



East & Southern Africa
Market Systems Development
Regional Peer-Learning Events
Highlights & Recommendations



LEO
Leveraging Economic
Opportunities

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LEO is a three-year contract to support USAID programming that fosters inclusive growth through markets. Earlier this month (October, 2014), LEO hosted two peer learning events in East Africa. The purpose of this presentation is to report back the highlights and key recommendations that emerged from these events. The Bureau for Food Security (BFS) was instrumental in helping LEO to launch these events, which focused on learning from Feed the Future (FTF) projects.

Regional learning events strengthen practice



The technical focus of the events was market system facilitation, and how to achieve scaling through market systems. While for some time, many FTF projects have had an emphasis on achieving large-scale numbers, there has been less attention paid to how to achieve these numbers in a significant and sustainable way. The purpose of these events was to explore how to get sustainable scaling that represents the kind of systemic change needed to move the dial on poverty reduction. These events were designed to learn about what is working and what is not among FTF implementers.

The events were also intended to address a scarcity of cross learning. It was clear from these events that there are some very smart people in the field with a huge amount of experience, and yet they are not interacting with and learning from one another. Similarly, USAID staff in Washington, as well as implementers' own headquarters staff, are not learning as much as they could from the field practitioners. The events revealed little sharing between countries or across activities in a single country—or even between different activities implemented by a single contractor. This is a huge missed opportunity for FTF.

The style of the events was that of peer learning. The facilitators took a backseat, and made it clear that learning was not coming from the “front of the room” but from the participants themselves. This created a venue that allowed for implementing partners (IPs) to be front and center, to speak openly, and to learn from one another.

Wide participant representation

20 projects, 8 countries

- 27 participants
- 11 projects
- 3 missions

- Oct 2-3
- In Ethiopia



- 21 participants
- 9 projects
- 1 mission

- Oct 6-7
- In Zambia

The events were intended for IPs; specifically, the technical leads of FTF projects in East and Southern Africa. LEO did not initially invite USAID mission staff, in order to create a small, “safe” space for frank discussion. However, a few mission staff expressed a strong desire to be a part of the learning process, and were also extended an invitation. The five USAID staff members who did come, stayed for the full event.

There was some skepticism at first that IPs would be willing to come to the event, given the many competing demands on their time. In addition, would missions be willing to let their IPs attend the event? In fact, there was a lot of enthusiasm for the opportunity to learn together. Missions requested invitations for themselves or for staff from activities that had not been included; and IPs requested invitations for additional staff members. While LEO stressed in the invitation that this event was for IPs, everyone who really wanted to come was allowed to attend.

... with a few unexpected guests



And in Zambia we even had unexpected guests...

Explored scale and systemic change



The agenda covered an array of topics, some of which will only be touched upon briefly during this presentation. Much more information will be provided in the learning products that are being developed, based on discussion held during the events. These products will be made available online.

This presentation will cover:

- How to facilitate inclusive input markets
- How to facilitate the improved output markets
- What is appropriate finance in an agricultural context?
- What are the tactics and the “art” of facilitation?

Contextualized ‘last mile’ input delivery models

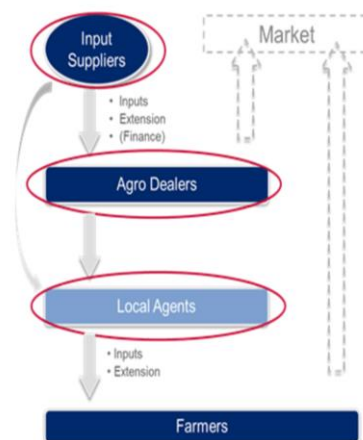
Input supplier-driven

Microentrepreneur-driven

Lender-driven

Producer collective-driven

Buyer-driven



First, consider the topic of input markets. LEO recently made a presentation to BFS on the project’s research into “last mile input delivery models”—that is, input supply systems that aim to extend the outreach of input suppliers and the affordability of inputs to large numbers of smallholders. (See “Scalable Models for ‘Last Mile’ Input Delivery” by Ben Fowler and Dan White, July 17, 2014).

