Lessons & recommendations for promoting structured trade & systemic change in market development programmes

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FoodTrade East and Southern Africa (2013–2018) was a regional programme funded by the Department for International Development (DFID) UK (£35 million) that supported food staples market development and trade by tackling market failures. FTESA aimed to:

- Catalyse lasting changes that enable efficient trade in staple foods across the region, including greater price and market stability.
- Invest in systems that facilitated smallholder farmers to access wider and better markets.
- The programme worked with the private sector and other partners to tackle market failures to improve post-harvest and input markets, and to reduce policy uncertainty. A Programme Management Unit (PMU) was responsible for managing programme implementation.

This note presents lessons and recommendations on how market development programmes can promote structured trade and systemic change, drawing on the findings of the recently completed final evaluation of FoodTrade East and Southern Africa (FTESA), a market development programme.

We use a simple definition of 'systemic change': changes in the underlying causes of market system performance that lead to large scale changes in behaviour.

Promoting systemic change: The FTESA evaluation demonstrates that achieving long-term and, far-reaching changes across market players depends on several factors including:

Transparency between market players and trust: A lack of trust between market actors undermines relationships and the development of value chains; without this, side-selling by farmers often occurs. Farmers trust the implementer and the intervention when there is open communication and when farmers and buyers consistently honour their commitments to each other.

Demonstrating and adopting: Before farmers adopt and continue with new practices, they need to experience consistent positive demonstration effects – i.e. 'proof of concept'. Demonstration effects need to emerge before attempting to scale up an intervention. Achieving this requires careful sequencing of interventions, and enough time to do so, to ensure the building blocks are in place (e.g. warehouses constructed) before implementing subsequent activities.

Time to experiment and learn: Interventions improve through learning and adaptation. This requires adequate time to enable experimenting, testing and iterating. It requires regular engagement with those whose behaviour the programme seeks to influence.

Crowding in: Intervention success and scale requires commercial incentives that crowd in other market actors (e.g. farmers, input suppliers, banks).

1. This brief is one of two that summarise the main findings, conclusions, lessons and recommendations from the 2018 final evaluation. Liz Turner and Jessica Rust-Smith prepared this brief on behalf of Itad (an international M&E consultancy based in the UK; www.itad.com). The full evaluation report, and background reports, are available from DFID. Itad (2018) FTESA Final Evaluation.

Transparency and trust

Systemic change takes time to materialise, particularly where there are deeply entrenched ways of doing business that projects seek to change.

> *Farmers altered and improved their practices when there was transparency and trust between the farmers and FTESA grantees, and confidence in the viability of the intervention.*

An important enabler to developing successful and sustainable commercial relationships between farmers and buyers is transparency and open communications in trading relationships, with both parties honouring their commitments consistently. This helps to build trust. Examples of this include farmers supplying contracted quantities on time and of the right quality; and buyers purchasing and collecting on time according to agreed payment terms.

> *Farmers' negative experiences with buyers and agro-dealers in the past led to entrenched negative perceptions of some actors in the value chain.*

For instance, farmers signing multiple contracts with off-takers is symptomatic of them 'hedging their bets' based on previous experience that buyers may not honour their contracts including payment terms. Cases of off-takers delaying purchases and payments perpetuated farmers' concerns that transactions would not take place, breaking down trust, and encouraging side-selling by farmers.

Recommendations Similar programmes should give adequate attention to the demand-side and to facilitating relationships and contractual arrangements that are open, transparent and based on regular communication which incentivises both parties – the buyer and seller – to fully honour their commitments in a timely manner. They should also allow enough time for interventions to get up-and-running and broker relationships (through trusted partners) across the value chain.

Fresh beans, Kayanga market by Jen Leavy (2016)

Positive demonstration effects

Positive demonstration effects reinforced training and improved application of new practices by showing the benefits first-hand.

> *Demonstration effects were important catalysts to generating trust in the intervention and increasing uptake of unproven methods and crops.*

> *Changes in practices endure where farmers experienced 'proof of concept' (e.g. where new practices led to increased yields) including securing better markets and associated benefits consistently.*

Farmers are often risk averse: even if they are aware of the benefits of improving practices, they are often unwilling to invest resources (even with consistent demonstration effects of improved yields, reduced losses, etc.) if they are uncertain that the extra investment will pay off through improved markets and sales.

Farmers need consistent demonstration effects to adopt a new way of doing business. Otherwise they will quickly revert to previous ways of doing business given their, often immediate, cash needs.

> *Farmers typically require follow-up demonstrations and repeated interactions with trainers to build confidence in adopting new crops, inputs and methods, as well as to help adapt practices as challenges arise over time.*

Recommendations Similar programmes must allow enough time for early adopters to demonstrate benefits to others for wide-spread adoption to occur.

Crowding in and sustainability

While there is evidence that several FTESA interventions were effective, the one-off nature of activities, such as training, with limited indication that other permanent market actors would step in to continue this function, reduced the sustainability of benefits.

