enterprise promoters felt that in that particular context, given the remoteness and high levels of illiteracy, it would have been difficult to operate. Farmers do however get access to higher prices, technical assistance, credit and new buyers. The company has been trading for two seasons, but it is early days to measure the effectiveness of this approach.

**Case study 3: An private limited enterprise in Pakistan, by Haris**

This is a dairy enterprise in the area of Muzaffargarh, in Pakistan.

- The case is similar to the one in Bangladesh, where rather than setting up a cooperative or union of cooperatives, these will be a small number of farmers owning the company, while representing a village which runs a cooling tank.
- In this case, the main reason for choosing this model was to the fact that the Regional Government has imposed a ban on registration of new cooperatives, as a result of a previous bad experience.
- Oxfam and our local partner Doaba are working with a lawyer to make sure that leaders (men and women) owning the shares have strong links with the rest of farmers to ensure they are part of decisions and profits. This is in particularly important as the success of each cooling tank resides on all farmers being committed and incentivised to bring their milk.

**Case study 4: An alliance of cooperatives in Colombia, by Felipe**

In Colombia, Oxfam partnered with the Alpina Foundation and various farmers groups to sell into Alpina, itself a large dairy processing company.

- The initial 4 farmer groups had an average of 50 farmers each, or 200 in total, and were going to install cooling facilities and receive credit, training and assistance to improve production and quality.
- Oxfam helped them organise an alliance, which at that point seemed easier than a legal federation of cooperatives. The alliance, alongside the two main donors Oxfam and the Fundacion Alpina hired a ‘project management team’ which included a coordinator/veterinary and an accountant.
- This team has been providing key services, which each cooperative would not have been able to obtain on their own.
- In 2013, both donors are still contributing to the salaries, but the plan is for the cooperatives to fund them fully; they are also in discussion with other cooperatives to join the alliance.
- Interestingly, one of the four enterprises was actually not a cooperative, but a private individual sourcing from farmers in the area. After some unsuccessful efforts, the 3 other enterprises decided to evict them on the account of poor financial and management transparency.
Case study 5: Private processors in Tanzania

In Tanzania, Oxfam has been promoting the sisal value chain, upgrading farmer capacity and connecting them to existing manufacturers including Katani. In order to make that link possible, Oxfam introduced an intermediate technology called raspadora which would semi-process the sisal plant into fibre, making it possible for buyers to purchase it.

- Tanzania has generally poor experience with cooperatives, with poor accountability, performance and political interference. Also, the farmers Oxfam was supporting and organising into producer groups were not ready to formalise and acquire the new equipment.
- There were also number of risks involved with starting a new activity, so Oxfam decided to select more experienced individual business people to run the first 5 pilot raspadoras.
- They got a loan from Oxfam and after 18 months were processing fibre successfully.
- The main challenges for Oxfam have been obtaining financial information from this group; and fulfilling obligations in terms of loan repayment or fibre deliveries, though this last point is partly explained by the buyers’ own poor transparency (see another case study on this below).
- Oxfam has recently started to work with 10 new group of processors, who have a slight different profile and these issues are being addressed more easily.

Fig 5. Lessons and tips on enterprise legal status

- While traditionally we have worked mainly with cooperatives, and these constitute 8 of the 14 live enterprises in EDP (60%), Oxfam is actually open to working with different legal forms.
- The selection criteria actually has to do with other factors, whether the enterprise can grow, become sustainable and be inclusive, in particular to women. And also, whether Oxfam as an investor will be able to influence them.
- Quite often, Oxfam has already chosen a particular subsector where an appropriate enterprise to support already exists. But in other cases, Oxfam might be in a position to advice farmers who are not yet formalised what form they should choose. The answer, again, depends on the context. Programmes should look at advantages and inconvenient in terms of ability to recruit, engage with banks or suppliers, distribute profits, tax regime, etc. That, in addition the interest of key promoters.
- In theory, cooperatives can better secure supply from farmers, who are members and shareholders. However, clearly if poorly run they will not have any profits to distribute; and cooperatives do face specific challenges (see next section which focuses on this).
- Private Limited companies, on the other hand, have stronger incentives for owners and can expand more quickly. A father and daughter family business in Philippines, for example, has set up a moringa business faster and bigger than Oxfam’s supported cooperative a few thousand kilometres further. Such businesses exist but are a rarity. In any case, if supporting them Oxfam should ensure they pay fair prices.
- In Rwanda, Armenia and Bangladesh, Oxfam has tried to introduce profit-sharing mechanisms with non-members/owners, so this is an area we are testing and will have more learning on..
- Finally, Oxfam has found that some private limited companies have less commitment to financial transparency than cooperatives, often submitted to tighter financial transparency regulations.
**Stages of development of EDP enterprises**

- EDP started using very basic categories for enterprises, either ‘start-ups’ or ‘scale-ups’. This is a more interesting framework from the *Overseas Development Institute* (ODI), which presents 4 categories.

**Fig 5. Evolution of enterprises, by ODI**

We adapted the four categories with four easier names, and the graph below plots EDP enterprises in the resulting matrix (comparing with legal status).

**Fig 6. EDP Enterprises: ownership and stage of development**

<table>
<thead>
<tr>
<th></th>
<th>Start up</th>
<th>Started</th>
<th>Growing</th>
<th>Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative</td>
<td>Philippines</td>
<td>Philippines</td>
<td>Honduras</td>
<td>Honduras</td>
</tr>
<tr>
<td></td>
<td>+Armenia</td>
<td></td>
<td>Honduras</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Pavitra</td>
<td>Pavitra</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dafacos</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alliance of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federation of</td>
<td>Sri Lanka</td>
<td>Sri Lanka</td>
<td>Assosa</td>
<td></td>
</tr>
<tr>
<td>cooperatives</td>
<td>+Assosa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>+Zembaba</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hybrid NGO-</td>
<td>Philippines</td>
<td>Palestine</td>
<td>Palestine</td>
<td>Tanzania</td>
</tr>
<tr>
<td>cooperatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private ownership</td>
<td>Tanzania</td>
<td></td>
<td></td>
<td>Tanzania</td>
</tr>
<tr>
<td>(individual)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private ownership</td>
<td>Pakistan</td>
<td></td>
<td></td>
<td>Rwanda</td>
</tr>
<tr>
<td>(various)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Enterprise at start of EDP; Enterprise today.  
* When the enterprise has current activities which are more advanced, but new EDP supported ones are only starting.
Other business characteristics

- All EDP supported enterprises are Specialised Intermediaries connecting farmers to markets, either by trading products on their behalf, or either brokering or providing other business services. The graph below shows some of the services enterprises provide to farmers.

**Fig 7. EDP Enterprises** ... out of 14, how many ...

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connect farmers to markets?</td>
<td>14</td>
</tr>
<tr>
<td>Provide physical asset inputs to farmers e.g. seeds?</td>
<td>9</td>
</tr>
<tr>
<td>Provide physical assets or non-physical assets (e.g. training)?</td>
<td>8</td>
</tr>
<tr>
<td>Source product from on members as well as members?</td>
<td>14</td>
</tr>
<tr>
<td>Pay farmers before they received payment from customers?</td>
<td>12</td>
</tr>
<tr>
<td>Provide farmers with production finance?</td>
<td>10</td>
</tr>
<tr>
<td>Undertake basic processing (e.g. sorting or cooling)?</td>
<td>13</td>
</tr>
<tr>
<td>Undertake complex processing (e.g. machine processing)?</td>
<td>6</td>
</tr>
<tr>
<td>Sell more than one product?</td>
<td>9</td>
</tr>
</tbody>
</table>

- EDP-supported enterprises typically emerge when there seems to be an opportunity to either capture or increase the value in a supply chain. Enterprises might provide services to farmers that enable them to improve efficiencies and volumes. Or allow farmers to negotiate better prices for inputs or their products; and carry out some basic or complex processing themselves.

- EDP-enterprises have to offer their suppliers (farmers) and clients (buyers) as good or better a deal than local traders, when they exist. The graph below shows some of the factors concerning the relationship between the enterprise and its farmer suppliers; these are determined by what enterprise itself gets from its own buyers.

**Fig 8. EDP Enterprise business model: services, price and risk**

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1 This refers to the 14 ‘live’ enterprises as of May 2013: Aproalce in Honduras, Alpina suppliers* in Colombia, BN in Rwanda, Katani suppliers* in Tanzania; Assosa and Zembaba in Ethiopia; NFC in Palestine, Lchkadzor in Armenia, CTE in Bangladesh, Moringa enterprise in Philippines, Shakti in Pakistan; Dafacos and Pavitra in Nepal; ULBCS in Sri Lanka. It excludes therefore Belle Vue in the Caribbean, Veterimed in Haiti, Forus in Russia, the vanilla enterprise in Indonesia and AMENU in Liberia. Projects with various enterprises (*) were counted as one.

4 We have not used this approach to analyse existing and new enterprises, but are considering it now.
SESSION 3 – CO-OPERATIVES

How can rural cooperatives become more entrepreneurial?

- Oxfam has written a whole book about effective *Producer Organisations*. The book provides advice and examples of cooperative governance structures, services and many others. Since the book was written, we have learned a lot more about making cooperatives entrepreneurial, and about ensuring better participation of women.
- The figure below shows some of the challenges we found and how they were addressed. Another section deals with our learning on improving opportunities for women.

Fig 9. Addressing challenges to make cooperatives more entrepreneurial

<table>
<thead>
<tr>
<th>Issue</th>
<th>Example</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory restrictions on freedom to act as an independent enterprise or access lending</td>
<td>Armenia, Ethiopia and Nepal are particularly restrictive in what cooperatives can do.</td>
<td>Advocate for changes to national laws. It is a long process, but local examples can be used to build advocacy positions</td>
</tr>
<tr>
<td>Retaining and incentivising key management people and supporting capacity building</td>
<td>Sri Lanka and Ethiopia have restrictions on maximum salaries to be paid. This creates high staff turnover</td>
<td>Oxfam has piloted bonus arrangements, though this can upset local patterns</td>
</tr>
<tr>
<td>Allowing management freedom to make business decisions quickly while remaining properly accountable to members</td>
<td>In Sri Lanka, the Board used to decided on issues such as the price paid to farmers, and needs to sign checks even for small amounts.</td>
<td>It’s not easy to persuade members of cooperative, also boards are often composed of older members, while qualified managers employed may be younger. Frequent and transparent management reporting, in user friendly formats, can help</td>
</tr>
<tr>
<td>Satisfying members (for whom coop must provide value in terms of price and quality of services) and enterprise buyers</td>
<td>The issue of side selling is common in many cooperatives</td>
<td>There needs to be transparency, and a good understanding of how whether the enterprise’s price and services exceed for example local traders. There should be clear contractual arrangements (avoiding elaborate documentation) between members and the cooperatives, especially where credit is being extended. The coop must have clear dividend and social fund policy</td>
</tr>
<tr>
<td>Working productively with professional business partners such as banks, or large corporate customers/suppliers</td>
<td>In most countries where we’ve worked this has been present but not major</td>
<td>Partners need to be convinced that management capacity and business processes are adequate. Management will need to ensure a relationship with a buyer is advantageous while keeping the trust of members and the wider community</td>
</tr>
<tr>
<td>does working at the second tier level, a union or federation of primary cooperatives make it easier or more difficult?</td>
<td>The cooperatives in Sri Lanka and Ethiopia are federations</td>
<td>It needs strong integration, which also requires good management; as well as clarity and speediness on the provision of services, benefits and –when available- dividends</td>
</tr>
</tbody>
</table>

SESSION 4 – FINANCIAL ANALYSIS AND FINANCIAL VIABILITY

What is financial viability and why is it important?