In Ethiopia, the learning event began with a presentation of these models, noting:

1. the different actors who act as drivers of the system
2. the risks associated with various models, and
3. the requirements for profitability

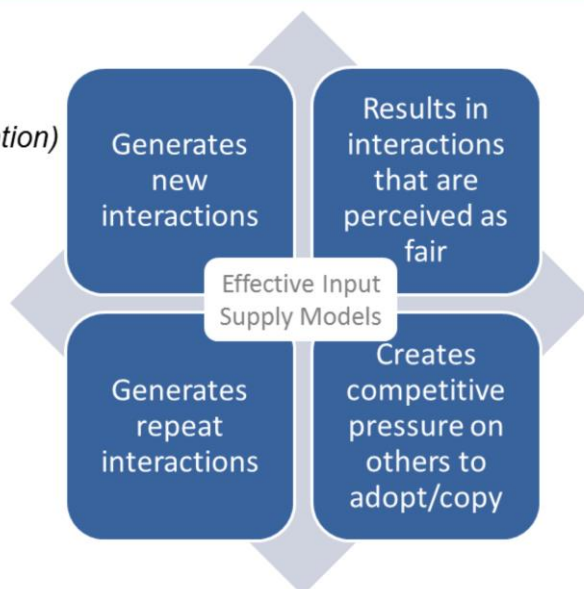
Then participants were asked to note those models they were working on. This revealed a great deal of variation and innovation within the models.

In Zambia, participants were asked to sketch out their own models for input delivery.

Facilitating input markets: **What really matters?**

Context

*(results in
lots of variation)*



Models vary extensively according to the local context, which results in hybrid models, and models evolving over time. There is no one “ideal” model that can be replicated in every location.

Nevertheless, there are common characteristics shared by effective models for input supply. Good models...

1. Generate new commercial transactions. They cause the market to grow through the use of promotional tactics (such as trial packs, contests, or discounts); and/or through improved delivery mechanisms such as networks of village agents.
2. Generate repeat commercial transactions. They keep customers coming back. This suggests customers appreciate the service, and that it meets farmers’ needs. Repeat transactions can be encouraged through loyalty clubs (special services for loyal customers), referral programs, and support to the wider community through agro-dealers.
3. Are perceived as fair. Trust and transparency are needed, in addition to valued goods and services. IPs can support agro-dealers to provide a quality service to smallholder farmers through the delivery of information or complementary products and services during a sale. Agro-dealers often need to move from selling a stand-alone product, to selling a suite of products and services to ensure the smallholder customer has a good experience as a result of the transaction.
4. Create competitive pressure that fosters copycatting, adaptations or innovations.

Extensive participant experience

Example of media pressure to improve input markets:



<https://www.youtube.com/watch?v=dIuviTz7NdE&feature=youtu.be>

Consider the following example:

<https://www.youtube.com/watch?v=dIuviTz7NdE&feature=youtu.be>

Input markets: **key recommendations**

- Context matters
- No one model is inherently better than another
- Need flexibility in finding models/approaches that work in a given context
- Focus on the indicators of success
- Adaptive management is key to scaling



Key recommendations that emerged from the session on input supply models included the following:

- Context matters. A successful model in one environment may not be successful in another.
- No one model is inherently better than another. There was fear of donors latching on to one “ideal” model, when in fact there is not one great model: the appropriateness of a model depends on the context.
- Rather than getting locked into a model, donors and IPs should consider these indicators of success:
 - generates new customers
 - repeat customers,
 - perceived as fair,
 - competitive pressure for copy-catting, adaptation, innovation
- Flexibility and adaptive management are important to find out what model works in a given context.

Exploration of output markets models

- Open markets
- Structured markets
- Lots of variations
- What defines a good model?



The second topic discussed was output market models. The event in Ethiopia began the discussion by talking about open markets, characterized by the presence of lots of buyers and sellers who buy and sell based on price. Structured markets, in contrast, are characterized by buyers who are seeking volumes of quality product, and may offer inputs and services in exchange for a promise of product at harvest time. Structured markets take many forms: Contract farming and out-grower schemes are common examples.

