FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative

Feed the Future Uganda Agriculture Inputs Activity

STRATEGIC ASSESSMENT REPORT
June – July 2015

September 2015

This publication was produced for review by the United States Agency for International Development.

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contracted by Tetra Tech ARD

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Feed the Future Uganda Agriculture Inputs Activity

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ABBREVIATIONS

AIA	Ag Inputs Activity
BGS	Business Growth Specialist
CLA	Collaboration, Learning, Adapting
CLU	CropLife Uganda
CPM	Commodity Production and Marketing Activity
CSBS:	Customer Service Business Strategy
DLG	District Local Government
EEA	Enabling Environment for Agriculture Activity
FISP	Farmer Input Support Programme
GMADDA	Greater Masaka Agro-Dealers Development Association
HQ	Headquarters
ICT	Information and Communication Technology
IFDC	International Fertilizer Development Center
ISTA	International Seed Testing Association
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MITC	Ministry of Industry, Trade and Cooperatives
MOLG	Ministry of Local Government
M&E	Monitoring and Evaluation
NCBA/CLUSA	National Cooperative Business Association
NSCS	National Seed Certification Service
M4P	Making Markets Work Better for the Poor
PAES	Private Agricultural Extension Services
PDP	Preferred Distributors Program
RM	Role Model Team
NARO	National Agriculture Research Organization
NN	Noise and Networks Team
SME	Small and Medium Enterprises
SSP	Spray Service Providers
USTA	Uganda Seed Traders Association
UNADA	Uganda National Agro-Input Dealers Association
SMS	Short Message Service
SS	Support Systems Team
UNBS	Uganda National Bureau of Standards
URA	Uganda Revenue Authority
URSB	Uganda Registration Services Bureau
TF	Target Firms
TIN	Tax Identification Number
TIU	Transparency International Uganda
TOC	Theory of Change
TOR	Terms of Reference
USAID	United States Agency for International Development
USH	Uganda Shillings

EXECUTIVE SUMMARY

Context: In November 2012 Feed the Future Uganda awarded Tetra Tech ARD a five-year Activity to promote the responsible use of agricultural inputs in selected target districts. The goal of the Feed the Future Uganda Agricultural Inputs Activity is to increase the use of high quality agricultural inputs in Uganda through:

- Increased availability of inputs to farmers in Feed the Future target districts by:
  - Improving reliability, efficiency and service provision in the agro-inputs supply chain
  - Increasing the quantity and quality of marketing to farmers
  - Increasing the production of certified maize and bean seeds
- Decreased prevalence of counterfeit agricultural inputs by:
  - Supporting the development of E-Verification systems
  - Strengthening supply chain relationships
  - Increasing the capacity of domestic agriculture input associations to regulate, convene and advocate for their members

> *Text Box 1: Market Facilitation*
> [Market] Facilitation attempts to stimulate change in market systems without the project taking a direct role in or becoming part of the system. Practitioners and donors using this approach try to minimize direct provision of goods and services by the project—focusing instead on changing relationships between actors in the value chain or introducing new ways of doing business that increase the local availability of needed goods and services.
> -- USAID "Understanding Facilitation" Briefing Paper
> https://www.microlinks.org/blog/shifting-market-system-facilitation-approaches

The Activity uses a market facilitation approach (see text box for a description), leveraging market forces to accelerate change in the agricultural inputs supply chain, to ensure sustainability and scale. The Activity is currently implemented in 18 target districts by 24 staff (including seven field based staff), and includes 29 desired outcomes implemented by three teams (the Role Model team, the Support Systems team, and the Network and Noise team). It also includes cross cutting activities designed to increase the participation of women and youth in the ag-inputs supply chain, and strengthen climate change adaptation. Building the capacity of agricultural inputs supply chain actors including wholesalers, retailers and industry associations, the Activity also focuses on finance and business services supporting the supply chain, and builds awareness of high-quality inputs through a broad spectrum of media channels.

The Activity is currently in the third of five years of program implementation. To improve future Activity performance and to ensure appropriate Collaboration, Learning and Adapting (CLA) of approaches and activities, the team invested in a strategic assessment of program outcomes to date, with three major objectives:

1) A review of progress and change in the agricultural inputs market system to date;
2) An assessment of overall progress towards achieving systems change; and
3) Recommendations focused on strategic, tactical, and organizational shifts, including a broad implementation plan to scale/crowd in more critical market players and functions.

The results of this assessment will be used to inform Year 4 and Year 5 work plans.

Marshall Bear[1] and Reuben Banda[2] conducted the strategic assessment. The team combines knowledge of the market systems approach and its application in agricultural input markets in similar market settings in Africa. They chose methods that focused more on breadth (interviews of all market actors) than depth (interviews

[1] An independent consultant based in Albuquerque NM with experience in design, evaluation, and training in the market systems approach.

[2] The Managing Director of Musika, a Zambian-based market facilitation organization, with extensive experience in transforming the agricultural inputs market in Zambia in favor of the needs of small farmers.

with agro-dealers, their suppliers, and customers) in order to understand how market system dynamics were affecting the Activity goal of increasing access to genuine agricultural inputs. The methods chosen explain why this report presents its findings in terms of observed trends and patterns of behaviors among market actors, instead of attempting to quantify the results of these behaviors using pro-forma financial statements.

The assessment team did draw heavily on the Activity's systemic M&E data, because of its insights into the effects of the Activity's interventions on facilitating market system change.

The strategic assessment was conducted from June 14th – July 3rd and was divided into three stages[3]:

1) Meetings with Kampala-based Ag-Inputs Activity staff and Commodity Production and Marketing (CPM) and Enabling Environment for Agriculture (EEA) Activity leaders, followed by field visits to Feed the Future Districts in Mbarara, Bushenyi, Masaka, Mubende, Mbale and Iganga for interviews with key agricultural input market players and Ag-Inputs field staff (Business Growth Specialists, BGS);
2) A review of systemic M&E data both before and after key informant interviews, with a primary focus on understanding the systemic effects of Activity interventions;
3) A debriefing with all Ag-Inputs staff during the Activity's Quarterly Review meeting from June 29th to July 3rd in Kampala.

Findings: The strategic approach taken by the Activity[4] to date focused on the development of role models among agro-dealers, who shift their business practices from traditional trading to customer service business strategies (CSBS); enabling agro-dealers to adopt CSBS by increasing the provision of business products and services from their suppliers (e.g. preferred distributors) and third party service providers (e.g. ICT, working capital finance) and, to leverage professional (e.g. industry associations) and social networks to reinforce supply and demand for CSBS. It uses changes in desired agro-dealer behaviors and practices as proxies for CSBS adoption rates. The Activity reported "evidence of a small number of instances where Ag-Inputs directly influenced business changes" among agro-dealers[5]. What accounts for limited adoption to date?

The assessment found that the current dysfunction of the agricultural inputs market has conspired against the adoption of customer service business strategies by agro-dealers and their retail customers. The expanded presence and increased sophistication of counterfeits in the market is one major reason for this market dysfunction. Reputable district level agro-dealers and their chemical and seed suppliers have had to take extraordinary and expensive measures to protect their reputations and brands from being undermined by counterfeits. Input buyers increasingly source directly from their suppliers in Kampala rather than take the risk of buying counterfeits from a third party reseller. Input sellers increasingly sell direct to local retailers and farmer groups to limit the risks of their products being diluted by briefcase retailers.

This practice adds to already high transaction costs and undermines necessary cooperation between value chain actors to get quality agricultural inputs to smallholder farmers. At a firm level, agro-dealers – the focal point of the CSBS strategy - must increase sales volume at the least possible cost in order to stay in business. This discourages the kinds of investments in better business systems and practices needed by agro-dealers. It also has undermined the Ag-Inputs *role model* strategy in the wholesale/retail portion of the agricultural inputs market.

Two other factors have contributed to the lower than expected adoption rates of the CSBS model. Selling agro-chemicals and seeds is seen as a "get rich quick" business. With a little bit of capital and a simple trading license, it is relatively easy for an individual to enter this business. As a consequence, there is a high degree of business births and deaths among start up agro-dealers. This "churn" creates competition for inputs with more reputable dealers, while also opening the door to more counterfeiting either through criminal intent or

[3] See Annex A for the schedule of activities and people interviewed during the assessment.

[4] Reference: Ag-Inputs Activity, Performance Management Plan, March 2015

[5] See "Systemic M&E Quarterly Report Y3Q3." See Table 1: Changes in Agro-Dealer Behavior and Practices" for a detailed accounting of changes reported as of January 15, 2015.

simple agro-dealer ignorance. The Government – in this case the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), Ministry of Trade Industry and Cooperatives (MITC), and Ministry of Local Government (MOLG) -- has been ineffective in regulating the ag-inputs industry: its own licensing and standards regimes (e.g. E-Verification and seed certification) are weak; and direct government interventions in agricultural inputs supply (e.g. the free distribution of seeds) crowds-out private sector initiative.

Recommendations: The Ag-Inputs Activity should focus interventions on increasing barriers to entry into the agro-inputs business, to limit further growth of less credible agro-inputs dealers, including briefcase firms. Barriers to entry are addressed in existing Ag-Inputs interventions (e.g. business licensing and tax registration campaigns with relevant public bodies) and others in the final planning stages (e.g. the anti-counterfeiting campaign, private sector-led E-Verification, and strengthened seed certification). These interventions should crowd out less credible businesses and counterfeiters, because the incentives (e.g. better supply arrangements, access to banking services to legally compliant businesses) and sanctions (e.g. threat of business closure and/or legal action) to comply with the rules will be greater than non-compliance. When the rules start to operate more effectively (once sanctions against counterfeits exceed the benefits of selling them), then agro-dealers and their retail customers are much more likely to adopt and upgrade business practices to serve farmers with higher quality and affordable inputs.

The Ag-Inputs team concurred with the assessment team's findings and the overall strategic direction proposed, and began the process of revising interventions and work plans in July 2015. This report presents the assessment's main findings, conclusions and recommendations, and outlines new initiatives for the last two years of the Activity.

BACKGROUND

Two key conceptual frameworks[6] were used to guide the assessment of expected systemic changes brought about by the Ag-Inputs Activity: the Market System Matrix (Diagram 1) which shows all system functions (core, support and rules) and players in the agricultural inputs market; and the M4P Theory of Change (Diagram 2)[7] which shows the causal model linking a market facilitation activity's intent with actions.

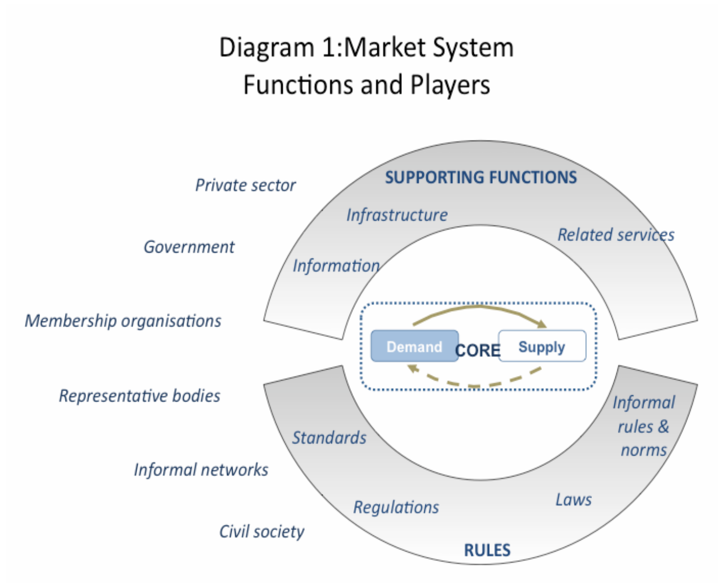


Diagram 1: Market System Matrix was used to assess the system-wide influences affecting the adoption of a more customer oriented wholesale and retail functions in Uganda's agricultural inputs market. This matrix pointed the assessment team to the weakness of public and private sector rules and their enforcement as a contributing factor to agro-dealer reticence to invest in a more customer centered business model and to use related support services.

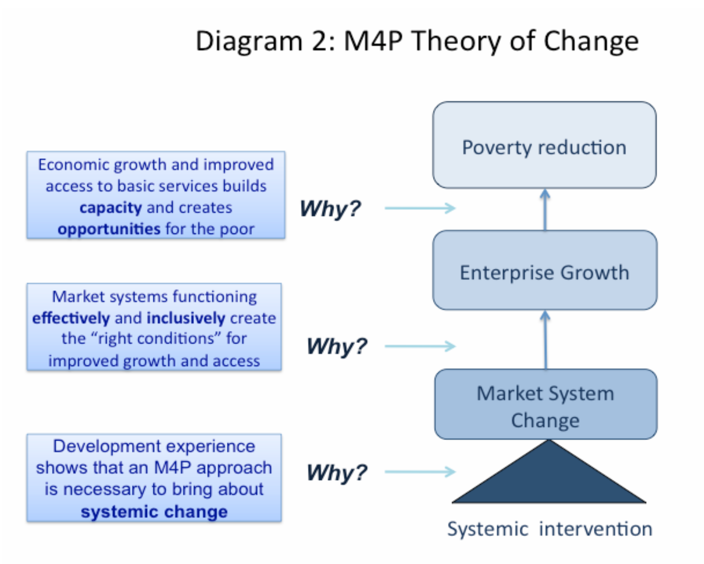


Diagram 2: The M4P Theory of Change was used to assess the Activity's theory of change as a way to understand how its actions, outcomes and organization were expected to lead to the Activity goal of better access to and use of quality agricultural inputs. This diagram was used to assess the Activity's existing theory of change and how it may have guided overall Activity efforts to unrealistically leverage wider system changes based primarily on the efforts of agro-dealers and retailers.

