



Tools for Mending Weak and Fractured Value Chains

Presentation Transcript

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Presenters

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Female 1:

Wow, it's really quiet. Good morning! Thank you for coming to the 66th Breakfast Seminar. As usual we are recording it so that's the need for the mics and it'll be available shortly on microlinks.kdid.org/breakfast. There you'll find the Event Pages where you can read about the events and speakers.

You can leave your questions and comments in case you have any that we don't get to today during the Q&A and you'll find links to post-event blogs and Green Room Interviews with the presenters key takeaways and you can access the presentations and screencasts when they're ready. We encourage you to sign up for an account on the new site if you don't already have one and you can stay connected to microLINKS via Facebook and Twitter. The information's here, bottom-left of the Main slide and our microLINKS team tweets live from our seminars and you can follow the conversation with #MLevents, and with that I'd like to introduce Zahn Northrop with DAI.

Male 1:

Hi, good morning everyone and thank you so much for coming. It's a real pleasure to be here. When Jeanne Downing told me she had to be in Kenya for this and asked me to introduce Curtis in her place, I was very happy to do so. What I do at DAI is manage our whole portfolio of economic growth projects, and one of the best aspects of our job is trying to make connections between projects so that if we have a really exciting and innovative activity going on in Moldova, we can see how we might be able to adapt that and try it out in Burundi or another country and one of the projects that I end up talking about the most in making those kinds of comparisons and suggestions is Cambodia MSME and there's really two reasons for that. First I really think that it shows that facilitation can work even in the most difficult environments. In the case of Cambodia, it's the private sector is really dominated a very powerful elite and yet the MSME Project has private-sector input and pharmaceutical suppliers competing with each other to offer unsubsidized technical assistance to the Value Chain participants so it's very exciting to see a real example of facilitation at work. The second reason is that – and we don't talk about this so much in value-chain events and in meetings that we have about the value-chain framework – but what I think that it really shows is that in some environments, you can have really profound economic and political governance effects from value-chain programming and Curtis is going to spend quite a bit of time today talking about some of those effects and I really think that in some cases – and Cambodia is a perfect example of this – it can be more effective than more traditional approaches to governance. It can be certainly less controversial

because you're coming at it from a private-sector angle and it will also be more sustainable because it's being driven through commercial markets.

Again I get to talk about Cambodia MSME a lot. I talk about it a lot to my other Chiefs of Party and one of the questions they asked me was, "Well, okay, why? What makes this so successful? And of course you do sometimes, you know, you talk a lot about the approach and everything but it also comes back to the people who are working on the project and Curtis, in particular, brings some really special attributes to this project that I think have helped a lot. One, his background in business gives him a lot of confidence and insight in how to make markets, harness markets, to work for including very poor populations and, second, he brings a huge depth of experience in Southeast Asia so he's very familiar with the political and economic context in which our value-chain participants are working every day. And then finally there is one other aspect that Curtis didn't really want me to talk about.

He doesn't put it on his CV but *[laughter]* Curtis had an early -- very successful -- career in boxing here in the United States where he was a champion, and while I thought of many bad jokes I could make about this. Knocking out subsidies, taking down regularly barriers, I think that it actually does become a real source of some of Curtis' real gifts for both strategy and endurance, so, with that, I would like to introduce Curtis Hundley, our Chief of Party for USAID's Cambodia Micro, Small and Medium Enterprise Project, in Cambodia.

Male 2:

Okay well that was a few years ago but, yeah, my name is Curtis Hundley, and I'm the COP of the Cambodia Micro, Small, Medium Enterprise Project. I'll only refer to it MSME from here on. We started in 2005 and we're going to end in September, 2012, so we have a few short months left. I've covered a lot of space in 7 years and I can't cover that much space in the next 30 minutes but I hope to crystallize some of the important things we've done in the last 7 years to change the culture of business and to change the culture of the way government works with private sector. One of the reasons it worked so well is that we've had a lot of latitude from USAID in allowing us to try just about anything we wanted to do and it's been a very pragmatic project and also a lot of latitude from DAI and a lot of support, so when I got into a jam, I could call for support and when I wanted to test something out, USAID was quite willing to try it. So how do we do it?

The framework is we work with small enterprise. We have about 7,000 clients. We probably work with somewhere between 10,000 and 20,000 but 7,000 we've got in our book. That's all we have to have for our requirement from USAID so we keep track of 7,000. We grow economic space and once firms have economic space, once they have commercial access, they run into all kinds of business barriers and they need some political space.

