



SCALE Markets-Based Programming Consultation Findings: Key Challenges and Needs for USAID/BHA Implementing Partners

From September through November 2020, the USAID Bureau for Humanitarian Assistance (BHA)-funded [Strengthening Capacity in Agriculture, Livelihoods and Environment \(SCALE\)](#) Award conducted a series of consultations with BHA staff and implementing partners to understand their priority challenges and needs related to market-based programming. **This document summarizes the findings from those discussions and lays out a preliminary path forward for SCALE to address these needs in its remaining two years of programming.**

Background

USAID/Bureau for Humanitarian Assistance (BHA)-funded activities are increasingly applying market-based approaches to a wide range of interventions, including those related to agriculture, entrepreneurship, employment and financial inclusion. Throughout the course of 2020, SCALE received numerous requests from partners for market-related support, ranging from hosting webinars to creating briefs and providing implementation guidance. The



specific challenges and interventions mentioned in these requests varied greatly, making it difficult for SCALE to identify the areas of greatest need and interest across the BHA community.

With this in mind, SCALE hosted a series of virtual consultations to discuss BHA partners' market-related activities, challenges and priorities. This information provided SCALE with a better understanding of how best to allocate time and resources to support this technical area.

Objectives

The objectives of the consultations were to:

- Map the current market-related activities being implemented in BHA programs
- Discuss challenges associated with these activities
- Identify existing resources that address these challenges
- Identify remaining resources gaps to inform SCALE's support moving forward

SCALE recognizes that an abundance of high-quality market-related resources and support networks already exist, including [SEEP](#), the [Markets in Crises DGroup](#), [BEAM Exchange](#), [Marketlinks](#), and [CaLP](#). To avoid duplicating these efforts, SCALE focused the consultations on better understanding the specific needs of BHA-funded programs as they relate to the support SCALE offers, which includes the development of tools and resources as well as convening peer-to-peer technical discussions, capturing case studies and best practices, and enhancing awareness of existing guidance materials.

Consultation Participants

SCALE hosted three virtual partner consultations from October through November 2020. The first of these engaged HQ-based staff, primarily program directors and technical advisors in the U.S. and Europe who provide markets-related support to a global portfolio of programs, including BHA-funded activities.

The subsequent two discussions engaged program staff working on BHA-funded Development Food Security Activities (DFSAs) and Resilience Food Security Activities (RFSAs). The Anglophone conversation included participants in Bangladesh, Ethiopia, Kenya and Uganda, and the Francophone conversation included those in Burkina Faso, the Democratic Republic of the Congo (DRC), Madagascar, Mali and Niger. Participants in these discussions were primarily technical specialists with backgrounds in agriculture, livelihoods and value chains, though a few Deputy/Chiefs of Party also joined. In addition, SCALE held discussions with several BHA staff members engaged in markets-related initiatives.

Signs of Progress

Before jumping into their challenges and needs, partners reflected on the market-based activities that have been working well and where they have seen progress in recent years. Highlights included:

- **The use of village agents as service and input providers.** The establishment of agrodealers, agrovets and other local agents has helped programs to reach last mile end users in remote and otherwise inaccessible areas.
- **Financial services.** Savings groups (including Village Savings and Loan Associations (VSLAs) and Savings and Internal Lending Communities (SILC) groups) have generally performed well and have served as strong platforms for incorporating other market-based activities. They have also formed the foundation for linking members to local cooperatives and microfinance institutions.
- **Enhancing linkages with local market actors.** The increased use of basic market-based vouchers and subsidies, and the increased willingness of programs to partner with local market actors during distribution and stabilization services, has been an encouraging step.
- **Agricultural markets.** Efforts to link farmers to markets, to facilitate market centers as aggregation points and to organize farmer-level marketing groups are also promising.