Participants discussed whether these markets are really so dichotomous. One participant argued, *“What appears as an open / spot market is not necessarily so. All buyers have needs, quantities they need to fill. While price is important, buyers still have to fill quantities.”*

Extensive participant experience

“Structured markets are much more difficult. Common belief it is better for small holders, but they also have more risk. Sometimes they can bring a good margin, e.g. vanilla, but if the buyer pulls out, the market has disappeared. But if market is less structured, e.g. avocado in Kenya, they are not tied to the single buyer as strongly.”

Kenya

Another participant noted that:

“Structured markets are much more difficult. While there is a common belief that they are better for small holders, structured markets can also have more risk. Sometimes they can bring a good margin, e.g. vanilla in Uganda, but if the buyer pulls out, the market has disappeared. But if market is less structured, e.g. avocado in Kenya, farmers are not tied to the single buyer as strongly.”

Exploration of output markets models

- Open markets
- Structured markets
- Lots of variations
- What defines a good model?



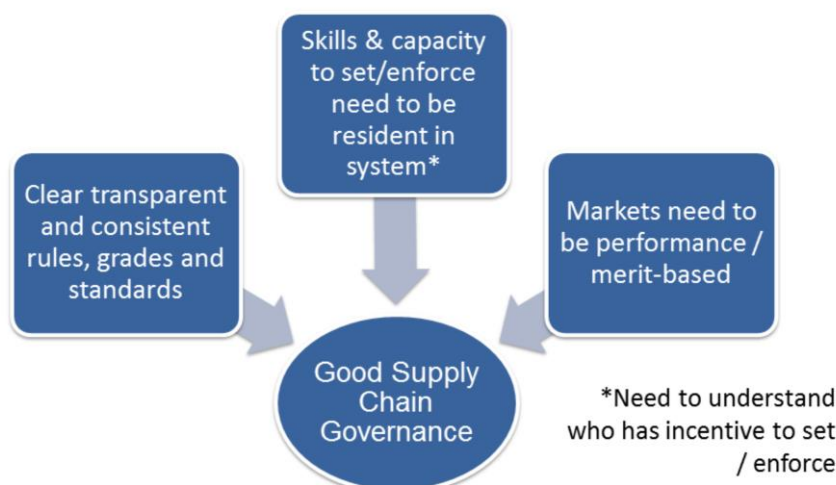
1. Generates new interactions
2. Generates repeat interactions
3. Results in interactions that are perceived as fair
4. Creates competitive pressure on others to adopt/copy

There was general agreement among the participants that the indicators of success defined under input markets also applied to output markets. The model:

- Generates new commercial transactions
- Generates repeat commercial transactions
- Is perceived as fair
- Generates competitive pressure on the broader market

Facilitating output markets: **What really matters?**

Supply chain governance matters



In addition, participants discussed supply chain management, and the way buyer-supplier relationships are governed. Supply chain governance is critical to ensuring that output market systems are inclusive and beneficial both to the actors and the broader system. In addition, governance needs to enable competitive forces to drive better behavior and sanction poor behavior. Supply chain governance therefore needs to include clear, transparent and consistent rules, grades and standards. There should be clarity about who in the system has the incentives to set and enforce these rules and standards, and the skills needed to set and enforce need to be resident in the system—rather than in a temporary donor-funded activity. Rewards to sellers (such as premiums, preferential payment terms, etc.) need to be performance-based.

Critical to building the wider competitive pressures are other systems that need to support these characteristics of effective supply chain governance. For output market systems, media, alternative dispute resolution mechanisms (e.g., mediation), civil society, regulations, and other systems are important. Each interconnected system has to evolve in its own way, but in a manner that supports the functioning of the output market system to maintain a path towards increasingly inclusive growth.