Cambodia's a country with decreasing economic space where the elite capture all the economy and with a decreasing political space where the elite crush political space. That's one of the reasons USAID liked our project was that while the government was closing down all the human rights and land rights that USAID had funded, they were allowing us to bring together 300 or 400 people to engage with the government and advocate for their interest and that's the last thing we do is prod civil servants to engage with the private sector and it is a lot of prodding. We've reached a real plateau now but we do improve governance. The civil war ended in 1998 and that's when the Khmer Rouge surrendered, so they had about 30 years of war, which literally destroyed all the relationships in the villages and the Khmer Rouge was very good at destroying trust so when we started in 2005, we started with a very low plane of trust, and very few working relationships. Very few firms were market-engaged.

It was Marina Krivoshlykova and a number of people from DAI surveyed 30 different Value Chains to find some that had the potential for growth in a large population across 4 provinces and USAID gave us 3 very poor provinces and 1 moderately-poor provinces, relatively moderately poor but very poor in most terms. It was hard for us to locate any firms with commercial excess. We chose pigs and fish and clay tiles as our 3 Value Chains to work with in the first 3 years. Government officers operated in command control. They told the private sector what to do and they hated the private sector – and the government sector didn't talk, they hated each other. It was very predatory.

Commercial, the private sector and the government lacked vision. They lacked confidence and we had to improve that. Now we work in 17 out of 24 provinces. We can easily calculate that we can support about 260,000 beneficiaries, all across the spectrum from the report to moderate report to something we've made rich, actually in some terms, some way, smoke measure

of wealth. We work in 9 Value Chains, swine, aquaculture, clay tiles, honey, tree resin, eco tourism, safe drinking water, sanitation and the garment sector, so you can imagine how complex this is. Except in the garment sector we used to do the model.

We're going to show you the MSME value-chain model that we'll show you today. The government sector was a little different. That was a follow-on project from another project that the Nathan Group had and we were given that in our last – in our first 2 years of our second project. Our project's also referred to as the Culture Change Project in Cambodia because of the culture change that we've had and one of the reasons is we follow some very basic principles and our team, from the very beginning, started following these. There was about \$450 million in aid from donors spent in Cambodia since 1993 and when we went out there you couldn't see any of it in effect, and people weren't starving.

They would have one pig and they'd have a little bit of rice but not \$450 million worth of aid and none of the firms were market-linked. They didn't have commercial access. Everybody was working on production and they weren't working on supply chain, so you didn't have – and once the donors left, everybody was gone so, in our analysis, we had to ensure that firms had commercial – access to commercial markets and then eventually they could have – if they had access – if they had excess they would have access. We facilitated. We didn't participate in the supply chain.

We didn't act as a go-between. We didn't buy anything. We didn't set prices. We didn't tell people what to charge. All of our activities are very simple and when I present these today, you're going to say, "Well, this is just too simple, it can't work."

The combination of simplicity was important for us because when we left – and USAID can shut us down any day because they can, it's in the contract, 30 days' notice – so that's the way we operated. So we want to make everything really simple so, if we left, the private sector and the government could continue what we're doing without a lot of donor funds and we wanted to – everything we did, we tried to help as many people in supply chain as we could and include as

many government officers as we could from the very beginning and our goal is build relationships. Our project is a relationship-building project and we build skills and we build knowledge, across the supply chain, so we started with a culture of dependence where the first conversation you would have with the private sector would be what are you going to give us and we gave them nothing. We never gave pigs away, we never gave fish away, we never dug ponds. We never gave feed away.

We never gave technical assistance away and I'll explain how we do that. What we did give is vision and we gave them confidence and we gave them skills and we gave them access to markets so I'm going to quickly run through, in this formula, I'll identify the problems we faced and the tools we used and I need someone to kind of keep me on track because I can get into stories because there's 7 years of stories in this but I'll start a little bit slower on this first slide and I'll go quicker later because you have to have this fundamental. As I said they lack confidence. When you go into villages and no one would have ever talked about business. There was a few people that you could see were trying to do business and we identified.