While the above are promising initiatives, participants noted that challenges remain (as noted in the sections below) and raised concerns related to sustainability and evidence of impacts. Many of these points boiled down to one key question: *After programs end, will these groups and linkages remain intact and successful over the longer-term?* Several HQ partners noted they had recently completed studies or had research plans underway that could provide insights on these questions, including: CRS' 2019 research on group sustainability ([available here](#)), ACIDI-VOCA's plan for a study in Burkina Faso, and Save the Children's potential ex-poste assessment of their SABAL program in Nepal.

SCALE Follow-up

SCALE will follow up on the studies and other efforts mentioned above and will explore the possibility of collaborating with partners to co-develop and/or disseminate the resulting case studies and evidence.

Key Results: Top Challenges

Biggest Challenges Associated with Implementation

Consultation participants highlighted these five main categories as their biggest implementation challenges:

1. Incentivizing market actors to engage with individuals living in extreme poverty
2. Strengthening the capacity and sustainability of producer organizations
3. Producing lighter touch, more frequent market assessments
4. Advancing Market Systems Development (MSD) approaches
5. Integrating market-based approaches in alternative livelihoods activities

Respondents detailed the issues they faced within each of these categories and provided recommendations on the resources and changes required to respond to their needs.

Incentivizing Market Actors to Engage with Individuals Living in Extreme Poverty

Participants across all three consultations noted key challenges related to incentivizing market actors to engage with individuals living in extreme poverty. This was an overarching concern that has hampered both market-based and MSD interventions in BHA-funded programs. While this challenge relates to those explored in the sections below, it is called out as its own point due to how often partners raised it. Discussion points on this challenge included:

- **Managing risk.** Private sector actors tend to shy away from working with individuals in extreme poverty because of the risk they might have unreliable services or inadequate quality goods, or they will not be profitable as consumers.
- **Negotiating fair terms.** Market actors take advantage of the poor, including by purchasing their goods at a lower cost than market value. While producer organizations and agricultural cooperatives have helped to address this issue to some degree, building the capacity of those groups remains a challenge (see #2).
- **Humanitarian assistance.** In unstable, fragile and/or conflict-affected areas, BHA-funded program teams face particular difficulties in facilitating private sector engagement. As a result, programs often give away or subsidize inputs such as seeds, at times without a clear strategy for transitioning to market-based alternatives. This hampers sustainability and creates parallel markets that can negatively affect local economies.

SCALE Follow-Up

- In conjunction with the activities outlined below, SCALE will capture and share resources and best practices for engaging smallholder farmers and service providers in market negotiations
- SCALE will explore examples of how programs have engaged private sector actors (including transportation and logistics services) to build more resilient food systems during COVID and in the face of other shocks and stresses.
- In collaboration with Integrated Seed Sector Development in Africa (ISSD Africa), SCALE will contribute to the development and/or dissemination of tools and case studies for sustainably

improving seeds-related interventions, with a focus on seed system security assessments and last-mile seed distribution models, especially in fragile environments.

Strengthening the Capacity and Sustainability of Producer Organizations

Producer organizations (PO) are one of the primary ways in which partners support smallholder farmers to engage in market activities, despite associated challenges. Though all three consultations mentioned POs to some extent, they were the primary topic of discussion in the Francophone group. The list below thus slants toward their observations, which included the following challenges:

"It's hard for smallholders to integrate in the market system because the system is built to benefit the intermediaries and the buyers who dominate. Smallholders can be taken advantage of. It requires a lot of effort in terms of management organization and capacity strengthening for smallholders to attract other market actors."

