Collaborating, learning, and adapting (CLA) have long been a part of USAID's work. USAID staff and implementing partners have always sought ways to better understand the development process and USAID's contribution to it, to collaborate in order to speed and deepen results, to share the successes and lessons of USAID's initiatives, and to institute improvements to programs and operations. Through this case competition, USAID and its LEARN mechanism seek to capture and share the stories of those efforts. To learn more about the CLA Case Competition, visit the USAID Learning Lab at usaidlearninglab.org/cla-case-competition.

Realigning Strategy to Respond to Market Realities: Agricultural Inputs Uganda

*Leanne Rasmussen, Tetra Tech: Feed the Future Uganda Agricultural Inputs Activity*

What is the general context in which the story takes place?

The Feed the Future Uganda Agricultural Inputs Activity aims to increase smallholders’ access to quality agricultural inputs, decrease the prevalence of counterfeit inputs, and increase the quantity of high-quality improved seed on the market. It does so using a market systems facilitation approach that prioritizes sustainability and scale of change.

In June 2015, as the activity was reaching its midpoint, the team commissioned a strategic assessment to determine whether the activity was on track to achieve transformational change in the agro-inputs system. There was a sense among the team members that efforts to pilot changes in business practices with agro-inputs businesses and to achieve a “crowding in” effect whereby other businesses adopted and responded to the new practices, was not happening at a satisfactory pace. The team engaged two experienced market systems development practitioners to review the activity, together with key activity staff members.

Specifically, the review reflected on Feed the Future Uganda Agricultural Inputs Activity’s strategy, tactics, and organization as ways to improve effectiveness toward achieving the desired systemic change.

What was the main challenge/opportunity you were addressing with this CLA approach or activity?

The activity has framed the agro-inputs problem as follows: The problem of low inputs use by Ugandan smallholders is due to the prevalent business practices, strategies, or models used by the agro-inputs industry. The status quo business employs “simple trading practices,” where the goal is to make as much immediate profit with as little investment as possible. The activity sought to shift the industry to a new norm of “customer oriented growth strategies,” sometimes referred to as “customer-service business strategies.”

Prior to the strategic assessment, the activity’s theory of change was as follows:

- **IF** agro-inputs businesses invest in a range of customer-oriented practices that achieve growth through providing superior quality and service, **THEN** customers (smallholder farmers) will have greater access to quality, genuine products that they know how to use.
IF smallholder farmers have greater access to quality, genuine products that they know how to use, THEN smallholders will use more inputs and increase their yields.

The strategic assessment found that the activity’s efforts to promote adoption of new business practices was not reaching a critical mass, largely as a result of a poor competitive environment: the prevalence and sophistication of counterfeits, widespread issues with quality control and regulation of agricultural inputs, and the general lack of trust and efficiency in the agro-inputs system “conspired against” the adoption of customer-service business strategies. This environment meant that instead of competing on quality and service, businesses were resorting more and more to competition based on the lowest possible price, regardless of quality or service. The reviewers concluded that unless the competitive environment improved, businesses were unlikely to make the desired changes on a large scale.

This meant that the activity needed to reconfigure its theory of change. The ultimate goal was still to see a large number of businesses invest in a range of customer-oriented practices, but the pathway for getting there needed to change. With the consultants’ guidance, the team acknowledged that an additional “step” needed to be added to the theory of change:

- IF the sanctions (both informal and formal) for selling counterfeits or bad-quality products are higher than the incentives, THEN bad businesses will either improve or exit the market, creating a better competitive environment.
- IF there is a better competitive environment, with reasonable profit margins for businesses, THEN businesses will have an incentive to invest in new practices and business strategies that prioritize smallholder farmers.

If these changes could be achieved, then the Activity could expect to see an increase in the willingness of businesses to invest in customer-oriented practices—but not before then.

Of course, this new theory of change necessitated significant changes in the day-to-day approach. The challenge became to translate this new theory of change into the right strategy, tactics, and organization to achieve the desired improvements in the business environment.

Describe the CLA approach or activity employed.

The team of consultants and activity staff guided the broader activity team through a process of strategic, tactical, and organizational realignment.

In developing its characterization of the dysfunction in the agro-inputs system, the strategic assessment team conducted field interviews around the country and with activity staff, which were cross-walked with systemic M&E data that assessed the state of the agro-inputs system.

The core of the new strategy was that the team needed to prioritize strengthening the “rules of the game” in order to improve the competitive environment to raising the barriers to entry and limit the growth of less credible agro-input dealers such as the briefcase firms. The team was already conducting some of this work, but it would now be heavily prioritized, while work on changing business practices would take a back seat until the environment was more conducive.

The strategic assessment consultants led the team through a process of identifying and fleshing out key thematic areas under the new strategic direction. First, this involved selecting high-priority intervention areas where greater cooperation was needed from stakeholders to improve the “rules of the game.” Key focus areas that emerged included expanded efforts to reduce counterfeiting, strengthen seed certification, provide e-verification services, promote legal registration and compliance, and professionalize spray service provision. The team then identified other key intervention areas that, once the competitive environment had made some initial improvements, would further ease the path toward investment in customer-oriented practices, such as improved access to working capital finance and opportunities for new distribution models.
Once these intervention areas were prioritized and sequenced, the question of how to organize and manage the revised strategy arose. The team organized itself into task forces that included a combination of field and technical support staff and cut across existing team boundaries. Each task force appointed a chair. Each technical staff member participated in two task forces to ensure widespread communication and collaboration.