We'd walk through a village, subjectively, our team would, and the team was, like, three of us at a time. We'd identify those people who had some entrepreneurial skill, and made some investments, and we'd invite them to a meeting and usually it would be about 30 people and we'd invite them to a meeting in somebody's house or at the pagoda and we'd just put a piece of butcher block paper up on the wall and say, "What are your problems?" And they would list the problems were the same in every place you went. It was, "I can't get good medicines, 50 percent of my pigs are dying, 50 percent of my fish are dying, my fish fingerlings." In the tile business it was, "Well, I have to compete with the Vietnamese and I can only sell my tiles for \$0.02.5, I can't make any money so I can't grow."

They couldn't get any technical assistance because the government didn't offer it. All the donors were spending \$50 million, \$60 million, giving the government money for technical agricultural extension. There wasn't any. In 7 years, I've never seen an agricultural extension agent in Cambodia. They would pay them money and they would do nothing so there was nothing sustainable.

In most cases this was the first time these folks ever came together and talked about business. They'd come together because of the party, and they'd ask them to come together, a political party. I'd ask them to come together, they'd come to meetings like that but they'd never talk to business together so it was real revelation for them to see that him and I have the same problem, and we asked them how they're going to solve it and they said, "Well, we need technical assistance and we need money. Of course we weren't going to give them money and we weren't going to give them any technical assistance but what we knew – and they also didn't have good products in the local supply stores, the local infant suppliers and the veterinarians didn't have good access to good quality but in Phnom Penh there were two companies that had good products, imported from France and we worked for about three months to get that company – one of them – to come out and provide free training using an LED projector to show them – it was in pigs at the time and then we moved into fish but to show them what sick pigs look like and what their product looked like that they could sell them, right? It was just a marketing and now these – now everybody went to these meetings had access to a telephone number so that they had sick pig or a fish and they needed good products, they could get it.

The veterinarians who were invited to the meeting also had access to quality. The company itself picked up two or three clients in local infant-supply stores that they could sell medicines to. They've never done this before. Nobody ever did this outreach so they had access to all this free training, suddenly, and then we picked up another company who said they would do it and they did it in another province and they sold out their entire supply of vaccine in one weekend after the training. What this did for the folks in the province, especially at the production is they started having confidence that they could raise their pigs so they were starting to invest because now they knew they had access to technical assistance, they knew they had access to vaccines and medicines and so they started investing and so through that private – and we never paid the private folks to do the training. Our subsidy – USAID gives us money, it's a subsidy, how we use it has to be wise – our subsidy was we would pay \$25.00 to rent a generator to run the LCD projector.

That was it, so these 2 companies started coming in and I'll tell this real quick because it's a really neat story. The 2 companies came in one Saturday. The first company calls our project and says, "We don't want to do any more of your work for you, we're not going to do any more training," and my team called me

and said, “God, it took us 3 months to do this, what are we going to do?” I said, “We’ll meet them on Monday morning.” We met them on Monday morning.

The problem was they had talked to the other guys who used to work for the first company, and they found out that they’d sold all their products out in one weekend after they gave the training and they said, “If you give us all your training, we’ll work with you, otherwise we’re not going to do it.” They wanted all our training. We said, “No, USAID will never allow us to do this.” Now as you know, in development, a lot of companies do this. They hire one company to do all the training but we decided we wanted competition. The next time this first company came back, the next time they came to do training, they brought hats and they brought books and they brought pens and they gave a full day, instead of a half-a-day, of training and the competition went up like that.

We have 14 companies that do the training now, right, and this in an environment where all the donors said, “There is no technical assistance in the provinces,” and they’re still saying this. They just said it just 2 or 3 weeks ago, the EU did a study and they said, “Oh, there’s no business involved in services,” so we got the skills up and we started building the relationships because people were starting to produce. Once they started to produce, we put them in buses – different people from different areas – put them buses and took them to different provinces and showed them new traders so once they had commercial access they had more traders to go to. They didn’t have to sell to a local trader who they thought would cheat them so they could triangulate process. They had good medicines, introduced them to more import suppliers.

We introduced them to transporters. We introduced them to everybody in supply chain all the way into the market. I’d like to move a little bit faster. They had poor business practices. We – after – we got a critical mass – after we had about 1,000 or so clients, we could have business forums. We could pull them together and fish, pigs and clay tiles, and we’d invite people to come make presentations and we’d take the leading enterprises and they’d get up and tell what they’ve done to become successful and that was the best medicine for them to have.