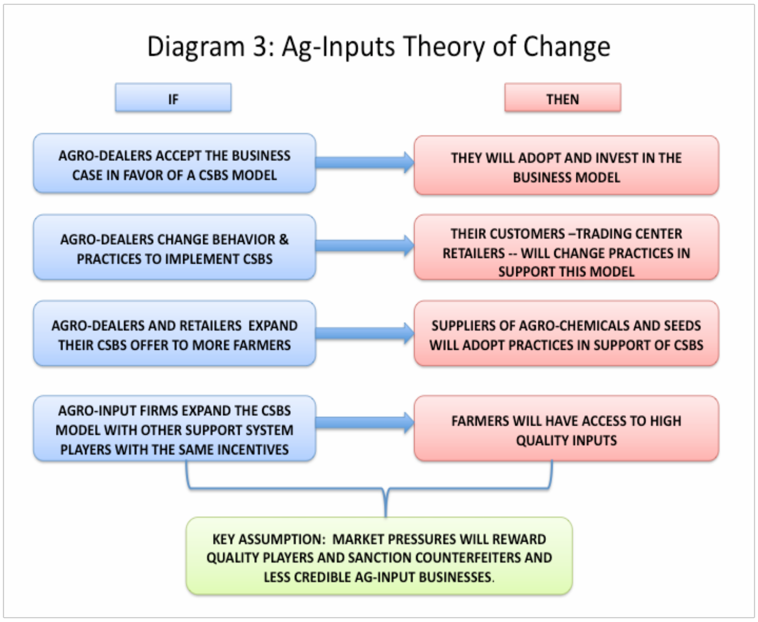
The report is divided into two sections which correspond to the key questions outlined in the TOR[8]: *Section 1* reports on the assessment's findings and conclusions (the look back); and *Section 2* discusses recommendations for the way forward including a revised strategy (theory of change) and its implications on operating tactics (offers of support), facilitation, internal organization, adjustments to outcomes and M&E data collection. The report closes (*Section 3)* with a discussion of innovations in agricultural inputs markets elsewhere in the region that could be relevant for Uganda.

[6] Courtesy of the Springfield Centre Making Markets Work Training Program.
[7] M4P stands for Making Markets Work Better for the Poor and was coined in a seminal DFID paper prepared for an ADB/DFID 'learning event' held in Manila in February 2005.
[8] See Annex F for the TOR.

Section 1: Findings and Conclusions

A. FINDINGS

The assessment's findings draw from three sources: (i) interviews with agro-dealers, suppliers and retailers of chemicals and seeds and their national associations[9]; (ii) interviews with Ag-Inputs staff in Kampala and with Business Growth Specialists (BGSs) in the field; and data from the Activity's monitoring and evaluation system.



1. Ag-Inputs Theory of Change

The Activity's underlying "theory of change" and its operational strategy first must be unpacked to serve as a frame of reference for the strategic and operational adjustments recommended by this assessment. *Diagram 3: Ag-Inputs Theory of Change* articulates the "implied" theory of change that has guided the Ag-Inputs Activity to date. The logic is straightforward: If district town based agro-dealers buy-in, adopt, and expand the CSBS strategy and realize the benefits of increased sales and profits from delivering quality inputs to a loyal customer base, then their customers (trading center retailers) would follow their lead and adopt similar customer oriented business practices. Concurrently, the Ag-Inputs team identified suppliers who could serve as "role models" to other suppliers through the changes they make in their business practices, to support agro-dealer customer service innovations.

At the start of the Activity, most agro-dealers could be characterized by their use of simple trading practices and, as a consequence, they lacked any knowledge (or interest to know) about their customers. Agro-dealer customers would be greeted by a person behind the counter with little or no formal training, with no stock of the customer's preferred brand, leaving them with no choice but to purchase whatever was in stock. Despite these drawbacks, the Activity chose district based agro-dealers as the leverage point to bring about the desired change in the ag-inputs market because of their numbers – at least 2,500 agro-dealers of varying size and sophistication - and their reach throughout Feed the Future districts.

The Activity identified agro-dealers who were willing to adopt customer service business strategies and offered them a bundle of services. These included workshops on CSBS, linkages with ICT firms, SMS aggregators and radio stations for better management and marketing, equipment demonstrations and cost share support for joint marketing or technology adoption. Simultaneously, the team identified suppliers of agro-chemicals and seeds to explore "preferred distributor programs" and carry out plant clinics for agro-dealers who were making the shift to customer-oriented strategies.

[9] Uganda Seed Traders Association (USTA), Uganda National Agro-Input Dealers Association (UNADA, and CropLife/Uganda.

2. Some Adoption of CSBS Strategies but not Transformative

Quarterly reports have documented[10] and this assessment confirmed some of the positive change that have occurred in the first three years of the Activity. Individual agro-dealers of different sizes and sophistication are adopting CSBS in whole or in part, and providing better service to their customers[11]. Examples include:

- In *Mbale*, an agro-dealer expanded utilization of their customer records to identify customers to be trained in tomato disease management and develop demonstration gardens.
- In *Masindi*, an agro-dealer has been utilizing its customer records for SMS marketing, which has drawn attention to his business from many farmers in the region and most recently new customers among ginger farmers.
- An agro-dealer in *Masaka* has started outreach campaigns based on crops grown and areas of production for different farming systems. The firm has contracted extension workers and developed training materials.
- In *Jinja*, an agro-dealer has been assisting a local association of maize farmers to forecast seed requirements for next season, based on last season's maize sales.
- A woman-owned agro-dealer in *Lira* has been maintaining and updating a very simple, efficient and effective business system to manage inventory and calculate her daily, weekly, and monthly sales and expenses, and ultimately, calculating profits for the first time.

While some evidence exists of individual agro-dealer adoption and use of CSBS strategies, adoption rates have not approached the breadth (scale) or depth (continuous adaptation and investment) required to transform the ag-inputs market from simple trading practices to improved sales and added value service strategies. In fact, the last Quarterly Report (April 2015) concluded: *some target firms have not yet seen the value of developing and utilizing customer management systems*.

3. CSBS: A Tough Sell in Today's Ag-Inputs Market Context

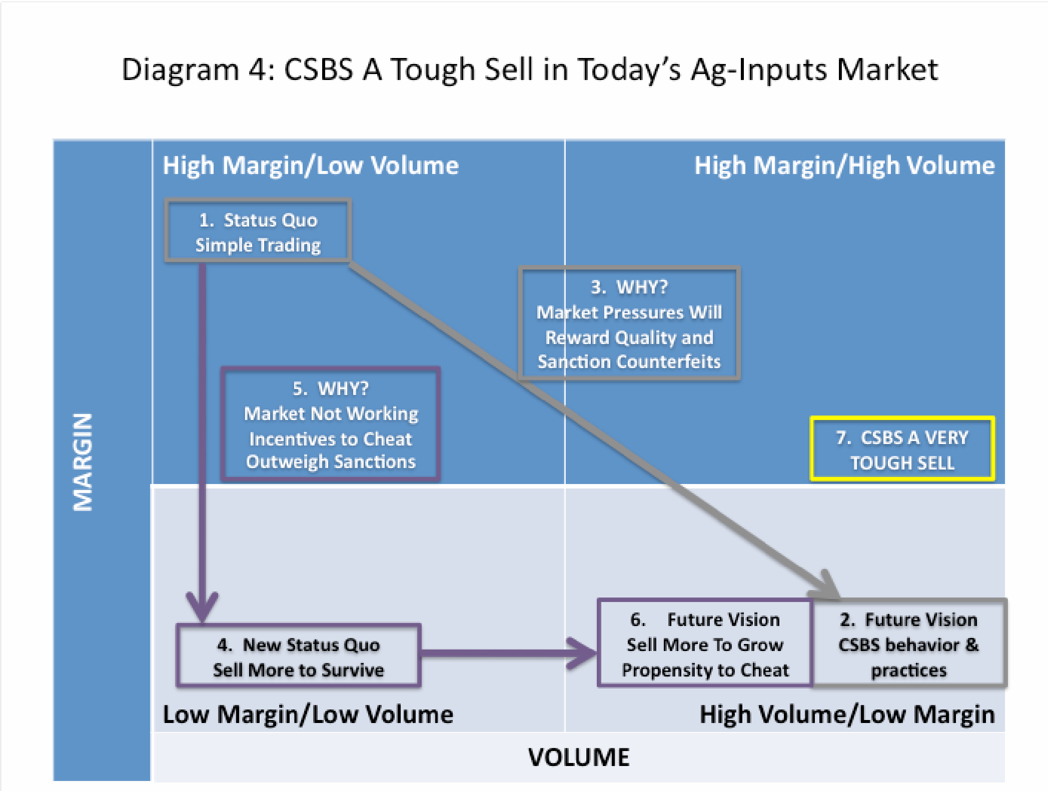
The assessment team found that the CSBS model is a very tough sell in the current context of the ag-inputs market system:

- Frequent price wars between reputable firms and counterfeiters have squeezed margins;
- Many new (and mostly unqualified) entrants in the "agro-dealer" space have increased competition for customers; and
- Higher real costs of doing business due to frequent trips by agro-dealers to Kampala to source products directly from suppliers squeezes margins further.

Diagram 4: *CSBS A Tough Sell in Today's Market Context* is a synthesis of the many interviews conducted with agro-dealers in the course of the assessment. This table looks at two variables – profit margins and sales volume – to compare and contrast the business strategies envisaged by Ag-Inputs at the start of the Activity with what appears to be the current, and dominant, business strategy in use today by agro-dealers.

<u>Envisaged Future Business Strategies</u>: At baseline, a simple trading model might be positioned in the high margin/low volume quadrant in the diagram. Agro-dealers didn't invest much in attracting and/or keeping customers so their costs would be low and margins high. This low-volume approach creates incentives to sell

[10] Source: Ag-Inputs Quarterly Report of April 15 from data compiled in the M&E system.
[11] Reference: Ag-Inputs Quarterly Report April 2015.



dated or fake products to raise margins, and customer service takes a back seat, creating a revolving door of customer dissatisfaction. Activity interventions were expected to increase consumer demand for better quality ag-inputs from its very low base[12] and this in turn, would require agro-dealers to shift their business strategy from low volume/high margin to high volume/lower margin. This shift would be revealed in Activity data on changes in agro-dealer behaviors and practices and be rewarded with more sales from a loyal customer base.

Diagram 4: CSBS A Tough Sell In Today's Ag-Inputs Market tells the story of this shift by following the gray arrow from the Status Quo (1) in the upper left quadrant to the Future Vision (2) in the lower right quadrant. The core assumption ((3) Why?) behind this shift is that the ag-inputs market would perform its function by rewarding quality performers while sanctioning counterfeiters and less credible agro-dealers.

<u>Current Business Strategies</u>: The core assumption has proven to be invalid. The incentives to cheat continue to outweigh the cost of sanctions ((5) Why?). Counterfeiters appear to be able to *parry every thrust* by sophisticated suppliers to protect their brands[13] and they face few if any reprisals (Text Box 1) even when their base of operation is known.[14] Farmers are as price conscious as ever and, according to Ag-Inputs BGS' s, they knowingly purchase counterfeits: *If there is a good chance I'm going to buy a counterfeit anyway, why buy the more expensive counterfeit*[15]. And, those farmers who are more quality conscious are reluctant to enter the market for fear of being cheated.

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[12] Uganda has one of the lowest rates of fertilizer application (1.8 kg/ha) and use of improved seed (10 – 15% of farmers) in Sub-Saharan Africa (IFDC 2008; World Bank 2014).
[13] Seed supplier NASECO spent USH 200 Million ($58,000) on tamper proof packaging only to find that counterfeiters were able to replicate the same tamper proof, rendering the new packaging useless.
[14] Occasionally Uganda National Bureau of Standards (UNBS) conducts police raids and seizes fake product. In a recent June 15 raid at Container Village UNBS could not physically remove the goods for lack of transport. Source Doug Griffith, EEA.

The agro-dealers who were interviewed, many who have been in business for more than a decade, reflected that if they must increase their sales volumes by capturing new sales in known markets just to survive (follow the purple arrow from (1) Status Quo in the upper left to (4) New Status Quo in the lower left quadrant) and, if they want to grow, they must expand sales through geographic expansion into more distant and costlier areas to serve existing and new markets (follow the purple arrow from the (4) New Status Quo in the lower left quadrant to (6) Future Vision Sell More to Grow. in the lower right quadrant).

> *Text Box 2: Innovations in Cheating*
> Bukoola's Marketing Manager reported incidents of alarming frequency of "unhappy" customers with a "receipt" in hand demanding refunds of ineffective "Bukoola" products purchased from a "distributor". Turns out there is a brisk trade in counterfeit "receipts" of favored brands ranging from agro-chemicals -- Bukoola has 40% of the agro-chemical market – to seeds, cosmetics, whiskey and computer parts. To counter this trend, Bukoola opened its own branch in Container Village to offer buyers a genuine alternative to both fake "products" and fake "receipts".

This form of "bad" competition does not lead to innovation around quality and customer service but instead stimulates more cheating either through criminal intent (see Text Box 2) or simple negligence by unqualified new entrants and causes many credible and experienced agro-inputs dealers to knowingly make unwise and unsustainable investments in order to protect their reputations and their brands.

K-Mubende, a third generation family owned agro-dealer with two shops in Mubende, recently hired, trained and equipped two "field workers" with motorcycles to sell inputs directly to farmers and associations. From a systems perspective, one would applaud this investment in outreach to farmers, until one learns that the main reason for this investment is to by-pass trading center stockists in order to protect K-Mubende's inputs from dilution, and to protect his reputation and brand.

