Development of Fresh Agri-food Value Chains in Nepal: Barriers and Entry Points

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IFAMA Symposium, Atlanta
June 17-18, 2013
Nepal and Value Chain Approach

- Nepal: Located in South Asia
  - Between India and China – the two most populous countries in world

- Agriculture is the mainstay for the economy and its people
  - The largest contributor to the national economy
  - Directly employs 2/3rd of the economically active population
  - Livelihood provider to 90% of rural families, which account for 80% of the population

- Value chain approach currently becoming the dominant development approach in donor funded agricultural projects
  - Commercial Agriculture Development Project funded by ADB
  - Project on Agriculture Commercialisation and Trade funded by WB
  - Raising Incomes of Small and Medium Farmers Project funded by ADB
  - High Value Agriculture Project funded by IFAD and co-funded by SNV
  - High Mountain Agribusiness and Livelihood Improvement Project funded by ADB
Shifting Paradigm in Development Projects in Nepal

• Shift in traditional mindset in terms of
  – Adoption of chain approach to development
  – Involvement of private sectors in development projects

• Farmer focussed development approach
• Private sector as recipient of development projects

• Value chain approach
• Private sector also executive agency for development projects
The value chain is heavily promoted as a development framework, but poorly represented in practice.

Nepal is no exception.
From a VC development perspective

Collaboration is an important (Ho et al. 2002, Cadilhon & Fearne 2005) but difficult to practice feature of chain management (Barratt 2004).
Objective

To develop a collaboration framework for value chain development in Nepal

Questions

- What are the constraints to value chain development?
- Are there examples of value chain collaboration? If any, what are the circumstances or features of these examples?
Inquiry Approach

• Case study of a network of value chains
• Based on interviews of a small number of purposive samples
• Naturalistic inquiry
• Evaluation of pilot-scale interventions for VC development
• Thematic analysis
• Data managed and analyzed using Nvivo software
Constraints to VC development

Farmer Perspective

Trader Perspective

Government Perspective

Development Partner Perspective

Common themes (Barriers to VC development)
# Constraints to VC development

<table>
<thead>
<tr>
<th>Farmer Perspective</th>
<th>Trader Perspective</th>
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<tr>
<td>Lacked capability, resources and VC knowledge, poor relationships with others, and lack of a champion.</td>
<td>Limited capability and knowledge, no appreciation of relationships, lack of championing orientation, and worth of engagement overlooked</td>
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**Government Perspective**

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<td>Lacked VC-specific expertise within its human capital, organisational structure not suitable to chain approach, and a drive (championship) among its staff for VC development not evident.</td>
<td>Small organisational capacity to serve a larger section directly, Constrained by donor mandate and recipient country’s lead role in implementing development objectives. Abundance of VC specific knowledge and experience (exception)</td>
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Lack of VC specific knowledge (except in DPs), lack of capability, lack of championship and poor compatibility
Entry Point for VC Intervention

- All barriers can be traced back to a lack of value chain specific knowledge.
- Government officials lacked critical knowledge of the concepts and processes of value chain development.
- Lack of value chain specific knowledge among government officials, who were the main sources of knowledge for farmers and market actors, became a crucial barrier, creating a vicious cycle.
- Being compatible with all stakeholders due to its natural role, a starting point to overcoming those barriers may be to provide government officials with the necessary value chain specific knowledge on concepts and processes.
For example, we have different programs, and different training. No office has ever planned any value chain related training in its program. This is an example of lack of knowledge. Our focus is on production only, no intervention is across the whole chain.

In most of the cases the concept of value chain is not clear ... Last week there was a seminar, and many stakeholders were present there, including from cooperatives. The majority of them told me that it was the first time they encountered the concept (value chain). Even the applicants of winning proposals might not know that they were selected for being value chain based.

A majority of actors/stakeholders lack a value chain orientation, I think.

I doubt myself in regard to my understanding of the concept of value chain, as I am not from an agriculture background. I only work at policy level. We should have a fundamental common understanding about the concept of value chain, starting from grass root levels, to the policy arena. What is value chain?

The main factor is that our staff does not have orientation towards value chain. In the ministry and department, there may be some experts but those at the field level who actually implement the value chain activities are not well aware of it.

We do not have any expertise on value chain even in the government, let alone the DADO...... While I have been here for the last two years, no one has given training on value chain. Some of the project officers have conducted introductory training within their project area though.
Can VC collaboration be a reality?

- Evidence of activity based collaboration among members of the value chain
- Collaboration at micro level – localised collaboration
- Activity based collaboration supported by institutional structure/mechanism
- Existence of shared perspectives among members
- Examples of collaboration at all levels of VC but limited to proximate members
- Collaborative VC actors or stakeholders each demonstrating core areas of collaboration
Value chain collaboration

- Level of collaboration: from co-action through coordination to cooperation
- Modes of collaboration: Structure based (complex but continuing) and activity based (simple but short lived)
- Duration of collaboration: episodic, periodic or continual
Development of fresh agri-food value chains in Nepal: barriers and entry points

VC Collaboration Framework

Step 1: Development partners and Government Institutions

Step 2: Commission agent, Wholesaler, and Retailer

Step 3: Farmers (Farmer_1, Farmer_2, Farmer_3, Farmer_4, Farmer_n)

Step 4: Feedback and iteration
Validating Cases

• Stakeholder-Actor Collaboration that Appreciated Consumer Value
• Stakeholder-Actor Collaboration that Promoted Group Cohesion (VC capability) at Farmer Level
• Stakeholder-Actor Collaboration that Integrated Chain Processes
• Government–Development Partner Collaboration to Promote VC Development
• Horizontal Collaboration at Farmers Level
Thank You