- Agriculture and Value Chains Manager, DRC

- **Production.** Smallholders struggle to produce a sufficient quality and quantity of produce to sell at market. While programs are working with farmers on techniques to increase production, larger-scale and better-equipped farmers tend to benefit more from being in POs than smaller-scale, more vulnerable producers. Efforts to enhance production at the garden-level and to link market garden owners to input suppliers and aggregation opportunities have also proven difficult for some programs.
- **Capacity strengthening.** Enhancing PO members' non-technical skills, particularly related to business management, is a common challenge amongst BHA-funded programs. Partners noted that POs struggle with tasks such as navigating legal documents, accessing information, ensuring proper documentation and developing profitable business models. Partners also expressed interest in resources and learning on how to support POs to scale up, taking into account elements such as transportation and processing.
- **Post-harvest handling and storage.** Many producers lack storage, forcing them to sell their produce immediately rather than waiting for higher prices. This is a major constraint to growth and sustainability. Partners were interested in learning about strategies to collect, centralize and store the production of PO members in order to negotiate better prices with market actors.
- **Financial inclusion.** Difficulty accessing finance and credit is another key limitation to POs' ability to grow their business activities. The terms of microfinance institutions are typically not well adapted to meet agricultural needs, often requiring that farmers repay at high monthly rates that do not align with production cycles. Participants expressed interest in learning how others have successfully negotiated terms with microfinance institutions (MFIs), used informal sources of finance and incorporated innovations such as warrantage to link credit to storage.
- **Youth engagement.** Though not specific to POs, participants noted a need for strategies and resources to address a lack of youth interest and engagement in the agricultural sector.

SCALE Follow-up

A number of tools and materials already exist that address the challenges listed above (see Key Resources for just a few). However, navigating the abundance of resources can be overwhelming for

program partners, and a document alone is seldom sufficient for addressing the nuances and challenges of implementation. Potential SCALE activities to address these needs include:

- Collaborate with BHA-funded partners to **pare down available materials** to those most applicable to their needs. Where relevant, host webinars or small e-learning events to orient partners to those tools and to provide access to experts with experience using them.
- Continue to provide spaces for **peer-to-peer sharing and exchange** on specific challenges, lessons learned and useful resources. Every 2 months, SCALE convenes one Anglophone and one Francophone virtual communities of practice for BHA-funded program team members to discuss agriculture- and livelihoods-related topics. Based on the areas outlined here, upcoming conversations could focus on PO capacity strengthening, storage strategies, financial inclusion and youth engagement.
- IN FY21, SCALE will develop guidance on how to establish an **ecological market farm**. This will focus on strategies for enhancing market-oriented agroecological production and will contribute to addressing the market garden challenges mentioned above.
- As part of its social and behavior change work, SCALE will consider sharing tools, strategies and approaches for determining motivations/barriers to **youth engagement in the agricultural sector**.

Key Resources

Resources shared by participants during the consultation included the following:

- To address linkages with market actors, World Vision has developed 4 editions of their guide to “Integrating Extremely Poor Producers into Markets”
<https://www.fsnnetwork.org/integrating-extremely-poor-producers-markets-field-guide-o>
- Mercy Corps’ case study and analysis on a data-driven approach to improving the viability of smallholder producer organizations
<https://www.fsnnetwork.org/resource/improving-smallholder-producer-viability-and-sales>
- World Vision’s Village Agent Guide provides steps to link the private sector to farmers through village agents
<https://www.fsnnetwork.org/village-agent-guide-strengthening-business-linkages-smallholder-farmers>
- “Value Chain Development with the Extremely Poor: Evidence and Lessons from CARE, Save the Children and World Vision” provides guidance on programming
https://www.wvi.org/sites/default/files/Value%20Chain%20Development%20with%20the%20Extremel%20Poor.FINAL_.2017.pdf
- World Vision and SNV developed a tool to train farmers on Farming as a Business
<https://www.fsnnetwork.org/farming-business-faab-manual-smallholder-farmers>
- ACDI/VOCA, CARE and World Vision collaborated on the journal article, “Improving the food security of the extremely poor by linking them to markets”
https://www.researchgate.net/publication/277658950_Improving_the_food_security_of_the_extremely_poor_by_linking_them_to_markets

Producing Lighter Touch, More Frequent Market Assessments

Assessment-related challenges came out most strongly in the HQ and Anglophone consultations. Discussion points included:

"It's always worth asking the question, what does our work need to do and what is the best way to assess that? We need to cut down our assessments to what's truly necessary and actionable."