> *Text Box 3: We caught them red-handed but so what!!*
> One seed company executive, posing as a farmer, lured a counterfeit seed trader into a trap. The trader arrived at the appointed destination and offered to sell a 30 kg bag of "high quality" maize seeds professionally packaged (the brand read The Best Maize Seed Company, India and the UK) for a price of USH 1,800/kg or far below the actual market price of USH 4,500/kg for hybrid maize seed. The cheats were caught red-handed with a sack full o f maize kernels but the seed exec couldn't afford the high costs and delays to file a court action, opting, instead to press coverage and sending out alerts.

Bukoola tried to implement a preferred distributor program in one district but because of the jealousy invoked among agro-dealer customers who were not chosen as preferred distributors, it was then abandoned. The company dropped a more efficient distribution system in order to retain loyal customers in the district. The firm feared the loss of customers due the pressing need to keep expanding quantity because of low margins.

Ironically, credible agro-dealers are shifting their business strategies from **high margin/low volum**e to **high volume/low margin**, as was anticipated by Ag-Inputs, but not to differentiate themselves by quality and customer service but rather to go after more sales in a very competitive and confused market. Profits that might otherwise have been invested to improve CSBS related systems, such as customer databases, inventory control, financial management, or joint marketing with suppliers, are being used, instead, to invest in more costly direct sales strategies.

4. Cross Walk Assessment Findings with Systemic M&E Data

The assessment concluded that the current strategy of transforming agro-dealers from simple trading to customer service oriented businesses is not working at sufficient scale to bring about meaningful wider system change. This finding is confirmed by the information contained in *Tables 1 and 2* below which were compiled from systemic data collected and analyzed by the Activity.

Table 1: Changes in Agro-Dealer Behaviors and Practices

Internal Change	Target Firms (47)	Non Target Firms (210)
# Firms whose changes involved retailers	5 (11% of TFs)	6 (3% of non-TFs)
# Firms whose changes involved suppliers	4 (8% of TFs)	2 (1% of non-TFs)
# Firms who started/improved collecting customer data	7 (15% of TFs)	4 (2% of non-TFs)
# Firms improved financial systems	6 (13% of TFs)	10 (5% of non-TFs)
# Firms who hired new technical staff	5 (11% of TFs)	7 (3% of non-TFs)
# Firms who improved inventory systems	1 (2% of TFs)	5 (2% of non-TFs)
# Firms whose changes targeted farmers directly	12 (26% of TFs)	25 (12% of non-TFs)

Table 1: Changes in Agro-Dealer Behaviors and Practices reports data on changes in internal practices made by agro-dealers in the six month period, August 2014 – January 2015[16]. From this table, it is reasonable to conclude that approximately 10 – 25% of target firms have made changes in key aspects of business management, over a five month period. Some of the changes were major, such as the purchase of a customized business management software package[17] while other changes were quite minor such as the purchase of receipt books, which allow agro-businesses to track sales, and also allow customers to request refunds if products are not effective. Even though the data shows that a higher percent of target firms have adopted internal business management changes than non-target firms, the percentage of adopting firms is well below what Activity staff had expected at this stage in implementation.

The last line in the table, *# Firms whose changes targeted farmers directly,* could be interpreted to mean that agro-dealers are by-passing instead of working through trading center retailers to serve the end consumer. While this practice may be necessary in the current market context, it adds to the system's inefficiency and further invalidates the Activity's original theory that agro-dealers would be a good entry point for creating change amongst retailers. In sum, the table shows that improvements in business practices have been neither widespread nor transformative.

Table 2: "Churn" of wholesaler-supplier relationships

	Season 1, 2014	Season 2, 2014
Total number of supplier-wholesaler relationships recorded	**1363**	**1510**
# of relationships that were listed in both **first and second season**	**833 (55%)**	**833 (55%)**
# of relationships in the **first season** that did not appear in the **second season**	**530 (39%)**	N/A
# of connections in the **second season** that did not appear in the **first season**	N/A	**677 (45%)**

Table 2: "Churn" of wholesaler-supplier relationships shows a high degree of discontinuity in wholesaler and supplier relationships from season to season (39% from Season 1 to Season 2 and 45% in Season 2 that did not appear in Season 1). Agro-dealers, much like their customers, are price sensitive and will switch to suppliers who offer slightly better prices and terms of sale, especially credit sales.

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[16] Investigations conducted by the M&E team of target and non-target firms.

[17] The vendor who has sold/installed/trained agro-dealer buyers in this USH 1 million ($315) software package reports that they use only a fraction of the software's capacity to manage their business better.

Adoption of CSBS would indicated through season-to-season continuity in agro-dealer/supplier relationships based on trust, reliability and services.

The assessment team did discover some evidence of desired systemic change: some change can be attributed to the solution seeking behavior of market players in a difficult market context; other changes can be attributed to the work of the Ag-Inputs team (see example below).

Local Initiatives in Creative Problem Solving: With support from the Ag-Inputs Activity, the Greater Masaka Agro-Dealers Development Association (GMADDA) was created by 12 local agro-dealers. They formed a support group largely because of the failure of their national association, UNADA, to meet their local needs. They have taken joint action to:

- Fight counterfeits by reporting cheats to local authorities;
- Pool their resources to offer spraying services to members; and
- Organize a sophisticated bulk buying scheme with input suppliers and local banks, which failed to get off the ground because of a lack of member capital.

The presence of similar self-organizing local associations that have managed to get through the early and difficult stages of formal registration represent opportunities to foster wider systemic change in the future.

Table 3: Why did agro-dealers report receiving more product knowledge?

Percentage of their suppliers that wholesalers regularly relied on for product knowledge....

	First season, 2014	Second season, 2014	#1 reason why that number changed?
Target firms	21.8%	41.0%	
Non-target firms	32.4%	28.4%	"I started seeking it from suppliers."

More Thirst for Knowledge: *Table 3 Why Agro-Dealers Report Receiving More Product Knowledge* shows that agro-dealers are actively seeking more product knowledge from their suppliers, possibly to pass on to their customers or to protect themselves from counterfeits. Whatever the driver, this data signals a positive trend in support of a system that could value knowledge embedded in the sales transaction. Some suppliers have also invested in building the product knowledge of its customer base. For example, Bukoola organized six plant clinics – as part of company promotional events -- with agro-dealers in Central and Eastern Uganda, which were attended by a total of 335 individuals in all six locations. A new entrant into the Ugandan market, Osho Chemical Limited, a Kenyan based firm dealing in agro, veterinary and public health related chemicals, has major plans to use education based promotional strategies to build its brand around quality and reliability.

Audience-Led Programs in Agriculture Are Taking Off: Twelve radio stations in Feed the Future districts continue to air and invest their own resources in weekly audience-led agribusiness programs that reach more than 12 million listeners, most of whom are farmers. Besides helping individual firms to market themselves, media has and will continue to play the role of drawing attention to cheats and those who protect them, while also shedding a light on positive changes in agriculture and the ag-inputs market.

Text Box 4: Agri-Voices – interviews with farmers airs in more time slots than ever before.
"We have recently started live "on air" programs during agriculture fairs or other big events. Our audience wants more technical information on agriculture and so, we offer call-in shows with agriculture experts. Politics and entertainment holds the greatest interest for our audience but agriculture topics are becoming increasingly popular and we could do more with sponsorships."
Mubende, Heart FM Manager

Heightened Awareness of Rules/Regulations by Ag-Inputs Firms: Right now the ag-inputs market system suffers from a lack of enforcement mechanisms for existing formal rules, especially the lack of any legal recourse to arrest, jail, or fine counterfeiters. Nonetheless, messages from government to small businesses on licensing, tax, and registration compliance are reaching agro-businesses. The Uganda Revenue Authority (URA), for example, conducts very aggressive campaigns to educate small businesses on the benefits, costs, and risks of not securing a Tax Identification Number (TIN) as a first step to paying tax on their business earnings.

Coalition Building in Support of Private Sector Led Rules: The Ag-Inputs Activity is poised to launch two very important initiatives: E-Verification of agro-chemicals through a foreign private company licensed by UNBS; and a private sector alternative to the government's seed certification program. Interviews with agro-dealers, seed companies, and agro-chemical suppliers indicated broad support for such initiatives, even though it will add nominal costs to their operations.

This report now shifts from an assessment of Ag-Inputs' current strategy to recommendations for a revised strategy that would focus attention on raising barriers to entry into the agro-inputs market, and establishing standards for ag-inputs firms who wish to enter and stay in the ag-inputs market. E-Verification, seed certification, and initiatives that aim to formalize agro-dealers are precisely the type of interventions which the Ag-Inputs team needs to focus on now, in order to facilitate eventual greater adoption of CSBS by agro-dealers and links to providers of SMS marketing, working capital finance, spray services, and other critical support services.

B. CONCLUSIONS

The assessment concluded that the Ag-Inputs Activity should re-formulate its strategy in order to achieve its goal of increased access to and awareness of quality agro-inputs by maize, bean, and coffee farmers. The strategy needs to shift from its current dedicated focus on changing the behaviors and practices of individual agro-dealers, their suppliers and customers to a more urgent priority on getting the rules of the game – public, private rules and informal business norms – to operate more effectively.

The current dysfunction of the agro-inputs market -- due to the pervasiveness of counterfeits in the system as well as a high number of less credible businesses entering and exiting this market -- conspires against the adoption by agro-inputs firms of new, more customer oriented business practices aimed at establishing long term trusting relationships when, in fact, mistrust dominates the agro-inputs market system. Mistrust has upset value chain relationships: suppliers of agro-chemicals and seeds are by-passing district town agro-dealers and selling directly to retailers or farmers to protect their brands and reputations; and agro-dealers and retailers are reticent to buy from suppliers' agents and source directly from Kampala suppliers, to ensure the purchase of genuine products[18].

The Ag-Inputs team is already well positioned to take the kind of actions needed to advance this shift in strategy. Past initiatives to formalize agro-inputs business with relevant licensing and tax authorities needs to be better coordinated and accelerated; and, planned initiatives to put in place private sector-led E-Verification (for agro-chemicals) and strengthened seed certification regimes could be game changers in reducing the pervasive presence of counterfeits in the market.

This shift in strategy will not overcome system wide problems overnight. However, the actions cited above when combined with others[19] – heightened media attention on counterfeits, stronger quality demand signals from farmers, name and shame tactics by peers (farmers, agro-dealers, suppliers) – should create better market conditions within the next year for the Ag-Inputs team to return to its goal of enabling the adoption of customer service and business solution strategies by all firms in the core market required to increase farmer access to and proper use of genuine ag-inputs. In short, the goal remains the same but the theory of how desired change is more likely to take place is different.

[18] Container Village in Kampala is assumed to be the hotbed of counterfeit products, from electronics to agro-chemicals. Little is known about how this black market operates – who buys how much of what – and how it penetrates the agriculture market. These questions were outside the purview of this assessment; however, there are at least 11 research initiatives on this topic with which Ag-Inputs needs to link. (Source Martin Fowler/USAID).

[19] The adoption of new government policies and regulations promoted by EEA and better practices by off-takers of maize, beans, and coffee will also contribute to the improved functioning of the ag-input market system.

SECTION 2: RECOMMENDATIONS FOR THE WAY FORWARD

When the incentives of a significant number of market players -- farmers, retailers, agro-dealers and suppliers of chemicals, seed and fertilizer -- are aligned around quality and reliability of ag-inputs, only then will the goal of increased and sustained access and use of quality agricultural inputs be achieved. The Ag-Inputs Activity has been working with core value chain and support service actors to realign their incentives and build their capacities to deliver quality inputs, but it has been doing so in the face of a very strong headwind of market dysfunction. Still, this goal remains valid and doable. The Ag-Inputs Activity needs to revise its strategy – or theory of change – to arrive at this destination or at least get a lot closer to it in the remaining two years of the contract.

This section of the report opens with a discussion of the revised strategy by unpacking the theory of change upon which it is based. A revised strategy carries with it many operational implications in terms of focus, market partners, offers of support to them, facilitation tactics and roles, organizational set up, and the outcomes used to track progress and adjust actions. The operational implications listed below were reviewed with the Ag-Inputs team and addressed in part by means of facilitated work planning sessions during its last Quarterly Review meeting[20]. These points below will be addressed in order:

- Urgent focus by all teams on actions that facilitate coordinated efforts by both the public and private sectors to get the rules of the game (formal and informal) to operate more effectively.

- Reframe all current Activity offers to the ag-inputs market to facilitate better cooperation among market players to advance better forms of competition that reward quality and compliance with the rules of the game.

- A more pro-active interpretation of the Activity's role as a facilitator to "lead" the market system change process from behind the scenes and, if required, to temporarily take on market roles with a valid justification and a credible exit strategy.

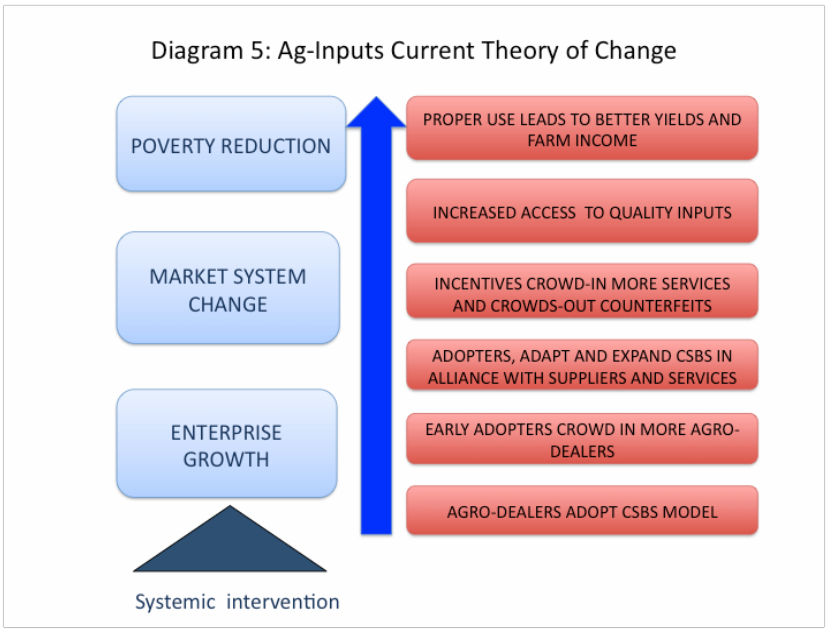
- Retain the current organization structure – the three HQ teams and field based BGS's – but put in place mechanisms to improve inter-team communication and involvement in planning and implementing Activity activities.