They had old technology so we would take, eventually, we had a group who were actually very good and our team was very good at spotting them. We would take them to Vietnam, to Thailand, to Malaysia and there was 2 reasons for it, 1 to show them better technology and processes and the other to show them good governance. We always mix the private sector and the government together and, at first, that didn't work very well, and, even now, when we have our meetings on Saturdays – we always leave on Sundays – on Saturdays we would always invite them to the office. They just left last Saturday. We had one to Vietnam. The government sits on one end, the private sector sits on the other end of the tables and they don't talk to each other.

By the time they come back, they're friends, they understand the business. The government guys are totally frustrated because they see how much authority the Thai and the Vietnamese government offers have to develop economically, in the provinces, so they come back very frustrated, which is good, because then they start advocating for their interests and they've created a lot of friendships and they actually start protecting the private sector and advocating for the private sector. This resulted – over a period of time – we didn't push associations or formal groups but they naturally formed because people would take their pigs to the market and they would get slaughtered on the highways and unofficial fees. The police would stop them and there were having all kinds of business-environment issues and then the political elites saw the pig business and the fish business is very good so they decided to put restrictions on where pigs and fish could be sold, so we had a lot of reasons to advocate and a lot of ways to do it so we started with informal working groups and they would form and we'd help facilitate some advocacy training through local NGO's. Nobody got paid to come to meetings.

We were known as the "Bread and Water Project," so we would bring bread and water and bananas and that was it and some big – you know, the companies who were really good – not the companies, these were all small big-family businesses. They would come initially. They said, "Well, you guys aren't going to give us anything, I'm not coming because they'd seen how donors operate and they were just waiting for things to be given but eventually they come back and they become our leading entrepreneurs so we began after we got the production going. We had market linkages, people were selling, they're making money, they're – at this point – they can almost meet market demand for pigs and fish. They still had no confidence in presenting issues, so one of the things – and this is real technical assistance that we offered, that USAID offered – we

provide some strategic communication workshops so that they can get some practice, we took the leaders in the communities and the working groups and gave them some training, 20 people had come and they did 4 trainings of how to study an issue, how to present it to the government, how to ask for results.

We also invited some government folks. We taught them how to listen and how to respond to issues, so this stage of communication works out we're very, very beneficial. Still there's no formal means to solve business issues so we actually started having some very soft meetings in the provinces and at the national level where we'd invite 200 or 300 people in business forums. We would facilitate and invite people to come. We'd have 200 or 300 people come both in the province and in the national level and we would just present issues and it, at first, you know, the government doesn't like it.

They didn't like it but, as we took these international trips and these local trips, they got used to the idea and they started advocating for the private sector and they would listen, okay? So this is like 3 years ago. They haven't gone full-speed yet and there was – there was real no national dialog on business issues. There was one business forum that the IFC had supported but it was government-controlled and they only talked about what they wanted to talk about and they weren't really interested in these rural issues, like pigs and fish and tiles or honey or resin or anything else at this point. So we really focused on getting people to talk about business, so we would have radio talk shows and we'd invite the government, provincial, mostly provincial, and the national government folks, to talk about business and talk about regulation and it was radio call-in show so people would call in and ask questions so we got people used to the idea of talking about business.

They had never done this before and we also had televised panels but the televised was very difficult to get the public to come because it was so in their face and they – it was very difficult. We did it once. The rest of the time it was private sector talking about their problems, which was good, because then everybody got to say, "Well, I've got the same problems," and then the next stop came along. We started formalizing this. The government then, at the national level, at the local level, a kind of formalized working groups was okay and then we had some associations and they were okay at the provincial level but the national level said, "Well, you," there was no anonymous way to present issues and no one was really of the inkling to stand up and bring up an

issue because the tallest spike gets hammered so an innovative way to do that is to have a cooperative or an association and then you're anonymous so they actually came up with these ideas.

We had a policy with MSME that we did not promote associations or cooperatives. In the first three years we had one. My team always said, "If you wanted us to have associations, we'll go out and form 100 of them tomorrow" because they knew the philosophy that we had but we'd seen this before. The donors had done this a lot and they all fail. Since the donors leave, they failed because there was no leadership, they didn't have a way to provide services, there was no mechanism to collect fees so we formed these and then that gave them a legal basis to bring issues to the national government but they didn't really have a habit of this so we started facilitating.