Output markets: **key recommendations**

- Focus on the principles more than the model
- Adult literacy activities can improve smallholders make better decisions in the marketplace

Key recommendations that emerged from the session on output supply models included the following:

- Focus on the principles underlying the model, rather than the model itself
- Relatively low-cost adult literacy activities can improve smallholders ability to make better decisions in the marketplace

Finance: products and services

- Bank finance
- Microfinance
- Value chain finance:
 - buyer check off
 - supplier credit
 - inputs credit
 - lay-aways, pre-paid
- Insurance
- Leasing
- Warehouse receipts
- Formal/informal savings
- Remittances



The finance discussion began with a brainstorming of financial services relevant to agricultural market systems, and the market actors who might be involved in delivering those services. These included, among others:

- Buyer check-off—where a buyer extends credit, which is reimbursed at harvest time when the agricultural product is sold
- Supplier credit—where an input firm provides inputs on credit to agro-dealers
- Inputs credit—where agro-dealers provide inputs on credit to farmers
- Lay-away—where farmers pay for inputs incrementally over time as they have cash available
- Pre-paid—where farmers pay for inputs at in advance at harvest time, when cash is available. This arrangement allows agro-dealers to calculate demand in advance, keeps farmers' savings safe, and allows agro-dealers or input suppliers to offer discounts.

In Ethiopia to some extent, and much more so in Zambia, there was a strong feeling that bank finance and microfinance were minor players in the agricultural financing landscape. Banks and MFIs were not present in rural areas, had interest rates that were too high, were not structured to provide agricultural financing (particularly for tree crops and livestock with longer pay-back periods), and were not invested in the sector. Other market system players had more “skin in the game” and so more incentive to make the financing a success.

Finance: products and services

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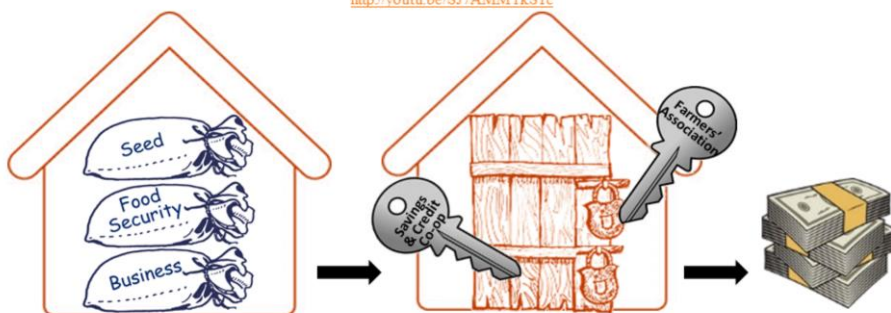
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In Ethiopia, participants were then asked to rank which services were useful and relevant, and for whom (e.g., farmer, buyer, input supplier, trader, etc.). Although some participants, particularly those working with the very poor and/or with pastoralists, initially believed that most of these services were not relevant to their contexts, during the discussion more of these services were recognized as existing informally or being potentially beneficial.

Extensive participant experience



<http://youtu.be/SJ7AMMTkS1c>



In Zambia, there was a rich discussion of some of the innovations either planned or currently being tried in a number of countries. Most of these were acted out through role plays with random props. Here is one example from Tanzania:

<http://youtu.be/SJ7AMMTkS1c>

Extensive participant experience

- Agro-dealers setting up website for remittances to be used for buying inputs
- Allowing third of farmers to access credit—repayment required for next round
- Agent's commission dependent on repayment
- Building in index-based weather insurance
- Bundling insurance products

Other examples that were discussed included:

- Agro-dealers setting up a website for remittances to be used for buying inputs—This service responds to concerns by some urban dwellers that money sent home to the village was not being used productively. Through this service, family members collect their remittance in kind, as agricultural inputs.
- Allowing a third of farmers to access credit—In this model, input suppliers provide inputs on credit to a third of the farmers in an association at a time. The group gets a discount on inputs if everyone repays on time. This service uses peer pressure to ensure repayment.
- In addition, the input supplier's rural agent only receives his/her full commission if repayment was made on time. This further aligns the incentives of the various market actors.
- Building in index-based weather insurance—Some agricultural loans (cash or in kind) include index-based weather insurance to protect against community-wide defaults.
- Bundling insurance products—With some insurance schemes, on-time premium payments qualify customers for free funeral insurance.

