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# MARKET LINKAGES INITIATIVE EVALUATION REPORT



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# MARKET LINKAGES INITIATIVE EVALUATION REPORT

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## TABLE OF ACRONYMS

ACE	Agricultural Commodity Exchange
ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
AELA	Agro Enterprise Learning Association
CGA	Cereal growers association
COMESA	Common market for Eastern and Southern Africa
COMPETE	Competitiveness Trade Expansion Program
COTR	Cognizant Technical officer
CRS	Catholic Relief Service
DRC	Democratic Republic of Congo
EAGC	East Africa grain council
ENAS	Enterprise Nkubili and Sons
EOI	Expression of Interest
ETU	Export trading Uganda
FH	Food for the hungry international
GBC	Grain bulking center
GBS	Grain bulking system
GOSS	Government of Southern Sudan
HEA	Household economy approach
ICT	Information and communication technology
KRA	Key Result Areas
LEAD	Livelihoods and Enterprise
LOE	Level of Effort
M & E	Monitoring and Evaluation
MFI	Micro-finance institutions
MIS	Market Information Service
MLI	Market Linkage Initiatives
NC	Northern Corridor
P4P	Purchase for Progress
PHHS	Post-harvest handling and storage program
PMP	Performance Monitoring Plan

SME	Small to Medium Enterprises
SMS	Short messaging service
SOW	Scope of work
UGX	Uganda Shillings
US	United States
USAID	United States Agency for International Development
USG	United States Government
VAC	Village aggregation centers
WFP	World food programme
WRS	Warehouse receipt system

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Above all, the team would like to recognize the substantial assistance and courtesies extended by the MLI staff who provided and indeed in some instances, collated data specifically for this evaluation. Their responses to the team's requests were invariably detailed and helpful, although given at a time when they were evidently busy in the many aspects of project closure. Without their professionalism and objective input, this evaluation could not have been completed.

# Executive Summary

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## MLI Overview

The Market Linkages Initiative (MLI) is a two-year project funded by USAID’s Famine Prevention Fund, with activities in Burundi, Democratic Republic of Congo (DRC), Kenya, Malawi, Rwanda, Uganda and Zambia. The project has been implemented at a time when USAID is undertaking the Presidential “Feed The Future” initiative, which focuses largely on improving food security. The main component of the MLI represents a significant innovation in agricultural development in the Region in that it is clearly market-led. Its primary emphasis is on the development of the capacity of traders (SMEs, large businesses and Cooperatives) in such a way as to enhance linkages with farmers and reduce transaction costs, thereby increasing food security.

To achieve the project goals, the MLI includes a number of different interventions, based around cost sharing grants provided to selected trading beneficiaries for the construction of grain bulking infrastructure, for capacity development (mainly training beneficiaries), and for the procurement of crop conditioning equipment. In Malawi, MLI has supported the introduction of a web-based SMS Market Information service (MIS) to be used by both traders and smallholders and provided support to the Agricultural Commodity Exchange (ACE).

The subsidiary component of the MLI is designed to increase the effectiveness of knowledge sharing amongst market development actors within the region and has largely focused on providing support to the communication capacity within the alliance for Commodity Trading in Eastern and Southern Africa (ACTESA).

## Evaluation Purpose and Procedures

The primary purpose of this evaluation was to inform the development of specific trade, marketing, production and food security focused activities under the new five year “Feed the Future” Strategy. In this regard the evaluation team has focused on two main aspects, namely: The extent to which the MLI project or any of its components represent a viable mechanism for the integration of “vulnerable yet viable” smallholders into commercial markets and for the reduction of food insecurity that could be scaled up to achieve wider benefits and the outstanding strengths and weaknesses of the MLI project with regard to both design and implementation. To assess these aspects the evaluation team conducted an assessment of project documents and interviewed project management and both direct and indirect beneficiaries (respectively traders and smallholders). The team travelled to four of the six countries covered by the MLI, and visited 67% of the sub-projects in those four countries, holding discussions with traders and smallholders at each site. Sub-projects in the Democratic Republic of Congo and Burundi were assessed by remote interviews (by telephone and email). This report has been derived from those site visits and remote interviews.

## Progress in Implementation

The evaluation team reviewed MLI progress in the following key areas:

1. Support to the construction of grain bulking infrastructure
2. Capacity development through the provision of services to assist grantees and smallholders either through training (such as in crop conditioning, or financial management), or more directly (such as in the development of business plans).
3. Procurement and distribution of various types of equipment necessary for the operation of efficient grain bulking systems (GBSs).

#### 4. Support national and regional elements of market institutional infrastructure.

Substantial progress had been made in all of the above areas. Despite initial delays in implementation, MLI and their grantees looked set to achieve close to 100% implementation of all planned activities before the end of the project. It was noted however, that this did not imply 100% achievement of objectives or indicators, due in some cases to risks beyond the control of the project.

A review of the performance monitoring plan and indicators revealed difficulties in attribution in some key indicators (especially those related to volumes and values of commodities traded) but that overall, the results framework was generally valid and had accurately assessed the main risks of reduced production and cost increases caused by inflation and the devaluation of currencies, although, mitigation measures did not always serve to ensure that objectives were met.

## Findings

The evaluation found that given the importance of market access to food security, it was appropriate for the MLI to be financed from the Famine Fund, although that fund's restricted duration of 24 months had limited the interventions to short-term activities and placed considerable pressure upon the various implementation agencies to perform in a timely manner. Moreover, it was not possible to make an accurate assessment of the impacts of interventions that were only just being completed. It was noted that the validity of this evaluation was limited and that only in 2-3 years would it be possible to draw conclusions on the effectiveness of the interventions in terms of integrating smallholders into markets and strengthening food security.

The team found the MLI to be directly relevant to USAID overarching objectives and both necessary and appropriate to the country context wherever it had been implemented. Nevertheless, some reservations were noted regarding the realism of the project goal, which would require a much more extensive program to achieve the general strengthening of the markets required to ensure the degree of competition amongst traders necessary to allow smallholders to obtain a large share of the value chain.

The project and intervention design process was lengthy, iterative and participatory. While on the one hand this truncated the time available for actual implementation, on the other it has resulted in a high rate of success, with 48 out of 52 grantees coming close to completing their individual projects within the project timeframe. In the context of a pilot project the team considered this to be more a reflection of effective and flexible management than of an ill-informed design process.

Interviews with traders suggested that the MLI correctly identified the need for grain bulking systems (GBSs) and for training as key constraints to business expansion, although improved crop conditioning and the need for an effective market information system were also key constraints. Nevertheless, the facilitation of GBS construction played a central role in both allowing smallholders greater access to markets and in creating an incentive to traders to establish closer and stronger relationships with smallholders in order to ensure the consistent supply necessary to meet the overheads inherent in the GBS itself. This intervention was regarded as a "sine qua non" for business development. Training and the supply of crop conditioning equipment were also highly valued, but they were regarded as essential to the full exploitation of the opportunity created by the GBS, not as a substitute for the GBS in the business development process.

As a result of MLI activities, the first project objective of greater smallholder integration into commercial markets is definitely in the process of being achieved. The MLI's success in achieving this objective can be ascribed to the high level of scrutiny in the grantee selection and approval process and the participatory nature of the MLI/grantee interaction, which resulted in a non-prescriptive intervention that met grantee requirements. These factors together with the high level of supervision and support provided by MLI field

staff to grantees, and a positive business climate, combined to promote the very high success rate (of 48 out of 52 operational business entities receiving grants and operating successfully) achieved under the MLI.

In addition, in Malawi, project interventions have been strongly enhanced by the additional impacts of the Market Information System (MIS). Esoko, which was widely noted as a major benefit of the project that had both enhanced trader capacity to reach farmers and empowered those farmers who were registered with the Esoko system.

The second major objective of establishing institutional sharing of lessons learned and best practices amongst market development actors has not yet been achieved, and it is uncertain that significant further progress will be made during the remaining few weeks of the project. The interventions made in this area depended largely upon partnering with ACTESA, an institution whose recent management crisis has rendered it incapable of providing an appropriate response to MLI assistance in the short term.

With regard to sustainability of impacts, it was noted that some of the benefits achieved through MLI interventions will be lost if grantees are unable to access further training that will enable them to deal with changing business circumstances in the future. Similarly, the institutional sharing component, even if activated by ACTESA may not yield sustainable benefits unless additional support is provided to ensure the effective management of the knowledge portal over the first two years of its operation.