- Financial viability refers to an enterprise’s ability to generate sufficient income to meet operating expenses, financial obligations and future growth. It includes profitability, which is when income is higher than costs.
- EDP’s own definition of ‘viability’ includes additional factors such as the quality of management, and the ability to access to financing and markets, which are more qualitative.
- A good financial analysis allows an enterprise to make good business decisions. The simplest data can be the most meaningful e.g. how much was purchased and at what price and how much was sold and at what price? Below are some of the more sophisticated tools that can also help.

Fig 10. Tools and statements for financial analysis

- **Profit and loss statement** - displays basis financial information on income and expenditure. It can be used as a basis to analyse the financial situation of a company, which will however require additional understanding of the business. P&Ls become particularly relevant when one can compare two similar periods. The financial analysis of the milk project in Pakistan showed the cost per unit of procuring and distributing milk was higher than the price it was sold for. In this case, the enterprise was able to adjust to buying price to stay in business.
- **Break-even analysis** - Shows at what point business becomes profitable. The analysis of the dairy enterprise in Sri Lanka showed that volumes had to increase significantly to compensate for the high fixed electricity costs.
- **Cash flow statement** - Shows the cash position of the enterprise and whether bills can be paid. It is possibly the most useful tool, and helps identify funding gap/needs.
- **Sensitivity analysis within break-even analysis**. It is important to consider various scenarios within break-even analysis to identify the impact of risks, for example price changes. In the case of the Bangladesh chilli business, the analysis showed the impact of a flood and the need to build larger profits on good years to compensate for bad ones.
- **Gross margin analysis** - Gross margin analysis will show the margin on particular products. The same Bangladeshi chilli business showed that after deducting all costs, the supposedly best product (“premium”) was less profitable than medium grade chilli. The organisation managed to negotiate changes with both buyers and farmers.
- **Balance sheet** – Shows what the business owns, funding sources and long-term liabilities (for example if the enterprise already has debts). By comparing with sales figures, one can also check if stock levels or money owed by clients are too high, or deteriorating.
- **Return on investment**. While a useful tool to compare net cash flows with initial investment, we rarely use this tool in EDP to analyse full business plans.
How has EDP promoted improvements in viability?

**Case Study 6: Financial viability in Aproalce, Honduras, by Mario Roberto Torres**

The project is the production and marketing of vegetables in San Pedro region, mainly to supermarkets. The enterprise started in 2003 and EDP became involved in 2009. The enterprise has made major changes in the business since EDP’s intervention, for example replacing the manager, planning farmers’ production with market demand and many others. These were specific actions to improve financial performance:
- Purchase from members of cooperative and non-members to boost supply chain.
- Increase range of products sold.
- Reduce logistics costs.
- Reduce % of vegetables rejected by supermarkets by 10% by working on quality with suppliers.

**Case Study 7: Financial viability in the New Farm Company, Palestine, by Mustafa Ismael**

A range of agricultural products are purchased and collected from smallholders in remote areas. Some of these are processed locally, or centrally by the company which then sells to local and export markets.

The enterprise has also made many changes since Oxfam’s intervention, in particular replacing management, and recruiting more professional sales and finance staff.

Financial records have improved drastically. When Oxfam started, the balance sheet did not balance! These were some of the key lessons in improving financial performance:
- Improve systems to obtain accurate financial information.
- Reduced costs by careful reducing less strategic promotional costs.
- Reducing transport costs by coordinating produce pick-up from villages.
- The cash flow situation was also improved by reducing debtor days, as in some cases it was 6-8 months to receive money from customers.
- Investing in certification which has allowed to obtain better markets/prices.

While sales and margins have increased significantly between 2011 and 2012, the enterprise needs to expand further in the next two years to achieve profitability without grants by end of 2014.
There are various mechanisms for improving profitability, and their success will clearly depend on the specific business and business model. A critical step is providing and analysing financial information.

In EDP’s experience, increasing scale (e.g., sales) is also a necessary (if not sufficient) condition in all cases, as EDP-supported enterprises start with a very low revenue base. This will mean increasing production, and often sourcing more from same but also from new members, and non-members.

Improving revenues through prices is possible but difficult. It can work if the same or new products are sold into new markets or buyers. However, it is only likely to happen if it follows from a sustained effort to improve product quality.

Diversifying products, while maximising sales of those with higher margins is essential. Enterprises should drop products that are not profitable and cannot be made profitable.

Conversely, where there’s seasonality, the enterprise might consider extending the season or product range by bringing in more products.

If there is processing involved, factory efficiency and scale will be critical to profitability.

There are also ways to reduce costs. In Armenia, for example, the enterprise will set up a renewable energy plan to reduce the energy bill. In Honduras, staff costs were reassessed and reduced to ensure the enterprise is viable.

As these enterprises’ largest cost is the primary and raw materials bought, the enterprise might often have to renegotiate the price it pays to farmers. It is critical that farmers still get a price plus other benefits (security, advice, price information, credit) that makes the enterprise offer better than that of traders. If not competitive nor profitable, there might not be space for the enterprise in the market anyway.

There’s also costs which can be increased and will deliver better results, for example incentivising staff to maximise their efforts.

Finally, profitability is not all, there’s other ways of improving financial performance, for example by improving the cash-flow, like getting buyers to pay faster. This will ease cash management, potentially reduce borrowing costs.

Questions on financial analysis

- **What is a good financial viability, and how does EDP measure it?**
  EDP enterprises in transformation of agricultural products usually have a gross margin (i.e., sales minus variable costs) of 20%, or maybe a bit lower, circa 15%, if packaging is included. The mark-up the enterprise puts on farmers products must be well above 20% to cover other variable costs. Enterprises with more sophisticated value addition have higher gross margins but tend to have higher fixed costs. In either case, a net profit of at least 3% to 5% should be targeted, hopefully more, though this also clearly depends on the volume of business and investment made.

- **What about the interrelation of social impact and financial analysis?**
  EDP recommends to keep financial sustainability separate from social impact measures. Without financial sustainability, social impact cannot be maintained. EDP does measure however other indicators such as #farmers, women, sustainability practices, etc. We advise against mixing them.
SESSION 5 – WORKING WITH BANKS – LOAN SET UP

Note: A fuller account of EDP’s experience in facilitating loans is given in a separate note EDP Learning on Rural Enterprise Finance, by Alan Doran. Oxfam has also a specific Loan Guidelines policy which provides additional guidance on the analysis, sign-off, and accounting.

Why using loans?

• Basically, if enterprises are to be sustainable they need to be able to pay for their capital. By working with EDP, enterprises have a first opportunity to obtain a loan from a responsible lender; increase their ownership and build a track record for future loans; while Oxfam can re-use funds (see below)

Fig 13. Why Oxfam uses loans

• Loans are the most notorious feature in EDP, which marks the change from a grant culture to a commercial culture in enterprise development. Oxfam’s experience is that often equipment is bought and given for free to farmers but not used as they did not feel ownership or have the capacity to maximise its use. By working with loans and more staged, capacity building processes, Oxfam hopes to increase our effectiveness as an organisation.
• From an Oxfam resource viewpoint, the repayment of loans also allows capital to be recycled as grants or loans. This is also attracting new donors which value this benefit.

• There’s also reasons why an enterprise should not use a loan. If the immediate prospects are that the enterprise will not be strong enough to pay interest and repay the loan on the planned timetable then the bank will not enter into the arrangements, even with Oxfam’s involvement. In those cases, often where the business is too small and immature, grants and management training alone are more appropriate.

Why go through financial intermediaries?

• Oxfam prefers not to lend directly, but to broker a direct relationship with a local financial intermediary. This ensures professional management and an exit strategy for Oxfam.

Fig 14. Why work with financial intermediaries

• Oxfam is predominantly a facilitator, so if a bank or Microfinance institution (MFI) is ready to offer fair financial services to an enterprises without Oxfam support, Oxfam should facilitate that.
• However, our experience is that neither banks nor MFIs have an interest in lending to these types of enterprises. Banks see them as too risky, or don’t understand them. Whereas MFIs don’t have the capital to support them. A microfinance loan, for example, ranges from $100 to $2000 whereas EDP enterprises are $70,000 on average; especially when they act as on lender for thousands of farmers, or need to buy expensive equipment.
• Still, Oxfam works with banks and other financial providers through risk-sharing arrangements. This is for various reasons: in many countries Oxfam is not allowed to lend directly.
• Also by introducing a specialised partner, loan management is more professional.
• Last but not least, by working with banks instead of lending directly, Oxfam can help a) build a relationship that can last after Oxfam goes, and b) create an interest in the bank to start similar arrangements with other rural enterprises.
• In exceptional cases, Oxfam lent directly, when no alternative was available, and the In a few occasions also has also introduced repayable grants, which are linked to performance, and these are also managed directly by Oxfam, rather than the bank.
What are the key principles in setting up loans?

- While we have a set of principles (see paper mentioned above), it is important to understand that every case needs a specific commercial negotiation. These are some of Oxfam’s principles:
  - That the bank takes an element of risk.
  - That the enterprise is clear that it is the borrower and is committed to paying interest and repayment, and cannot rely on Oxfam to repay the loan. hat if there is a likelihood of default, the bank has to alert Oxfam before taking any action against the borrower, and Oxfam has the opportunity, though not the obligation, to assist the enterprise in any work-out
  - Oxfam can require a change of bank if necessary.
- Oxfam has set up various types of loans, including revolving seasonal loans, overdraft facilities/credit lines annually renewable and term loans.

Experiences in setting up loans

Case study 8: Loan through Ethiopia MFI

This is one of the earliest experiences. Assosa is an edible oil in Ethiopia, which needed to buy equipment to set up the factory.

- In 2009 there was no bank available in the area, only microfinance organisations. One of them was Benishangul Gumuz. They could not play an active role as its credit regulations don’t allow large loans, but BMMFI had experience in managing donors’s money and offered to manage EDP’s loan.
- The loan ended up being over collateralised. It was secured both by Oxfam’s deposit and by a charge over the assets purchased with the loan. More recently, Oxfam has agreed to release the assets from the security so they can be used to secure additional borrowing.
- In the end, the MFI ended up doing little for their fee (a part of which was however linked to success in obtaining repayments). Another consecutive loan was agreed in 2012, this one managed by the Commercial Bank of Ethiopia, and including allocations for equipment and working capital.