> *Sustainability hinges on a continuous supply of improved inputs from permanent market actors (e.g. agro-dealers) and a continued demand for them from farmers. It also relies on permanent market actors (e.g. agro-input suppliers, buyers) repeating training and consistently demonstrating benefits, with farmers seeing the benefit. Ultimately farmers should be willing and able to pay for inputs and services if they experience consistent benefits, and market actors therefore have a commercial incentive to continue these functions. As a result, farmers adopt new behaviours and these spread to others as other farmers observe the benefits, spreading the new behaviours further afield through demonstration effects.*

Similarly, given that smallholder farmers remain high-risk borrowers for banks, the experience across grants highlights the importance of building the creditworthiness of smallholder farmers, ensuring that appropriate systems and guarantees are in place to reduce such risks and improve repayment rates. While collateral can help farmers to access credit, the experience across the grants shows a wider range of conditions are necessary to improve the bankability of smallholder farmers and their access to credit.

Recommendations The assumption that the benefits generated through interventions catalyse longer term, widespread changes that are sustainable is only likely where programmes give adequate attention to the following:

- Facilitating mechanisms for continual updating of knowledge and learning (for farmers and businesses) to ensure better practices continue and can adapt to the external environment (e.g. new technologies, threats, etc.), alongside consistent positive demonstration effects that lead to wider adoption rates.
- Crowding in other commercial actors to the system who provide incentives for farmers to maintain and continually improve changed practices.
- Ensuring grantees (or similar) develop effective exit strategies, and permanent market actors have the incentive to provide, scale and adapt services.

Scaling up, timeframes and targets

Attempting to achieve market level changes through a five-year programme that awards grants requires time to experiment, pilot and iterate before identifying and scaling up promising interventions.

Systemic change requires demonstration of early success before attempting to scale up, so that others have the incentive to follow. This enhances the sustainability of interventions.

FTESA and other similar programmes typically encounter difficulties in fostering systemic change, not only because of the short timelines, but also because generating systemic change usually requires ongoing support before attempting to scale up (i.e. rolling out the intervention with more participants over a greater area).

> *Rolling out and attempting to scale up interventions quickly often leads to insufficient time to engage users, experiment, pilot, learn and adapt interventions, as was the case with the FTESA-funded G-Soko electronic trading platform.*

In addition, the FTESA experience shows that some implementation stages often took longer than anticipated (e.g. constructing and equipping warehouses and village aggregation centres), and attempts to accelerate implementation were frequently counter-productive, leading to poor performance.

The programme was unable to reach the level of food volumes produced and traded required to have the intended scale of impact at the regional level, namely more stable food prices across East and Southern Africa. This was largely due to unrealistic expectations of what the projects could achieve over relatively short timeframes and with limited geographical reach.

Winnowing beans by Jen Leavy (2016)

Recommendations Similar programmes should take a more cautious approach to scaling up, by extending timeframes and reducing targets, giving time for experimenting, piloting, learning, adaptation etc. and demonstrating results before scaling up. Projects should not (and cannot successfully) attempt to pilot and scale-up simultaneously. Programmes should also give more attention to the time required to roll out activities and deliver results (e.g. some interventions covered only one or two harvests) and the sequencing of different elements of an intervention (e.g. constructing a warehouse and then establishing a warehouse receipt system).

Moreover, similar programmes attempting to generate change in the wider market system should identify strategic partnerships and leverage a wider network of players already working in the same fields.

Developing a coherent portfolio

The programme aimed to develop a coherent portfolio of interventions (through successive rounds of grants) and other initiatives (such as policy influencing activities) that complemented each other, thereby generating results that added up to more than the programme's component parts.

However, the programme's design did not directly build in complementarities and inter-linkages across the portfolio of interventions. It largely relied on interventions and initiatives surfacing from grantees through the award mechanism, which were often discrete and unconnected to other grants. Also, there were limited opportunities for ongoing learning.

Recommendations Programmes that rely on inter-linkages and complementarities between activities to generate expected results require more active hands-on design support, with technical assistance and mechanisms to generate real-time learning and foster coordination and collaboration between implementing partners. This may require alternative models to award-based mechanisms, with funders and/or managing agents taking a more active role in designing and shaping the programme and portfolio.

On policy influencing, the FTESA experience shows that working through local actors is most effective, particularly those embedded in the local context who can build coalitions and search out like-minded actors and who know who to target and how, and who have strong incentives to reduce barriers to improving the market system. This also helps to ensure accountability, effectiveness and sustainability.

This is applicable to other areas of the programme, where developing strategic partnerships with those strongly motivated to change the market system (e.g. partners already established and embedded in the local political context affected by the detrimental effects of market inefficiencies) may lead to long-term sustainable impact.

Recommendations Similar programmes should ensure that they work with local partners who have the incentive and therefore motivation to continue policy influencing engagements and activities, and those who already have influence, particularly those representing constituents most affected by the policy and regulatory constraints.

References

Itad (2018) FTESA Final Evaluation

USAID (2014) Evaluating Systems and Systemic Change for Inclusive Market Development

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Itad, Preece House, Davigdor Road, Hove
East Sussex, BN3 1RE, United Kingdom
T +44 (0)1273 765 250
E mail@itad.com
W itad.com