The efficiency of MLI interventions varied considerably. GBS construction appeared to have an immediate impact in terms of traders' business capacity development and throughput. It has also in some cases resulted in the leveraging of additional loan finance from commercial banks. Similarly, training in crop conditioning (farmer field days) has already had a noticeable impact on the quality of grain submitted to traders and can be considered an efficient activity (although the key message appears to be the reinforcement of the market incentive rather than the technical messages).

The provision of moisture meters stood out as an efficient means of increasing trader profitability and farmers' value added, while reducing storage losses. Although superficially trivial in nature, they were frequently noted by traders as having made a difference to their business practices. Finally, of all the activities undertaken by MLI, the provision of support to the development of Esoko would appear to be the most cost efficient, intervention that has provided immediate and positive benefits to both traders and farmers alike. Those farmers that were registered with Esoko rated it as the most valuable of the MLI interventions, while traders who could access it placed Esoko high on their list of interventions that had reduced their costs and strengthened their businesses.

## **Management Performance**

While there had been delays in the implementation of MLI activities that had increased the pressure on grantees to meet their commitments, it was noted that most delays had been due to factors outside the control of MLI management and that none of the 48 grantees remaining at the time of evaluation had failed to achieve their main targets. Moreover, the MLI team's careful groundwork including the lengthy scrutiny of grantees had been a major contributory factor to the observed high rate of success within the project, so that on balance, management had prioritised its use of available time and human resources appropriately.

The team assessed management performance to have been flexible and responsive to changing circumstances, especially in the procurement of equipment and variation of milestones. Grant management had been effective, despite the high level of effort required to supervise the grants process. The budget realignment was an appropriate response by MLI management and USAID to the increased level of human resources required to manage the grants process. Given the limited number of grantees that

could be identified as capable of meeting the selection criteria, the realignment of funds did not reduce the impacts to beneficiaries but did allow for the more rapid and effective disbursement of funds, without which project implementation would almost certainly have exceeded the two year deadline.

## **Strengths and Weaknesses**

The main strengths of the MLI were identified as:

- The market-led perspective of the project that enhanced sustainability.
- The project design provided the flexibility to undertake a detailed profiling and assessment of beneficiary needs and modify interventions according to circumstances on the ground.
- The formation of linkages with government extension officers by project/grantees to enhance project impacts.
- The non-prescriptive nature of the project that allowed grantees to select the type of intervention that was best suited to their needs.
- The involvement of Esoko in the Malawi component of the project has resulted in a transformational intervention in that has provided a clear demonstration of the impact of web-based SMS technology.

The main weaknesses were identified as:

- The use of a short-term funding mechanism for the implementation of a pilot project that anticipates long-term impacts.
- The absence of long-term business mentoring that will be required in the case of some grantees to ensure ongoing commercial viability under changing market circumstances will most probably reduce the overall project impact.
- The need for the grant administration team to learn the most appropriate disbursement mechanism through experience gained during the implementation process. This was not ideal given the short time available for implementation.
- SME operated GBCs reported that the matching grant requirement tied up available cash, thereby reducing the purchasing power of some grantees during the crop purchasing period.
- The capacity of the counterpart institution selected to achieve the institutional sharing of lessons learned (i.e., ACTESA) has delayed the achievement of this objective.

## **Scaling-up of MLI Activities**

An analysis of the potential for scaling up of some or all of the project components concluded that:

1. There are insufficient traders within Malawi and the NC of the capacity required to work with the current package of MLI initiatives to merit the scaling up of the MLI in its present form.
2. A wider target group of entrepreneurs does however exist, but lacks professional skills.
3. To reach the wider target group required to stimulate competition within the market, it will be necessary to strengthen the training component of the MLI.
4. Nevertheless it is the support to GBS construction that remains the critical benefit of the MLI and which both removes the key constraint to business development and stimulates the development of a stronger relationship between traders and “their farmers”.
5. The costs of implementing an MLI that can provide such support (together with enhanced training) to a larger number of traders will be substantial in terms of both net costs and overheads unless a lower cost financing mechanism can be introduced.
6. Training of both traders and farmers is essential to the success of the MLI, although the procurement of equipment, while strengthening the overall intervention, is not as critical.

7. The introduction of web-based SMS technology has transformed trader practices in Malawi and should be included in any future MLI.
8. Even if the GBS and training components of the MLI are not scaled up in the future, the introduction of and support to web-based SMS technology should be scaled up and replicated amongst the remaining countries in the region.

# Evaluation Report

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## 1 BACKGROUND TO THE EVALUATION

### 1.1 Project Context

The Market Linkages Initiative (MLI) is a two-year project funded by USAID's Famine Prevention Fund. Managed by USAID's East Africa Regional Economic Growth and Integration office, the MLI is implemented by CARANA Corporation, in partnership with ACDI/VOCA .

The project was initiated on September 15, 2009 and covers activities in Burundi, Democratic Republic of Congo (DRC), Kenya, Malawi, Rwanda, Uganda and Zambia. Total funding amounted to US\$14.8 million, drawn from the Famine Fund, of which US\$3.3 million was not included in the MLI contract and was earmarked for direct USAID support to the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), based in Zambia. The remaining funds were used to finance a range of interventions designed to develop linkages that might strengthen the integration of smallholders into commercial markets. For this purpose, US\$4.0 was allocated to Malawi and US\$7.5 million to the remaining five countries (the Northern Corridor (NC)).

The project has been implemented at a time when USAID is undertaking the Presidential "Feed The Future" initiative, which focuses largely on improving food security. Many of the interventions undertaken to achieve this goal have in the past concentrated on increased production and where marketing support has been provided, it has been production-focused (i.e. how can we help smallholders market what they produce?) rather than market-led (i.e. how can we help smallholders produce what the market requires?). The main component of the MLI represents a significant innovation in agricultural development in the Region in that it is clearly market-led. Its primary emphasis is on the development of the capacity of traders (SMEs, large businesses and Cooperatives) in such a way as to enhance linkages with farmers and reduce transaction costs, with the ultimate goal of increasing prices received by farmers, encouraging more intensive production, while simultaneously reducing prices to the consumer. Under this approach, traders are the immediate beneficiaries of the project interventions, although in the longer-term the enhanced food security of smallholders is the ultimate goal.

In order to achieve this goal, the MLI has designed a number of different interventions, based around cost sharing grants provided to selected trading beneficiaries for the construction of grain bulking infrastructure, for capacity development (mainly training of trading companies, smaller traders, cooperatives and the smallholders supplying these businesses), and for the procurement of crop conditioning equipment. In addition in Malawi, MLI has supported the introduction of a web-based SMS Market Information service (MIS) to be used by both traders and smallholders and provided support to the Agricultural Commodity Exchange (ACE).

The subsidiary component of the MLI is designed to increase the effectiveness of knowledge sharing amongst market development actors within the region and has largely focused on providing support to the communication capacity within ACTESA. This component has generally been implemented independently of the main component and although also quite innovative in nature (including the development of an internet-based knowledge portal) does not represent the paradigm shift from conventional development practices that is embodied within the main component.

## 1.2 Evaluation Purpose and Methodology

### 1.2.1 Purpose

The primary purpose of this evaluation is described in the attached SOW (Annex A) as “to inform the development of specific trade, marketing, production and food security focused activities under the new five year “Feed the Future” Strategy for Eastern and Southern Africa”. In addition, the evaluation should document:

1. The outcome and impacts resulting from investments made under the project,
2. MLI’s contribution to USAID’s development assistance-supported agricultural development objectives for the region:
  - a). The extent to which institutional strengthening was fostered as a result of MLI’s relationship with USAID’s African partner organisations (especially the Alliance for Commodity Trade in Eastern and Southern Africa, ACTESA)
  - b). New insights into best practices for rehabilitation of marketing systems in post-conflict and fragile economies (Burundi, Rwanda, Democratic Republic of Congo).

This evaluation has covered both the main components of the project, but has restricted its assessment of the institutional sharing to the remote polling (by phone and email) of key stakeholders and a web-based literature review. The main focus of the evaluation has been the assessment of the innovative approach to rural development embodied within the MLI project component that seeks to strengthen market linkages to increase the demand for staple products and thereby to integrate smallholders into commercial markets.

This evaluation seeks to highlight the lessons learned from the project that might inform the development of future activities as required by the SOW including:

1. Issues of design
2. Immediate results and longer-term impacts
3. An assessment of management performance
4. An assessment of the efficiency and effectiveness of the activities
5. An assessment of projected outcomes
6. Other Issues.