Case study 9: Kumari Bank in Nepal

This is one of the most successful examples, as Oxfam brokered a loan with a bank with clear potential to play a large role.

- Kumari is a growing privately owned bank, keen to take part in agricultural lending in conjunction with Oxfam.
- The enterprise gets a loan, a percentage of which it on-lends to farmers at market rates including a small margin to cover its costs on what it pays Kumari Bank for the wholesale loan. Farmers see this as beneficial as there is no reliable access to finance otherwise.
- The bank inspected and is satisfied with the management information system and controls that Pavitra uses for the on-lending operation. It is taking on substantial risk, though informal mortgages are in place in most cases.
- Kumari has agreed to work with a second cooperative supported by Oxfam (Dafacos), and is keen that Oxfam brings more business. A third cooperative is being considered for EDP at present.
- The cooperative has developed mechanisms to allow women farmers more access to credit, even where they do not hold land title.
- There is one issue that some farmers borrowed money for an irrigation project that is taking longer to pay back than the seasonal lending model allows for and thus they are now paying penalty interest. However all parties understand the issue.
- The EDP Annual Review ([www.oxfam.org.uk/edp2012](http://www.oxfam.org.uk/edp2012)) carries out an interview with their CEO.
Case study 10: Loan for honey trading and beehive manufacturer in Ethiopia

Zembaba trades honey from local farmers and cooperatives, and has since 2010 started building a carpentry workshop that will build beehives for this growing sector. Key learning points:

- The team was under pressure to find a bank quickly as the season was starting and monies needed to be made available to intermediary enterprise and/or primary producers.
- In the end, the organisation chosen was Lidet, which is a relatively small Union of Savings and Credit Cooperatives which is keen for business.

Case study 11: Loan through buyer in Tanzania

In this case, Oxfam was trying to set up small processing enterprises which would source sisal plants from smallholder farmers and sell semi-processed sisal fibre to manufacturers such as Katani.

- Oxfam did not find a bank or MFI that could facilitate or provide the loan. Instead, we decided that the loans would be provided by the medium to large Sisal buyer Katani, using Oxfam capital. With this loan, individual local processor/traders would purchase sisal-processing machines and sell 100% of fibre produced back to the buyer (also lender) to repay loans.
- Initially this was successful; but then price and quality disputes emerged, reducing trust. Processors stopped deliveries to Katani, whose buying point was also at a very distant spinning plant (10 hours away). Loan repayments did not materialise after grace period expired.
- Oxfam and Sisal company had difficulties agreeing on remedial action to take, also the roles and responsibilities of Oxfam and Katani were confusing, despite having MOUs agreed.
- The project now recovering with new processor group and more responsible behaviour, partly driven by commercial logic, from major partner. Oxfam capital, however, has yet to be recovered, though likelihood of this happening has increased, especially after Katani has agreed to open up a local post that will increase certainty of supply of fibre.
- Also, aving Katani act both as lender of equipment and buyer was a mistake; but Oxfam made some good decisions, like starting with 5 trial processors to later scale to 10. Lessons learned were applied for second group. We also used the national industry body as neutral party
- We also made other wrong decisions, including disbursing the second tranche of loans to Katani on the date it was initially planned (on OPAL), thus reducing our most powerful tool to motivate Katani.

Fig 15. Lessons and tips on EDP loan set up

- This is still an area of learning, and other documents provide additional analysis.
- It requires a strong collaboration between country staff and experts, in particular EDP programme management/advisers. This is to ensure contracts between partners of different strengths are balanced and execution is transparent. Local Oxfam Finance offices need to liaise closely with EDP to ensure maximum leverage on partners through milestones for credit release.
- Ideally, Oxfam should have more than one bank interested to encourage competition. It is after all a commercial negotiation, where Oxfam tries to change the existing banking/credit policy of the bank in whatever areas it can make it closer to lending to rural enterprises.
- Historical financial data from the enterprise is essential. Also, business plans should be concise, and concentrate on business issues (and not social issues). They must anticipate and deal with all the questions the bank will have. Social issues can be however used as a “development card” that might appeal to certain banks.
- In our experience, it is better not to choose the largest (even if often perceived as safest) bank; as the EDP enterprise will be an unimportant customer to them. Instead, better to find a smaller bank who is keen for the business, offers better terms, and where our enterprise will be a more important customer (although you need to take into account risks of smaller institutions).
- Some banks can move quicker than others. Larger banks, especially government owned banks with large branch networks tend to be very inflexible.

6 Note: The Tanzania case-study is revisited in more detail later in this report in the section on Private Sector Engagement
As the example with Katani shows, while buyers can certainly play a role in improving financing, for example by paying faster, it is not advisable that they also lend to the enterprise; and clearly, not become a channel for Oxfam’s loan.

In defining the relationship with a bank, Oxfam should clarify what our exit strategy will be. Enterprises will continue to require working capital even after Oxfam’s loan support ends, for example.

Questions and answers

Fig 16. Questions on loans

- **What are the loans used for?**
  
  There’s three main applications: a) *On-lending to individual primary producers*. This is a somewhat unusual arrangement in a purely commercial context and banks need to be satisfied that administrative arrangements are in place to achieve this on lending and also repayment; b) *Working capital for enterprises* (taking note that as enterprises expand they require more working capital to acquire stock and fund debtors). This means that refinancing of the Oxfam supported loan to provide for continuing working capital needs may be the exit route rather than repayment of the loan from operational surpluses; c) *Fixed assets finance*.

- **Does Oxfam charge interest?**
  
  All loans are interest bearing to provide the incentive to economise on the amount borrowed and/or the length of the loan, and to demonstrate ability to pay for capital. The enterprise often pays a market rate, i.e. close to the interest for lending to other SMEs—which are however possibly less risky or more advanced—. Oxfam recovers a small percentage only, and the rest covers the costs and risks of the financial intermediary.

- **EDP claims to go and invest where others (for example banks) will not go; yet many enterprises are rejected by EDP the same way they would be rejected by banks.**
  
  This is true, Oxfam cannot fund all enterprises emerging in Oxfam programming! Also, in order to prove the concept and develop a model that others can follow, it needs to achieve good success rates. For this reason, the criteria for selection are hard. Oxfam’s *Financial Services Policy* also states that Oxfam will only invest in enterprises through EDP, so if not approved by EDP (or another special initiative or senior management), Oxfam should not lend, as there are financial and reputational risks involved for Oxfam. This is different from revolving funds where Oxfam actually grants an amount which is recycled by a partner. These have their own particular challenges and concerns as well though.

- **Related to the above, how do you reconcile EDP’s commitment to operate where banks don’t, yet only operate if banks can be involved?**
  
  As explained above, EDP certainly goes where banks would not, as none of the loans we’ve facilitated would have happened without Oxfam’s brokering, guarantees and technical assistance; still, our intention is to bring banks along as this has wider leverage benefits.
SESSION 6 – MARKETING STRATEGIES

Quick overview on EDP enterprises

- While similar in their mandate and intention, i.e. to create market opportunities for smallholder farmers, Oxfam supported enterprises have adopted different marketing strategies to reach markets.
- This is a relatively new area of work, not only for Oxfam but also for others; for example selling final products in rural markets is very different from selling in urban areas, with more opportunities for promotion or higher concentration in the retail sector. When selling other businesses, the options available are often limited, and the risk of dependency therefore high.
- This sections shows some of the experiences in EDP, and includes some tips at the end.
- The figure below shows a quick overview of enterprises in the portfolio.

![Fig 17. EDP Enterprises marketing strategies ... out of 14, how many ...](image)

| have one customer that represents more than 50% of their turnover? | 7 |
| have one customer that represents more than 80% of their turnover? | 4 |
| have one customer that represents more than 100% of their turnover? | 4 |
| are selling to supermarkets today (in the near future) | 3 (7) |
| are mostly business to consumer (b2c’)? | 2 |
| are both b2b and b2c? | 5 |
| Undertake basic processing (e.g. sorting or cooling)? | 13 |
| Undertake complex processing (e.g. machine processing)? | 6 |

The ‘science’ on marketing strategy

- Despite EDP’s uniqueness, there is certainly a lot to learn from what’s written about marketing strategies. These are some of the frameworks that can help analyse the situation and opportunities:

![Fig 18. Marketing strategies –new markets/products](image)

<table>
<thead>
<tr>
<th>Current markets</th>
<th>New markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market penetration</td>
<td>Product development</td>
</tr>
<tr>
<td>Market development</td>
<td>Diversification</td>
</tr>
</tbody>
</table>

![Fig 19. Marketing strategies (filled in by Oxfam staff)](image)

<table>
<thead>
<tr>
<th>Current products</th>
<th>New products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines (fresh leaves)</td>
<td>Philippines (moringa powder)</td>
</tr>
<tr>
<td>Bangladesh (chillies), Colombia</td>
<td>Bangladesh (chilli powder))</td>
</tr>
<tr>
<td>Rwanda, Pakistan, Sri Lanka</td>
<td>Armenia, Sri Lanka (pasteurised milk), Ethiopia (beehives), Honduras</td>
</tr>
<tr>
<td>Ethiopia (Oil seeds, honey)</td>
<td></td>
</tr>
</tbody>
</table>

**New markets**

- Armenia, Bangladesh (chillies)
- Honduras, Rwanda

*Other enterprises sell in new channels but did not report that as new markets

![Fig 20. Marketing strategies – differentiation](image)

<table>
<thead>
<tr>
<th>Low cost</th>
<th>Product uniqueness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Niche market</td>
<td>Cost focus</td>
</tr>
<tr>
<td>Broad market</td>
<td>Cost leadership</td>
</tr>
</tbody>
</table>
Fig 21 Competitor analysis – blue ocean strategy

Note: This graph helps you identify how your enterprise and other competitors score on a number of criteria that will matter to consumers. The analysis helps identify if there are variables where all enterprises are very similar and there’s therefore ‘red’ water (e.g. lots of sharks biting, and one can move up to bluer ocean.

Fig 22. Product levels

Note: This slide helps you realise that the product is more than the material or good, and that all products carry additional benefits where differentiation might be easier.

Fig 23. Key aspects of a marketing strategy: the Four ‘P’
Marketing experiences in EDP enterprises

Case study 12: Honduras – Dealing with supermarkets, by Mario Torres

Aproalce traders fruit and vegetables into various channels including supermarkets. Their competition are large producers from neighbouring country Guatemala who operate with economies of scale and might sometimes trade informally into the country.