We'd invite the government officers to come to the provinces and present issues and to have that dialog and these were workshops, these were forums, advising on laws that existed at the time, and there also were very few opportunities to the government to show their commitment and so we wanted to formalize this. We started local products, trade fairs and if any of you have ever been to the Midwest where I come from – I come from Iowa – we have county fairs. Yeah, the county fairs, right? Now we don't have demolition derbies yet in Cambodia *[laughter]* – that's not coming yet but maybe someday. Those are the highlight of the county fairs but we have a – we hire a company – this is a direct subsidy – we hire a company to put this on and they charge fees for the booths. We give about 60 booths way to MSME clients, like the cooperatives, the honey producers, the resin producers, the fish raisers will actually come and set up because they want to sell fish fingerlings and fish fingerling sales – fish fingerling raisers now provide almost all the technical assistance in the fish section because they want to sell fish fingerlings so they'll show people how to dig their ponds, take care of their ponds. We have ponds that used to produce 700 kilos and today they produce 10,000 kilos, right, and in a season, in 1 year, because they can get 2 or 3 productions out of 1, so the local trade fairs were very, very good and the government ran them.

Actually we partnered with them and they ran them and the second year we had these the Minister of Agriculture, the very first one, invited all of the provincial directors to come and so we had all these big Land-Cruisers and 23 people with all their bodyguards come into this trade fair event and they sat in

front and the Minister of Agriculture said, “You know USAID and MSME shouldn’t be doing these. You should be doing them. I want to see, next year, you doing these things,” so for the last 2 years it’s been really easy for us, right, because he understood and he realized how valuable these were. We’d have 10 booths and we’d have 20,000-or-30,000-people-a-night showing up, and, of course, I’ll show you the team picture later but our team is kind of like a bunch of hams and they sing, *[laughter]* so this has been opportunity for the real good team-building for our team. They get up on Friday night at about 9:00 p.m.

We give some plaques out to the really good people in supply chains and we give them plaques and tell everybody what a great people they are, and then our team sings a song or 2, *[laughter]* so it’s quite a bit of fun and you’re welcome to come. Some of you have been – some of you DIAers have been there. They’re a lot of fun. Anyway, so I don’t know if I’ve going too fast, I guess, we’ll have questions-and-answers. I have a tendency to go too fast because I know this so well. The results have been very positive and we went from 0 in 2005 and almost 0 in 2008 to 62 formal working groups with 2,100 members now and I’m not joking.

When we went to these villages, they would not talk to each other and no one was raising pigs or fish and it was miserable. 13 agricultural cooperatives with 899 members and we ourselves have helped facilitate 188 events where businesses usually just discuss with 268 officials. This is a large number. Nobody does this in Cambodia. No project has ever done this.

Everybody is still focused on production, so linking a supply chain is quite great and 5,800 business persons, some of those are double because they go to different ones, and we got the government to support us and when we started, in 2008, we had this meeting at the Ministry of Agriculture and USAID’s Director of Economic Growth was there, Reed Aeschliman, and me, my team leader and the lawyer we hired to come help us encourage the government to write better regulations and the head of the Department of Animal Health came out and said, “Listen, we are the government and that’s the private sector, we write the laws, they follow the laws. We don’t need their input into our laws and we don’t need USAID to help facilitate the conversations between the private sector and the government, you got it?” And Reed looked at – after the horse – Reed looked at me and said, “You’ve got your work cut out for you.” I said, “We’ll make it” and we did. That guy’s still there but now he actually opened up

a trade fair for us and he's one of the team but they've actually initiated 35 events on their own and we help facilitate because we know who the private sector are and we invite them but that will continue without us because now they have those relationships and the private sector can now go right to the minister and have those discussions and they know the people in the national and provincial level so they have these discussions on their own. There's active solution of public comments.

Most of those 35 events are before the regulations are designed, which is the opposite of what the guy told us, in 2008, so it's been very successful and the officers actually go to the province. Of course they come to us first and they say, "Can you give us *per diems* and we can pay for our hotels and give us transportation?" And we say, "No." We have to. We don't do it to the private sector and we're not going to it with the government.

We buy meals. Usually we buy lunch, you know? If they have the meal, if they invite 50 private-sector people to a meeting like that, we'll buy lunch because that's a good thing for us to do but we don't pay transportation. We don't pay for the hotels, and we have to sop that. That's not sustainable.