- Adjust the M&E system to ensure outcomes are aligned with the revised theory of change and the reframing of the Activity's offers to the ag-inputs market.

[20] The Quarterly Review meeting was held in Kampala from June 29th – July 7th. Marshall Bear presented the findings/conclusions from the assessment and facilitated a number of planning sessions addressing the operational implications of the revised strategy until his departure on July 4th.

A. REVISED THEORY OF CHANGE

Diagrams 5 and *6* offer a comparison of the current versus the proposed revised theory of how change is more likely to occur in the current context of the ag-inputs market in favor of increased access and proper use of quality ag-inputs. At first glance, the reader might think that the two theories of change are so similar as to be indistinguishable from each other. A more careful review reveals significant differences with major implications with respect to Activity operations.



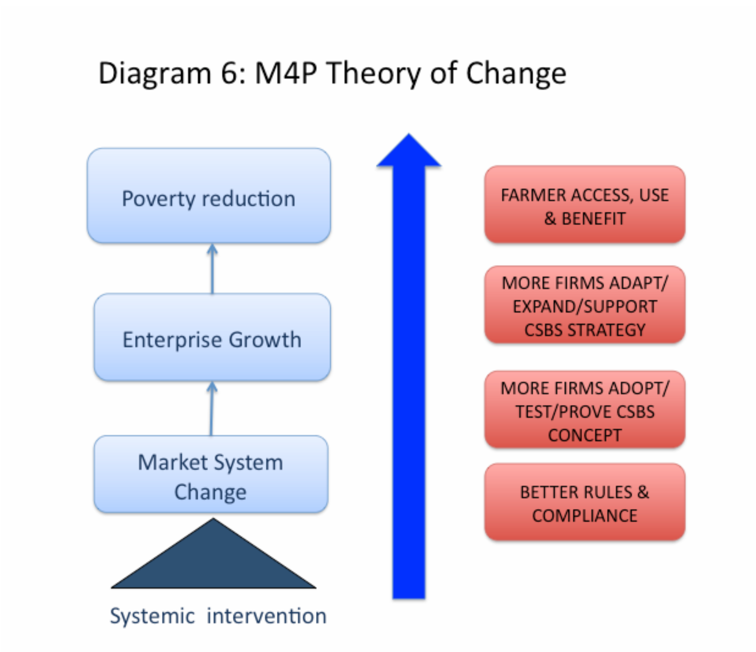
A general theory of change underlying *Diagram 5* (the blue boxes) is that enterprises must grow before wider system change will occur. Most enterprise support programs are founded on this theory: private sector firms will innovate and lead the way for other firms to follow; the demonstration effect of innovators and early adopters will influence change in other system functions – rule setters will create a more enabling business environment and support service providers will see it in their best interest to support the growth of this innovation. Ag-Inputs' current strategy is guided by this general theory as represented by the sequence of change depicted in the red boxes: innovative agro-dealers would lead the way by showing their competitors, suppliers, and customers the bottom line benefits of adopting CSBS; this would crowd in more adopters which would eventually lead to a shift in the norm on agro-dealer best practices; this shift would crowd-in more services demanded by agro-dealers to continually improve their systems and practices; and crowd-out counterfeiters and agro-dealers still using simple trading practices.

Ag-Inputs operations have been guided by this theory of change: BGS's identify, mentor, and coach agro-dealers willing to adopt and implement a CSBS. The Role Model team identifies and works with suppliers of chemicals and seeds to create new type of relationships between them and agro-dealers. The Support Systems and Noise & Networks teams pilot test a range of value added services designed for greater management efficiency (e.g. ICT based systems), better marketing (e.g. SMS and radio promotions), more formalization (e.g. business licensing/registration) and new revenue enhancing services (e.g. spray services and/or equipment sales).

This concentrated focus on agro-dealers was a strategic use of Activity resources to catalyze a change process that isn't working, for reasons of ag-input market dysfunction and the absence of any real incentives for cross cutting service providers -- including SMS aggregators, banks and government agencies -- to target a small sub-set of SMEs (see Text Box 4 and quotes from Ag-Inputs staff). Ag-Inputs' strategy needs to change and so does the theory of change that guides it, to reflect current market systems and system dysfunction.

> *Text Box 5: Why Target Agro-Dealers?*
> Our business registration campaigns could not focus just on a small subset of SMEs – agro- dealers – when our Government partners are looking to register/license all SMEs.
>
> After his pitch session with agro-dealers, the SME aggregator said it was a waste of his time to pitch only 11 firms when his monthly sales targets are 10 times greater.

Diagram 6: M4P Theory of Change represents the general theory associated with the market systems approach (the blue boxes). It posits that: (i) enterprise growth is a necessary but not sufficient condition to bring about poverty reduction; and, (ii) sustained enterprise growth requires a foundation of better functioning market systems that work for poor people, as both consumers and suppliers of goods and services.



M4P practitioners focus their resources on bringing about wider systemic change using a mix of interventions: piloting new business models, getting the word out to competing and supporting firms with incentives to learn about innovations, addressing disabling rules (e.g. government regulations, private sector standards and informal rules embedded in the socio-economic context) to encourage more adoption, adaptation, and expansion of Activity supported innovations, with a declining use of Activity resources.

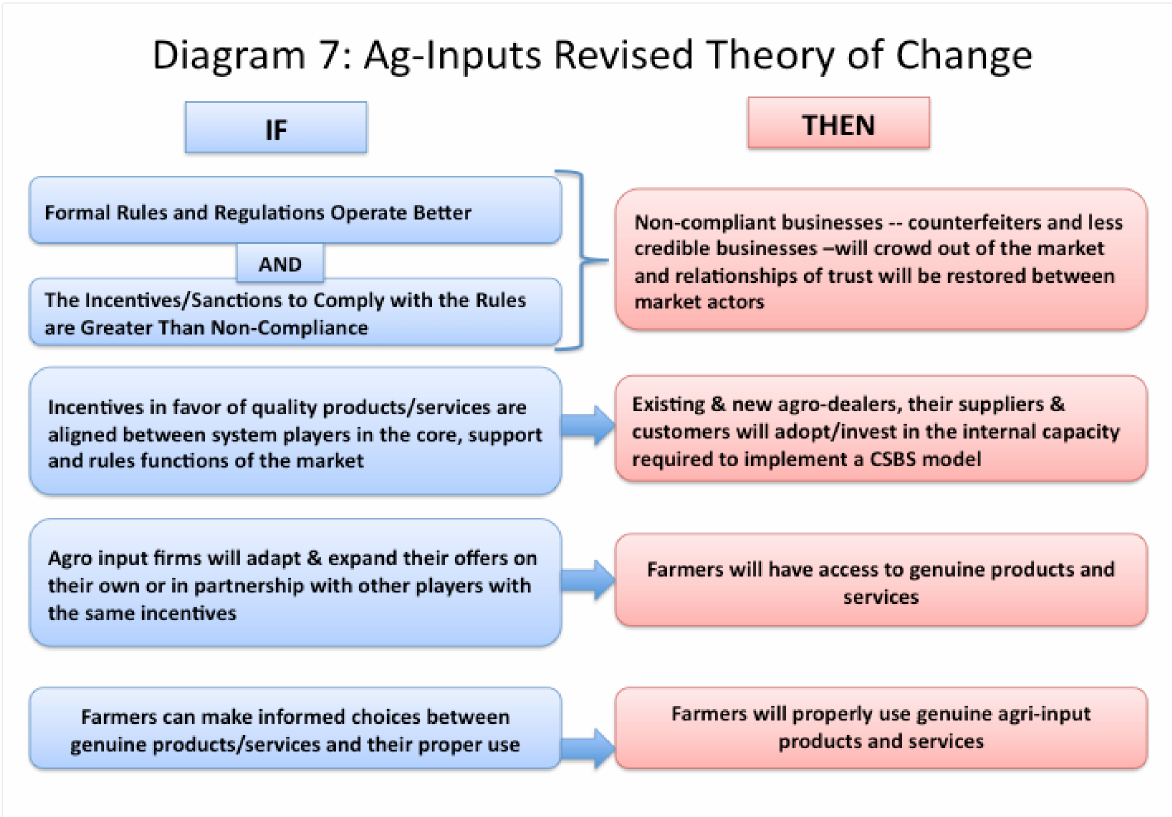
The above describes *WHAT* Ag-Inputs is doing: what's different is the *WHY* behind these interventions. Under its current strategy, Activity interventions aim to facilitate changes for target firms whose collective demonstration effects will cause the market system to improve. Market systems change is not the focus, but a hoped for result of Activity innovations.

In the revised strategy – *Diagram 7: Ag Inputs Revised Theory of Change*[21] -- the focus of all interventions in the near term will be to raise the barriers to entry and impede growth of less credible businesses in the supply, distribution, and sale of ag-inputs in order to demonstrate that incentives and sanctions to comply with the rules of the game[22] are far greater than non-compliance.

The push to promote adoption of CSBS directly with agro-dealers will take a back seat to other more important interventions: anti-counterfeiting campaigns beyond the work of the existing Transparency International Uganda (TIU) hot-line; formalizing ag-input businesses; launching E-Verification and seed certification services; strengthening demand-side signals for genuine agricultural inputs; exploring alternative distribution models with input suppliers; and testing alternative models of working capital finance and spray

[21] See Annex B for a more detailed unpacking of the theory of change with assumptions.
[22] These include formal government rules/regulations; formal private sector rules (e.g. E-Verification, seed certification); and informal rules and business norms (e.g. peer pressures name/shame counterfeiters).

service provision that meet the tests of scalability. The Ag-Inputs Activity is well positioned to advance the revised strategy guided by an improved theory of change as they already know the market players.



At its June 2015 Quarterly Review meeting, the Ag-Inputs team began the process of aligning operations with this revised strategy by: (i) adjusting interventions or offers of support to the ag-inputs market; (ii) cross checking and revising Activity outcomes against the new strategy and updated offers; (iii) reviewing their role as market facilitators; and (iv) revising internal staffing structures to best advance Activity goals in the remaining 2.5 years of the Activity. The report now turns to a discussion of this assessment's contribution to work plan outputs that were developed by the Ag-Inputs team during its Quarterly Review meeting.

B. GUIDELINES FOR RE-FRAMING OFFERS TO THE AG-INPUTS MARKET

The findings from this strategic assessment urge the Ag-Inputs team to focus and sequence its offers of support on facilitating better cooperation between all ag-input market system players in order to restore trust and consumer confidence in the capacity of the market to deliver genuine inputs that can be properly used by farmers.

Table 4: Facilitating Cooperation identifies seven priority offers within the Activity's existing portfolio on which it will focus to advance towards its goals:

- Anti-Counterfeiting Campaign
- Private Sector Seed Certification
- E-Verification
- Compliance/Enforcement of Ag-Input Business Licensing and Tax
- Alternative Distribution Models
- Professionalize Agro-chemical Supply and Spray Service Provision
- Working Capital Finance

All seven of these offers are important and will be pursued over the remaining 2.5 years of the Activity; however, some offers take precedent over others, as they are expected to create the conditions for the other offers to work more effectively.

An intensive, time limited anti-counterfeiting campaign jointly launched by the public and private sector aims to go beyond the rhetoric to reduce counterfeits in the agricultural inputs market. This campaign might very well galvanize the efforts of other interested parties to join in this action.

A coordinated public sector led effort to inform/register ag-input firms with licensing, regulatory, and tax authorities provides these firms an opportunity to demonstrate their credibility and legitimacy by complying with these rules and regulations. The private sector, government endorsed E-Verification and seed certification mechanisms will, like the above-mentioned offers, engage market system players in setting, informing, enlisting, and enforcing compliance to formal private sector rules.

These coordinated and planned initiatives will signal the seriousness of intent of all stakeholders to restore trust and confidence in the ag-input market and its capacity to reward quality and sanction cheats. This, in turn, should encourage new initiatives by market actors – suppliers, distributors, retailers, farmers and support services – to find better, smarter, and cheaper ways to stimulate demand and strengthen supply of quality ag-inputs. Input suppliers will have more incentives to explore new forms of value chain organization to increase efficiency and customer value. Financial institutions will have more incentives through databases on legally compliant ag-input firms to design and launch new customized lending products. Market system players – private and public -- will encourage and support qualified individuals to start agriculture service enterprise – such as spray service provision – because it's good for business (more sales of chemicals) and good for the system (improved, safe and controlled use of harmful chemicals, and decreased pest impacts on yields, as well as employment generation, which increases potential demand for services by increasing incomes).