Finance: **key recommendations**

- Invest in insurance infrastructure
- Reduce emphasis on # and value of loans
 - Need alternative indicators
- Invest in numeracy and literacy

Key recommendations that emerged from the session on finance included the following:

- Donors should continue to invest in insurance infrastructure, such as satellites, mapping, research, etc. Although these investments are expensive, they are essential and have the potential to benefit many activities in the country or region.
- Donors should reduce the emphasis on the number and value of loans as an indicator of success in financing. These indicators create incentives to push loans on people who are not ready to use them effectively. Alternative indicators for finance-related initiatives are needed.
- Financial education, in the form of basic numeracy and business literacy, is a worthwhile investment. IPs discussed a six-month, relatively low-cost training delivered through local organizations, that has enormous impact.

Facilitation



The peer learning events also covered a range of topics related to operationalizing facilitation. The first of these was a session on tactics for facilitation. Facilitation is easy to agree with conceptually—it makes sense on a theoretical level. But how do this concept translate into day-to-day job functions for field staff? Many practical suggestions were made by participants that LEO will develop into learning products and make available online. These will supplement the website that LEO has developed for facilitation job aids (see <http://www.seepnetwork.org/facilitation-tools-pages-20710.php>)

One of key recommendations from this session was to increase communication between USAID and IPs. IPs need to more clearly explain their assumptions, causal models, and tactics. Facilitation is about changing behavior, and that is something for which you can not lay out each step of the process in advance. IPs need to try out different ways of creating behavior change, learn what works, and build on that. At the same time, there needs to be accountability to the mission. Experimentation can not continue for the life of the activity without producing results. Therefore a close relationship between USAID and IP is needed to enable them to learn together.

A second session looked at the incentives and pressure points that can be leveraged for creating change in systems. That is, what actors in the system (lead farmers, buyers, input suppliers, village leaders, etc.) can act as change agents? Participants discussed how to work with such actors to create the pressure for change. In any system, there are early adopters who embrace change; but there are also late adopters who need to be pressured to change. Types of pressure include social, competitive, political, etc.

Facilitation



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A key recommendation was to move beyond an adherence to models and instead be opportunistic—look for where change can be leveraged and create momentum. Such an approach requires IPs to keep questioning assumptions and learning.

A third session looked at adaptive management, and the need for ongoing learning and flexibility, while remaining true to an activity's objectives and continuing to be accountable for results. Participants discussed ways to build CLA (collaboration, learning and adaptation) into activities, and ways to encourage staff to engage in learning. This includes creating a learning environment, building learning into reporting structures, encouraging staff to share tacit knowledge, and using M&E data for learning.

Market facilitation seeks to create lasting change driven by local actors, and based on sustainable incentives. In the M&E session, participants discussed how to measure sustainable, system-wide change. In addition to FTF and custom indicators, many IPs use less formal measures that are not reported to the donor, but are used for management to see if interventions suggest systemic change. Such measures include the following:

- Results chains—which are standard in many DFID-funded projects
- Changes in relationships—which may necessitate the use of tools such as network analysis or SenseMaker
- Investments by market actors.

Next steps



All FTF activities will coordinate and learn together



Need this to be an annual event



Online discussion and real-time virtual events



Collect and disseminate practical examples

Participants had many suggestions for next steps. Some were ready to move immediately to organizing in-country peer learning events, with the agreement of mission staff who were also in the room. Others, noting the importance of cross-country learning to enable sharing between activities working in similar value chains or with similar beneficiary groups, recommended that the regional event be made an annual event. Some participants requested online discussions to continue important discussions begun during the events. And almost all participants noted the need for more practical examples of what is proving effective in market facilitation.

Conclusion



The two peer learning events revealed a wealth of learning and innovation in the field. LEO will develop a range of learning products drawing from the notes and video interviews captured at the events. IPs and missions are encouraged to continue and expand the learning process, and LEO will provide support where appropriate, upon request.



microlinks.org/activities/leveraging-economic-opportunities-leo

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