The enterprise’s sales went up from £7,000 in 2009 to £140,000 in 2012, a significant success. Some of the key lessons for achieving this were:

- The key was to improve quality. This has enabled them to reduce rejects, while better management and production planning now allow them to increase volumes and now to up to three deliveries a week.
- The enterprise also reduced the number of products from 18 to 5 as it can only make money on the larger volume products.
- Working with supermarkets was not easy. They have a lot of power, so it is almost impossible to negotiate meaningfully on price or other terms. It is important to decrease risk by working with more than one supermarket. The enterprise has also introduced sales of lower quality products to local informal markets, which allows them to increase returns, while also maintain interest of farmers with mixed quality.
- The enterprise is planning to scale up and operate nationally.

Case study 13: Ethiopia – finding markets for quality vegetable oil, by Ashenafi M.

Assosa designed a plan to start processing vegetable oil locally, and sell it in urban areas including the capital Addis. It would process the niger (and sesame) seeds grown by farmers in the region. The factory is 700km Addis Ababa, and started with limited professional marketing, sales logistics and logistics capacity. These were some of the experiences and lessons:

- Initially, the plan was to sell in bulk to local markets, through 1) women traders who would on-sell in rural communities, 2) directly from the store/processing factory near the town; 3) to neighbouring regions through local traders; and 4) to the large buyers in the capital Addis. In addition, Assosa was able to 5) on-sell unprocessed seeds, which it has been doing for some years.
- The set up of the factory and equipment took longer than predicted but when Assosa was able to start selling niger oil in 2011, its sales in the local market worked extremely well. Finding a large buyer in Addis was however not easy as prices offered for bulk oil were not attractive; while the partner hired to find buyers and also test the product with restaurants and retailers found it difficult to achieve sales (see Case Study on partner selection), partly because bulk oil is seen as low quality and at risk of contamination.
- Also in 2011, the government started a new programmes to purchase and supply imported low-quality palm oil, which is lower quality but also sells at 60% of production cost of local niger seed made in EDP supported enterprise’s processing plant.
- Between the end of 2011 and mid 2013, Assosa focused on selling seeds only. Oxfam facilitated additional investment to install a bottling line which would allow the enterprise to sell packaged, branded oil; while EDP allocated additional resources to carry out a professional market research and marketing strategy which ended mid 2013.
- The result has been the identification of a large retailer who will stock and sell the product from August 2013, whereas other strategies are opening for selling to other retailers.

The enterprise has adopted a multi-layer marketing strategy, sometimes by design/choice, or sometimes as a response to changes in the circumstances.
Introducing value addition: always worthwhile?

- Smallholders, their enterprises and NGO practitioners are often eager to increase value addition locally, in order to capture higher value along the supply chain.
- Especially when value addition is sophisticated and requires machinery and new skills (which is different from basic grading, sorting or quality monitoring), the opportunity to increase revenues and benefits should be outweighed by the increase in costs, risks and headaches! It may not be worthwhile from a financial or management perspective.
- The figure below shows some examples of the challenges introduced.

**Fig 24. Challenges when introducing processing**

<table>
<thead>
<tr>
<th>Financial</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-cost and depreciation of buildings and machinery</td>
<td>Production, engineering and maintenance</td>
</tr>
<tr>
<td>Processing costs of a small-scale unit</td>
<td>Procurement of raw materials and packaging</td>
</tr>
<tr>
<td>Amortising fixed costs over low volumes</td>
<td>Quality and safety</td>
</tr>
<tr>
<td>Struggle for margins</td>
<td>Marketing and sales</td>
</tr>
<tr>
<td>Cash control and working capital (customers often don’t pay when they say they will)</td>
<td>Customer relations and credit control</td>
</tr>
</tbody>
</table>

**Case study 14: Dairy processing in Sri Lanka, by Yogarajah**

The plan was to sell pasteurised milk and milk products to the local market by constructing a processing plant, and distributing to a range of local customers, including schools, retailers, hospitals. Some of the key learning points included:

- In a situation of conflict and post-conflict, it has been difficult to acquire all permits, purchase and install the equipment. There’s been delays. Once the equipment in place, there’s been some weeks when it needed repairing, and some farmers have lost interest as the factory was unable to purchase their milk. This has been since solved, and the enterprise now is able to on-sell unprocessed milk as well.

- Between 2009, when the idea was designed and 2013, the market has changed, with global and national/local prices going up, giving farmers higher prices even when not processing. While there was initially no competition on pasteurised milk, brands making powder-based dairy products would still compete to buy milk from farmers, often offering as high a price. In 2013, one of them as also introduced pasteurised milk, though at a high price. Actually, even one of the dairy’s shareholders, a local cooperative also sells directly to consumers in the city, so is indirectly a competitor to the processing unit.

- Cooling and pasteurising milk is expensive and requires high volumes. Higher than drying or packaging for example, as an in-cold system is more efficient when it is not switched off. The enterprise needs to run at high capacity to amortise fixed costs. While narrow potential margins allowed little room for error or change.

- Governance has been particularly difficult as the business model has become a lot more complex, while there are different views in the Board of the enterprise, not always aligned with Oxfam’s vision. While it has to date not yet been possible to recruit the appropriate manager for this job. In the meantime, Oxfam staff has often played the key leadership role.

- While this is a great idea, and we still hope to see it succeed, we have realised that supporting farmers organise, increase volumes and quality and sell milk to existing players is less complex.
The experiences above provide a lot of insights, we highlight the following in the next Figure.

**Fig 25. Lessons and tips on marketing strategies**

- A good analysis is essential at the start, combining good external expertise, with direct interviews an analysis by the enterprise promoters themselves. An analysis of the competition is essential. If the analysis is likely to be dealing with sophisticated products and markets Oxfam should hire expert advice.

- There are various tools that can help devise marketing strategies, whether one will sell to businesses or consumers; differentiate on cost or quality. Also, the market analysis should be linked to the financial projections, and include sensitivity analysis for when market circumstances change.

- As also explained in the profitability section, EDP enterprises will need to grow significantly to become profitable, so multiplying volumes and channels is often a requisite.

- Most EDP enterprises sell to other businesses (buyers), rather than directly to consumers. It is often more realistic to rely on organisations with an established retail network. This might sometimes mean relying on their brand as well, at least initially. Branding, advertising and distribution channels can be indeed quite expensive Smaller enterprises can introduce their own brand later on when their processes are strong and management capacity higher. While selling through large buyers might ensure a regular income stream into the enterprise for little risk or cost.

- Introducing **value addition** is also an exciting prospect, but it can increase management and financial costs and risks, especially when high cost and complex manufacturing, and should be considered carefully. EDP dairy investments in Haiti and Sri Lanka for example struggle to work efficiently, and when working, faced competition of large dairy processors which can often do better cost (as they operate on larger scale) and differentiation (as they have stronger marketing campaigns).

- Focusing on increasing volumes and quality might be an easier way to market. In particular with seasonal crops, the enterprise can focus on securing working capital and storage facilities; provide information and extension service, access to cheaper inputs and production credit in order to improve yield and quality, and outbid traders at harvest time. The enterprise can hold stock and release it later in larger quantities at favourable prices. While with perishable products e.g. milk, mushrooms, fresh vegetables, the enterprise can provide collection centres, cooling/chilling units, and negotiate bulk contracts with processors/distributors.

- In the mid- and long-term, as the company consolidates organisational capacity, market presence and product quality; it can later assess more complex and differentiated strategies.

**Questions and answers**

**Fig 26. Questions on marketing strategies**

- **Do EDP enterprises do promotion?** EDP project submissions tend to get very excited in describing the ‘Promotion’ activities, especially radio adverts and branding. However, is unlikely to be very effective unless the product is sold directly to consumers, which is itself not straight-forward. Only New Farm Company had some clear success in introducing big panels announcing their products at the entry of West Bank cities; whereas Assosa has agreed to keep its own label when selling its product through a retailer in Addis, to increase market awareness and potentially launch more direct sales at a later stage.

- **What other elements of a marketing strategy are more important critical in EDP enterprises?**

  In EDP’s experience, a key component element is quality of the product. Quality will be essential to enter certain vegetable markets or sell fresh milk. This will allow the company small premiums on price, though it is unlikely it will allow a major differentiation to other competitors (selling vegetables is different from selling smart phones). Still, it is important. More sophisticated differentiation might be possible for export markets, if certification is introduced. Because of the above, it is difficult to achieve a much higher ‘Price’ than competition; so business plans should factor conservative prices. The key is to carry out a very good analysis of costs to ensure one can sell at the same price at competitors. A final critical aspect is analysing distribution channels (‘Place’): buyers, logistics, requirements. Identifying various channels and analysing costs and opportunities associated with each; while maintaining some degree of flexibility is essential.
SESSION 7 – SELECTING PRIVATE SECTOR PARTNERS

Why engaging with private sector partners

- Private sector engagement is one of the key ways in which Oxfam seeks to enlarge efforts to reduce poverty in sustainable ways. Through EDP, Oxfam has had very direct experience of private sector engagement, not only because enterprises supported are ‘private sector’ themselves, but also because they all engage with banks (see above) and also larger buyers with whom Oxfam has facilitated negotiations and contracts.
- For example, in Nepal Oxfam has brokered trading relationships with both small seed retailers and large seed buyers and distributors; in Bangladesh Oxfam partners with large chilli powder brands; in Colombia and Pakistan with large dairy processors. Every single Oxfam-supported small enterprise has effectively worked with larger companies, many of which Oxfam has facilitated.
- The Gendered and Enterprise Markets (GEM) toolkit includes references on key lessons when engaging with the private sector; and in particular on how to draw fair contracts for smallholder farmers. Here are some additional experiences and lessons from EDP countries.

Case study 15: Tanzania engagement with buyer, by Ralph Roothaert

This experience is also briefly summarised above, in the section on engagement with banks. These are some additional background on the programme:

- Instead of going for farmer groups (which were still un-organised) or newcomers, the project started with experienced and competitive business people in the initial cohort to ensure activity take-off. This was a commercial success and helped prove the model, but made it harder to build a group mentality and control the project.
- The introduction of intermediate technology in the form of small scale processing machines provided on easy credit terms, plus guaranteed fibre buyer, achieved step-change in sisal activity in lake-zone, which has not been a sisal area. Hedge sisal is now a strong commercial opportunity, stimulated sisal farming in a very poor area; helped local processing activity take off, with several fibre buyers present. Prices have also risen, and processing machines are now being made locally.

In terms of establishing a partnership with a large company.

- A lot of work went into the detail of the MOU between Oxfam and the buyer, and between the buyer (Katani) and the processor groups. In the end, not much of what had agreed has been respected. However, that still provides a chance to carry out a thorough analysis at the start, and gives Oxfam a basis for holding partners to account. An element that should have been clarified in the contract is how prices would be set, as processors always saw Katani as not being transparent.
- In this case, dependency on one large private-sector partner, with a mixed commercial and development outlook, was a wrong decision; though at the time there were no other choices.
- Processors started side selling to buyers other than the one initially agreed. This damaged the project (and chance of loan repayment) in the short-term. However, it stimulated better behaviour eventually from original partner, in particular investment in local buying post.
- It is important to have a plan b, alternative buyers; though in this case the fact that Oxfam expected the first buyer to receive sisal so that the loan could be repaid made things more complex.
- The fact is that after Oxfam, processors and the first buyer made the first investments in equipment and training, other buyers saw initial costs reduced and decided to enter and free-ride. From the buyers’ perspective that is unfair; though from an Oxfam and processors/farmers one, the more buyers the merrier. We just need to encourage relationships that are fair and allow for re-negotiation.
As the experience of Katani shows, clarifying roles, responsibilities and understanding incentives is essential. Also, there is a need for a certain degree of flexibility.

