

This Case Story was submitted to the 2016 CLA Case Competition. The competition was open to individuals and organizations affiliated with USAID and gave participants an opportunity to promote their work and contribute to good practice that advances our understanding of collaborating, learning, and adapting in action.

Removing Barriers to Private Sector Engagement in Bangladesh

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Credit: USAID/Bangladesh.

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

The Bangladesh Agricultural Value Chain (AVC) project is a \$34 million, 5-year, Feed the Future-funded program focused on improving pro-poor market systems for food and non-food sectors in the Southern Delta of Bangladesh. The project began in September 2013, and is concluding its third year of implementation this fall. It was designed by USAID to operate through the lens of a market systems approach, but in the first 2 years of implementation, it struggled to find a way to successfully engage with the largest agribusinesses and lead firms in the Southern Delta to drive private sector investment and inclusive market growth.

Bangladesh is a donor-saturated country, an environment to which firms have adapted by developing sophisticated “development” or “corporate social responsibility” departments designed to attract grants and funding from donor-funded organizations. As a result, by Year 2, AVC’s main partnerships were with small agribusinesses through grant funding of farmer production training, physical infrastructure, equipment, or subsidization of operational costs that were isolated from these firms’ core business strategies.

In Year 3, AVC renewed its commitment to the market systems approach, which included a renewed commitment to Collaborating, Learning, and Adapting (CLA). AVC integrated CLA internally to

improve the way its teams communicate with one another and externally to address shared challenges, such as the lack of access and partnership with leaders who work within the core business units of private sector partners.

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

There are about a dozen major, diversified agribusinesses that drive the sector in Bangladesh. AVC's market systems approach requires engagement of core business strategy departments rather than these ancillary corporate social responsibility offices; however, our staff was continually being sidelined to the "development offices," where they would receive well-packaged but very conventional grant applications requesting funding for farmer trainings or new equipment.

This created an unproductive relationship between the project and the firms. Because the firms were not pressured to think about how they could use project funding to further their own business goals, the design of grants, activities, and interventions was coming entirely from AVC. Intervention design was starting from AVC targets and then flowing down to the technical teams to design a strategy to reach those targets. This resulted in activities centered on broad farmer trainings, direct procurement of equipment, and general grants that were not able to "move the needle" in terms of market systems impact. Many of these activities were isolated and secondary to the firms' actual business structures and undertakings. This was also creating a perception among the firms that the grant money was allocated to them, that it was their own money to spend, without a continuing requirement to "earn" it and commit to demonstrating impact or results. This donor-firm relationship is common in Bangladesh, and many donor-funded organizations find themselves stuck playing a subsidizing role in the private sector.

From the start of the shift to market systems thinking, AVC identified patterns of firm behavior that indicated the its selected market systems were not very inclusive. As a result, AVC's strategy driving how to influence firm strategies/tactics focused on pushing firms to take on more growth-oriented and inclusive business strategies and tactics. Without a clear strategic direction, AVC would not be able to learn effectively. The project needed to adapt in a direction that was defined by addressing underlying drivers of behavior.

Once AVC recommitted to operating through a market systems lens, its challenge was to find a new way to engage firms to catalyze inclusive growth. How could we create a format for partnership that would align project activities with the firms' business interests? How could we ensure that firms were committed to this new relationship and keep them interested in working with us while not providing them with large grants? Answering these questions required AVC to apply CLA introspectively, to turn a critical eye on cross-team information sharing, its approach to partnerships, and the grants process and documentation requirements, and externally, to ensure it was consistently learning from and adapting ongoing activities and partnerships to shift toward high-achieving interventions and away from interventions and actors that were not yielding intended results.



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Describe the CLA approach or activity, explaining how the activity integrated collaborating, learning, adapting culture, processes, and/or resources as applicable.

Integrating CLA into AVC's culture and approach enabled the team to think critically about the way the project engaged with partners and to develop tactics that would allow the team to engage firms around their strategic business goals. The AVC approach was two-pronged: first, building a more robust monitoring and evaluation (M&E) portfolio that included knowledge management and, second, working as a team to diagnose problems and figure out how to adapt the approach.