- Markets Technical Advisor, HQ

- **Time-consuming and static market assessments.** Comprehensive one-off assessments are often unread, lose their relevance before reports are finalized and contain unnecessary questions. Partners expressed a need for pared down assessments that teams can complete quickly and more frequently to inform adjustments in dynamic contexts. This observation applies not only to markets assessments, but also to assessments in general.
- **Resource constraints.** Programs will have to invest in capacity strengthening, and provide the necessary time and budget, to shift toward the use of more frequent assessments. These resources constraints often stand in the way of programs making this change.
- **BHA expectations and guidance.** Partners noted that a shift toward lighter touch assessments would mean that reports would look different than in the past, and expressed skepticism over whether BHA would find this acceptable. As one participant remarked, "It is hard to convince BHA that you want to concentrate on three activities first and work from there. They always push to see more activities, sometimes insisting on more than ten value chains, which is very complicated." Several participants shared a desire to see more standardized markets-related assessment tools and guidance from BHA to understand the extent to which programs can simplify their approaches.
- **Action learning and adaptive management.** For assessments to be useful to programs, staff need the skills to analyze and operationalize the findings. Some partners felt there was a gap in adaptive management tools that can support teams to translate rapid market assessments into annual programming adjustments.
- **COVID constraints and learning.** While COVID continues to cause disruptions, BHA partners have found ways to adapt their assessment approaches to accommodate health and safety measures. In general, these constraints have pushed partners in the direction many were hoping to move anyway – toward more rapid assessments (many conducted via remote platforms and apps), shorter surveys and targeted questions resulting in lean, relevant and useful reports. Several partners said they plan to continue using these approaches and virtual data collection platforms after COVID has subsided.

SCALE Follow-up

Ways in which SCALE might address assessment-related challenges and learning opportunities include the following:

- Support the development of case studies and/or webinars to showcase **partners' experiences and learning with rapid, lean market assessments tools** (including those conducted during COVID and those in conflict/fragile-affected contexts), with an emphasis on what they learned about the process rather than the assessment findings.
- Facilitate virtual a **markets roundtable with BHA and partners** (including IDEAL) to reflect on current assessment approaches and develop a shared vision for moving forward.

- Highlight **collaboration, learning and adaptation (CLA) tools** and guidance materials that can support partners in translating assessment findings into programmatic changes.

SCALE recognizes that IDEAL is also working on similar topics – particularly related to adaptive management and donor consultations – and will continue to work closely with the IDEAL team to identify collaboration points and avoid duplication.

Advancing Market Systems Development Approaches

Of the three consultations, the HQ-based partners spent the most time discussing markets systems development (MSD). Key points included:

- **Reaching target populations.** Facilitative approaches necessitate that programs work directly with populations who are outside of the programs' target groups (e.g. service delivery small and medium-sized enterprises). This can pose tensions within BHA-funded programs, whose mandate is to work directly with very vulnerable populations.
- **Evidence gaps:** Partners agreed that more evaluation, research and learning is necessary to determine whether MSD approaches are truly appropriate for reaching BHA target populations. For instance, understanding how, when and to what extent market systems resilience can contribute to the highest-level DFSA and RFSA goals (reduction in stunting) within the timeframe of BHA projects remains a key unanswered question.
- **Capacity strengthening.** Even in relatively stable environments, MSD approaches are difficult to implement and require investments in staff capacity, as well as budget to employ in-demand MSD experts. When programs cannot or do not make these investments, MSD programming implementation quality declines and can appear as if the approach is unsuccessful rather than simply poorly carried out.
- **Environmental impacts:** Several partners expressed concerns that MSD programming often neglects to account for environmental impacts. More attention needs to be paid to the potentially negative implications of facilitating linkages to market actors whose inputs and services may degrade environmental resilience over the long-term (such as connecting smallholder farmers with agrochemical dealers).
- **Linking food systems and market systems.** While some progress has been made on integrating food systems and markets systems, the conversation is still in early stages. Moving from frameworks to practical implementation remains a gap, and filling it will require closer examination of not only private sector actors, but also social norms and those who influence them.