So what do we have now? Well, we've got, from almost 0, right Marina? We have 4,300 swine farmers with an average of 26 pigs. Pigs is not a sexy business but it's a huge source of protein for Cambodians and 26 pigs doesn't sound like a lot. Some are 600-pig farms and some are 10-pig farms.

I've got some widowed women who started with 2 pigs, who went to one of our trainings and now they 20 or 30 pigs. Now it doesn't sound like much and they can make \$1,000.00-a-year or more because they turn these pigs over every 3 months so they can make pretty good money, send their children to school, buy house, buy – build houses and buy motorbikes. There's 802 aquiculture farms now with 2 or more ponds and put that in perspective, in Svay Rieng Province there, was a USDA project that worked in pigs and fish from 2005 to 2007. In 2007, they left. We couldn't work down there because they were giving all the pigs away, they were giving all the fish, they dug their ponds, they gave the pumps away.

It's like our team said, "Well, we can't go down there and do this," so we waited from belief and when we got down there, I said, "Okay, let's go cherry pick them all," so we cherry pick them all and get the best ones and start working. We couldn't find any. They had all gone out of business just a month after CRS had left. Catholic Relief Services who was running the project left. Everybody's done and there wasn't a good – there wasn't a good farmer in the whole bunch, so we had to start from scratch. So 802 fishponds producing – I don't have the number – tons and tons of fish.

More than \$12 million has been invested in the roof tile business. We have 476 persons working full-time in honey and it used to be a part-time occupation where they would find the honeycombs and they would kill the bees with Raid and take the honey, put it in a dirty old bucket and go on the side of the road and sell it and now they're filtering it. We've linked them up with processors and they no longer have to import honey from Thailand and Vietnam and call it Cambodia. We have 135,000 people in our 12 provinces who have access to clean; safe drinking water now and we estimated we have about 50,000 new rural jobs so people don't have to migrate to Phnom Penh to find work. I can tell ya I've got 7,000 great stories of *[laughter]* successful people. I've only done this for the presentation. I've listed about 13 or 14 of the things we do.

I haven't put everything we do up here because we also do savings groups. We've done some business training. We've tried a lot of experiments. We've tried a lot of things to see if they'd stick, try to get the private sector to do some things. It doesn't always work.

Sometimes it does but we try a lot of things. We've been very pragmatic with our approach but these are the things that I've talked about, the things that we have done and I'm trying to put some nice pictures of the Cambodian people because they're lovely people and then this is the best people I know in Cambodia. So it's kind of quick 7-year rundown of what we've done and we've had to get there.

Female 2:

Thank you, Curtis. My name is Lane Pollack. I'm with the Microenterprise Development Office at USAID, hosting the seminar today and I want to thank you Curtis for coming today and sharing your experience in Cambodia and to

Zahn for the great introduction. I want to introduce Amy Sink who's with our Bureau for Food Security, as you can read in the information online in more detail. Amy's our Division Chief for Africa and the Bureau for Food Security's Country Strategy Implementation Process.

She's been with USAID since 1999, primarily in the Democracy Conflict and Humanitarian Assistance Team. She brings a strong disaster assistance and relief background and I want to give just a couple of sentences of introduction of why we asked Amy to join us today, and her role in the conversation. We host these seminars. Our office hosts these seminars and has been hosting these seminars for 5 years. Is that right Melissa?

And the main purpose of bring us all together is to learn, to learn amongst the practitioner community and also for we, USAID, to learn from all of you. The experiences that you have in implementing these projects is critical as we look forward to designing and working with you all to implement new projects so what we do -- and I know there's some USAID here as well -- we listen and we go back and we think, "Okay now what did we learn and how can we integrate that going forward?" So Amy's coming with that -- a slightly different perspective than a lot of us in the room that are more Enterprise Development and Value Chain people, so she always starts with that disclaimer and I think one of the reasons we asked her to come is to challenge us and really to think about, as we look forward, what can we really be learning from examples like Curtis has brought today, with Cambodia. What can the Value Chain community bring to Feed the Future strategies and as we look forward to our program design, what should we be keeping in mind? Just setting you up a little bit, a lot of what I heard from Curtis was around the lessons of facilitation and we talk a lot about that right and the lessons of relationships, using that word a lot.