Other lessons learned in many of the countries include, for example, the need to line up more than one buyer. This is because the first one might fall. In the case of Philippines for example the enterprise Secura International had to close its factory after the floods leaving the enterprise with no access to materials nor market; whereas in Ethiopia the honey exporter Ambrosia did not manage to access working capital in time to buy from Zembaba.

Also, having more than one buyer allows the enterprise to have a more favourable negotiation. In Bangladesh, a MOU has been signed with PRAN; and another one later with SQUARE. This should help obtain higher prices for the chillies.

Another key lesson is the importance of carrying out due diligence of the key partners we work with, asking for their credentials and financial solidity, including audited P&Ls. In Philippines, Oxfam carried out a research with a potential buyer which showed that their plans were at that moment just plans and that their distribution channels and permits were not yet fully in order. This is particularly important with relatively small or new enterprises, and can be lighter touch when trading with large and solid companies (e.g. PRAN in Bangladesh, Alpina in Colombia).

Oxfam has also a lot of experience (and even training exercises) on making the case for private sector to work with women and women farmers (for example by showing quality gains)

Oxfam engages with the private sector in different ways too, not only through promoting trading arrangements. In one example, Oxfam advocated one of large company to ensure the intermediaries it buys from stop trying to take the cooperatives out of the market. Whereas in Colombia, the large dairy Alpina has its own Foundation which has contributed financially to the programme (see Case Study on leverage in Colombia below).

Oxfam has a Private Sector engagement training module which is available on demand.

Note that if there is brand association or ethical risks, Oxfam has to carry out an ethical checklist of the private sector partner.
SESSION 8 – ENSURING OPPORTUNITIES FOR WOMEN

Women’s Economic Leadership

- Women are key economic actors in rural economies and in agriculture. Yet their participation is often invisible (membership in cooperatives can be as low as 3%), which means they don’t access services such as training, inputs... nor have any access or control over the proceeds of their work.

- The Enterprise Development Programme (EDP) was critical in mainstreaming Oxfam’s Women’s Economic Leadership (WEL) in our work. All projects that are part of EDP are expected analyse the value chain and select enterprises and interventions using the WEL (now incorporated in GEM).

- This methodology is described in the Grow Sell Thrive site, and was also object of an article in Gender and Development.

Fig 28. Oxfam’s approach to Gender in its market-based and enterprise development

- The analysis begins with a good analysis of what economic opportunities exist in a particular geographic area; and specifically what subsectors or value chains offer highest market potential, while also showing potential for women’s involvement and risk mitigation (weather-related or other). It also identifies specific areas of the value chain where women can play a more important role in terms of leadership and economic gains, for example processing instead of production.

- It then analyses the constraints faced by that particular group of women, both in the household, enterprise and market; and the key actors and stakeholders that can play a role in alleviating them. This helps develop realistic strategies that identify where women can benefit, with specific targets and what specific support is required. This can range from economic literacy to changes in enterprise by-laws, or awareness-raising with husbands and the wider community.

- Oxfam does not support solely in women-owned or women-led businesses. Given the barriers women face, the number of agricultural enterprises owned and run by women in rural areas is very limited. While working with mixed enterprises can more effectively promote equal rights and opportunities. If this exist, they can however be clearly an ideal partner for Oxfam.

- Oxfam’s typical supported enterprise shows however a strong initial commitment to gender equality and women might already represent 10% or 20% of the membership, and grow exponentially with a target to double and reach at least 50% of the membership and other functions. Across the portfolio, the percentage of women has grown from 21 to 37% in 3 years. Oxfam’s ambition is to create opportunities for as many women as possible in every enterprise, not just one woman owner; but women as a members, suppliers, workers, managers and Board Directors.

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7 ‘Beyond participation: making enterprise development work for women. By Sally King Sintes and Maria Alemu in Gender & Development Volume 20, Issue 1, 2012.”
Examples of women’s economic leadership

Case study 16: Multi-layered approach in Ethiopia honey

Honey was selected in Ethiopia because it is a sector with significant economic and growth potential. It required however introducing a new form of technology, modern beehives, for women to be able to take part (they are lighter, don’t hang from trees and provide higher yields). Oxfam is working with various cooperatives and their federation Zembaba to distribute these beehives, and also set up a factory to manufacture them. Our approach included:

- Women participating in the cooperatives gained access to new technologies that enabled them to produce better quality honey, became more visible as honey producers, and had access to more lucrative markets
- Oxfam also established informal women’s self-help groups to facilitate consciousness-raising and enable women to gain the confidence and skills to assume new roles in the coops and markets. Oxfam supported 33 women’s groups in total to operate savings schemes that will allow them to enter the honey (or other) businesses.
- Oxfam also appointed a Women’s Economic Leadership officer supporting this work.
- Oxfam also involved men in the community and the coops with the aim of negotiating household barriers and gendered power dynamics affecting women’s participation and influence over decision making in groups.
- At the enabling environment level, advocacy efforts at local and national levels were carried out to change a policy that constituted a major barrier to women’s participation in coops – only one member per household could be members. When a dual membership policy was adopted, the number of women members in coops increased dramatically – but this required widespread local campaigns to raise awareness of the change in bylaws and encourage women to join.
- Today, 26% of the 4,322 farmer members of the cooperatives are women, compared to 21% in 2010 and 12% a few years earlier.

Case study 17: More examples from Ethiopia, Tanzania, Palestine, Nepal, Honduras, Philippines

- In the other Ethiopia project, Assosa, Oxfam carried out a careful analysis and strategy to ensure higher representation of women, which was very low. One of the proposed activities was to train women to become local traders for the vegetable oil. Unfortunately, when the government encouraged cheaper imports, local sales reduced. Women still got the training and were also supported to become members and sell their seeds to the enterprise. Women were also given higher shares by donating new equipment as their equity contribution. While the loss of the marketing role was disappointing, the proportion of women farmers has still increased from 6% to 32%; while now four of the nine Board members are also women.
- In Tanzania, Oxfam has organised farmers into group and also savings groups. Of the 67 farmer groups, 28 women are headed by a woman president. The first processor groups had 80% men but that meant the new enterprise was tested and once proved viable, now 6 of the 15 sisal processors will be women, while 57% of the farmers are also women.
- In Palestine, the New Farm Company, which started trading mainly olive oil, started introducing new products produced by women cooperatives. Since 2011 it has expanded its suppliers from 5 to 13, to which it also provides technical assistance in collaboration with Oxfam partner ESDC. NFC is now sourcing from 600 farmers (50% women). In addition, NFC has create new jobs, with 5 of 8 the employees (60%) now being women.
- In Nepal, Oxfam supports farmer groups, and also creates Participatory Learning Centres for women only. In Pavitra: 74% of the supplying farmers are women. Also, women’s representation grew from 47% to 56% among members, while 157 women were promoted to participate in decision-making
In Dafacos, Women shareholders went up from 23% to 31% last year. DAFACOS is associated with 65 producer groups, in which women’s membership grew to 60%.

- In Honduras, the plan was to encourage women in production, and also in processing. Processing has however not taken off for various reasons; while women’s membership as suppliers has not grown significantly. The main reason is the lack of time, but it is possibly also the fact that women and men labour the fields together, or some might perceive agriculture as risky. The enterprise is however involving women in its management (the accountant) and Board; and it is starting its own small farms attached to the enterprise, which will create economic opportunities for women.

- In Philippines, Oxfam helped a small enterprise (Libas) start a new line of activity. It would grow moringa trees. The trees would need nurseries and Oxfam would organise women groups who would buy sophisticated seedlings (actually tissue culture) from the laboratory of local enterprise Secura. This enterprise then shut down its laboratory after the floods, and while another supplier was found mortality was very high. In the end a much easier method (seeds) was introduced and now farmers are even using cuttings of existing trees without always requiring services from the nurseries. Women who were involved did however participate in important trainings and economic and other matters, and today some of them are involved in the drying of leaves, generating extra money.

**New areas of research and learning**

- In the last few years Oxfam has carried out further work into two important areas of work. The first one is on Women’s Collective Action (WCA) which set to prove Oxfam’s hypothesis that supporting the organisation of women in agriculture was an effective route to economic empowerment and women’s empowerment. This was confirmed, but there were other findings, too. The research⁸ was carried out in Mali, Tanzania and Ethiopia:

**Fig 29. Findings on Women’s Collective Action**

- Women who are organised have higher income than women trading alone, 70% higher in Tanzania, and 80% in Mali and Ethiopia. They also produce higher quality products and groups provide greater access to credit. This is a significant finding.
- However, there were no spill-over effects in other forms of empowerment (e.g. social or political). Higher income did not always translate into higher access over assets either.
- On the other hand, the organisation of women into less formal, not necessarily marketing related activities were more strongly related with other forms of empowerment.
- Strategies that showed particular success included many known to EDP enterprises, from providing direct support on business and other matters (e.g. literacy), to new technology and stakeholder engagement.
- Another key finding was the importance of combining mixed spaces that might work in marketing, with other women-only groups that serve other needs and can show other empowerment benefits.
- Another finding is that there are inequalities within women’s groups, and that groups need to analyse how they will reach and empower more vulnerable women within those groups.

- Another recent area of learning for Oxfam is the analysis of household constraints, and in particular the heavy household burden that women deal with. A recent methodology called *Rapid Care Analysis*, has provided analysis on the dimension of household and care duties and strategies to alleviate it.

Women developing businesses part time as they have care duties e.g. caring for children and ill or healthy adults, food preparation, household work, fuel collection etc. These duties are making it difficult for women to participate in markets.

Typical time allocation per week for smallholder women: 9 to 25 hours for business; 30 to 40 hours care in households; 10 to 30 hours in unpaid subsistence farming; 6 to 10 hours in unpaid community work.

Women are often multitasking so taking away one task may not actually free them up to work more on their businesses.

Time saving initiatives are essential, for example in providing electricity, household water supplies and fuel-efficient stoves. Yet, little investment happens in this space.

Oxfam’s Rapid Care Analysis tool helps make care visible, map it, identify infrastructure and services support available or needed, and list and rank options. The purpose is to Recognise care work, Reduce inefficient tasks and Redistribute work from women to men, public sector or paid services.