Nevertheless, the fundamental questions to be resolved by this evaluation are:

1. To what extent does the MLI project or any of its components represent a viable mechanism for the integration of “vulnerable yet viable” smallholders into commercial markets and for the reduction of food insecurity that could be scaled up to achieve wider benefits?
2. What are the outstanding strengths and weaknesses of the MLI project with regard to both design and implementation?

### 1.2.2 Methodology

#### Evaluation Team

The evaluation team consisted of two international consultants, George Gray (Team leader), and Jumana Farah (M&E specialist) and two local consultants, Kiringai Kamau, (Value chain specialist) and Lewis Karienyeh (Market linkages specialist). Support was provided by the Head Office of Weidemann Associates in Washington DC.

#### Methodology

The rationale behind the methodology of the evaluation team was that in order to assess the fundamental viability of the MLI for future scale up, it was necessary first to determine if the activities of the MLI had been relevant to the strengthening/broadening of market linkages between farmers and traders, secondly to determine how effectively those activities had been implemented and finally to assess the extent to which activities had made an impact in terms of incorporating “vulnerable but viable” households into the market and consequently upon their food security. These three aspects required interaction with the immediate beneficiaries (generally traders), with MLI staff, and with farmers who market their agricultural produce through the beneficiaries, as well as with ancillary stakeholders, including other donors/projects, banks and MFIs, and those institutions such as the WFP P4P program, that were targeted as markets for the increased volumes of smallholder grain. Each of these groups provided different types of information and was treated in different ways.

**Immediate Beneficiaries (Trading Entities)** – this group was directly interviewed to determine:

1. The key constraints to their business development.
2. The extent to which the MLI project has alleviated those constraints, through:
  - a. Support for the construction of infrastructure
  - b. Training of both grantees and beneficiaries in a range of areas
  - c. Provision of crop conditioning equipment
  - d. Development of market information services (Malawi only)
  - e. Development of innovative practices such as public storage, mechanical threshers and public storage.
3. Reasons for success or failure of the project activities.
4. Financial and physical quantification of the impacts of activities.
5. Level of commitment to maintain or expand operations.
6. Anticipated risks and mitigation strategies.
7. Nature of the grantees interaction with MLI
8. Their perception of the strengths and weaknesses of the project design.

**Smallholders** – this group was directly canvassed through focus group discussions (where possible) to determine:

1. Key constraints originally faced by farmers in selling their produce.
2. The extent to which:
  - a. Marketed volumes have altered or are expected to alter as a result of project activities.
  - b. Traders have increased in either numbers or accessibility to sellers.
  - c. Prices received by farmers have altered or are expected to alter as a result of the project activities.
  - d. Volumes sold and prices received have varied after training has been provided
3. The impact of 1 and 2 above on household food security levels amongst the sellers.
4. Reasons for increases or decreases in a, b and c above.
5. Future crop production and marketing intentions in the light of local project interventions.

**Management of other projects** (especially COMPETE and WFP) was interviewed directly to determine the following:

1. Impact of project interventions on integration of smallholders into the market.
2. Extent and nature of any parallel initiatives and their impact on MLI performance.
3. Potential overlaps and synergies and possibilities for ongoing assistance to beneficiaries following project closure.

The issues listed above relate to the first major objective of the MLI, namely the increased integration of smallholders into commercial markets. The second objective relates mainly to ACTESA, an institution which is based in Lusaka Zambia, and which was interviewed separately. Due to the institutional crisis within that institution, it was not viable to travel to Lusaka, nor was it possible to contact the Chief Executive Officer. Instead, management of ACTESA was interviewed by phone and email (questionnaire attached in Annex B) to determine the impact of MLI support and to assess potential outcomes of the MLI interventions.

### Countries Visited

The Evaluation team visited project sites in Kenya, Malawi, Rwanda and Uganda. MLI project management in Nairobi, Kampala, Kigali and Lilongwe was directly interviewed and project documents reviewed. A list of documents consulted is attached in Annex D. Logistical constraints prevented the team from visiting Burundi and DRC. Instead, MLI grantees in Burundi and DRC were canvassed by phone and email. The questionnaires submitted are attached on Annex B. The evaluation team did not assess South Sudan, since there had been no project activity in that country.

### Site Selection

The MLI beneficiaries can be classified in terms of their stakeholder arrangements (e.g., whether the GBCs and VACs were owned and run by a large company, an SME, a cooperative, or an NGO; whether or not the VACs were also owned, or independently managed). This had been noted by MLI management to be a key variable in an intervention's potential for success. The site selection process was designed to take this into account by choosing interventions for inspection that would provide a representative cross section of sites from the perspective of the different stakeholder arrangements. The evaluation team sought to combine this perspective with a representative cross section of the impacts of training service provision and associated activities such as business plan development, storage training, and support for other innovative practices in each of the four countries visited. Finally, an element of pragmatism was forced upon the evaluation team by the limited time frame and travel requirements so that the eventual selection of sites was not random, but was as representative as possible. Table 1 provides a breakdown of these interventions in terms of their stakeholder arrangements, showing the numbers of each type in each country and the numbers that were visited by the evaluation teams.

**TABLE 1: EVALUATION OF INTERVENTION TYPES**

Country		Type of Intervention					Totals
		GBCs with VAC or staff	GBCs with agents or staff	GBCs linked to Community Groups or Cooperatives	GBC Only	GBC Managed by NGOs	
Kenya	Total No.	3	1		1		5
	No. Covered	3			1		4 (80%)
Uganda	Total No.	2	3	1		2	8
	No. Covered	1	2	1		2	6 (75%)
Rwanda	Total No.	3	2	1		1	7
	No. Covered	2	1	1		1	5 (77%)
Malawi	Total No.	7	1		2	3	13
	No. Covered	4			1	2	7 (53%)
Totals	Total Number	15	7	2	3	6	33*
	Total Covered	10 (67%)	4 (57%)	2 (100%)	2 (100%)	5 (83%)	22 (67%)
<ul style="list-style-type: none"> <li>Discontinued and regional interventions. Those in DRC and Burundi are not included in this total.</li> </ul>							

Altogether, two thirds of the ongoing interventions in the four countries toured were visited, together with the USAID missions and MLI offices in each country. The schedule of visits is attached in Annex C, and a list of interviewees in Annex E.

### 1.2.3 Constraints

The key constraint faced by the evaluation team was the timing of the evaluation itself. This theme is reiterated throughout this report. Although this was an end of project evaluation, many of the interventions are in their last stages of completion and due to the timing of crop harvests within the region, have yet to make much impact on smallholder marketing or crop production practices. Indeed, although there are some clear indications of change, it is quite probable that it will not be possible to identify the full extent of MLI impacts accurately for a further 24-36 months. Moreover, given the substantial variations in production and especially the impact of the ongoing drought in large parts of East Africa, it has been difficult to attribute recent changes in smallholder production and marketing behaviour to specific causes. For these reasons, the evaluation team has been restricted in drawing conclusions regarding the some critical aspects of the MLI, namely:

1. The extent to which a market-led initiative can influence farmer's production behaviour (such as area planted and use of inputs), and,
2. The impact of any changes in such behaviour on household food security.

While the team has gathered some initial indications of change in these areas, especially in Uganda and Rwanda, and this report does use these indications to make some comments on the hypothesis underlying the design of the MLI project, these must be regarded as tentative. Difficulties in attributing observed recent increases in cultivated area to the MLI alone and not to other factors, such as substantial increases in commodity prices throughout the region, restrict the validity of preliminary conclusions. They are an inadequate substitute for a later investigation which, if conducted in 2013 or 2014 would be able to draw more concrete and useful conclusions on these key issues that could inform future project designs with much greater validity.