I also hear a lot about firms and enterprises and I have a feeling Amy might touch upon that but we're going to ask Amy just to give a few minutes of comments around what she's hearing and of some key issues and questions within the Feed the Future community and then she's actually going to ask Curtis the first question, *[laughter]* so I'm going to invite Amy to take it from here and then Zahn and I will jump in as well at the end and respond to the rest of the questions as we open it up, so take it away.

Female 3:

So just note that I'm here to ask questions, [laughter] not take them, and my question will now be very, very easy given his former life in boxing and the fact that I'm sitting right next to him, up here, [laughter] so – so, yeah, I think that they just like to throw a humanitarian into the crowd and see what happens but I will try to give just a few comments. My easy job is that I only have to talk for a few minutes and then we can hear from you. Curtis, that was great presentation and I want to reiterate what Lane said in the sense that although Feed the Future is a new initiative, it's building on a lot of experience and good work that's been done in our countries and in other places, you know, outside of the focus countries in the Feed the Future initiative and so we definitely want to take that forward. I think Curtis said to me, coming in, "You know our project could be a Feed the Future project," and I think that's absolutely correct. I mean Feed the Future is about food security. It's about a lot of things and I would say the one thing that I think comes out that's a bit different than how we've thought about these things in the past -- and I won't throw this out as the first question but – is to link the income increases, the economic Growth opportunities and the betterment that we're having in these communities and households to better nutrition and to better family welfare for all the benefits on the soft side that we get from that, so that – it's a really tough road, I think, but obviously – and Feed the Future – our two key goals are to reduce the prevalence of poverty but also to reduce the prevalence of under nutrition and really linking that is a discussion that we've had a lot of times and I think we're still learning how do we make that connection, how do we make our implementers on the Economic Growth side see that increasing incomes if there's no benefit at the household level is only part of the picture so I would throw that out as a Feed the Future perspective.

I just wanted to highlight four key things that I heard from Curtis' presentation that I do think are part and parcel of some of the things we're trying to promote and really think about in the Feed the Future initiative. One is private-sector investment and making it very beneficial to private sector, not from a social-responsibility standpoint but, actually, as a core part of their business to reach down to these communities that heretofore they haven't really been interested in and see that it's within their interest on a private-sector side to do so and it sounds like you've had some great results. Two, facilitating advocacy across all stakeholders, civil society, private sector, et cetera, to really drive some changes in the enabling environments of these countries and, again, it's a great opportunity to use food security as a platform to have some of these discussions with government counterparts. Three, facilitating relationships, as Lane highlighted as well, so that we have the government, the private sector, civil

society and our targeted populations all talking together and that is a key aspect of the country-owned, country-led process that we're really engaged in, in Feed the Future in that it's not us coming in and saying, "This is what you need to do" but rather it's them talking and us facilitating. Them talking together about what they need to do but hearing voices from across the stakeholder community and then four all of this is absolutely critical I think to making this sustainable so a real focus on sustainability so that we don't have a – thank goodness it's USDA you used as an example *[laughter]* – we don't have the case where, after we're gone, there's not much that's left to carry forward so I think, it sounds like a very interesting project.

I will say just one thing from the humanitarian side because Lane would be disappointed if I didn't that I'm always talking about in the bureau and that is as we try through Feed the Future and other initiatives to I think reach some of the populations that we have and some of the poor populations that we haven't before, it's a real challenge and, from the humanitarian community, I know when I was sitting in DCHA Bureau in the office of Food For Peace actually where we worked on Title 2 Food Assistance programs and worked with some of the poorest of the poor is our programs generally grow out of those more marginalized populations where we've had to go in after an emergency, after a crisis, to assist and then how do we kind of take that forward and we haven't always had a partner on the development side to kind of transition that, too, to say, "Okay, we've gotten them this far, we've really focused on their vulnerability but, now, how do we take them that next step?" And so we were really excited when Feed the Future was announced and talking about it is, "Okay, now we have an opportunity, maybe, in some cases, to do that," and I think we are trying to do that, in different ways, based on context, in the different countries. I would say one of the key things we need to think about and that maybe we haven't thought about enough is given that the places and the populations that we're working with are sometimes the poorer of the poor, more marginalized, how do we protect the investments that we're making? I'll give you an example. Last year about this time I was in Guatemala looking at their plans where they were on Feed the Future and they're focusing, as you probably know, in Guatemala, in Western Highlands, which is a really difficult area to work, and it's a really marginalized area, and one of the things they said, in their strategy, is to say this area is really prone to natural disasters, this area is prone to drought, flooding, et cetera, but they hadn't really thought about, "Well, how do you protect those investments?" So if you're going in and you're talking to small-holder farmers who are really averse to risk and you're saying, "We want you to potentially – we want you to increase your production of your

staples but we also want you to invest in these higher-value crops, like coffee and horticulture.” If a disaster comes along, if a drought comes along and this farmer sees half of his food crops under threat, how’s he going to divide his time?

