Policy Brief

Using a Commercial Pocket Approach (CPA) to take the smallholder vegetable market to scale in Nepal
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An independent proof of concept study undertaken by IOD PARC shows that CPA as pioneered by iDE can unlock supply and demand challenges in the vegetable market in Nepal and facilitate system wide change in the sector, increased levels of farmer income and further women’s empowerment.

Introduction

Nepal is primarily an agrarian economy, with agriculture employing 78 percent of the economically active population. Smallholders account for almost all vegetable production in Nepal, with 3.2 million vegetable holdings. Annual production is estimated at about 3.58 million tons, grown on 266,937 hectares. 90% of these smallholders have under 0.5 hectares of land and grow mainly for subsistence (e.g. food security), producing only 18% of the fresh vegetables sold in markets. The demand for fresh vegetables in Nepal is growing and in the last decade there has been an increase of 48% in production, 11% in yield and 33% in cultivated area.

There are significant supply side challenges in the vegetable sector. In particular price volatility which impacts on farmers’ incomes. This is mostly related to seasonal cropping cycles and the uniformity of crops grown. Prices are low when there is a surplus and high when supply levels are low.

Farmers face numerous constraints be this as consumers or producers. Along with seasonal cash flow deficits, they tend to lack reliable information about improved practices and technologies. Markets that serve smallholders tend to have underdeveloped infrastructure and institutions, resulting in high transaction costs, little capacity for storage, low volume of highly seasonal produce, and poor-quality control. There have also been significant levels of migration both abroad and to cities and agricultural work is often not highly prized or thought of.

Nepal also has an under-utilised comparative advantage in the form of microclimatic conditions in the Hilly regions which allows production of off-season vegetables using innovative production technologies.

Commercial Pocket Approach

The commercial pocket approach (CPA) looks to enhance the market for smallholder vegetable farmers in Nepal. It has been developed by iDE and aims to increase farmers’ incomes, enhance food security and nutrition and improve communities’ abilities to resist stresses and shocks.

There are four common components to the CPA:

The identification of groups – or pockets - of committed, motivated farmers who are organised through a Marketing and Planning Committee (MPC) to improve their farming methods and improve production.

The development of Collection Centres where farmers can bring their produce for distribution to markets and traders.

The external provision of technical advice and capacity building support to farmers so they can grow a profitable range of crops using climate-friendly technologies based on local climactic conditions and market demand.

The development Community Business Facilitators (CBF’s) and/or technical specialists (Plant Doctors) to provide ‘last-mile’ supply chain support and facilitate access to new technologies, input suppliers and other public and private sector extension services.

An enabling environment is also seen as essential to sustainable CPA success. This includes: access to water for irrigation, often through a Multiple Use water System (MUS); good transportation/access to roads; engagement from the private sector - in particular access to agri-inputs such as seeds and fertilisers; loans and crop insurance products; a supportive policy.

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2 Central Bureau of Statistics.
3 Vegetable Development Directorate.
and legal environment and commitment and additional investment from local and national government.

Figure 1: CPA Core Model and its Enabling Environment

**CPA Assessment**

The IOD PARC study showed that **CPA is a viable approach for improving the lives, resilience and incomes of farmers.**

An analysis of the Anukulan programme showed an **increase in farmers household income ranging from 26.5% to 55%** with a central estimate of 40.8% (with a 95% confidence level). Average profits for farmers range from 48% - 52% and market traders also make profits within the range of 16% - 31% from selling vegetables.

**There is clear evidence increased levels of women’s empowerment through the CPA approach.** Most CPA farmers groups are made up predominantly of women. Women traditionally have limited levels of control over resources or decision making and the CPA approach provides them with access to cash which they can manage and make spending choices. This also generates collective and individual confidence and confirms their increased levels of knowledge and capability.

**The CPA can provide good value for money for development partner funders.** A cost benefit analysis of the Anukulan programme shows a 3.6 to 1 return on investment over a three-year period which rises to 10 to 1 if taken over 10 years.

**Effectively implement CPA can also enhance social cohesion** through the shared experience of capacity building, coordinated production and product-to-market processes and in some cases the creation of incentives to prevent migration;

**Evidence also indicates an increased institutional strength** through the establishment of collection centres, often leading to the creation of cooperatives which are integrated within the wider system of local government and linked to private sector actors.