Expanding the mandate of the M&E team to include not only data collection and monitoring but also knowledge management built the foundation for more holistic analysis of which interventions were and were not having the desired effects. AVC achieved this by creating an internal 2-day team sharing and brainstorming workshop called the Quarterly Portfolio Review. The review is an exercise in CLA, created to compare notes, aggregate and prioritize challenges, consolidate learning, and facilitate application of meaningful findings directly back to project activity design. Implicit in this exercise is an acknowledgement that the market systems approach required new tactics and working styles, many of which were being introduced to our project team and partners for the first time. As the team tried out new approaches and tactics, we expected that some would support exciting changes while others might not take off. Developing a team consensus around what was and was not working was essential to effective adaptation of the technical approach: scaling up and expanding activities that demonstrate impact, and adapting or phasing out activities that are not achieving the desired outcomes.

In the first Quarterly Portfolio Review, AVC turned a critical eye on the results of its private sector partnerships to date, and recognized a need to adapt the approach to engagement with private sector partners on both the technical and operational/grants fronts. After comparing notes across teams, staff determined that in order to gain real traction, partnerships needed to be integrally linked to a firm's business strategy and required continual buy-in from the agribusiness. To achieve this, AVC adapted its approach to meeting with agribusinesses to be more facilitative than instructive, making sure that relationship managers had a solid handle on the company's strategy. AVC streamlined its grant-making process, making it less cumbersome and more collaborative, adaptive, and business-oriented. Instead of accepting grant applications for project-designed activities, AVC issued a Blanket Activity Announcement solicitation for market actors to submit 1- to 2-year strategic business plans that detailed their business goals for the immediate and near terms. Through a series of co-creation meetings with AVC, each interested firm signed an Adaptive Market Actor Agreement, laying out a business plan of collaborative activities for the next year. These agreements contained the technical support that AVC would give the firm, as well as the investments and activities that the firm would run on its own at each stage of the process.

Notably, Adaptive Market Actor Agreements are designed to be funded in 3- to 6-month intervals, and the activities are revisited at quarterly check-in meetings. This setup serves two key purposes. First, the firms and AVC can continuously monitor the ongoing activities and shift focus and funding toward the interventions that are achieving positive change, and can adapt or end activities that are not producing results. Second, AVC can constantly assess the firms' commitment and ensure they are holding up their end of the bargain. If they are not, the agreement can be terminated.

By implementing this CLA approach, AVC has been able to work collaboratively with the largest private sector agribusinesses in the Southern Delta, giving it access to partners that serve as the biggest leverage point for generating large-scale, sustainable economic growth.

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

The Quarterly Portfolio Review is a process developed by AVC senior management to provide a scheduled, structured framework for effective CLA. The activity was created and tailored specifically by and for the AVC team, though there were some significant growing pains associated its launch. Namely, CLA required the staff to “decouple” the success or failure of an approach or tactic from the performance of team members, such that staff felt comfortable raising concerns and providing objective critiques of interventions that would fuel constructive troubleshooting, not create office rivalries. This required much higher levels of trust between staff and senior management, as well as between peers on the team, that took time to establish.

There were also contextual and tactical challenges to rolling out adaptations to how AVC engaged agribusinesses. The biggest contextual challenge in implementation is that AVC is far from the only donor program working with these firms, and there is significant competition within the donor space in Bangladesh. AVC is asking these market actor partners to invest their own time, money, and energy into proving their commitment to ensuring that activities are sustainable and aligned with their true business interests. These partnerships are developing while other donor projects are continuing to give large, multi-year grants with few strings attached, muddling market signals and distorting expectations. This makes for a tough space to compete in, and requires AVC to continually ensure that grants are designed around business opportunities that generate measureable and noticeable business gains that always incentivize firms to stay engaged in our partnership. Ironically, AVC has found that co-designed interventions that align with partners’ core business strategies are much more productive toward achieving program indicator targets than interventions that target them directly.

The biggest investment in implementing this approach was undoubtedly the time of technical and operational staff. For the technical staff, who serve as point person for creating Adaptive Market Actor Agreements with the firms, the co-creation process is challenging and time-intensive, especially in terms of setting realistic 3-month goals and budgets. It often takes 3 months and 10 or more co-design meetings for firms to move from the concept note phase to the final market actor agreements. Often, firm business leaders come with business goals that could be implemented over the next 10 years, with budgets of \$2-3 million. The trick for the project was to celebrate this type of business goal-setting while still facilitating the necessary discussions to bring about a collaborative and realistic 3- to 6-month initial work plan and budget. In order to make this new form of engagement with market actors possible, the operations and grants team needed to overhaul the grants application and agreement process, which required a complete re-design of AVC policies, procedures, and templates for grants and procurement.