## 2 PROJECT DESCRIPTION

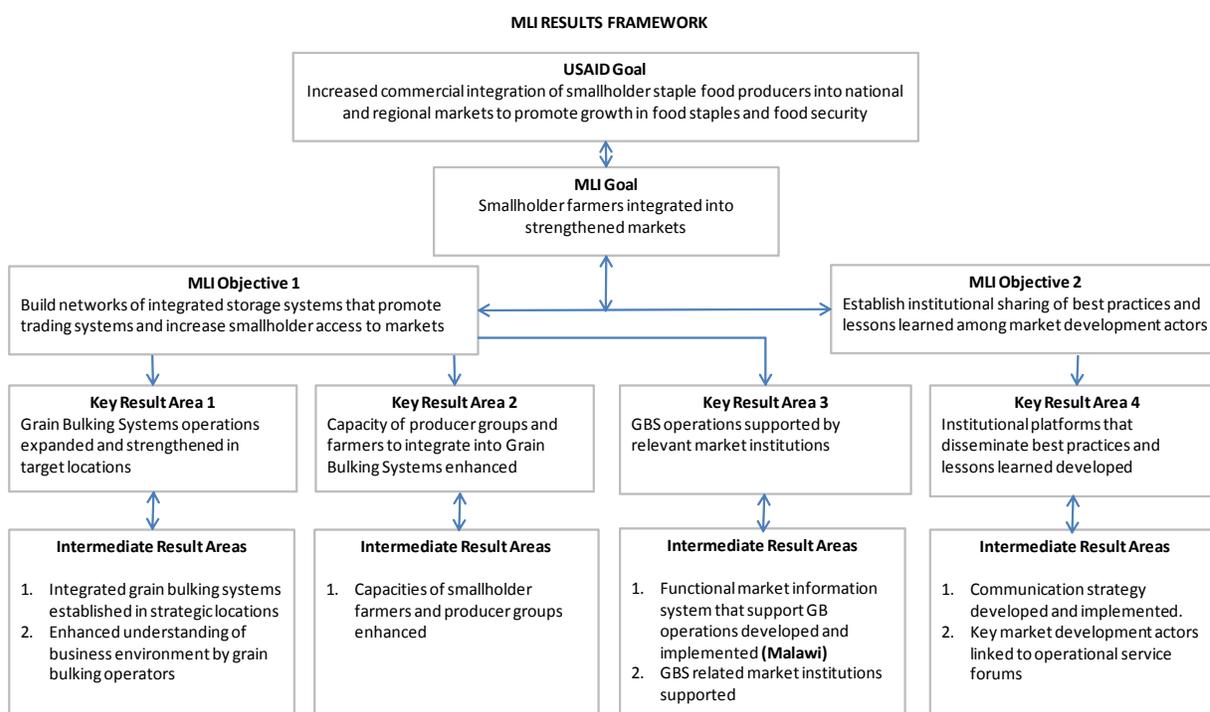
### 2.1 Project Objectives

The MLI seeks to promote growth in food staples and food security by integrating smallholder staple food producers into national and regional markets. The MLI specific goal is to integrate smallholder farmers' production into strengthened markets. The project would achieve its goals through four key result areas:

- Component 1
  - Grain Bulking System (GBS) operations expanded and strengthened in target locations
  - Capacity of producer groups and farmers to integrate into GBS enhanced
  - GBS operations supported by relevant Market institutions
- Component 2
  - Institutional platforms that disseminate lessons learned and best practices developed.

The results framework for the MLI is shown in Figure 1.

**FIGURE 1: MLI RESULTS FRAMEWORK**



The project had two objectives:

1. Build networks of integrated storage systems that promote trading systems and increase smallholder access to markets
2. Establish institutional sharing of best practices and lessons learned among market development actors

These two objectives were intended to meet the MLI goal of “Smallholder Farmers integrated into Strengthened markets”, which was in turn intended to contribute towards the USAID/East Africa objective of “Increased commercial integration of smallholder staple food producers into national and regional markets to promote growth in food staples and food security”.

Testing the linkage between the MLI goal and the USAID objective is the crux of the MLI project. That linkage is based upon the hypothesis that if provided with the incentive of consistent markets and adequate prices, smallholders will increase their production, thereby contributing to economic growth and enhanced food security. There is a body of evidence that suggests this to be the case, although it is by no means universally accepted<sup>1</sup>. Nevertheless, there are sufficient grounds to justify this innovative intervention on a pilot basis which, if implemented successfully and monitored effectively might provide the evidence to resolve the argument and possibly promote a greater emphasis on market development in the future.

There is one important caveat relating to the issue of food security. The integration of smallholder farmers into strengthened markets may indeed lead to an increase in food security in the long-term and from a national/regional perspective. But the situation is more complex in the short term and at the local community level. A brief analysis of the potential consequences for food security within rural areas is presented in Annex G.

## **2.2 Project Activities**

Although specific in its focus, the MLI was quite broad in the number of different activities that it undertook. These included assistance in the following key areas:

1. Support to the construction of grain bulking infrastructure
2. Capacity development through the provision of services to assist grantees and smallholders either through training (e.g., conditioning, financial management), or more directly (e.g., development of business plans).
3. Procurement and distribution of various types of equipment necessary for the operation of efficient GBSs.
4. Support national and regional elements of market institutional infrastructure.

Each of these key areas is described in more detail below, together with the evaluation team’s assessment of progress.

### **2.2.1 Construction of Infrastructure**

This activity was normally undertaken through standard grants issued on a cost-share basis<sup>2</sup>. The infrastructure consisted of:

- a. Grain Bulking Centres (GBCs)
- b. Village Aggregation Centres (VACs)

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<sup>1</sup> Some economists argue that agricultural transformation will be accelerated as food prices are reduced, see for example: Timmer. P., (1997) Farmers and Markets: The Political Economy of New Paradigms, American Journal of Agricultural Economics 79, pp621-627.

<sup>2</sup> A list of grantees, MLI disbursements and Cost Share amounts is attached to this report in Annex F

- c. Perimeter walls
- d. Grading rooms
- e. Offices
- f. Toilets

In most cases, the construction work was undertaken by local subcontractors, although in some cases, the grantee had participated significantly in the work. Different grantees had benefited in various ways according to their needs. In some cases, existing warehouses had been upgraded. In others new facilities had been constructed. The construction of a functional GBS was the central theme in each case.

The evaluation team noted that in all cases, construction had either been completed or was well advanced. The construction of all buildings seen was of an adequate standard to meet the project goals. More rapid progress appeared to have been achieved in Kenya and Malawi, than in Rwanda and Uganda. Various reasons were quoted for this, but no common element could be found. While the last quarterly report indicated 74% completion of these construction activities, it also noted that a further 6 subprojects would be completed by the end of August, (i.e., 92% completion). The evaluation team assessed that there was a high probability that this would indeed be achieved and that the goal would be completely met within the project period or shortly thereafter. This was based upon the fact that all grantees had made substantial commitments to the construction process and it was very much in their interests that these should be completed and operational as soon as possible.

### 2.2.2 Capacity Development of GBS Operators and Associated Smallholders

A wide range of activities were undertaken in this category. These included:

- a) Facilitating the development of business plans for grantees
- b) Supporting the implementation of business plans through the provision of business management assistance including:
  - a. Deployment of office staff
  - b. Training of office staff
  - c. Purchase and installation of accounting software
- c) Providing training to some grantees (mainly cooperatives) in business development and cooperative governance.
- d) Training grantees and their agents in crop conditioning and storage management, including topics such as harvesting, drying, shelling and winnowing, pest control, mycotoxins, transport, and grain handling.
- e) Sensitizing smallholders to crop conditioning requirements, mainly through the holding of “Farmer Field Days”
- f) In Malawi, the ACE provided training in market information systems.
- g) Linkage with other stakeholders in the value chain.

Business plan development was a support required by some grantees in order to submit proposals of the standard required by the grant selection criteria and also to ensure that the subsequent business could operate in a planned and efficient manner. Not all grantees required this support, which was provided by a limited number of local consulting companies who were contracted by MLI to provide the services.

Business management assistance was provided in two ways. First through the deployment of personnel whose costs were paid for or subsidized by MLI to those grantees who lacked the capacity to manage their businesses to the standard required to meet MLI reporting and management requirements. Such staff were also trained either by local consulting companies or by MLI STTA in financial management

systems, including the operation of programs such as QuickBooks<sup>3</sup>. In Malawi, grantees were also trained through workshops held by MLI to enhance understanding of the grain value chain. These activities had been completed. Similar training in cooperative governance was undertaken for cooperative grantees by MLI STTA. These activities had also been completed.

The training of smallholders in crop conditioning including the correct chemical treatment of grain stored in cribs, was implemented either through service providers who were contracted to organise Farmer Field Days at which the smallholders in the catchment area of the grantee were sensitized to the best crop storage practices and market requirements. Particular emphasis was placed upon the grantees market requirements and grantees or their agents were an essential element of each field day. Such workshops also promoted cooperation with local government extension services who were almost always involved in the delivery of the technical messages to smallholders at each field day. This activity was undertaken in each country and was a significant element of the MLI training component. The evaluation team noted that this activity had not yet been completed in all countries but was more than 80% complete at the time of evaluation. Plans had been made to complete the smallholder training component by the end of the contract period and the evaluation team considered that these would be met.

Training of VAC and GBC operators in warehouse management including fumigation had been carried out by MLI STTA or by contracted agents. These activities included training provided by STTA to Grantees and their agents together with the development and distribution of a “Crop Conditioning Handbook” and (in Malawi), three videos, had all been completed at the time of evaluation.