At its last Quarterly Review meeting, the team crafted new offers, and reframed existing offers around the principle of facilitating cooperation between market actors in order to stimulate better competition that rewards buyers and suppliers of quality ag-inputs. *Table 4: Facilitating Cooperation* provides a summary of reframed offers – and their team designation – that were developed at the Quarterly Review meeting. Four questions guided the framing of each of these offers[23]:

Table 4: Facilitating Cooperation

	ANTI-COUNTERFEIT [Noise/Networks]	SEED CERTIFCATION [Seeds]	COMPLY/ ENFORCE [Support Services]	DISTRIBUTION MODELS [Role Model]	PROFESSIONAL SPRAY SERVICE [Support Services]	WORKING CAPTIAL FINANCE [Support Services]
WHO needs to cooperate	DLG, MEDIA, FARMER & INDUSTRY ASSOC'S,	UGOCERT CHEMIPHAR SEED FIRMS MAAIF (NSCS)	DLG, URSB, URA, MAAIF, INDUSTRY ASSOC, POLICE	SUPPLIERS, AGRO-DEALERS, RETAILERS, FARMERS & DLG.	URSB, URS, UNADA, DLG, CROPLIFE, SPRAY PROVIDERS	AG-INPUT FIRMS, FINANCIAL INSTITUTIONS, TELECOMS,
WHY should they cooperate	SYNERGIES OF HUMAN, FINANCIAL AND POLITICAL CAPITAL TO FIGHT CHEATS	FASTER, CHEAPER WAY TO REGULATE SEED INDUSTRY, PROTECT BRAND AND OPEN NEW MARKET FOR LAB	FASTER, MORE RELIABLE WAY TO LICENSE, REGULATE AND TAX AG INPUT FIRMS	COOPERATION BTW VALUE CHAIN ACTORS CAN RESTORE CONSUMER CONFIDENCE	INCREASE AG PRODUCTIVITY THRU BETTER USE OF CHEMICALS WHILE PROTECTING THE ENVIRONMENT	INCREASE ACCESS TO FINANCE WHILE ENCOURAGING AG-INPUT FIRMS TO MEET ALL LEGAL REQUIREMENTS
WHAT do they get when they cooperate	CREDIBILITY W/ MEMBERS, PEERS, AUDIENCES FOR FIGHTING CHEATS AND REWARDING HONEST BUSINESS	LOCAL COST-EFFECTIVE, CREDIBLE SOLUTION TO SIGNAL QUALITY TO BUYERS OF SEEDS.	AUTHORITIES MEET REGISTRATION & REVENUE TARGETS WHILE BEING SEEN AS FAIR AND TRANSPARENT.	INCREASED DEMAND FOR QUALITY AND IMPROVED CAPACITY OF VALUE CHAIN TO FORECAST DEMAND AND DELIVER QUALITY INPUTS	POSTIION INDUSTRY AS PRO-ENVIRONMENT WHILE ALSO CREATING INFORMED DEMAND OF PROPER USE OF CHEMICALS	REDUCED RISK TO LAUNCH NEW BANK PRODUCTS BY INDUSTRY EFFORTS TO INSURE LEGAL COMPLIANCE OF BANK CUSTOMERS.
WHAT does the market system get	RAISE AWARENESS OF SANCTIONS FOR CHEATING AND RESTORE TRUST IN MARKETS	SHIFTING THE SYSTEM NORM IN FAVOR OF QUALITY	PROMOTE AN IRREVERSIBLE TREND OF AG-INPUT FIRMS SEEING THE BENEFITS OF FORMALIZATION	AG INPUTS MARKET COMPETES ON QUALITY AGAINST ACCEPTED INDUSTRY STANDARDS.	A MORE EFFICIENT WAY TO REDUCE WEEDS INCREASE YIELDS WITH ABILITY TO EXPAND ALONG WITH FARMERS	AN ENFORCEABLE MARKET RULE THAT REWARDS COMPLIANT FIRMS AND SANCTION NON-COMPLIANT FIRMS.

Who needs to cooperate? Ag-Inputs will continue to be engaged with a broad mix of ag-input firms and their industry associations, private firms in ICT, banking and the media, and a broad range of national government departments and local government. Stronger relationships will be sought with farmers associations and cooperatives to stimulate demand for quality inputs and use peer pressure to curtail purchases of counterfeit inputs. New relationships are being sought with Uganda Organic Certification (UGOCERT), a certifier of organic exports in Uganda, and Chemiphar, a private International Seed Testing Association (ISTA) accredited testing lab, as institutional partners with the GOU, seed companies, and Ag-Inputs on the new seed certification initiative. In the E-Verification initiative, UNBS will contract with a private independent contractor to implement an expanded E-Verification program. This creates a working model of government licensing for a private firm to fulfill a critical function with a clear public good objective. By formulating offers around inter-agency cooperation, the Activity aims to demonstrate how each of the party's interests can be better served through cooperation.

Why should they cooperate? This question asked the team to identify the basis for cooperating together. The disabling effects and continued threat of counterfeits in the ag-inputs market provides a strong rationale for public and private sector agencies to work together. There is a recognition that the goals of each cooperating partner can't be achieved unless they find ways to work together. There is a readiness to cooperate that the Ag-Inputs team can leverage to demonstrate the intent of both the private and public sector to improve the functioning of the ag-inputs market (or to improve ag-inputs market functioning). The anti-counterfeit campaign is seen by Ag-Inputs as an opportunity to leverage the readiness of many different players to shine a very bright light on this problem.

[23] Detailed descriptions of these offers of support are found in Annex C 1, 2, and 3.

What do they get when they cooperate? Ag-input firms are able to position themselves as transparent and open businesses working in the public interest to fight counterfeits through campaigns and other initiatives that are endorsed and pushed by government departments. This is a relatively inexpensive platform by which to protect and promote their quality brands to their market. The government can be seen to be performing its role of regulator by enlisting industry associations to communicate and educate their membership to comply with government rules. Industry associations, in turn, can build credibility with their members by being active participants in addressing critical issues facing their membership. Public/private cooperation between ag-input market players will signal to support service providers – banks, ICT firms, the media, and telecommunication firms – its intent to "fix" the system. This is likely to encourage greater willingness to invest in a better functioning market.

What does the market system get through better cooperation between market players? Cooperation will lead to better competition and market pressures will reward value chain actors who upgrade to deliver quality inputs to farmers. Besides evidence of effective cooperation between market system players, the system should get over time:

- Legally compliant businesses with incentives to play by the rules;
- Effective ways to signal quality to consumers through E-Verification and seed certification;
- Platforms to gather and disseminate information on ag-input firms for public (e.g. health and safety, tax collection) and private uses (e.g. demand forecasting);
- More credible industry associations with a track record of serving its members; and
- Innovation by ag-input market players to deliver quality products at affordable prices on a timely basis to Ugandan farmers.

Post assessment, the Ag-Inputs team developed more specific team-based work plans with activities, timeframes, and a clear allocation of responsibilities between Kampala staff and field based BGSs. These work plans are not presented in this report.

C. THE PRINCIPLES AND PRACTICES OF THE FACILITATOR

The principles that guide effective facilitation can be summed up by this idiom: *the why and the how are more important than the what*. The *why* of facilitation is to bring about inclusive and sustained market system growth by aligning the incentives of all market system players with that future vision. The *how* of facilitation is to perform the role of third party catalyst of market system change without becoming a permanent part of it. These are core principles that don't change when taking an M4P approach no matter the market or country context.

The *what* of facilitation – the many activities that facilitators undertake and fund – change constantly as facilitators promote innovations in relationships, business models, and practices with no certainty or control a s to how market players will respond to these innovations. Facilitators avoid paying for change believing instead, that facilitating the process of trial, buy-in, investment, and ownership by market actors is the only real measure that new ideas and the very process of solution seeking will continue without third party support.

The Ag-Inputs team is a best practice practitioner of the principles of facilitation. This is evident in how they think about and put in place plans to exercise this role. *Table 6: Facilitation Principle-Exit at Entry* summarizes a work planning exercise carried out during the Quarterly Review meeting held in conjunction with the strategic assessment[24].

Table 6 shows the actions associated with each planned Ag-Inputs offer, who will do and pay for these actions now, and who will pay for them at the end of the Activity. The columns highlighted in blue shows what Ag-Inputs will do and what it will pay for in relationship to its partners. The actions range from getting buy-in from market players for joint action, convening forums, and/or specific trainings, finding the right consultants to support the process, monitoring progress, and reporting back to its implementing partners. Ag-Inputs will pay for those activities that are necessary to advance change but are not recurring actions that are key for the future functioning of the change envisaged. The "who will pay" column highlighted in red shows the Activity's intent to limit its support by choosing the right partners willing and able to perform and pay for these functions in the future.

[24] Tables with more detail on who does/who pays now and who will do/who will pay at end of the Activity were in their early stages of formulation and so are not included in this report by way of attachment.

Table 6: Facilitation Principle – Exit at Entry				
Offers	Actions	Who Does	Who Pays	Who Will Pay
Anti-Counterfeit Campaign	Consumer Education Brand Promotion Advocacy to Gov't Better Inspections	Farm/Industry Assoc. Ag-Input Firms, Radio Stations ,A-I Activity convenes, ID consultants, monitors	Assoc. Members, Suppliers + Agro-Dealers, Radio, DLG, A-I Activity cost shares brochures, drama troupes	Assoc. Members, Ag-Input Firms, DLG
Private Sector Seed Certification	Promote private sector role Urge brand promotion basis quality Advocacy to Gov't, Capacity building, Business plan, database	Joint Venture of Chemiphar and UgoCert, Seed Association, Seed Companies, Consultants, Media, SANSOR, MAAIF, EEA.	Ag-Inputs, EEA, COMESA, investment by joint venture.	Clients pay on fee for service basis, MAAIF costs covered by National Budget.
E-Verification	Mobilization Launch Promotion Support to quality monitoring Impact monitoring Advocacy	UNBS/REN/M-Pedigree, MAAIF, Ag-Inputs, PS suppliers, EEA	Ag-Inputs supports media promotion and launch. EEA consultant on enforcement. USAID for monitoring.	Clients pay on fee for service basis. Enforcement costs covered by MAAIF and UNBS national budget
Compliance/ Enforcement	Stakeholder Planning Local Situation Analysis Disseminate Info Follow Up (Ag Police)	URA, URSB, DLG, Industry Assoc. Ag Police, A-I Activity researches, links, convenes, monitors	A-I Activity supplements all costs beyond Agency budgets	Statutory orgs incorporate this strategy in work plans and budgets
Alternative Distribution Models	Research on models Stakeholder W'shops MOU's + Pilots	A-I Activity organizes research, convenes meetings, monitors progress with firms and Assoc.	A-I Activity covers direct costs of research & stakeholder meetings	Ag-Input firms up and down the value chain
Professional Spray Services	Re-train SS master trainers Train/License Providers Demand Crreation Monitor/Enforce License	CropLife, DLG, Farmers Fed., UNADA, EEA (law), CPM (outreach), A-I Activity convenes mtgs, TOTs, coord. With EEA, CPM, monitors.	CropLife, DLG, Farmers' Fed, EEA, CPM, A-I Activity cost shares TOT, demand creation	SS Provider, Farmers, CropLife Members
Working Capital Finance	Stakeholder Buy-In New Product R&D New Product Launch Stakeholder Follow up	Consultants, Banks, Gov't Licensing/Tax Authorities, Telecoms, A-I Activity Convenes, ID's consultants.	A-I Activity cost shares consultants & workshops; Banks, Telecoms pay for marketing	Financial Institution and Telecoms

The assessment team identified a few issues in the team's day-to-day practice of facilitation that is worthy of comment in this report.

Activity Staff Neutrality: It is not uncommon for Activity staff to become too closely allied with one player in a broader system. With Ag-Inputs' focus on agro-dealers, the ag-inputs teams are on the frontlines learning about coaching, linking, and problem solving directly with agro-dealers in their districts. They see themselves as the agro-dealers' "best friend" – and this is important to gain their trust – but this can also result in seeing themselves as their advocates in the system. This can confuse and compromise the facilitator's role as neutral broker between market players in bringing about desired systemic change. For example, the BGS's will be delivering to agro-dealers the message of legal compliance with licensing and tax laws, a message that is likely to be unpopular with many them. The BGSs can't pick and choose what Activity activities to push or not based on how they perceive their relationship with market players.

Light vs Heavy Touch: Facilitators face this question: how much investment of time and money is enough to kick-start and advance a change process with its own momentum to continue without external donor support? It's a tough question with truly only one answer: it depends. Facilitators guide these judgment calls by assessing the leveraging effect – benefits vs costs -- of resources used, by gauging the potential distorting effects of actions/resources used on market actors' incentives[25], and by regular use of a monitoring system that helps with resource allocation decisions. The Ag-Inputs team appears to have fallen into a pattern of using a light touch in all resource allocation decisions instead of judging what is required to actually push change given the degree of change required and the partners involved. The revised strategy and re-framing of offers with associated work plans and pro-forma budgets will help shift the team away from a default of light touch to more nuanced decisions on how best to budget and allocate available resources.

[25] Reference is made to the Ag-Inputs Facilitator Activity Playbook, a useful coaching guide for Activity staff.

Taking on Market Roles: Facilitators are right to be very cautious about taking on market roles – in the core, support, or rules functions -- when the performance of these roles are critical to the future functioning of the market system. The Ag-Inputs team may find it necessary to temporarily take on the role of a market actor. It may decide, for example, to design, pay for, and manage a searchable database of legally compliant ag-input firms at a pilot scale to demonstrate its benefits and costs to all parties to this initiative. Clearly, this database is needed now and will be needed in the future to monitor and enforce compliance by ag-input firms of all the formal (public and private) rules of the game. The Activity should not shy away from taking on what should be the role of government and/or a private ICT firm, provided the decision to enter the market temporarily is justified and with a convincing exit strategy to show who will perform and pay for this function at Activity exit.