A recent analysis took place in Honduras which showed that women work 103 hours in total, compared to 61 by men. The actions agreed included: advocate for electric power to reduce women’s work by 2 to 5 hours a day, set up day care services for children and start a discussion for involving men in some care activities.

The same way our learning on how to improve business plans and management never ceases, neither does our work in the area of women’s economic empowerment.

Oxfam’s approach focuses on the need to select women-friendly sectors and enterprises; carry out careful analysis at various levels and set out identifying clear strategies with clear targets and the commitment of the stakeholders engaged.

The strategies will be multi-faceted, from providing women friendly technology (e.g. modern beehive) and capacity building; to engagement with other actors including men and enterprises to create opportunities, or even advocacy at higher level.

The last few years has shown additional lessons. One of them is the need to better understand risks. Economic opportunities that offer higher chances of leadership and economic gains are likely to also involve higher risks. Oxfam should therefore test new approaches first and introduce mitigating and alternative strategies too, as the examples of Honduras, Philippines and Ethiopia show.

Another one is the fact that the heavy workload linked to household duties remain a key constraint for women’s fuller participation in the enterprise and economy. Oxfam has developed a tool that can help identify key and reduce or re-distribute caring activities.

Finally, Oxfam’s wider learning, supported by the results of our recent work on Women’s Collective Action (also covered below) reiterate the importance of supporting women beyond the economic sphere, if empowerment is to be achieved more widely. Organisation of women-only savings and discussion groups such as the ones in Tanzania, Ethiopia and Nepal are critical to achieve that.
SESSION 9 – ENTERPRISE STAFF, PARTNERS AND MENTORS

Building capacity, an introduction

- Most EDP enterprises start with no paid staff, and with farmers and board members carrying out business functions. Growing the enterprise requires time and talent, so helping the enterprise recruit good staff will probably be the most important contribution Oxfam can make.
- Yet, recruiting expert and experienced staff to work in a small enterprise hundreds of kilometres away from the more sophisticated life in the capital, where salaries are also often higher, is not easy.
- The enterprises might need to hire slightly less experience staff who will need support from its Board, partners, mentor and Oxfam staff to grow into the job and grow the business.

Experiences in recruiting and retaining staff

Case study 18: Changing managers and defining roles in Honduras

- In Honduras, the partner ODECO, who had basically helped the farmers set up the cooperative, was critical in identifying and hiring staff. One of the best successes was their programme to fund the studies for local youth, which resulted in one of the farmers’ daughter becoming the enterprise accountant.
- The first manager hired, was a young graduate with limited experience. He worked hard but struggled to impose the changes the enterprise required. Oxfam appointed a mentor to help him, who gave up; whereas the second one was extremely committed and advised on key managerial, production and marketing decisions. Not only that, he actually helped implement those actions when he took over the management job for 6 months, after the previous manager left.
- Another one of his roles was to clarify each person’s Job Description, as responsibilities were unclear; also the enterprise realised it did not need the large team it had built partly funded by grants and as reduced it to an appropriate level.
- After the mentor finished the assignment, the person hired as manager was ... the accountant, who had been working in the enterprise for many years, was extremely committed, and had been part and also benefited from the intense support the enterprise had received.

Case study 19: Hiring and headhunting in Palestine

- In Palestine, New Farm Company had one of his founders as his manager. A very charismatic elder man who had been essential in bringing cooperatives and NGOs together to set up the enterprise. His role was however unpaid, and he had limited time to run the business.
- Many times the manager and the Board had promised to recruit a full time manager, but as this was not happening Oxfam made it a condition for its support to continue.
- Unfortunately, the recruitment process failed, with not enough strong candidates for the salary offered; and enterprise Board and shareholders decided to promote one of the NGO staff who had supported the enterprise. He is clearly committed, and while his commercial skills are only developing, the enterprise is recruiting a marketing person who can hopefully drive the sales forward.
- Oxfam has been heavily involved in the recruitment processes, sitting on panels and even starting headhunting through our contacts in the country. This helped for example recruit a part-time Finance Director. While he himself also required helped from an experienced organisation in producing financial projections and cash flow, he has been able to improve financial management.

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9 This section was not covered in sufficient detail in the workshop, so we have added examples from known experiences.
Case study 20: Other examples from Ethiopia and Sri Lanka

- In Sri Lanka, one of the main challenges has been hiring experienced staff. The enterprise started with two officers, and food and a marketing experts who were the best in the University, but lacked experience. A recruitment for a General Manager failed, mainly because salary offered was too low. The Union of cooperatives was uncomfortable about paying too high a salary, even if Oxfam was funding part of it at the start. In the end, Oxfam made it again a condition for further support, and increased the budget allocation. The recruitment process is restarting mid 2013.
- Another issue in Sri Lanka has been the level of authority the Board is ready to give to the management; as some of the small cooperative and owners struggle to delegate power and have mixed views on the readiness and suitability of the factory.
- In Ethiopia, increasing the salary was initially not an option, as there’s particular regulations on cooperative salaries. Oxfam decided then to offer a bonus, but got in trouble when it was unveiled. Recently, the cooperative has agree to increase the salary by 50%. This is still only a third of what NGO workers earn though. Interestingly, another modality used by the country team has been deploying one of Oxfam’s finance staff to support the enterprise a few days a month, which has massively improved their financial management.

The changing role of partners

- Oxfam is a partner organisation, we work through partners. Many of the enterprises that come to Oxfam are indeed introduced to us by partners, and were often initially set up with their (and Oxfam or other donors’) support. The partners bring a good understanding of the local dynamics, speak the local language and have the trust of farmers and stakeholders.
- Yet, our traditional partners are not business savvy, and find it difficult to adjust their role to the needs of a growing enterprise and EDP. Here are some examples:

Case study 21: Partnering in Ethiopia, Honduras, Caribbean, Palestine, Armenia

- Our first realisation that something was not quite working was in the Caribbean, when the enterprise Belle Vue requested that the financial support to purchase inputs or hire technical expertise goes directly to them, not the local partner as the enterprise knew better what they needed and when. The NGO was delaying and selecting unsuitable services or inputs.
- In Honduras, the local team, enterprise and partner realised that ODECO had as much as the enterprise to learn on business management; and while they have made important contributions (for example appointing and paying for the accountant than then became manager!), they have now realised their support might be more relevant in different areas.
- In Palestine, initially Oxfam was working mainly through local partner ESDC but as our demands for financial and business information increased, Oxfam realised that we needed a direct relationship with the company. ESDC maintains an important role in organising the supplier cooperatives.
- In Ethiopia, Oxfam did realise it required a more business oriented partner, and selected consultancy Farm Organics (FOI) to carry out various functions, from importing machinery to designing branding and finding customers. The person in charge was committed and well connected. But FOI took on more than they could handle, including areas that were not their strength. This created sever problems with the enterprises when delays appeared or money from sales was not flowing quickly enough. That was partly due to poor crafting or understanding of the role, as delegating sales to an organisation hundreds of kilometers away, but without clear responsibilities nor parameters for how to handle negotiations was going to create problems. In the end, the team has now recruited a extremely competent organisation, called Nexus, which had carried out large marketing surveys for commercial companies, and has helped define a strong marketing strategy.
- In Armenia, Oxfam works with very business-like set of partners, including the BSC Business Support Centre (www.bsc.am) which in 18 years has implemented more than 750 business set up and planning projects; and has strong skills and business and financial planning.
The role of mentors

- EDP set it up as a mandatory requirement that all projects have a mentor in place. The idea was to introduce an expert and experienced eye into the business, one that could act as a critical friend to the business, making strategic recommendations, potential important connections.
- In practice, different mentors have brought different value; sometimes higher sometimes lower; but the programme has also learned a lot on how to select and use them better.

Case study 22: Two mentors in Palestine

- The first mentor appointed was a business consultant for New Farm Company in Palestine. He was initially hired to write the business plan and later retained as a mentor. His advice was useful at the design stage, but he had less experience in business, and possibly ended up knowing the enterprise too well for his advice to be heard, so his services were not retained in the Phase 2 of the project.
- A few months later, Oxfam was feeling that the modest sales performance and absence of the founder-manager required a more deeper analysis, and organised for an experienced business person from the UK, facilitated by mentoring organisation Challenges Worldwide to spend a few months in Palestine. His first report was very negative. The enterprise had lower standards than what he was used to in Europe, but the factory had also been closed because of improvements, and the manager was ill and absent.
- The mentor continued to provide support and advice, with 4 repeat visits in 18 months. He focused on re-invigorating the Board (on which Oxfam now sits as an observer), clarifying staff roles and advising on marketing and financial reporting.
- However, his role became a bit confusing as EDP Management was relying on his reports for additional insights on the enterprise; responsibilities interfered with Oxfam local staff; while the enterprise resented their role as helper but also auditor. Also, it was felt that despite his great steer and analysis, there was less advice on implementation. Oxfam’s local staff tried to address this by defining clear terms of reference in consultation with the enterprise management, so that expectations were clear.
- In the end when Oxfam decided not to disburse the loan, the enterprise opted not to retain his services. His overall contribution in particular moments was however essential.

Case study 23: Other mentors

- The mentor in Tanzania has been extremely helpful; as an experienced trainer and business person, Tamim was able to provide useful advice, and also write useful summaries for Oxfam staff. The overall contribution was great, but it is expensive. For the next phase, Oxfam has decided that between a local partner specialising in financial management and Oxfam staff, they can hopefully take over the mentors’ functions.
- Another example already mentioned above is in Honduras, where the second mentor transformed the company through a thorough analysis of production, management, governance and marketing. Victor Aplicano then followed through his advice to see changes implemented as interim manager.
- A less successful case was possibly that of Philippines, were the mentor was identified by the local partner and was very excited with the business model, but failed to provide the level of realism and criticism required; as a result projections were always extremely high and never realised.
- In addition to these local mentors, Oxfam has used international mentors especially for those enterprises that are complex or require additional support. This has been organised through Challenges Worldwide, an organisation which specialises in this type of support.

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10 This level of detail was added after the workshop. For Mustafa to edit.
Case study 24: A new role: the assessors

- More recently, EDP has introduced a new type of expert role, that of assessors. These are short-term visits of experts during the concept development stage. Their role is not so much to advice, but to report back to the Investment Committee on the risks and concerns raised by them.
- This is to provide an additional perspective to the business plan, which is often written by extremely eager and committed enterprise, Oxfam staff and local mentors, and benefits from a reality check.
- The experience with Assessors is too new to evaluate, but there’s been certainly good and bad. The one that went to Bangladesh was well received, but his previous visit to Sri Lanka created tensions as his style of questioning was perceived as too hard. A good debriefing before the trip and before each meeting (especially if external parties and stakeholders) is clearly important.