Linkage of grantees with other stakeholders in the value chain had included the facilitation of linkages with potential buyers such as WFP, and (in Malawi) with the Agricultural Commodity Exchange (ACE). This activity had been carried out to a limited extent, but did not appear to be a high priority for grantees.

### 2.2.3 Procurement and Distribution of Equipment

This activity also covered a range of areas including the procurement, installation and commissioning of:

- a) Equipment to strengthen grantees’ business management capacity, including IT hardware (e.g., computers, modems, and printers), solar panels and motor cycles.
- b) Crop conditioning hardware, including mechanical threshers, maize shellers, solar and conventional grain dryers, cleaning tables, and grading and cleaning equipment.
- c) Crop storage hardware, including fire extinguishers, pallets, ladders, grain bags, stitching machines, fumigation sheets, sprayers, grain sampling equipment, scales and moisture meters.

In the NC, different packages of equipment were provided to each grantee according to their individual business needs, although in Malawi a uniform “core package” of crop conditioning equipment was provided to all grantees. The supply of equipment to strengthen grantee business management capacity activity and the crop storage hardware had been completed in almost every case (the commissioning of scales had not been completed for all grantees), and the evaluation team considered it very probable that this activity would be 100% complete before the end of the project.

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<sup>3</sup> The sustainability of this intervention was quite variable. Some grantees indicated that they would absorb the cost of continuing to hire accounting staff after project completion. Others regarded the cost as unsustainable. Still others were considering continuation “subject to negotiation”, i.e. at a lower rate.

Performance in the supply of crop conditioning hardware was more variable. In some instances, the evaluation team witnessed grain dryers in the process of installation. In others, although the dryers had been delivered, they had yet to be installed or commissioned. The grantees expressed confidence that all of the equipment would be installed and operational before the end of the project. This is entirely practicable, but performance to date provides limited justification for such an assessment. The evaluation team considered that while these activities will be completed in Kenya and Malawi, there is a possibility that some work will remain outstanding at the end of the project period in Uganda and Rwanda.

#### 2.2.4 Support to the Development of Market Institutional Infrastructure

Activities in this area included

- a) The development of a web-based storage mapping tool.
- b) Support to the development of the web-based SMS market information system Esoko in Malawi.
- c) The provision of financial and human resource supports to the Agriculture Commodity Exchange in Malawi to assist in the development and administration of an MIS.
- d) Support to develop the communication capacity of the regional institution ACTESA.
- e) Support to other market institutions, primarily for the purpose of policy development.
- f) Support to Conseil Agricole et Rural de Gestion (CARG) in DRC to develop a business plan that incorporated market services.

The web-based storage mapping tool has been based around Google Maps software. It has been completed and is publicly accessible at <http://marketlinkages.org/>.

Support has been provided to Esoko in a number of areas, including financial support for the following:

- a) Training the enumerators that collect market price information that is entered into the system,
- b) Training grantees and their agents in the use of Esoko, and
- c) Initial licenses that would be charged to the traders in Malawi who have been provided with free access to the system for a year.

MLI has also facilitated the development of a licencing/franchise arrangement that may allow the system to be sustainably implemented on a commercial basis after project closure.

These activities had not been completed at the time of evaluation. But the timetable for completion suggested that they would be 100% complete by the end of August and, based upon experience to date, the evaluation team is confident that the timetable will be met.

Support to ACE had been provided in the form of:

- a) Financial assistance in the form of a grant to assist ACE to integrate or create a GBC-linked warehouse receipting system. NB this is not the same as the Warehouse Receipt System that has been widely promoted elsewhere. The receipt issued in the case of the MLI project is not a tradeable document, but does allow for the collection and verification of the volumes of crops held by individual traders so that buyers can be confident that traders do have the capacity to meet the commitments they may make when responding to purchase offers. This activity is in process and will be continued after project closure, although no further support is anticipated under the MLI.

- b) Meeting the costs of an additional staff member to cope with increasing throughput (mainly as a result of Esoko). This activity is ongoing. ACE indicated that staff costs will continue to be met from other sources after project closure.
- c) Meeting the costs of Esoko licensing. This cost will also be met from other sources after project closure.

All of these activities had been achieved or were ongoing and although the MLI support would be completed at the end of the project, each activity was expected to be continued on the basis of either internal or external finances (or a combination of both) after project closure.

The two elements of support provided to ACTESA were:

- a) The development of a web-based knowledge portal for the dissemination of lessons learned amongst market development actors (mainly in government, NGOs and the donor community, although private sector participation is also expected).
- b) The undertaking of a baseline study and development of a communications strategy for ACTESA.

These activities were contracted by MLI to Danya International, a communications strategy and research analysis company based in Silver Spring, Maryland. They have both been completed and made available to ACTESA. However, at the time of this evaluation, ACTESA had not yet activated or used any of these project deliverables.

Support to other market institutions was not a major component of the MLI and was not evaluated in detail. This component included the provision of STTA to the East African Farmers' Federation, the Agro-Enterprise Learning Alliance and to the East Africa Grain Council for the preparation of policy position papers. Logistical constraints prevent the evaluation team from assessing these activities.

## **2.3 MLI Performance Monitoring Plan (PMP)**

A project Performance Monitoring Plan (PMP) document was approved on April 9, 2010 following extensive review of relevant studies and documents, interviews with various project stakeholders in all target countries, including USAID bilateral missions, implementing partners of food security and market development projects, host-country agricultural officers, and key traders in food staples. The strategic approach adopted by MLI involves facilitating the flow of staple grains from the farm/village level amassed at VACs with a storage capacity of 30 to 500 tons to larger GBCs with a storage capacity of up to 3,000 tons, and warehouses with a storage capacity exceeding 3,000 tons where processors and traders can easily purchase sufficient quantities to fulfill their needs or contracts. The VACs would generally be operated either by the larger grain bulking center staff, producer groups or SMEs. The VACs would be sustained by the grain bulking centers through cash payment for commodities delivered, provision of price information, onward transportation of bulked commodities, as well as cleaning, drying, storage, fumigation and bagging services.

### **2.3.1 MLI Baseline Data**

In an effort to compile a baseline for the volumes and value of staple grains, and number of smallholders supplying staple grains to Grain Bulking Systems for the countries where MLI intervened, several surveys were conducted by MLI: Four surveys of four Grain Bulking Systems in Uganda were conducted in October-November 2010, and one national survey in Malawi was conducted in February-March 2011. The data collected by MLI was limited by the data available at the level of the Grain Bulking Systems surveyed. The results were as detailed in Table 2:

**TABLE 2: BASELINE DATA FOR SELECT GRAIN BULKING INSTITUTIONS IN 2009**

	Volumes of staple grains passing through the Grain Bulking Systems (metric tons)	Value of staple grains passing through the Grain Bulking Systems	Number and type of suppliers
Malawi (cumulative)	30,499 t cumulative for maize, beans, soybeans, groundnuts, other (e.g. sunflower)	8,151,526 US Dollars	1,621 commercial traders 417 small scale traders 34,616 Smallholders <b>Total: 36,654</b>
Agroways (Uganda)	10,300 t of maize	740,000 US Dollars	1,612 smallholders supplied the 4 Agroways VACs, out of which 1,370 were male and 242 were female
Kisiita ACE Ltd (Uganda)	2,525 t maize ; 300 t beans ; 380 t sorghum	830,000 Ugandan Shillings for maize ; 2,200,000 Ugandan Shillings for beans ; 520,000 Ugandan Shillings for sorghum	The farming population is composed of 3,011 farmers of which 1,128 are females and 1,883 are males. However, only 1,700 active farmers.
Mukwano Group of Companies (Uganda)	1,800 t and 900 t of maize and soybean grain, respectively, in the 2 <sup>nd</sup> half of 2009	Not available	40,000 smallholder producers

### 2.3.2 Assessment of the MLI Performance Monitoring Plan

The evaluation team reviewed the MLI PMP to determine the extent to which the indicators listed under the PMP provided an accurate reflection of development progress and real achievements under the project. Most of the targets have been developed in a participatory manner, whereby the project partners were consulted through quick assessments and initial field visits, and strategies were discussed and agreed upon. Specialists in agricultural marketing and operators of GBCs and VACs were consulted in setting up realistic targets included in the MLI performance tracking table, especially those tracking the progress of volumes and values of grain passing through the MLI-supported GBS, the number of VACs supplying the GBCs, the number of smallholder farmers participating in GBS operations by gender, the number of farmers to undergo training, and the usage of price and market information systems.