D. ORGANIZATIONAL SET UP

Diagram 9: Ag-Inputs Market System shows most of the players who perform the three main market functions: the transaction at the CORE, its mix of SUPPORT FUNCTIONS, and the RULES of the game. It is provided here for a quick reference on the discussion that follows.

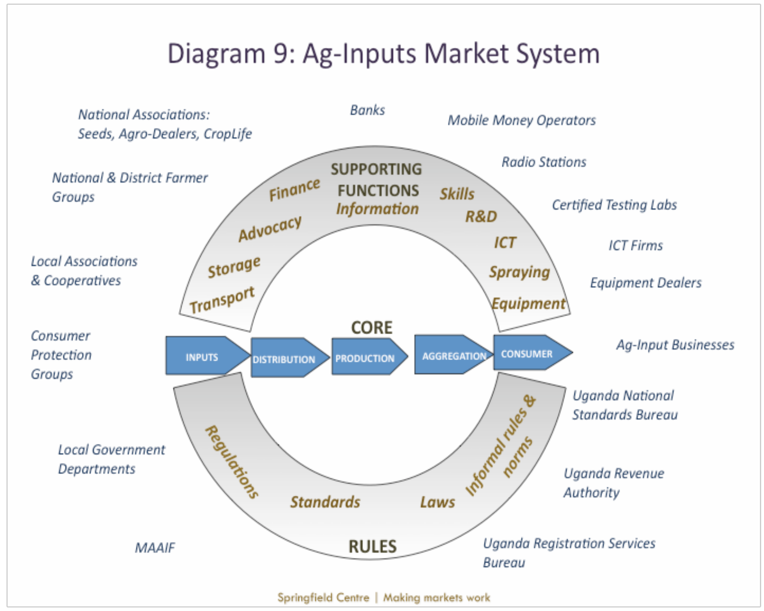


Diagram 9: Ag-Inputs Market System

The current organization structure – HQ teams and district based field staff -- is not an impediment to the implementation of the revised strategy and related offers of support. The current team structure is coherent to advance the revised strategy:

- The Role Model Team[26] should continue its focus on understanding the relationships, incentives, and capacities of all players in the Core to facilitate industry wide actions on alternative forms of value chain organization to counter threats (counterfeits, non-compliant firms) and take advantage of opportunities.

- The Noise & Network Team should continue its focus of supporting networks – journalists (ag-content cafes), radio stations (audience led programs), consumer groups (anti-counterfeit hotline), and others - to create noise using a myriad of communication tools to highlight bad and good practices alike, and in so doing, ensure checks and balances in the ag-input market on either private sector excess or government inertia.

- The Support Systems Team should continue to find commercially attractive ways to crowd-in players from other inter-connected markets – such as banking, ICT, agriculture service, legal, and insurance – to stand up and take notice of the opportunities in agriculture with specific reference to the ag-inputs market.

The new seed sector strategy, still in its formative stage of implementation, will start with a focus on seed certification, engaging two new partners (UGOCERT and Chemiphar) and existing partners in new roles (Seed Companies, MAAIF, and USTA). While the seed sector add-on's overall fit within the Activity's current organizational structure is yet to be determined, it will need to coordinate its activities with the three other teams to draw on their networks of organizational partners.

Better mechanisms for overall team planning and communication are needed to avoid giving BGS's mixed signals on their priorities and work plans. Post assessment, the Ag-Inputs team created task forces on each of its re-framed offers to include Kampala-based and BGS staff. These task forces will allow BGS's more input on strategy going forward. Quarterly Review meetings provide another mechanism for updating all staff on implementation progress across all offers/interventions. This forum also serves as a means for M&E staff to present findings on progress towards systemic change and allows for all staff to weigh in with their interpretation of the data from their unique position in the Activity. A simple yet important change is for Kampala staff to write and circulate notes after important meetings with cooperating partners.

[26] Recommend a name change from Role Model to Core Market team for two reasons: to make it their business to explore alternative distribution models with all core market players and because the new strategy requires all teams to find and showcase role models of rule setting/enforcement and provision of support services to the ag-inputs market system.

E. ADJUST M&E SYSTEM WITH REVISED STRATEGY AND OFFERS

1. *Outcomes Revisited*: During the June/July 2015 Quarterly Review meeting, the team reviewed and revised current Activity outcomes against these critical elements:

- Consistent with the assessment's findings that agro-dealers are more likely to focus now on increasing sales volume at the expense of better customer service;
- Relevant to the revised theory of change with its urgent focus on ensuring better understanding of and compliance with the formal rules of the game;
- Lessons on the importance of the anticipated change the outcome was meant to track;
- Timing on which outcomes to focus on now or later in the remaining period of the Activity; and
- Align and track outcomes by priority Ag-Input offers rather than exclusively by teams.

The complete list of outcomes adopted by the team is found in Annex D. The list includes reframed existing outcomes plus one new outcome. The Annex also shows the anticipated timing for tracking the outcomes relative to the urgency of Activity action, the sequencing by which change is expected to take place[27] and the practical realities putting new initiatives into motion. The outcomes will:

- Permit tracking desired changes in the functioning of the overall ag-input market system from the perspective of many players (not just agro-dealers);
- Involve all teams in advancing compliance with the formal rules by all system actors; and
- Add a new focus on tracking actions designed to stimulate farmer demand for genuine agricultural inputs.

Table 7: Dropped (or combined) Outcomes

TEAM	OUTCOME	WHY?
Role Model	**Outcome 1.2:** Equipment suppliers provide technical and marketing support to wholesalers as an integral part of their CSBS	Very little past and future uptake by wholesalers as they will focus on increasing sales volume over service
	Outcome 2.2: Agro-input wholesalers recruit and manage the performance of new staff or interns to serve customers better.	Interns largely ineffective and there are no shortage of internship opportunities the project could tap into as and when needed.
	Outcome 3.1: Wholesalers sell labor saving production and post-harvest equipment	No strong rationale to promote labor saving technology as it is not a priority now or for remainder of project
Support Systems	**Outcome 2.3:** Professional Associations leverage their technical skills to support the work of industry associations and the CSBS of agro-inputs businesses.	Too narrowly focused; combined with reframed outcome 3.3.
	Outcome 2.2: District Associations support members' CSBS	Too narrowly focused on agro-dealers; combined with reframed outcome 2.1
	Outcome 3.4: Private Agricultural Extension Service (PAES) firms support CSBS of agro-input firms	Parked for now. Thirst for farmer knowledge could in theory be met by retired Ag officials living in FtFVC districts.
Noise Networks	**Outcome 3.1:** Public awareness of Climate-Smart Farming Practices	Dropped and combined with re-framed outcome 3.0
	Outcome 3.2 Regulatory compliance and safe use of agro-inputs	

[27] The opportunity to once again promote a CSBS strategy for agro-dealers should come once rules of the game are operating better.

Table 7: Dropped (combined) Outcomes show the outcomes that were dropped (or combined) by the Ag-Inputs team using the criteria set out for this exercise. The Ag-Inputs team pilot tested new income earning product lines that were thought to be a good fit with the CSBS strategy. These included linking agro-dealers to spray service providers to increase sales of products. Ssembeguya Estates, an importer of Italian made sprayers, left samples of more affordable knapsack and motorized sprayers for display with agro-dealers, with the hope of encouraging sales. The Activity has also organized field demonstrations of irrigation equipment for the same reason – to test new product lines for agro-dealers. Experience has shown that these point of sales displays and demonstrations did not leverage any noteworthy sales and called into question the viability of this strategy when:

- Professionalization of a spray service industry appears to be a better solution to increase yields and safely handle chemicals by consolidating spraying over large areas of agriculture land in the hands of a comparatively few trained and licensed professionals[28]; and
- Promoting labor saving technology in the current context of Uganda's small farm economy would be a much better fit for an agriculture mechanization activity working in the longer term interest of the agriculture sector.

2. *Re-Thinking some M&E Data Collection:* The revised strategy with its shift away from leveraging changes in agro-dealer behaviors towards bringing about wider system change to facilitate better cooperation to improve the functioning of the system will affect M&E data collection in a number of ways. Each point mentioned below can and should be used to track progress on the effectiveness of Ag-Inputs offers while at the same time providing insight as to the Activity's effects on desired market system change.

Better Cooperation in the System: All of the Activity's reframed offers aim to facilitate cooperation between a mixes of players who represent the interests of multiple parties, such as government, the private sector, their industry associations, and farmers and their representatives. Proof of uptake signals that the Activity's offers are appropriate to industry players while at the same time showing the effects of better cooperation on the improved functioning of the system. The M&E team needs to come up with indicators and data collection methods to capture both progress and system wide changes that result from better forms of cooperation, such as:

- Track Activity offers through the various stages of player buy-in, performance against expectations, and expansion to monitor progress of Activity offers and the readiness of cooperating agencies to adopt/adapt cooperative solutions to carrying out agency mandates.
- Role model examples of effective cooperation between market system players. While it would be "nice to know" the incentives driving an individual agency's readiness to cooperate, the benefit/cost calculation does not favor this type of investigation especially with complex government partners implementing statutory rules. Instead, showcase or highlight role models, through case studies, the "why" (shared incentives) and the "how" (shared capacities) to address system wide constraints that no single market player could possibly do on their own.
- Learn about the effects of better cooperation on the system by asking core market players – suppliers, distributors, agro-dealers, retailers, farmers – how they perceive the effects on anti-counterfeiting measures, legal compliance, understanding use of financial services and the players performing those functions such as statutory bodies, associations, certifiers of chemicals and seeds. Then, overlay this information on network maps of these cooperating groups.

[28] IFDC, CPM, NCBA/CLUSA and other donor-supported activities have been promoting spray service provision but in an ad hoc and uncoordinated manner. The Support Systems team will be coordinating Activity efforts in spray services with these programs with an emphasis on mandatory certification. CropLife will take the lead in the training and certification.

- Track agro-dealer behavior on their compliance with all statutory and private sector rules promoted by Ag-Inputs. Compliance should screen the serious from the less credible agro-dealers and can be used as a pre-screening tool to qualify agro-dealers for other services with minimum eligibility criteria such as banking and sourcing inputs in larger amounts.

Better Cooperation Leads to Better Competition: The revised theory of change posits that when the rules of the game operate better, then market pressures are expected to work by rewarding quality and sanctioning counterfeits. When this condition is more firmly in place, then the M&E team can return to its tracking of changes in agro-dealer behavior as a proxy for wider systemic changes. There continues to be a rationale for compiling data on changes in agro-dealer behavior but especially those behaviors – specifically legal compliance -- more directly linked to the revised strategy[29]. In addition:

- Consider adding two indicators when tracking agro-dealer behaviors to include "source of agro-dealer purchases" and/or "who did the purchasing" as they may be better indicators of positive system change. The more agro-dealers that report their "source" as closer to their business means less frequent trips to Kampala to source inputs. The more frequently someone other than the owner does the purchasing (through an employee or better still, through a local association), the more likely there is more trust in the system between peers and/or between suppliers and agro-dealers.

- Add indicators on tracking mark ups and margins against a basket of the most frequently purchased ag-input products (e.g. herbicides, maize seeds, etc). This will help validate the hypothesis on how squeezed margins have dis-incentivized investments in CSBS practices and signal when the time will be right to re-prioritize uptake of CSBS investments.

3. Align and track outcomes by Ag-Input "offers" of support to the market system: The revised strategy requires the Ag-Inputs team to make multiple offers to the ag-inputs market (see Section 2.B above). The coordinated efforts of each of the Activity teams (Role Model, Network and Noise, Systems and Support, and Seeds) will be required to implement these offers to achieve Activity outcomes (see Annex D: Revised Outcomes). Each and every offer is expected to improve the functioning of the ag-inputs market system so that competitive pressures can work, as they should, to reduce counterfeits and increase access to quality inputs by farmers. Some offers, however, specifically target change at the core, support and/or rules functions of the ag-inputs market. Annex E: Outcomes by Offers aligns outcomes with the respective offers expected to contribute to achieving the 18 outcomes adopted by the Ag-Inputs team. The comments column in the table describes how the combination of offers work together to advance/achieve these 18 outcomes.

[29] Any changes in data collection around the Activity's progress indicators will have to be discussed with USAID. The discussion need not be about dropping existing indicators but rather arriving at some agreement as to when the Activity will resume reporting against them.

SECTION 3: FUTURE SCENARIOS

Reuben Banda, a member of the assessment team and the Managing Director of Musika/ Zambia, has been directly involved or associated with innovations in the Zambia ag-inputs market with potential relevance to Uganda. Two innovations from Zambia are presented below, followed by a brief discussion on improving the ag-inputs market system in Uganda[30].

A. THE E-VOUCHER SCHEME

Background: Since 2002, the Government of the Republic of Zambia has been operating an expanding subsidy programme – now called the Farmer Input Support Programme (FISP) – to provide smallholders better access to seeds and fertilizer. As a result of this program:

- Fertilizer distribution increased from 48,000 MT in 2002/03 to nearly 183,000 MT in the 2012/2013 farming season; and
- Seed pack distribution increased from 120,000 smallholder beneficiaries in 2002/03 to 1 million smallholder beneficiaries in the 2014/15 farming season[31].

Through private sector/NGO lobbying efforts, the Government has acknowledged the inefficiency of its own centrally managed subsidy scheme, as well as the missed opportunity to leverage existing private distribution networks to both manage subsidy payments and strengthen relationships between private firms and smallholders. The E-Voucher scheme was created in response to needed reforms of the FISP. The scheme will be piloted initially in 13 districts before it is rolled out countrywide.