Is he going to try to get another quick round of food crops in? Is he going to continue to focus on his coffee if he doesn’t yet know what that’s going to mean in terms of income and benefits for feeding his family? So I think we’re still starting to have those discussions or continuing to have them to continuing to see how do we protect our investments? So I would say that that’s another factor that, as we move into some of these marginalized areas, we need to think about, so my question. I think this is a really, really interesting model that we need to look at.

My question is how do we take these kinds of activities to a much higher scale and how do we that cost-effectively? That’s an easy one, right? *[Laughter]*

Male 2: Easy.

Female 3: There you go.

Male 2: That’s the easiest one that you could’ve asked because we’ve already done it.

Female 3: There you go.

Male 2: On the first project – we – it was very, very difficult to find 15 – it was very difficult to find 1,500 but that was our goal, which sounds like a low bar but that’s what USAID had set, it was 1,500. It was difficult. After a little over 2 years my team came to me and said, “We can’t find any more people who want to invest, who want to work.” Remember what the donors had done in Cambodia was create a dependency culture so it’s very difficult to get them off the hammocks and not waiting for somebody to come give them something. The World Food Program had given them all rice and all the other donors had given them pigs, fish and anything else they wanted.

It was difficult but in the second project, we expanded from 3 poor provinces to not all 17 but 12 basic provinces and there's only 2 wealthy provinces in there. There are only about 2 wealthy provinces in there. The rest of them are very poor, so we've already proven that this can scale up very quickly and we're now – one of the problems we had was our MNE was very quantitative and they weren't very qualitative, so we weren't capturing the crowding in. When we go into a village and we've identified 4 or 5 people who made clients and they go on these trips. Everybody copies them in the village so we go back to these villages and now instead of these 4 or 5, there's 35 and there's a little community and they all – the people that we've worked with are now the leaders, and they start selling goods and services so now we have 7,000.

I would easily say there's 10,000 to 20,000, and these aren't businesses, these are families. These are farm families. That's all they are. We call them firms but they're actually farm families, very few firms. Brick and tile companies are a little bigger but when you talk about help on the marginalized ones, those manufacturers, it's not a sexy business but there's no child labor in the ones we were in but they'll hire – well, when we started one company, it had 20 families that worked for them and now they've got 45 families that are living in the area where they've produced the tiles and bricks and they all sent them to school, so that can scale up quite easily, too, to help the marginal ones.

It's very difficult to help marginal populations if they don't have any land and they don't have any skills, they don't have any confidence and they've been ostracized by society because they're ex-prostitutes or ex-immigrants, they've gone to Thailand and worked on the boats or they've went to be beggars in Bangkok and then they're brought back. It's very difficult. We tried that. We had some prime money, \$150,000.00 worth, but they were social outcasts and it was very difficult so what we did with them is we worked on small enterprise, whether it was making *tofu* and selling it, in a cart, ice cream, all kinds of local products that they could make. We didn't teach everybody the same thing.

We only had \$150,000.00 so it was a test case but those people are still in business. Scaling up from what we've done from MSME 1 to MSME 2 from 1,500 to over 7,000, this can be done and now it's going to scale up by itself because all the fundamentals are there, all the input suppliers are providing free

training. We've got leaders in every community who produce fingerlings, sell piglets, the honey raisers are doing this full-time instead of part-time, the only one of the problems we do have is the resin, the tree resin, where the elites, the political elites, are selling all the land and they're cutting down all the trees so it's going to be very difficult for communities. Now the biodiversity areas are actually islands surrounded by rubber trees and casaba so they're probably dead in the long-term if it continues and the honey producers are going to have a similar problem, so anyway I think we've proven that you can scale up with this model. You can't scale up giving things away.

We know that. We see it happening all the time in Cambodia. Donors are still doing it. They're still doing it. I don't get it. A lot of them are copying us but not everyone.