MLI's PMP detailing the performance indicators and their time-bound targets is presented Table 3. The table indicates how the various indicators were varied over time as the MLI evolved and the reasons for the changes that were introduced.

Table 4 provides a detailed analysis of the extent to which the final indicators were actually achieved together with reasons for the deviation of actual results from anticipated targets.

**TABLE 3: PERFORMANCE INDICATORS AND REASONS FOR CHANGE OF TARGET VALUES**

Indicator	Baseline values *	End-of-project targets as set in April 2010	End-of- project targets as revised in September 2010	Reasons for Change in Target Values
<b>MLI Result Area 1: Grain Bulking Systems operations expanded and strengthened in targeted locations</b>				
Volumes of commodities flowing into MLI-supported storage in metric tons (t)	Malawi (cumulative): 23,464 t Uganda (cumulative): 16,205 t	18,000 **	96,350	Originally, it was thought possible to isolate the incremental volumes and values of grains passing through the MLI-supported GBCs as a direct result of MLI interventions. However, at implementation, it was found that the VACs and GBCs accounting systems were not equipped to track volumes and values in this manner. Thus, MLI management decided to track the totality of the grain volumes and values grains passing through the MLI-supported GBCs, as this would still show the effect of MLI interventions (whether positive or negative).
Value of commodities (in US Dollars) flowing into MLI-supported storage		3,240,000 **	12,400,600	
Number of Grain Bulking Systems supported by MLI		24	24	
<b>Intermediate Result 1.1: Integrated grain bulking systems established in strategic locations</b>				
Number of business plans developed with project support		62	45	Originally, it was thought that as many as 62 grantees would be contracted by MLI and that all would require MLI assistance in formulating their business plans. However, due to a lower number of grantees selected by MLI than originally anticipated, and the low capacity of the majority of the grantees, it was found that more time and resources were going to be spent in developing business plans than earlier thought. Hence the downward revision of the targets.
Number of VAC supplying grain bulking systems		280	406	Through close contact with GBC operators, MLI found that a majority of them will be linked to more VACs than it was initially anticipated. Hence the upward revision of the targets.
Number of new technologies or management practices under field testing as a result of USG assistance		4	4	
<b>Intermediate Result 1.2 Enhanced understanding of business environment by grain bulking operators</b>				
Number of GBS operators who report an increased level of understanding of the requirements of large scale traders, processors and warehouse operators		15	15	

MLI KEY RESULT AREA 2: Capacity of producer groups and farmers to integrated into Grain Bulking Systems enhanced				
Volume of commodity delivered by farmers to MLI-supported VACs		12,000 **	61,975	The total volumes of grains delivered to the VACs were expected to increase with more VACs supplying the GBCs. Hence the upward revision of the targets.
Value of commodities entering into MLI-supported VACs		Not mentioned	6,417,500	It was difficult to put a realistic value on the increased volumes targets due to rapidly devaluating local currencies and oscillating market prices.
Intermediate Result 2.1: Capacities of small-scale farmers and producer groups enhanced				
Number of small holder farmers participating in Grain bulking System operations(upper line males, lower line females)	34,616 in Malawi	4,025	39,699	Since the number of VACs associated with GBCs has increased, more farmers were going to participate in GBS operations. Hence the upward revision of the targets.
	43,312 in Uganda		25,301	
Males attending short-term training as a result of USG assistance		5,850	10,634	Collaboration between NGOs and large scale business operators was expected to increase the number of both males and females attending short term training as a result of USG assistance. Hence, the upward revision of the targets.
Females attending short-term training as a result of USG assistance		2,217	7,966	
MLI KEY RESULT AREA 3: Grain Bulking System Operation supported by relevant market institutions				
Number of market Institutions supported by MLI		5	5	
Intermediate Result 3.1. Functional market information system that support grain bulking operations developed and implemented (Malawi)				
Usage of price and market information systems as a result of USG assistance		14,400	14,400	
Intermediate Result 3.2: GBS related market institutions supported				
Number of services offered by market institutions for a fee		3	3	
Number of GBS operators paying for market institution services		10	10	
MLI KEY RESULT AREA 4: Institutional platform which disseminates lessons learned and best practices developed				
Number of key market actors participating in key service forums		24	24	
Intermediate Result 4.1: Communication strategy developed and implemented				
Communication strategy for key service forums endorsed and accepted by ACTESA		1	1	
Intermediate Result 4.2: Market development actors linked to operational service forums				
Number of forum platforms established		4	4	
Number of market development actors using platforms to share information and experiences		9	9	

\* Baseline studies were conducted only in Malawi (February-March 2011) and Uganda (October-November 2010)

\*\* Incremental value as a direct result of MLI interventions

**TABLE 4: EXTENT TO WHICH MLI PERFORMANCE INDICATORS TARGETS WERE ACHIEVED UP TO JUNE 30, 2011**

Indicator	End-of-project targets as revised in September 2010	Achievements up to June 30, 2011	% achievement of set target	Reasons for deviation
<b>MLI Result Area 1: Grain Bulking Systems operations expanded and strengthened in targeted locations</b>				
Volumes of commodities flowing into MLI-supported storage in metric tons (t)	96,350	72,582	75%	<p>Targets put by MLI, although are a result of much consultation with GBS owners, were still only projections. These projections probably did not consider crop failures due to drought, or at least not to the extent that happened in 2010, which were claimed to be the harshest in the last 60 years history (CNN, August 2011). Empirical evidence showed that staple grain volumes supplied by farmers to MLI-supported VACs were much lower than anticipated due to several reasons: low total production, farmers setting aside larger quantities for their own consumption needs in a risk-aversion reaction which guarantees a minimum level of food security, and the emergence of parallel more favorable markets, mostly in Uganda (small traders on bicycles procuring staple grain to the victims of famine, the Somali refugees who flooded Western Kenya).</p> <p>In addition, the harvest period of the January-February 2011 cropping season is in July-August 2011 for Uganda, Rwanda and Burundi, and that for Kenya, in October 2011. Thus, additional grain will be supplied to the MLI-supported GBS that will be captured in the last MLI progress report before MLI's closure. The additional supplies coming from Kenya, as a direct result of MLI interventions, will unfortunately not be recorded, as it would be known only after MLI's closure on September 15, 2011.</p> <p>In conclusion, when adding all harvests and subsequent grain supplies to the MLI-supported GBS, as a result of MLI interventions during the period it was implemented, volumes will likely exceed MLI targets.</p>
Value of commodities (in US Dollars) flowing into MLI-supported storage	12,400,600	27,885,666	225%	Due to increasing food prices coupled with very high soya prices in Malawi, the values of commodities is higher than anticipated.

Number of Grain Bulking Systems supported by MLI	24	25	104%	The Mulli Brothers grantee in Malawi is a large operation and established an additional GBC.
<b>Intermediate Result 1.1: Integrated grain bulking systems established in strategic locations</b>				
Number of business plans developed with project support	45	32	71%	Currently there are 6 business plans being developed with MLI support (2 in Burundi and 4 in Malawi). The en-of-project target is being reduced to 38, as in the course of project implementation, some of MLI's partners (particularly the well-established businesses) did not need project support to complete their business plans. These include Agroways and ETU in Uganda; Mulli Brothers, NASFAM, Farmers World in Malawi; SLS and KPMC in Kenya.
Number of VAC supplying grain bulking systems	406	331	82%	The construction or rehabilitation of several VACs was delayed due to rising inflation and currencies depreciated in all East African countries affecting grantees cash flows.
Number of new technologies or management practices under field testing as a result of USG assistance	4	6	150%	6 technologies were introduced to beneficiaries rather than 4 as planned. The technologies covered better grain storage and processing management, post-harvest handling, and MIS/price alerts.
<b>Intermediate Result 1.2 Enhanced understanding of business environment by grain bulking operators</b>				
Number of GBS operators who report an increased level of understanding of the requirements of large scale traders, processors and warehouse operators	15	36	240%	More GBS operators have been trained formally and informally on the requirements and costs (equipment, labor and training) associated with grading of grains.
<b>MLI KEY RESULT AREA 2: Capacity of producer groups and farmers to integrated into Grain Bulking Systems enhanced</b>				
Volume of commodity delivered by farmers to MLI-supported VACs	61,975	31,676	51%	Please refer to comments provided for <b>MLI Result Area 1</b>
Value of commodities entering into MLI-supported VACs	6,417,500	6,115,234	95%	
<b>Intermediate Result 2.1: Capacities of small-scale farmers and producer groups enhanced</b>				
Number of small holder farmers participating in Grain bulking System operations(upper line males, lower line females)	39,699	36,041	91%	In reality, when looking at aggregate numbers, the target for total smallholder participation in GBS operations was exceeded by 1%. A possible cause for higher female participation might be that more women deliver the family grain production, while the men are working elsewhere. VAC record keeping does not allow for tracking whether the person delivering is the real farmer.
	25,301	29,868	118%	
Males attending short-term training as a result of USG assistance	10,634	14,800	139%	Increased mobilization by NGOs, large scale business operators, and service providers hired by MLI has resulted in more small holders, men and women, attending training.
Females attending short-term training as a result of USG assistance	7,966	8,907	112%	
<b>MLI KEY RESULT AREA 3: Grain Bulking System Operation supported by relevant market institutions</b>				