The FISP Prepaid VISA Card Pilot Program:

The FISP input subsidy will be delivered to smallholders through pre-paid VISA bank cards rather than via centrally procured and directly delivered inputs. The E-Voucher pilot program will target 241,000 farmers across 13 districts in Southern, Lusaka, Central, and Copperbelt provinces, and utilize a VISA-enabled 'pre-paid' bankcard system that was successfully pioneered and piloted in 2014 by the Zambia National Farmers Union with the support of Musika. Targeted farmers will receive a bank card pre-loaded with the subsidy value which is redeemable through Point-of-Sale terminals/devices for a wide range of agricultural inputs from a wide range of authorized agro-dealers/sales points in pilot districts.

The introduction of the FISP pre-paid VISA card is intended to:

- Facilitate **on-time, cost effective** input access for smallholders;
- Improve payments to FISP input suppliers (**real-time payments**);
- Devolve purchasing and negotiation for **discounts** to cooperatives, farmer associations/groups, and individual farmers;
- Give FISP beneficiaries more **freedom of choice** of a wide range of agricultural inputs[32];

[30] The recent Ag-Inputs study tour to South Africa and Zambia included visits to the people directly involved in these innovations.
[31] The coverage of the seed packs was reduced from 1 ha in 2002/03 to ½ ha in 2014/15.
[32] Assorted types of fertilizer and seeds, insecticides, herbicides, fungicides, agricultural lime, livestock feed, veterinary drugs, dip chemicals, fingerlings, and sprayers.

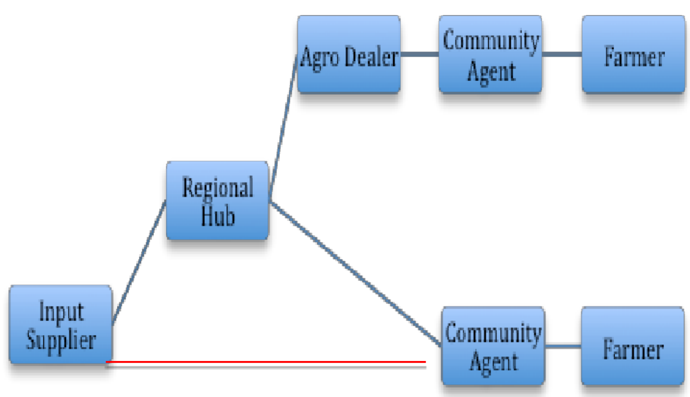
- Increase private sector participation in and **inject competition** for high quality and more affordable agricultural inputs; and
- Start improving **beneficiary targeting**/selection and promote agricultural diversification.

Use of a FISP prepaid VISA Card in accessing FISP inputs is also meant to improve credit data management and real-time inputs distribution monitoring. This system of accessing inputs will also help create **face-to-face** business relationships between Cooperatives/ Farmers Associations and inputs suppliers. The VISA bankcard will also facilitate digital FISP **beneficiary monitoring** and aggregation. Overtime the FISP prepaid Visa card will help deepen agro-dealership presence, and improve financial inclusiveness among small-scale farmers, the majority of whom remain unbanked.

B. THE HUB: WHOLESALE OUTLETS IN RURAL COMMUNITIES

Introduction: The Ag-Inputs market in Zambia is becoming more competitive and dynamic. Over the past decade, ag-input suppliers have invested in developing the smallholder market in distant and scattered locations by means of a sales/solutions distribution model anchored by community based commissioned agents (follow the red line in Diagram 10 below). The Hub/Wholesale outlet evolved from the success of the community agent model and now, offers a supplier a more cost-effective means to build and protect its share in the growing smallholder market.

Diagram 10: The Hub Model



The Hub/Wholesale Outlets Model: Diagram 10: The Hub Model works on the assumption that the ag-input supplier already has roots in the smallholder market. The supplier employs an agronomist to set up a regional hub to serve rural demand with a range of products at wholesale prices plus a small marketing margin. The supplier manages the hub directly or outsources its management to a third party. Stocks held in the hub are distributed (follow the blue lines) to farmers primarily through franchised or accredited agro- dealers located in strategic district locations. In some cases, the supplier places a container directly in the community, managed by selected community based agents/entrepreneurs.

Role of the Supplier: The ag-inputs supplier, through its regional hub/wholesaler, invests in the farming economy to service the smallholder market in the area. This allows the firm to develop an improved distribution network for its products coupled with outsourcing private sector led extension services and marketing promotions[33]. Private sector led extension services aim to achieve the following:

- Improve efficiency in terms of product information and general agriculture production;
- Provide customized trainings, demonstrations, advisory services, individual farmer visits, field promotions, and on- farm research; and
- Provide opportunity for early pre-paid purchase of inputs to ensure that farmers have inputs in place for immediate planting the following season.

[33] Musika cost shared the motorcycles, containers, and staff training to kick-start the hub and the private extension component.

In this set up, very limited direct sales to farmers is done by the hub. The major role of the supplier is to create demand for products and direct farmers to franchised and/or accredited agro-dealers and community agents in their areas. In addition, the supplier works hand in hand with agro-dealers and community agents to build their capacity to service the farming community with financial, management, and technical information.

C. FIT OF INNOVATIONS IN THE CONTENT OF THE AG-INPUTS MARKET IN UGANDA

The E-Voucher Model: The case in favor of a government decision to pilot test a similar scheme in Uganda is supported by two factors: positive trends in changed government roles as reported by EEA; and evidence of poor performance of the government's centralized procurement and distribution system of free seed to farmers (most recently through the army). Examples include:

- EEA's work with the MAAIF to adopt a new seed law and related regulations;
- Ag-Inputs' work with MAAIF on a private sector led seed certification regime;
- Dissatisfaction by DLG officials with the poor germination rates[34] of government procured seed;
- Readiness of private seed companies to build brand quality directly with farmers; and
- The launch of the World Bank funded "Cluster Activity", which is designed using this hub model is expected in 2016. The "Cluster Activity" will be managed by MAAIF, pending parliamentary approval.

Any discussion of shifting the government's role in seed distribution will likely have to wait until after next year's elections. However, it may be worthwhile for EEA, CPM, and Ag-Inputs to form a working group to outline how to introduce this innovative scheme once the election is over.

The Hub/Wholesale Outlet: This assessment has described the inability of agro-chemical suppliers to create preferred distributors who could take on a wholesale function: suppliers risked losing agro-dealers as customers unless they retained direct sourcing relationships. Also, large and small agro-dealers prefer to source directly from Kampala due to a fear of buying counterfeits. The current market context does not favor the adoption of a district based wholesale hub until there is more trust in market mechanisms. With an urgent focus on getting the rules to operate better, Ag-Inputs could accelerate the timeframe when value chain actors might be willing to consider the hub model. This concept should be included in the search for more cost-effective distribution models that the Ag-Inputs team could undertake with input suppliers.

[34] BSG's report germination rates of no higher than 30 % with an average even lower than this.

ANNEX A: SCHEDULE OF MEETINGS

Date	Location	Meeting
15-Jun-15	Kampala	Staff
16-Jun-15	Kampala	Staff
		USTA/UNADA/Croplife
		Suppliers –Bukoola
		CPMA/EEA
17-Jun-15	Kampala	Staff
		Travel to Mbarara
	West - Mbarara	Wholesaler - Big B
		Wholesaler - Aligodie
18-Jun-15	West - Bushenyi	Wholesaler - Nyongyera
Agro Dealer Fair Bushenyi		Wholesaler - Home of Agric
		Local government - Bushenyi
		Media firm - Bushenyi FM
		Focus group with Agro-dealers
		Ag content café - Bushenyi during the fair
19-Jun-15	Central - Masaka	Wholesaler - Modern farmers
Agro Dealer Fair Masaka		Wholesaler -Nsanja
		Association
		Media firm - Buddu FM
		Focus group with Agro-dealers
20-Jun-15	Central - Mubende	Wholesaler - K-Mubende
		Wholesaler -Kyosimba
		SSP team - Kijjumba SSP
		Association - Mubende Agrodealers Association
21-Jun-15	Mubende	Heart FM
	Mubende - Kampala and on to Jinja (Mbale for Banda)	
22-Jun-15	Mbale - Banda	Wholesaler - Super Exports

Date	Location	Meeting
		Wholesaler - Jahovah Jairah
		Local government - Mbale
		Media - OPG FM
	Kampala - Bear	ICT firm - Venus
		ICT firm - SMS media
23-Jun-15	Iganga – Banda	Wholesaler -Kambuzi
		Wholesaler - Buikwe
		SSP team - Kambuzi SSP
		Banda Returns to Kampala in the evening
	Kampala	Suppliers -Grow More Seeds
		Suppliers -Ssembeguya
		Chemiphar and UgoCert
24-Jun-15	Kampala	Financial institution - Housing finance
		Bear/Banda Prepare for De-Briefing
		Staff De-brief (half day)
25-Jun-15	Kampala	Banda Departs Early Morning
		Supplier - FICA seeds
26-28/June-15		Report writing / presentation drafting
29-Jun-15		Workshop to present to staff
30-Jun-15		Staff response
1-Jul-15		Facilitate Planning Sessions -- Outcomes
2-Jul-15		Facilitate Planning Sessions -- Offers
3-Jul-15		Facilitate Planning Sessions -- Offers
4-Jul-15		Bear departs for Nairobi

ANNEX B: REVISED THEORY OF CHANGE WITH ASSUMPTIONS

If: Formal rules and regulations operate better
[E-Verification, seed certification, technical standards, business registration, trading licenses, Tax Identification Numbers]

And: Incentives and sanctions to comply with the rules are greater than non-compliance;
[Tax burden greater if URA calculates it for you; the threat of business shut down by local government; a low threshold on agro-dealer purchases of agro-chemicals and seeds without a TIN number]

Then: Non-compliant businesses – counterfeiters and less credible ag-input firms – will be crowed out of the market and relationships of trust will be restored between credible market actors;

Provided That:

- Information on the incentives/sanctions on compliance is widely disseminated;
- Voluntary regimes of compliance to standards and their enforcement works; and
- Coordinated registration drives continue between URSB, URA, Local Government.

If: Incentives in favor of quality products/services are aligned between system players in the core, support, and rules functions of the market;

Then: Existing and new agro-dealers, their suppliers, and customers will adopt/invest in the internal capacity required to implement a CSBS business strategy;

Provided that:

- Proof of concept is known and widely available through the media and relevant networks.

If: Agro-input firms will adapt and expand their offers of quality on their own or in partnership with other market players with the same incentives;

Then: Farmers will have access to genuine products and services;

Provided that:

- Strategic partners – Banks, ICT firms, and media houses – see investments in the ag-inputs market comparable with or better than other opportunities.

If: Farmers can make informed choices between genuine products/services and their proper use,

Then: Farmers will properly use genuine ag-inputs.

ANNEX C: FACILITATE COOPERATION TO IMPROVE AG-INPUT MARKET COMPETITION

	Anti-Counterfeit Campaign	Seed Certification
WHO needs to cooperate?	Industry associations, MAAIF, DLGs, National Farmers Federation, district farmer associations, ag-input firms, parliament's ag committee, police, Transparency International, EEA, and Ag-Inputs	UGOCERT CHEMIPHAR SEED FIRMS MAAIF (NSCS)
WHY should they cooperate?	Combined synergies of human, financial, and political capital of these entities to effectively and efficiently fight cheats while also offering ag-input firms the opportunity to demonstrate trust in their brands thru endorsed mechanisms of traceability and accountability	PROMOTE QUALITY BETTER TOGETHER: MAAIF REGS LABS ON NEW CUSTOMERS SEED: PROTECT BRAND QUALITY
WHAT do they each get by cooperating together?	• *National/Local Farmer Associations* get to protect members against unscrupulous dealers, gain trust, and prove relevance to members. • *Media* gets more efficient means of gathering information for content used to increase listenership and advertising revenues. • *Ag-input suppliers and agro dealers* get brand protection and a lower cost means to demonstrate trust to their customers through a credible platform. • *Industry Associations* get credible communication platform for member feedback to improve advocacy and prove relevance to members. • *DLG technical & political arms* gets increased outreach through extension support from industry and farmer associations, proves its relevance, and improves its reputation in eyes of the public.	LOCAL COST-EFFECTIVE, CREDIBLE SOLUTION TO SIGNAL QUALITY TO BUYERS OF SEEDS
WHAT does the ag-inputs market get from their cooperation?	A proven model of cooperation between private and public sector players working together in the broader interest of the agricultural inputs market to improve relationships and restore trust between consumers and suppliers of quality ag-inputs by means of an effective anti-counterfeiting campaign using a mix of legal, political, and communication strategies.	SHIFTING THE SYSTEM NORM IN FAVOR OF QUALITY FUTURE COOP BASED ON POSTIVE EXAMPLE

	Alternative Distribution	Compliance/Enforcement
WHO needs to cooperate?	Suppliers, agro-dealers, retailers, farmers, and government	DLG and municipal government, URSB, URA, industry associations, MAAIF departments, and ag police
WHY should they cooperate?	Cooperation between value chain actors is urgently required to reduce counterfeits, build confidence in buyers of genuine inputs and restore market pressures that will reward brands of quality, efficiency, traceability, and legal compliance.	More efficient & effective mechanism to communicate knowledge of and compliance with each agency's mandate to license, regulate and tax businesses in line with laws and regulations.
WHAT do they each get by cooperating together?	• *Suppliers* get loyalty, brand positioning on quality, better systems to forecast demand, traceability of product access to feedback, and thus, increased sales and profitability. • *Wholesaler/retailers* get faster sales turnover and profitability, technical and marketing support, supplier credit, product guarantees, and access to feedback. • *Farmers* get access to genuine inputs and value for money, action/response from feedback. • *Off-takers* get quality assurance, product guarantees, timeliness, efficiency, effective information flows, farmer confidence, profitability, influence farmer productivity, and production • *Government* gets more compliant ag business, better planning based on information access, improved supervision, confidence in the chain to deliver quality.	• *DLG and municipal government* gets to be seen as fair & transparent by local agri-business community and a best practice performer by public sector peers by increasing revenue collection at lower cost using an up to date database of compliant businesses. • *URSB* gets opportunity to leverage the strengths of stakeholders' (funding and outreach) to scale up registration and revenue collection at lower costs in the ag-inputs sector that can serve as a test case for other sectors. • *URA* gets opportunity to test this collaborative model in ag-inputs for increasing revenues and creating more efficient information and collection systems for use and scale up in other sectors of the economy. • *Industry associations* gets a data base of legally compliant membership more likely to adhere to associations codes of conduct, weeds out bad apples, and raises profile/image where it means something important to be a member. • *MAAIF departments*, through peer pressure, gets a chance to actually respond to this call for action and through its engagement improve reputation for effectiveness by coordinating with large group of stakeholders. • *Ag police* gets an easier way to find law-breakers and do their job better through consistent interaction with group of actors pooling information and taking coordinated action.
WHAT does the ag-inputs market get from their cooperation?	Competing value chains delivering quality ag-inputs at affordable prices to farmers against accepted industry standards of efficiency and traceability.	A durable trend of legally compliant and formalized ag-input firms by means of a better regulated and coordinated inter-agency system of licensing and tax collection seen by business as fair and transparent.