The first step for each task force was to envision how, for their thematic area, actors in the system could cooperate better to solve the problem in question. Task forces then outlined key actors who could be involved in the cooperative efforts, and identified what each actor’s incentives would be to participate in a coalition of interested parties. Finally, the task forces laid the groundwork for how they would gauge each actor’s willingness to cooperate, and how the task force would propose to bring actors together. Among many actors identified was a perceived common incentive in coordinating to use resources efficiently to reach a common goal. The final litmus test for each task force was to ask itself which market actors would likely lead the initiative, and how market actors’ roles in the agro-inputs system would be improved once the activity was no longer there; in other words, how to sustain the momentum right from the start.

Were there any special considerations during implementation (e.g., necessary resources or enabling factors)?

Participation was a key factor in enabling the implementation of the strategic realignment.

From the beginning, the whole team was involved in the strategic realignment. The strategic assessment team conducted staff interviews as a key part of its research and, before a report was written, presented the realigned theory of change to the activity team for feedback, in order to confirm the findings. Once all staff were in agreement on the revised theory of change, everyone worked together on defining thematic areas and activities. Even before the completion of the strategic assessment report, staff were beginning to envision what the strategic realignment would look like.

The strategic assessment was neither a wholly internal effort, nor left entirely up to consultants to “figure it out” and “give” the team the answer. Staff worked hand-in-hand with the consultants to work collaboratively on the assessment, ensuring an optimal balance of objective review that was grounded in reality, and a realistic report written in a language that would resonate with the activity team. The consultants iteratively drafted the report, sought feedback from the team, and revised accordingly. This has made the strategic assessment strongly relevant for the activity, rather than just a document that sits on a shelf.

Beyond participation, a number of other factors enabled the successful launch of the strategic realignment. The strategic assessment included the right mix of backgrounds in the consultants: Marshall Bear is a veteran practitioner of market systems approaches, and Reuben Banda has worked in inputs market systems in African contexts for years. The timing of the assessment was also crucial: initial findings were presented during the team’s Quarter 3 review meetings, and Quarter 4 was structured as a phase-out of previous activities and a phase-in of new activities, starting with initial discussions with key coalition partners in each location to identify points of common interest and potential synergy. This gave the team time to grapple with the new direction without losing productivity or momentum, while allowing for reflection time in advance of Year 4 work planning.

What have been the outcomes, results, or impacts of the activity or approach to date?

The impacts of the strategic assessment will begin to show as the team enters Year 4. At the time of writing, the team was preparing to enter an intensive week of annual planning, with the big pieces of the strategic realignment coming into place. For one, the team is redefining its internal organizational expectations, with regular and effective communication becoming increasingly important as task forces need to coordinate across the Kampala team, the field team, and myriad market actors. Task forces are already convening meetings with key market actors to forge a cooperative path forward, a step that will heavily inform the work plan for Year 4.

The team is also restructuring its monitoring and evaluation data collection process to reflect the new information needed to assess intervention effectiveness. Previous data collection focused heavily on the business practices and behaviors of individual businesses in the agro-inputs distribution chain. But to determine whether the “rules of
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the game” are improving, the team will need to evaluate if other market actors are taking on or deepening their roles in informing, regulating, and enforcing the right behaviors. For example, the team may want to know if the right government authorities are becoming more effective at finding and sanctioning known counterfeiters. This will involve tracking the short- to medium-term impacts of the task force and coalition on anti-counterfeiting. Ultimately, the team will also want to know how agro-inputs businesses are responding to a changing environment: Is increased enforcement against counterfeiters affecting the behaviors or choices of agro-inputs businesses? Tracking these medium- to long-term changes in the competitive environment are already being integrated into countrywide data collection, through questions about perceptions of key issues and institution and determining whether counterfeiters are continuing to push down the prices of agro-inputs.

What were the most important lessons learned?

The strategic assessment has made it clear that market systems development is less about what you do, and more about why you do it. Market systems development and facilitative approaches do not have just one way of being implemented; rather, they need to be consistently reviewed to confirm that they continue to respond to an accurate understanding of the market environment. This can change from the time a project starts to the time it reaches its midpoint, making it important to create space for reflection and discussion.

Finally, the strategic assessment brought two important words to the forefront of how the team thinks about its work: prioritization and sequencing. Previously, the team had pursued many interventions concurrently, all of which aimed to accelerate changes in business practices. Little attention was given to whether some market system changes would become possible or easier only after other changes had taken root. Now the team has a clear priority and a clear sense of what changes to the “rules of the game” and incentive structures will make possible, and what needs to happen to the competitive environment in order to unlock other potential changes. This is a significant shift in perspective, as it also means that staff and team roles will need to evolve to match the changes in focus areas. It highlights the importance of staff’s being flexible, strategic thinkers who are able to adapt their approach to new phases of a project’s life.

Any other critical information you’d like to share?

A visual contrast of our previous and new theories of change:

<table>
<thead>
<tr>
<th>Previous:</th>
<th>New:</th>
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<tbody>
<tr>
<td>Agro-inputs businesses invest in a range of customer-oriented practices that achieve growth through providing superior quality and service</td>
<td>IF THEN</td>
</tr>
<tr>
<td>Customers (smallholder farmers) will have greater access to quality, genuine products that they know how to use</td>
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<td>Smallholder farmers have greater access to quality, genuine products that they know how to use</td>
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The sanctions (both informal and formal) for selling counterfeit or bad quality products are higher than the incentives. Bad businesses will either improve or exit the market, creating a better competitive environment. There is a better competitive environment, with reasonable profit margins for businesses. Businesses will have an incentive to invest in new practices and business strategies that prioritize smallholder farmers. Agro-inputs businesses invest in a range of customer-oriented practices that achieve growth through providing superior quality and service. Customers (smallholder farmers) will have greater access to quality, genuine products that they know how to use. Smallholder farmers have greater access to quality, genuine products that they know how to use. Smallholders will use more inputs and increase their yields.