Number of market Institutions supported by MLI	5	4	80%	MLI's supported the operations of EAFF, ACE, UCE, and Esoko to offer services such as policy advocacy, contract templates, market intelligence, warehouse certification, bidding platforms, price alerts through sms, etc. These services are available from these 4 market institutions.
Intermediate Result 3.1: Functional market information system that support grain bulking operations developed and implemented (Malawi)				
Usage of price and market information systems as a result of USG assistance	14,400	71,928	500%	The Esoko SMS system in Malawi was very appealing to farmers and traders alike as it enabled them to know what prices were offered and on which markets. A larger number than anticipated – 3,639 farmers and traders – registered with Esoko up to June 2011 to receive this service.
Intermediate Result 3.2: GBS related market institutions supported				
Number of services offered by market institutions for a fee	3	3	100%	The services include store certification, grading and SMS alerts and are offered by the market institutions supported by MLI so far (AGC, ACE, UCE, and Esoko).
Number of GBS operators paying for market institution services	10	15	150%	With the introduction of Esoko SMS service, 5 more GBS operators subscribed to benefit from this service.
MLI KEY RESULT AREA 4: Institutional platform which disseminates lessons learned and best practices developed				
Number of key market actors participating in key service forums	24	9	38%	Service forums were curtailed (refer to <b>Intermediate Result 4.2</b> below). Hence fewer key market actors participated in the one service platform offered.
Intermediate Result 4.1: Communication strategy developed and implemented				
Communication strategy for key service forums endorsed and accepted by ACTESA	1	1	100%	The communication strategy was developed and shared with MLI and USAID.
Intermediate Result 4.2: Market development actors linked to operational service forums				
Number of forum platforms established	4	1	25%	ACTESA's limited responsiveness restricted MLI support to its IT operations. Nevertheless, MLI did complete its deliverables on time, although the recent institutional crisis in ACTESA has hampered the activation of the knowledge portal. Nonetheless, MLI was able to provide technical assistance to the CRS led Agro-Dealer learning Alliance platform.
Number of market development actors using platforms to share information and experiences	9	9	100%	CRS, ACDI/VOCA, World Fish, World Vision, Land O'Lakes, ACTESA, WFP (P4P), CARE International, and USAID are currently using the platform initiated by CRS.

Of particular note and significance are the key indicators that measure:

- *The degree to which the grain bulking system was expanded and strengthened in target locations:* The volume (in metric tons) and value (in US dollars) of commodities passing through MLI-supported storage facilities; and the number of Grain Bulking Systems (warehouses, GBCs, and VACs) supported by MLI. These key indicators, do not measure specific MLI impact since it is difficult to isolate the incremental volumes of staple grain passing through the grain bulking systems, they still reflect the trend in staple grain production and marketing, to which MLI is contributing.
- *Number of small holder farmers participating in Grain bulking System operations.* This indicator shows the extent to which more farmers (particularly small holders) were integrated in the marketing system. Further, the data is disaggregated by gender to assess gender inclusion. Again, this indicator does not measure specific MLI impact since it is difficult to isolate the incremental number of farmers that supply the grain bulking systems solely due to MLI activities. Nevertheless it does reflect the trend in smallholder integration into markets, to which MLI is contributing.

The above-mentioned indicators together, also reflect the evolution of the food security status of those concerned since, as farmers usually market their surplus production, food security is positively correlated to volumes of staple grains marketing. Another conclusion that could be drawn from the analysis of the values of these indicators is the evolution in farmer income, given that production costs remain constant. In such a scenario, the more a farmer sells, the more income is accrued, that could be used on investments in his agricultural production, as savings (a basis for credit), or in his family, bringing his standards of living upwards.

- *The ability of farmers to access price information so that they can sell to markets that offer the most favorable prices: Usage of price and market information systems as a result of MLI assistance.* This indicator measures the number of mobile phone messages by market information institutions that are pushed to registered farmers and traders to inform them about prices offered at different markets around the country. This service was supported by MLI in Malawi.

### 2.3.3 Risk assessment and mitigation:

The PMP foresaw four risks that would hinder the achievement of project results namely:

- a) Political risks in South Sudan
- b) Government interference in commodity markets in Malawi, Rwanda, Kenya and South Sudan
- c) Inflation and foreign exchange problems in Malawi
- d) Crop failures that reduce marketable supplies of staple commodities in all countries

Mitigation measures to offset the impact of the above were included in the design, these were:

- a) Reduce operations in South Sudan
- b) Monitor government activities in markets
- c) Increase budget allocation
- d) Monitor crop production
- e) Revise targets as necessary

In the event, the first two risks were of little relevance. Operations in South Sudan proved unrealistic as few potential grantees had the implementation capacity to work with MLI; and Government

interference in markets did not hinder the project from achieving its results<sup>4</sup>, especially the staple grain volume targets

Nevertheless, currency devaluation occurred in all participating countries, especially in the case of Uganda. The planned mitigation measure of increasing budget support was duly dispensed, such as in the case of Agroways Uganda: Due to the significant devaluation of the Uganda Shilling, and extra civil works commissioned but not factored in in their business plan, project costs doubled, and the company had to use all its savings and borrow 550 million Ugandan Shillings at 19% interest rate to complete its project and meet MLI co-share requirements. MLI increased its allocation to Agroways by 49,000 USD which helped defray some of the extra expenses.

The fourth risk, of reduced marketable supplies of staple commodities, also occurred due to droughts, farmers keeping more grain for their own consumption, and the emergence of parallel/more favorable markets created by the severe famine that hit Somalia and the influx of refugees into Northern Kenya. Targets were revised downward as foreseen in the mitigation measures proposed, but this did not help the project in achieving its objectives, although that should be the purpose of an effective mitigation measure. A longer implementation period might have been more effective, but this was not possible under the existing funding framework.

Droughts are a recurring phenomenon in the countries participating to MLI, and MLI's effective implementation was over one cropping season only: February – July 2011. Measuring MLI's impact over several cropping seasons, under different but natural climatic conditions would have helped validate MLI's impact.

The PMP did not foresee risks related to the lack of performance by key counterpart institutions. This turned out to be a major constraint to the achievement of the institutional sharing component of the MLI. The counterpart institution, ACTESA was fundamental to the successful implementation of this component and the institutional crisis that gradually developed within ACTESA has proved a major impediment to the achievement of results under this component. There is little that could have been done to mitigate this risk other than to avoid the almost total reliance upon a single counterpart institution. The availability of an alternative institutional counterpart might well have allowed this component to be successfully implemented.

## 2.4 Achievement of Indicators

Achievement of targets up to June 2011, 3 months before project closure, is mixed. Most notable of the targets not achieved, or likely not to be achieved during the life of the project are:

- **Volumes of staple grain supplied to MLI-supported to GBSs:** (75% achievement). Targets put by MLI, although a result of much consultation with GBS owners, were still only projections. These projections probably did not consider crop failures due to drought, or at least not to the extent that happened in 2010, which were claimed to be the harshest in the last 60 years' history (CNN, August 2011). Empirical evidence showed that staple grain volumes supplied by farmers to MLI-supported VACs were much lower than anticipated due to several reasons: low total production, farmers setting aside larger quantities for their own consumption needs in a risk-aversion reaction which guarantees a minimum level of food security, and the emergence of

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<sup>4</sup> Although government interference in grain markets remains of significant concern in Malawi, where the evaluation team heard grantee concerns that the Ministry of Trade might imminently restrict purchasing activities to promote national food security.

parallel more favorable markets, mostly in Uganda (small traders on bicycles procuring staple grain to the victims of famine, the Somali refugees who flooded Eastern Kenya).