	Working Capital Finance	Professional Spray Services
WHO needs to cooperate?	Ag-input firms (agro-dealers, suppliers of chemicals, seeds, and fertilizer), financial institutions, government (URA/URSB/DLG), telecoms, and service providers (auditors, insurance)	Spray Service Providers, CropLife Uganda, MAAIF, Department of Crop Protection, DLG, UNADA, and farmers' federations and associations
WHY should they cooperate?	Opportunity for financial institutions to be first movers in creating commercially viable products in the ag-sector poised for growth by means of greater cooperation to reduce counterfeits and restore trust by all stakeholders.	More controlled expansion of the effective use of chemicals increases agriculture productivity while also protecting health and safety of farmers and the consumers of grains and coffee.
WHAT do they each get by cooperating together?	• *Ag-Input Firms* get increased access to working capital, financial literacy, and improved relationships • *Financial Institutions* get reduced risk to launch new product, increased revenues from a new customer and cross selling of transactional products • *URSB/URA/DLB* get revenue compliant legal actors • *Telecoms* get traffic on the platform, revenues, cross selling other products • *Service Providers* get a new customer base, revenue, market knowledge and relationship in ag-inputs network	• *CropLife* gets credit for its social responsibility on the environment while also increasing demand for its members products • *Departmentof Crop Protection* gets an industry led initiative to enforce laws & regulations on safe use and handling of chemicals • *DLG* gets much smarter about how to implement their mandate on safe use/handling of chemicals which increasing the efficiency in performance of their duties • *UNADA* gets more legitimacy from its members by backing spray services professionalization because it's good for business and good for the environment. • *Farmers' federations and associations* gets visibility as doing something good for all farmers, their members and the environment.
WHAT does the ag-inputs market get from their effective cooperation?	Increasing access to affordable finance contributes to sub-sector growth with financial service providers as strategic partners while also creating another credible mechanism to raise the barriers of entry and growth of non-compliant ag-input businesses and rewarding compliant businesses.	Much greater control and effective use of agro-chemicals used for spraying crops by creating a professional group of licensed and revenue compliant service spray service farmers can outsource to meet their spraying needs especially as they expand their area of production.

	E-VERIFICATION
WHO needs to cooperate	Private sector, UNBS, MAAIF, agricultural police, private service provider, and telecoms
WHY should they cooperate?	To protect the integrity of their brands from counterfeiters and reputation of the ministries.
WHAT do they get when they cooperate	Greater customer confidence, increased demand for quality products, and credibility for government agencies.
WHAT does the market system get	Higher quality inputs, improved productivity, more food on the market, and more exports.

ANNEX D: REVISED OUTCOMES

Outcome 1: Input suppliers and wholesalers strengthen distributor relationships to implement the most cost-effective distribution channels	Plan now; implement later
Outcome 2: Input businesses improve their business management practice	Later
Outcome 3: Input suppliers offer Brand protection through E-Verification	Now
Outcome 4: CropLife Uganda promotes safe use and professional utilization of chemicals	Now
Outcome 5: Input suppliers and wholesalers provide technical support and quality inputs to produce buyers – coffee, maize and beans.	Now
Outcome 1.1: Agro-input businesses meet legal and all other forms of compliance requirements.	Now
Outcome 1.2: GoU entities offer technical backstopping to the ag-inputs market system	Persuade Now, Enforce Later
Outcome 2.1: Industry and district associations develop capacity and support members to adhere to standards, rules and regulations	Now
Outcome 3.1: Financial institutions provide working capital finance and transactional products to ag-input market system	Now
Outcome 3.2: ICT firms provide communications and operational improvement services	Some now, some later
Outcome 3.3: Technical institutions expand their outreach program to support the ag-inputs market.	Now
Outcome 1.1: Anti-counterfeit hotline resolves and/or refers genuine complaints to relevant parties **(DLG, MAAIF, Industry Associations, Police and Media)**	Now
Outcome 1.2: E-Verification valued and supported by suppliers and used by farmers	When E-V Starts
Outcome 1.3: Ag-input suppliers (seeds and chemicals) aware, enroll, and promote quality assurance programs	Now
Outcome 1.4: Consumers demand for improved and genuine ag-inputs	Start w/ National Campaign. Later tackle demand for genuine inputs
Outcome 2.1: Radio stations continue to improve their audience-led programming to reinforce incentives/sanction to comply with formal and market rules.	Now
Outcome 2.2: Networks of market players (**business networks, consumer networks, ag-content cafes,)** co-operate and promote best practices of market players complying with formal and market rules and stimulate demand for better services	Now
Outcome 3: Market players access public information about regulatory compliance, safe use of ag-inputs and climate smart farming practices	Now

Outcome	Keep/drop/change	Timing
Strategic Outcome #1: Private Sector Certification		
Private sector certification up and running	Keep	Now
Initial round of seed companies utilize private sector certification as a key part of their business	**Keep**, and ensure that companies are signaling their compliance as part of the business model, to others	A bit later (after first part is achieved)
Strategic Outcome #2: Business Improvement Partnerships (BIPs)s		
Outcome #2.1: Promotional and Outreach Strategies	**Keep,** but focus on building demand for quality seed (joint public marketing?)	Now, in connection with certif.
Outcome #2.2: Market Research	**Keep,** but de-prioritize in first stages of BIPs	Much later
Outcome # 2.3: Internal Systems	**Keep,** but focus on links to certification, quality assurance, and compliance (specific focus on traceability software)	Now (where it connects to certification)
Outcome #3: Knowledge and Data for Better Decision-Making		
Outcome #3.1: Agro-Dealer Promotional and Marketing Practices (potential collaboration with CPMA)	Might **keep** anyway because of collaboration and climate change adaptation needs (for USAID)	Now, ongoing
Outcome #3.2: Zonal Variety Performance Trials	**Drop**	Another Activity
Outcome #3.3: Web-based Seed Sector Platform	**Re-frame:** differentiating those that are legally compliant, getting regulations more transparent	Now, ongoing
Outcome #3.4: Confidential Seed Industry Database	**Re-frame:** unlikely a private sector actor will do it at this point (TBD). Forecasting and future planning in a system that has trust.	A bit later
Outcome #3.5 Anti-Counterfeiting	**Yes, but add:** collaboration with anti-counterfeiting task force (which also covers various other outcomes)	Now
Outcome #3.6: Seed Sector Financing	**Keep** as framed, next steps depend on outcome of needs assessment Consider **adding:** mechanisms for public seed distribution that promote quality and competition	Now
Outcome #3.7: Seed Demand Study (potential collaboration with CPMA)	**Drop,** let ISSD take it on If market improves in coming years, reconsider	Much later, if at all
Outcome #3.8: Breeder and Foundation Seed Planning	**Keep** as framed	A bit later
Strategic Outcome #4: Policy Improvements (collaboration with EEA)		
4.1 Assess USTA, UNFFE, banks, and other stakeholders policy	**Drop**: under revised SS1.2, there will be emphasis on code of conduct in associations;	

Outcome	Keep/drop/change	Timing
priorities and interest in advocacy activities	**Add:** Bank part to SS	
4.2 Support advocacy activities as needed in collaboration with EEA, depending on priorities and provisions in the national budget.	**Keep**, pursue as needed based on what emerges as an opportunity	As needed

ANNEX E: OUTCOMES MAPPED TO OFFERS

OUTCOMES	E-verificat'n	Anti-countf't	Seed Cert	Distribution	Compliance	Finance	Prof. SSP	Comment
1. Strengthen relationships to implement most cost-effective distribution channels								Better alignment of incentives and capacity between core (D) and support systems (F, G) required to deliver genuine products
2. Input businesses improve their business management practice								Behavior changes associated with adoption of CSBS (D) with compliance (E) by core players.
3. Input suppliers offer brand protection thru E-Verification (Seed Certification)								Complying firms (E) mitigates risk for service roll out by financial agencies for ag inputs (F).
4. CropLife Uganda promotes safe use and professional utilization of chemicals								Better compliance/adherence (E) requires databases for public (B) & private users (D).
5. Suppliers/wholesalers provide TA & quality inputs to produce buyers								Specialized services from universities, government, associations crowd into the market as driven by demand (D, F, G).
6. Agro-input businesses meet legal and all other forms of compliance								Assured (A.B) supply of quality inputs expands quality driven market segment (D).
7. GoU entities offer technical backstopping to the Ag Inputs market system								Demand side info on sources of quality and counterfeits supports campaigns (B) and services (E) to increase use of quality inputs.
8. Associations support members to adhere to standards, rules and regulations								Advocacy of compliance (B) & use of services (E) increases sales (D) of quality inputs.
9. Financial institutions provide working capital finance & other products								Enabling rules & info on climate smart technology is good for firms (D, F, G) & the system.
10. ICT firms provide communications and operational improvement services								Advocacy (B) and services (C, E) to comply with public/private rules/standards a formula for association credibility with members.
11. Technical institutions expand support to the ag inputs market.								E-Verification/seed certifications roll out (A, B, D) supported by anti-counterfeit campaign (A).
12. Anti-counterfeit hotline resolves/refers genuine complaints to relevant parties								Driven by core market player incentives to build markets among off-takers

OUTCOMES	E-verificat'n	Anti-countf't	Seed Cert	Distribution	Compliance	Finance	Prof. SSP	Comment
13. E-Verification valued and supported by suppliers and used by farmers								Hotline better integrated in coordinated platform to find cheats (B) and impose sanctions (E).
14. Ag-Input suppliers enroll in and promote quality assurance programs								Compliant/rule abiding ag-input firms (A, E) restore confidence in buyers of inputs (D).
15. Consumers demand for improved and genuine ag-inputs								Adherence and use of quality assurance programs (A, C, E) enable new/better distribution models (D).
16. Audience-led radio programs reinforce incentives/sanctions to comply w/rules								CropLife in lead on spray services (G) with complying (C) & serious members (A)
17. Networks promote rule compliance & stimulate demand for better services								Push on compliance/adherence (A, E, C) should result in cooperation to protect brand (D).
18. Market players access public info on compliance/climate smart technology.								Mandates (D, E) along with support services (A, B, C) increases likelihood of cooperation for improved competitiveness.

ANNEX F: CONDENSED STRATEGIC ASSESSMENT TERMS OF REFERENCE

Objectives/Approach: Tetra Tech wishes to review Activity progress at mid-point to optimize performance over the remaining Activity lifecycle. Expected assessment outcomes include:

1. A review of progress and change in the agriculture inputs market system to date by entry point and outcome;
2. An assessment of overall progress towards achieving systems change; and,
3. Recommendations focused on strategic, tactical, and organizational shifts, including a broad implementation plan to scale/crowd in more critical market players and functions.

The consulting team will approach each of the three assessment outcomes in the following way:

1. Progress towards systems change, by entry point/team outcome: The team will assess what has been achieved to date at each entry point, and related team outcomes. The team will draw on Activity M&E data, field based interviews with market actors and interviews with Ag Inputs staff to assess progress to date.

2. Overall progress towards achieving systems change: The team will make an overall assessment of how the agriculture inputs market has changed based on two variables:
   - before and after Activity intervention, and,
   - based on experience elsewhere using a similar approach and in a comparable market/country context.

The information gathered for this level of the assessment will draw on interviews from market players and other key informants with whom the Activity has and has not engaged. Information gathered from these interviews will enable the team to assess progress (or lack thereof) at three different but related levels:

- *Strategy*: Is the Activity's framing of systemic constraints on or off the mark?
- *Tactics*: Is the Activity's choice of partners and its engagement with its partners (e.g., its offers and staff capacity to effectively manage its offers) on or off the mark?
- *Organization*: Is the organizational set up – the composition of people and their skills sets, incentives for performance, overall culture and HQ support – on or off the mark?

3. *Recommendations for increasing effectiveness*: The team will organize its findings, conclusion and recommendations using the same three levels (as in point 2 above), posing a number of key questions:
   - *Strategy/Plan*: What is the evidence of scaling or crowding in by outcome and entry point? What is the evidence of independent action by market actors without continued Activity support? Is the Activity's current approach to scale and sustainability sound or not? What should the Activity continue, stop and start doing and in what sequence to bring about desired outcomes and impacts?
   - *Tactics*: Should the Activity adjust its tactics for engaging market actors?
   - *Organization*: Is the organizational set up the right one for being an effective facilitator of market systems change?

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