"Investment in evidence is important. We make assumptions about vulnerability. We are missing the longer-term impact learning that would then help to balance short-term vs. systems delivery. We also need to measure at a systems level to truly figure out how many people benefit and for how long."

- Markets Technical Advisor, HQ

SCALE Follow-up

SCALE's role in moving the MSD conversation forward may include:

- Building on the October 2019 MSD discussion with former USAID/Food for Peace staff and implementing partners, SCALE could host another **MSD virtual roundtable**. This would hone in on the evidence gaps and assumptions mentioned above, with the goal of helping to craft a shared vision for MSD programming within the new BHA structure.
- The integration of resilient agriculture with market-based approaches remains a key SCALE interest area. To advance this topic, SCALE could **convene discussions and refine assessment tools to integrate environmental/natural resource management (NRM) considerations within MSD approaches**, and deepen understanding of the barriers and opportunities facing entrepreneurs in providing agroecological products and services in USAID/BHA contexts.
- Partners such as World Vision, Save the Children and ACDI-VOCA have recently developed thought pieces and tools to help facilitate integration of food systems and market systems approaches. In the coming year, SCALE could work with these partners and others to **share practical guidance for linking markets and food systems approaches**.

Integrating Market-Based Approaches in Alternative Livelihoods Activities

Several participants voiced a desire to better leverage market-based approaches to tackle challenges related to alternative livelihoods (off-farm and non-farm) activities. Discussion points included:

- **Youth employment in rural areas.** In many of the areas in which BHA operates, job markets are thin and opportunities for youth are minimal. Strategies, practical tools and examples of how to promote youth employment and entrepreneurship within these contexts remains a gap.
- **Applying MSD approaches to employment.** Partners noted a consistent gap in systems approaches to informing livelihoods interventions that consider supply and demand for labor, as well as all of the supporting functions and informal and formal rules that can promote or hinder economic outcomes.
- **Gender lens:** Partners in every consultation identified a need for programming to better integrate gender dynamics in their interventions. In particular, strategies for promoting women's economic empowerment in fragile/emergency programming contexts remain underdeveloped.
- **Relevant labor market assessments.** Partners noted that labor market assessments tend to be at the macro-level and focused on the formal sector, while BHA programs focus on the micro/household-level and operate in contexts where the informal sector is oftentimes more important. Household Economic Analysis (HEA), while useful for filling these information gaps, are also complicated to complete.

SCALE Follow-up

SCALE's Alternative Livelihoods Specialist will lead the Award's alternative livelihood activities with a continued focus on market-based approaches and youth engagement. Potential activities could include:

- Developing a guide for **engaging youth in alternative livelihoods activities**, which will touch on some of the challenges noted above. SCALE will additionally consider providing training, mentorship and/or documenting best practices for applying MSD approaches to employment-related interventions, potentially including guidance on the use of system labor market assessments.
- Funding a desk review of ways in which programs have designed employment interventions that **reflect participants' aspirations**, with a particular focus on youth and women populations.
- Engaging with partners (such as ACIDI-VOCA's ViMPlus DFSA in Burkina Faso) who are piloting the use of **adapted HEA tools** to gather household-level economic information in a simpler manner and to better understand the role of remittances and multiple incomes sources. SCALE could work with these partners to help to capture and share the learning.

Next Steps

Market-based programming is certain to feature prominently in SCALE's work for the remainder of the award. The findings from these market consultations have informed key components of SCALE's Year 4 Work Plan and several activities outlined above are already underway. Related resources, events, and further opportunities to engage with and provide feedback to the SCALE team will be available at fsnnetwork.org/scale and via the FSN Network newsletter.



If your team has tools, resources or case studies related to markets-based programming and MSD approaches in BHA-funded activities and contexts, or ideas for an upcoming event or webinar, please contact us at scale@mercycorps.org.