**The central factor underpinning the success of the CPA is that it takes a systems approach.** It is the combination of its parts that makes it work. It can form the basis for sustainable changes when effectively implemented in the right conditions and with the appropriate combination of environmental factors. However, it may not work everywhere.

**Scaling up the CPA approach**

The study provides evidence to take CPA to scale and suggests an approach which combines
Horizontal scale-out (replication) and vertical scale-up.

Horizontal scale-out should focus on ensuring that:

**Capable partners are in place** – CPA is implemented by local partners and they require technical knowledge of climate smart technologies and agriculture, facilitation and capacity development skills as well as sound management and financial capabilities.

**Local adaptation** is important. Local terrain, vegetable markets, ethnic makeup and infrastructure means that any CPA needs to be developed to meet its context. Some areas are likely to have more favourable conditions than others, so investment levels and expected timing of results will need to differ.

The comparative advantage of CPA is well communicated to key stakeholders with evidence presented and ‘neutral’ case studies generated which show strengths and challenges.

The core methodology is understood and replicated effectively ensuring consistent quality across the intervention component parts, with a real focus on market coordination.

Vertical scale-up needs to focus on:

**Coordinated Government Leadership** – An enabling environment for CPA requires a coherent policy framework which cuts across different departmental responsibilities. Sustainable scale will need government investment. In particular, there should be a focus on ‘flattening’ the market.

Increased scale will need **Private Sector drive** and innovation as well as investment. There are opportunities to develop supply chains, access to finance and the processing and storage of vegetables.

**Civil Society and Cooperative engagement** and advocacy are required to ensure that CPA is scaled up equitably and sustainability. Academic and knowledge partners can generate further neutral evidence on what works and support innovation and research on new climate friendly technologies.

**Development Partner support** is required but should look to shift its emphasis away from primarily project financing towards a focus on system sustainability. Supporting higher up the value chain and strengthening the enabling environment is likely to lead to greater value for money results.

*Figure 2: CPA Horizontal and Vertical Scale up Strategy*
Recommendations

The dynamic of the CPA is different in different contexts and this may impact on how long it takes to establish, the sequencing of activities, the level of resources required and expected results. The following are recommendations for successful implementation.

- Undertake a stakeholder analysis including identifying key private, public and development partner actors who need to be involved and their likely level of influence. Understand the driving and restraining forces for effective CPA implementation.

- It is important that implementing agencies clearly illustrate how CPA increases farmer and trader income and the key factors impacting on profitability. Strategies such as encouraging organic produce which may command a higher price can mitigate high levels of Indian imports for example.

- It is important to ensure the creation of ‘a critical mass’ of farmers groups to ensure there is sufficient volume of production and variety of crops grown.

- Working with marginal groups such as Dalits is more challenging, and more resources are required to facilitate the necessary attitudinal and behavioural change needed for significant improvements in farming practice.

- Developing an adaptable approach to CPA is essential. Different geographical areas (hills, mid-hills terai,) and different socio-economic conditions (e.g. poverty levels) require a range of implementation approaches.

- Ensuring collection centres are not too close to local markets is important for attracting local farmers and ensuring they see a clear value add from services provided.

Suggested Way Forward

The following action plan is suggested to take forward CPA in Nepal:

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<th>Year</th>
<th>Actions</th>
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<tbody>
<tr>
<td><strong>First Year 2019/20</strong></td>
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<tr>
<td>Initiation, policy formulation and initial horizontal scale out</td>
<td>Organise a national dialogue on CPA</td>
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<td>Develop a national strategy</td>
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<td>Formulate policies, regulations and guidelines</td>
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<td>Establish CPA support unit</td>
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<td>Initiate initial assessments for sites for horizontal scale out</td>
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<td><strong>Second Year 2020/21</strong></td>
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<tr>
<td>Implementation – horizontal and vertical scale up</td>
<td>Develop implementation guidelines</td>
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<td>Capacity building of stakeholders</td>
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<td>Develop plan and allocate budget</td>
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<td>Extend number of implementation sites</td>
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<td><strong>Third Year 2021/22</strong></td>
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<td>Follow up Monitoring and further scale up phase</td>
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<td>Further scale up</td>
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<td>Review and reflections of progress</td>
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