Fig 3.2. Lessons and tips on capacity building

- Recruiting and retaining competent staff is essential.
- A key way of increasing likelihood of recruiting competent staff is by offering a competitive salary. Oxfam has managed to support this by providing salary support on a declining basis (e.g. starting with 100% and reducing its support to 0% after 1 to 3 years); as well as sitting on the interview panel, helping headhunt and even offering to pay an incentive. This often requires convincing the enterprise to offer an attractive package, convincing them over the value of the manager (which is not always understood), and dealing with industry or enterprise internal regulations that might put a cap on salaries.
- Oxfam has also tried creative ways to secure sufficient capacity inside the enterprise, from hiring part-time Finance Director in Palestine, lending Oxfam finance staff skills like in Ethiopia, to a few enterprises sharing accounting services like in Colombia. It is fair to say though that the recruitment of competent staff remains the biggest unresolved challenge in EDP.
- In addition to management, Oxfam might need to make the enterprise Board work. This was essential in Palestine, Sri Lanka and Honduras and many others. Sitting as an observer and ensuring periodic, well run meetings can be essential.
- Partners are also critical, but an enterprise can outgrow a partner. Also, Oxfam’s traditional partners are more effective if addressing non-business management issues, such as technical assistance to farmers or women; while Oxfam should have a direct relationship with the enterprise, and sufficient capacity in Oxfam (see next section).
- Some of the countries offer new partners with heavy commercial experience, so identifying them like we did in Armenia or Ethiopia is essential, even if they are slightly more expensive.
- Experienced mentors can also offer critical analysis and advise. However, their role should be clear from the start, whether they are consultants, mentors or assessors for Oxfam. Otherwise the enterprise does not know if it’s helped or investigated. They should have clear Terms of Reference.
- Mentors in particular must clearly add value, focus on strategy but also implementation with practical solutions.
SESSION 10 – OXFAM’S ROLE IN SUPPORTING ENTERPRISES

What is Oxfam’s role

- So far, we have talked about enterprise staff, partners and mentors. Yet, very often a critical piece of the whole system is Oxfam’s own country staff. Their role is essential not only in providing strategic and technical advice to the enterprise; not only on business matters but often on complex issues of government regulation or social, community and gender matters.
- Critically, too, Oxfam staff play a key role in representing Oxfam’s interests in the success of the enterprise and management of Oxfam’s loan/investment. This means frequent and timely communication with EDP management and donors; as well as mentors, partners, bank, others.
- One of the key lessons for Oxfam has been the need to secure sufficient time from our staff, now estimated at least 50% of one Oxfam person per project.
- This is bigger than we have initially envisioned. The figure below, shows how it has become a bigger cog in the system; while —as described above—, the role of NGO partners has also changed.

Fig 33. Oxfam’s changing roles

- Interestingly, the experience of EDP has pushed both Oxfam country staff and EDP Management to demand a higher and higher involvement in matters to do with business management. This is because we had the ambition to make the enterprise succeed; that—contrary to other livelihoods projects—, the main measure of success is very transparent (i.e. enterprise profits); and the fact that Oxfam is an investor and wants to recover its investment after all.
- This has created some tensions. EDP demands heavy monitoring and interference; EDP is hands-on, not a facilitator—a term favoured in Oxfam’s programming—, but a hassle-ator. The figure below shows the various roles that Oxfam has adopted on enterprise development.

Fig 34. Oxfam’s roles: from donor to investor

<table>
<thead>
<tr>
<th>Donor</th>
<th>Adviser</th>
<th>Light investor</th>
<th>Heavy investor</th>
<th>Shareholder</th>
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</thead>
<tbody>
<tr>
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<td>Provides grants</td>
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<tr>
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<tr>
<td>Loan against milestones</td>
<td>Loan against milestones</td>
<td>Loan against milestones</td>
<td>Loan against milestones</td>
<td>Loan against milestones</td>
</tr>
<tr>
<td>Participate in HR recruitments</td>
<td>Veto on..</td>
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<tr>
<td>Participate in strategies</td>
<td>Veto on..</td>
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</tr>
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<td>Observer on Board</td>
<td>Shareholder</td>
<td>Observer on Board</td>
<td>Shareholder</td>
</tr>
<tr>
<td>Friend</td>
<td>Cousin</td>
<td>Sister</td>
<td>Mother(-in law)</td>
<td></td>
</tr>
</tbody>
</table>
In the EDP workshop, there was broad consensus that EDP started in 2008 operating as a friendly ‘neighbour’; but that in time it has become a ‘sister’ role for many EDP enterprises, participating in some key activities like manager recruitment, and sometimes withholding funding if we think the enterprise is not making things happen. It is tough love, but there was agreement this is required especially in these early stages of development.

Oxfam staff skills: what’s needed

- In order to perform these demanding roles, Oxfam staff expressed a request for more training.
- Skills important for Oxfam to manage EDP projects include: management skills, facilitation, gender approach, negotiation, advocacy and lobbying, business strategy, business planning and marketing.
- Most countries would like to strengthen skills in financial management and loan negotiations. The second priority is marketing.
- In terms of learning methods, different staff highlighted different methods, which are complementary; from more on-the-job experience managing enterprise support projects; to formal training; workshops and mentoring.

SESSION 11 – INFLUENCING THE MARKET SYSTEM

Why influencing

- The purpose of EDP has always been larger than the support of a few specific enterprisers. At national level, Oxfam learns from the specific experience of each enterprise to address policy barriers and leverage further change; and at global level, Oxfam also tries to increase interest and support into small enterprises, particular rural and women-friendly ones.
- This remains a new area of work, but we review in this some of the examples developed so far.

The enabling environment affects Oxfam supported enterprises

- Oxfam-supported enterprises suffer from poor infrastructure and limited access to quality services and skilled labour.
- Generally, as the recent research *Tipping the Balance* explains, policies are rarely favourable to smallholder agriculture. Public Policies targeting the needs of small enterprises are also lacking.

Fig 35. Examples of policy/system challenges

- Most enterprises operate in remote rural regions with severe underinvestment in infrastructure, this means farmers face high transport costs when marketing their products.
- More generally, access to services is also scarce, critically financial services.
- Similarly, as described above, it is extremely difficult to recruit skilled force, especially in rural areas.
- As Jessan Catre put it, enterprises operate in the reality of a globalised markets where circumstances can change rapidly. Often though, Trade Policy can be particularly unsupportive of local production. In Ethiopia, local government’s decision to subsidised imported Palm undermined local production of vegetable oils including Assosa’s. In Colombia the government has signed a Trade Agreement with the US which threatens to massively increase imports of cheaper, often subsidised, milk. In Honduras, insufficient regulation of the border with Guatemala means that product can enter undercutting local produce. Similarly, with chillies from India entering Bangladesh.
- Policies for cooperatives are in some cases restrictive. In the region of Pakistan where our dairy enterprise operates, this legal form is at present not allowed. In Armenia, the law does not allow cooperatives to run for a profit. In Ethiopia, the level of salaries recommended represent a challenge to recruit skilled labour; while cooperatives usually only accept one person per household, reducing opportunities for women to full participate (note this was reversed in the honey area).

• **Bureaucracy.** In many countries, local authorities request involvement and sign off of many processes, from loan applications and importation of machines, to land permits and food safety permits. While many of these are essential, in some countries this creates excessive delays. In Sri Lanka for example, the purchase of cattle is managed by the government.

• **Wider political and social context.** In many countries where Oxfam operates there’s a situation of conflict or post-conflict, for example Colombia. In Palestine, the occupation means there’s additional hurdles to many business processes.

• **General donor/NGO context.** In most countries, EDP’s approach to promote loans to enterprises and/or farmers are undercut by other NGOs which provide those for free and distort the market. For example NGOs providing free mushroom seeds in Rwanda.

**Experiences in influencing**

• This remains a new area of work, but we review in this some of the examples developed so far. Engagement happens at global level. Oxfam was influential and one of the founders of the Women’s group in ANDE for example, and has been leading the Central America’s learning hub as well; while we have shared experience with donors such as DFID, SIDA.

• The figure below shows a way of categorising country-level leveraging. And also provides country-based experiences.

**Fig 36. Ways of leveraging**

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12 This particular diagram was added after the workshop, based on the experiences shared by participants and also reported in the gallery presentations.
Case study 25: Leveraging change at scale in Colombia, by Felipe Barney

This particular EDP project, which has worked with four (later reduced to three) small rural dairy enterprises to upgrade their production and management skills, was set up in partnership with the Fundacion Alpina, the Foundation of one of the largest dairy processors in the country, and which purchases the raw milk from processors.

The project has been successful in that the enterprises have significantly improved capacity, but also because partners have leveraged additional changes at a higher scale. Sales of the three cooperatives from COL 528m to COL903 between (£188,000 to £322,00) 2010/11 and 2012/13. This was obtained through higher yields (from 3.4 to 6 liters/animal/day) and prices, thanks to improvements in quality. All cooperatives are now profitable and new ones cooperatives are interested in joining the alliance.

In terms of leverage, the project has promoted changes national policies, those of the national bank Banco Agrario, for lending to smallholder farmers.

- Oxfam supported and brokered access to finance for the smallholder farmers (though in this case an actual guarantees was not required as the government has such measures in place). This enabled 100 farmers access COL 564m (£200,000) in loans (89% of the loans requested). It
- It was by no means an easy process, so Oxfam recorded the experience and used to publish the report Evaluation of the conditions of access to agricultural loans by smallholders, produced with Fundacion Alpina. It was launched in an even which counted with the participation of the Minister of Agriculture and Rural Development, and presidents of Banco Agrario (the national Agricultural Bank) and FINAGRO (entity in charge or agricultural credits); as well as members of farmer groups and commercial banking sector.
- The report highlights that it took farmers 250 days to obtain the loans, and that the transaction costs associated represent as much as 15% of the amounts requested. This is particularly challenging for women who often have less availability of time.
- There is also poor advice and support to the applicants. And cooperatives were not allowed to access credit, meaning that farmers had to get additional credit and then group it for the enterprise to be able to purchase joint assets.
- The Ministry has as a result committed to accelerate the decision process, increasing the size of local/regional teams; and reiterating the commitment not to require land titles for farmers to be able to access loans. The project partners have also set up an Observatory to monitor progress in this area.

In addition, Oxfam has leveraged additional investment from both public and private sectors, and seen replication by the private sector.

- To begin with the project included a financial contribution from the Fundacion Alpina. While it has been at points disappointing not to be able engage more significantly with the commercial side of the large business, or to achieve direct changes in purchasing practices, the company provided technical advice, continued to absorb all additional volumes produced by the cooperatives and paid relatively higher prices (through bonuses against higher quality provided, according to standards regulated nationwide).
- More interesting, the company has now committed to replicated the experience in Oxfam in 7 other municipalities. The programme worth US$15m and called Conglomerado Lechero was approved by a National Fund will support improvements in cattle species, fodder management and support set up of 4 small processing plants.