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With your initial challenge/opportunity in mind, what have been the most significant outcomes, results, or impacts of the activity or approach to date?

AVC has ongoing Adaptive Market Actor Agreements with 11 large agribusinesses and firms, and agreements being created with 10 others. The firms have identified clear paths forward for technical assistance, and AVC's interventions are specifically targeted at key leverage points to catalyze change. The number of firms engaged in these agreements speaks to the success of facilitating intervention design that promotes inclusivity in the market while aligning the firms' business incentives.

Marketing support is one form of technical assistance that AVC provides successfully. Initially, firms were skeptical of investing money in marketing, as most marketing companies in Bangladesh do not have experience in the agricultural space. While airlines and phone companies were employing typical promotional tactics such as loyalty clubs, promotional discounts, large promotional events, and referral system bonuses, these concepts had not been introduced in the context of agricultural inputs and products. However, with AVC buying down the risk of the agribusinesses engaging these marketing, promotion, and event planning firms, the agribusinesses were willing to pilot activities and test the sales and customer retention results improved marketing could generate. From AVC's perspective, while these new partnerships are increasing firm sales, they are also building communication linkages and trust between retailer and consumer, contributing to a market system with consistent information flows between actors, improved consumer preference signaling, and increased inclusivity.

Another bonus of this strategy is that by linking agribusinesses directly with service providers, AVC is building long-standing, sustainable relationships between them. Branding, marketing, information communications technology, and digital media are already employed in Bangladesh's private sector, but these support services have not yet recognized the agricultural sector as a potential market. By facilitating this initial relationship-building, AVC aims to create clusters of support services that agribusinesses can continue to draw on after the project ends.

If your project or activity is in the development phase or just recently underway (less than 1 year into implementation), how do you intend to track results and impact? What outcomes do you anticipate?

Using CLA and a market systems approach has required an overhaul of the M&E approach to move away from focusing solely on direct donor reporting and toward a more holistic approach to knowledge management. This entails complementing standard M&E data collection with more qualitative, contextual, and first-person accounts to create a narrative around results and impact that addresses the underlying "how" and "why" those results were achieved.

AVC will continue to use the Quarterly Portfolio Reviews as a time to do more deep thinking on its work in the previous quarter and evaluate what is and is not working. One of the most important activities during the review process is "Adapt, Drop, Change, Expand," where each team is responsible for identifying an ongoing activity to put in each category. Requiring every team to admit one activity that needs to be shifted and one activity that is not working and needs to be dropped has

been the most useful aspect of this CLA tool, as it continues messaging that the team should always be adapting and shifting technical focus toward activities with the most momentum.

AVC has also begun implementing innovative knowledge-gathering tools and designing metrics to measure firm churn rates, customer retention, and consumer preference signaling. These new metrics will allow AVC to better measure the impact of these grants in terms of business success and improved inclusivity in the market.

What were the most important lessons learned?

The key lesson learned is that CLA is something that needs to be implemented internally first so that the project leadership creates a culture of learning and adaptation, allowing the team to better analyze issues and challenges. With its internal CLA approach—the Quarterly Portfolio Review—AVC technical, operations, and crosscutting teams work together to achieve a nuanced understanding of the development challenge with private sector firms (i.e., that the firms were not pursuing business strategies or tactics that promote inclusive growth). Once CLA has been established internally, then the project can turn the CLA lens outward to ensure the interventions and activities the project is designing are adaptable and can be changed based on iterative learning. The Adaptive Market Actor Agreements ensure that AVC and the firms are able to learn from initial piloting and test cases, and can shift momentum and resources toward the most effective interventions.

In the experience of the AVC project, establishing relationships and partnerships with actors that are truly adaptive requires:

- Internal collaboration and adaptation to ensure that operations, technical, and grants teams are working together toward the goal of achieving change
- Listening to a firm’s business goals and taking a facilitative, not instructive approach to meetings and collaborative activity design
- Finding ways the project’s procedures, indicators, and goals can align with a firm’s incentives, rather than building activities around project indicators
- Creating agreements that can be changed and adapted easy to shift toward successful interventions and away from under-performing activities
- Designing results frameworks to measure a firm’s business achievements not centered on the project’s targets



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