13 With additional comments by Hugo Sintes based on previous reports.
Case study 26: More country examples of influencing and leverage

- All projects aim to reach scale through internal enterprise growth. Enterprises supported have grown in membership and sales. Assosa in Ethiopia for example grew from 6,000 to 11,500 farmers between 2009 and 2012. Whereas sales of Aproalce grew from HNL 220,000 to HNL 4.2m (£7,000 to £143,000).
- In addition, Oxfam participates and often supports the creation of stakeholder coordination and alliance building spaces. In Tanzania, Oxfam has supported the Tanzania Sisal Board, where companies, farmers and stakeholders coordinate the whole sector. In Ethiopia, Oxfam works with the Bureau of Agriculture to set standards for beehives. In Rwanda, Oxfam works closely with national government in order to make sure Oxfam’s investments in particular value chains such as mushroom is aligned with government priorities. In Nepal, Oxfam works closely with the District Agriculture Development Office (DADO).
- In many cases, this collaboration goes further and leverages specific support from others. In Nepal, for example, the Government’s Laboratories provide seed Quality control and certification. In Sri Lanka the government agreed to prioritise the development of dairy industry in Vavuniya and introduced milk for school scheme. In Philippines, the local governments support farmers with insurance. The contributions can come from other organisations as well. In Honduras, Oxfam leveraged support from a USAID-funded programme which is providing marketing and business technical assistance to APROALCE. Similarly in Armenia, Oxfam is leveraging cooperation from USAID projects. In most countries where there is an engagement with large private sector buyers, these provide technical assistance or other support. In Pakistan, for example they provide cooling tanks and trainings on subsidised rates.
- The support is sometimes a direct investment or financial contribution to the enterprise or project area. The easiest and most tested route for Oxfam is to obtain that from other donors. Based on the experience started with EDP Oxfam raised for example NZ$3.5m (£1.8m) for enterprise development in Indonesia; Eur1.5m for rice production in Liberia; or funding for a bottling plant from Band Aid and further support to honey farmers from Comic Relief in Ethiopia. This is often used for complementary activities. In Philippines for example, while EDP supports moringa production, another donor supports inter-cropping, food security and climate change adaptation work. These have to be managed carefully to ensure the enterprise is incentivised in the right manner. In Haiti, for example, Oxfam raised grant money for Veterimed after the earthquake, this meant that their incentive to fulfil EDP requirements for a loan to be disbursed changed.
- Oxfam has also leveraged additional support from local governments. The government of Indonesia allocated 200k USD for vanilla producers in 2010. Municipalities in Colombia have contributed with cooling tanks. In Nepal, the government is to support the enterprise for storage facilities. Given that the level of investment is sometimes too high to bring smallholder farmers into being market-ready, this is an important contribution.
- Finally, in at least one occasion Oxfam has leveraged money from local private sector. As explained above, Fundacion Alpina is co-financing the project in Colombia. Finally, as explained above, Oxfam also seeks direct contribution from financial intermediaries. In Colombia the Banco Agrario provided 100% of the capital required, and in other examples like in Nepal the local bank is co-financing the loans.
- Another way to achieve scale beyond the project itself is when Oxfam inspires others to replicate EDP. It is early to confirm this, but Oxfam sees potential for a diversity of actors to copy some of the elements of EDP. This happens first internally, with some Oxfam programmes for example applying EDP-like mentors to other programmes, or improving market analysis and enterprise development; and also externally, where Oxfam shares learning with other donors and agencies, for example in Palestine. As explained above, in Colombia, Fundacion Alpina will replicate the model in 7 more districts. In Nepal, Oxfam works to ensure that the Kumari Bank starts supporting enterprisers such as Pavitra and Dafacos without a requirement for an Oxfam guarantee, though that might take some time.
- A wider form of replication would be when EDP’s experience contributes to formulation of policy. There are a few examples of this in EDP. In addition to the example of Banco Agrario in Colombia, Oxfam has changed regional law for cooperatives in Ethiopia so that cooperative membership is
open to more than one member. There is work in progress other countries too, even if these have not yet materialised. In Pakistan, for example, Oxfam has organised an NGO Dairy Alliance which seeks to tackle key issues such as milk adulteration; in Nepal Oxfam engages with Ministries on food security and other matters. Oxfam might change donor policy as well as, for example World Bank’s policy for Honduras. Note that Oxfam’s influencing work happens not only through EDP but through the wider Oxfam programming in that country, which uses EDP experience when appropriate.

- The examples above show the work so far in this area. It is fair to say that a lot of the influencing work calls more widely for more investment in smallholder agriculture, rather than investment and support to rural enterprises specifically. The figure below shows how countries saw their advocacy efforts to date.

### Fig 37. Types of advocacy activities promoted

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<th>Ask</th>
<th>Target</th>
<th>Other Oxfam programmes</th>
<th>Other NGOs</th>
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<th>Government</th>
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### Fig 38. Lessons and tips on influencing and leveraging

- It is still early to measure Oxfam’s success in the leveraging scale and policy changes or replication in EDP. There are however interesting. Most projects achieve contributions from other donors or private sector actors, whereas in a small number of cases, clearly in Colombia, bigger changes have been achieved in terms of replication and national policy change.
- The focus so far has been mainly on smallholder agriculture, rather than on the needs of rural enterprises, which are specific, for example the need to enterprise staff, mentoring or working capital loans.
- The successful examples show the need to identify the set of actors and drivers of change very early on; and how a multi-stakeholder approach can increase Oxfam’s voice. For example the work with Fundacion Alpina in Colombia.
SESSION 12 – ADDRESSING ENVIRONMENT AND CLIMATE

EDP Enterprises, climate and natural resources

- Agricultural enterprises are inevitably reliant on natural resources and climate and are often based in risk-prone areas (natural or man-made disasters). At one point in 2010, half of the EDP investments were either flooded (Pakistan, Philippines, Sri Lanka, Colombia) or had suffered earthquake (Haiti, Indonesia).
- Since then and alongside the development of the ‘Environment’ section of the Gendered Enterprise and Markets (GEM) methodology, EDP has introduced tools such as the Environmental Checklist to assess risks, and identify mitigation actions.

Experiences on risk mitigation in EDP

Case study 27: Examples of Risks and mitigation strategies

- In a number of countries there is a high risk of flooding. In Pakistan, Oxfam works with the enterprise and local partners to set up flood- early warning system in place, has also raised platforms and is introducing better adapted fodder varieties and silage. Similarly in Philippines, Oxfam planted the moringa trees in higher areas, and has helped communities organise when floods hit. Similarly in Bangladesh, Oxfam promotes high chilli planting and has introduced new varieties of chilli promoted by the local government; while also works on protection strategies.
- In some cases, areas are at risk of drought and are introducing resistant seeds and better water management. In Tanzania, Oxfam chose to support sisal which is drought enduring. In Nepal Oxfam promotes better seeds, while also supporting the expansion of irrigation.
- Regardless of the source of risk, Oxfam has works with enterprises to forecast extreme scenarios and ensure good years produce profits to compensate for the bad years. Also, all enterprises try to source from different regions and seek back-up suppliers when it is important to maintain supply into its own clients. In some cases, EDP has perceived the risks to be too high and decided not to invest, rather to propose another form of livelihoods support.
- Enterprises are also introducing identifying environmentally friendly practices. In Nepal, 80% of farmers are now using organic fertiliser; whereas in Armenia the factory will use energy-efficient methods (solar panels, biogas) in the factory.
SESSION 13 – EVALUATION, REVIEW, FUTURE

Introduction to EDP Evaluation and Review

- EDP was set up as a pilot programme, to test whether and how early-stage rural enterprises can become investable (see specific objectives in the introduction).
- Between September and December 2013, Oxfam will carry out an independent evaluation of the programme, which will provide, alongside other processes, inputs into the design of the next phase of EDP. The figure below shows the Terms of Reference of the Evaluation.

Fig 39. Examples of policy/system challenges

1. **What has EDP achieved, in terms of:**
   a. Developing viable enterprises
   b. Reducing poverty (e.g. raising household incomes and women’s empowerment)
   c. Changing the behaviour of enterprise (Oxfam and partners) staff
   d. Generating other benefits (e.g. Oxfam staff capacity, fundraising, innovation)
   e. Leveraging other (national and international) actors and resources to invest in women and producer-led enterprises SMEs
   f. Proving EDP as a model for investing in rural enterprises

2. **Was this worth our money?**
   a. How do these achievements compare to EDP’s initial objectives?
   b. How do they compare against other alternative approaches and organisations?

3. **What did we learn?**
   a. What are the key lessons emerging from EDP?
   b. Specifically: on which enterprises Oxfam should support (e.g. more mature enterprises vs those in poorer areas) and how (e.g. % of loans vs grants)

4. **What should we do going forward?**
   a. What are the key recommendations to consider when re-launching EDP?
   b. Provide 2-4 options of what EDP could look like in the future.

Oxfam country staff suggestions for next stage

- Oxfam EDP Country staff are available and keen to contribute to both the evaluation and review process. During the workshop carried out in May, they provided initial feedback on changes to the programme. These are listed below.

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**Viability** means achieving five criteria: profitability (excluding grants), solvency to cover finance needs, secure trading relationships; access to finance and ability to repay the EDP loan; positive assessment of management and future.
Fig 40. Suggestions for improving EDP

- EDP is seen as a strategic programme supporting innovation, learning and programme quality in Oxfam’s livelihoods work. Participants expressed a definite interest in its continuation.
- One area that could improve is the approval process, which is too long. The process of selection of new projects takes a long time, time during which circumstances change and opportunities for starting to build capacity or prepare the harvest season pass. One idea for accelerating the process could be to decentralise part of it to the regions. Another one that Board input takes place through the Investment Committee.
- The initial timeframe of EDP support of 3 years is seen as short, and should extend to five.
- A lot of work goes into proposals, but only a relatively small percentage succeeds (this was 1 in 3 at the start and is now to 1 in 5). While even projects rejected benefit, this can still be discouraging. Selection criteria should be better explained. And additional feedback for proposals rejected would be welcome.
- Though this has been addressed at least partly through time, EDP should dedicate sufficient resources to fund in-country EDP posts. The idea of building stronger country programmes in some countries with dedicated staff is appealing, and even the idea of presenting multi-enterprise programmes was discussed. However, this should not exclude new countries of participating.
- Once in the portfolio, some decisions taken by the Board were controversial. While analysis of performance and accountability are essential, Oxfam staff based in country would like to be able to share their views directly with the Board (or Investment Committee), rather than through EDP Management only.
- The next version of EDP should put higher emphasis on Oxfam staff (and partner) training, in particular on issues to do with financial management, business strategy and marketing. Priority areas and methods were identified in the section on Oxfam’s roles (see above).
- Secondly, there is clear appetite to increase efforts in the advocacy area, with higher resources and support provided to leverage EDP as a tool for wider change in country.
- Last but not least, it was recommended that projects that are not approved, but still are promising, still receive some form of support. It is not always easy to find other sources of funding and there is clearly a loss of momentum. A small pre-EDP grant could be all that’s required to adjust the business model or recruit a key staff that will make the project much stronger next year.

END