The extreme case of Export Trading Uganda (ETU) is cited here. ETU started its operations in Tororo, Uganda, in July 2010, by building a warehouse and supporting 26 VACs. Tororo is about 30 km from the border with Eastern Kenya which saw a large influx of Somali refugees stricken by famine. ETU contracted 100 farmers in the area and facilitated their access to loans from a commercial bank for the procurement of agricultural inputs. The first harvest that supplied their GBS was in January/February 2011 and was highly disappointing. Based on their estimates, discounting the effect of drought, farmers should have been able to supply ETU with 10,000 t maize and 3,000 t of beans. Instead, they only received 10 t maize (0.1% of what was anticipated) and 1 t beans (0.03% of what was anticipated). They estimate that, roughly, 50% and 85% of the maize and beans crop were lost to drought<sup>5</sup>. The remaining deficit to their supplies are the combined effect of farmers keeping more grain for their consumption, and farmers selling to small traders at more favorable prices. This harvest season though (July-August 2011), the picture is brighter as they already received 66 MT of beans.

In addition, for Uganda, Rwanda and Burundi, the first harvest period is in January-February and the second is July-August, while for Kenya, the main harvest starts in October 2011, while in Malawi, the single season runs from November-December to May-June. Thus, some additional grain will be supplied to the MLI-supported GBS that will be captured in the last MLI progress report before MLI's closure. Nevertheless additional supplies coming from Kenya and Malawi, as a direct result of MLI interventions, will unfortunately not be recorded, as these will be known only after MLI's closure on September 15, 2011.

In conclusion, when adding all harvests and subsequent grain supplies to the MLI-supported GBS, as a result of MLI interventions during the period it was implemented, volumes will likely exceed MLI targets, but this will not occur within the lifetime of the project. This indicator does not therefore provide an accurate reflection of MLI impacts and should be treated with caution.

- **Number of VAC supplying grain bulking systems:** (82% achievement). The construction or rehabilitation of several VACs was delayed. Inflation has risen and currencies depreciated in all East African countries affecting grantees cash flows, especially those that had to import equipment or construction materials (such as iron bars).
- **Number of forum platforms established and Number of key market actors participating in key service forums:** (25% and 38% achievement, respectively). The service forums depended on enhancement of ACTESA's IT capacity for the establishment of platforms and sharing of best practices. Although the MLI did provide all the services to ACTESA that had been specified under the project, the actual results were limited by ACTESA's capacity to utilize the communications strategy and knowledge portal provided to that institution effectively. In the event, management issues within ACTESA delayed communications with MLI so that the knowledge portal was completed too late for any market actors to access it prior to the evaluation. Indeed the institutional crisis within ACTESA that culminated in the dismissal of the Chief Executive Officer during the evaluation had prevented any of the MLI deliverables from being activated or utilized.

Most notable of the indicators that exceeded their targets are:

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<sup>5</sup> In the event, ETU imported grain to maintain their turnover and cover overhead costs.

- **Value of commodities (in US Dollars) flowing into MLI-supported storage:** (224% achievement). Due to increases in food prices in general, and staple grain, in particular, because of low production caused by droughts, coupled with very high soya prices in Malawi, the values of commodities was higher than anticipated.
- **Number of new technologies or management practices under field testing as a result of USG assistance:** (150% achievement). The project has exceeded the target for this indicator: at least ten technologies were introduced to beneficiaries rather than four as planned. The main technologies are:
  - Improved storage management practices in the form of purchase receipting at VACS in Malawi
  - Collapsible dryers, and mobile drying equipment in Kenya
  - Storage cocoons in Kenya
  - Use of moisture meters to assess grain upon receipt in all countries
  - Aflatoxin testing in Kenya
  - Mechanical threshers and winnowers for paddy rice, maize, and sorghum
  - Accurate weighing with electronic scales in Kenya and Uganda
  - Provision of public grain storage facilities by two grantees in Kenya
  - Introduction of grading/sampling rooms to warehouses in Malawi
  - Use of market information systems (MIS), enumeration and price alerts through SMS technology in Malawi.
- **Number of GBS operators who report an increased level of understanding of the requirements of large scale traders, processors and warehouse operators:** (240% achievement). More GBS operators, earlier than anticipated, have been formally and informally trained (through training on improved management practices, and a close collaborative grantee proposal development and negotiation process) on the requirements and costs (e.g., equipment, labor, and training) associated with grading of grains.
- **Usage of price and market information systems as a result of USG assistance:** (a spectacular 500% achievement). This represents the total number of price alerts and bids and offers sent to small holder farmers and traders over the Esoko SMS system in Malawi. The service was very appealing to farmers and traders alike as it enabled them to know what prices were offered and on which markets. A larger number than anticipated – 3,639 farmers and traders – registered with ESOKO up to June 2011 to receive this service. An additional 1,332 farmers are expected to subscribe in the coming weeks, bringing total subscriber numbers to 4,971.

## 3 FINDINGS

### 3.1 Design

#### 3.1.1 Relevance of Project Objectives to the Source of Funding

It might be considered unusual to use The Famine Fund to finance a market-led initiative in which farmers are largely indirect beneficiaries, however there is a strong body of evidence<sup>6</sup> that suggests that food insecurity is most frequently a question of access rather than availability and that the improvement of market linkages and consequent reduced transaction costs can help to reduce the risk of famine. Indeed, the experience of agricultural development in Africa, including the minimal long-term impact of numerous agricultural extension programs and other initiatives designed to intensify production over the last thirty years suggests that without strong market linkages, there is little incentive for smallholders to move beyond subsistence agriculture<sup>7</sup>. It is therefore not inappropriate that the MLI project should have been financed from the Famine Fund especially given that funds stated purpose of supporting innovation.

Nevertheless, one outstanding caveat to Famine Fund finance is its restricted duration to 24 months. This has had two consequences. First, it has constrained the MLI to “push button” interventions, i.e. interventions of a short-term nature that will hopefully have a long-term impact. It is possible that such interventions might be effective of themselves, but experience suggests (and the responses of beneficiaries reinforced this clearly) that the impact of the MLI would be strongly reinforced by ongoing capacity development beyond the two year time frame. That has not been possible under the existing funding.

Secondly, it is clear that the MLI represents the piloting of an innovative approach. As a pilot, the project required careful planning and execution above and beyond that which might be required when following more conventional development practices. In order to provide useful data that could inform future project design, the MLI collected baseline information and undertook careful scrutiny of potential grantees so that the eventual interventions could be successfully implemented in such a way as to allow the underlying hypothesis (of the efficacy of a market-led approach in rural development) to be properly tested. This preliminary assessment and scrutiny took almost nine months and in some cases over one year. This meant that within a timeframe restricted to two years, the process of implementation has had to be accelerated to a less than optimal extent. Moreover, it is essential that a pilot approach should be able to gather data on the short and long-term impacts of the interventions. Given that many of the interventions have been or will only be completed within the last three months of the project and in some cases before farmers have begun to market their crops, it is difficult to assess short term impacts accurately within the project period, let alone to draw useful conclusions as to the validity of the underlying hypothesis. From a piloting perspective therefore, the Famine Fund was not ideally suited as a mechanism to finance the MLI, and it will require additional input to evaluate and document the long-term impacts of the project at a later date if USAID is to derive the full benefits of the MLI as the pilot of an innovative approach within the region.

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<sup>6</sup> Classically compiled by Amartya Sen: “Poverty and Famines: An Essay on Entitlement and Deprivation” (1981)

<sup>7</sup> One exception to this might be the ongoing food production initiative in Malawi, largely driven by the provision of subsidized inputs. However, even this cannot yet be claimed to have achieved sustainable food security.

### 3.1.2 Relevance of Project to Overarching Objectives and Country Context

Under the Feed The Future initiative, USAID/East Africa's overarching goal is: "Increased access, availability and utilisation of African-grown staple foods in regionally integrated markets on the Northern and Central Corridors". This goal has three organizational areas:

1. Increase trade flows of staple foods within the Region
2. Support strategic partnerships with African regional institutions
3. Provide regional services

The MLI Goal and first Project Objective provide direct support to the access component of USAID/East Africa's overarching goal and to the first organizational area. The second Project Objective supports the second organizational area. As such the project is directly relevant to USAID overarching objectives.

The relevance of the MLI to the country context must be assessed for each of the countries in which interventions have been undertaken, and can be considered from three aspects:

1. Was the intervention necessary?
2. Did the country context allow for the capacity to absorb and benefit from the proposed interventions?
3. Did the country context contain aspects that could or will disable the proposed interventions?

In all of the countries where the MLI has operated, the evaluation team noted that traders were regularly dismissed as exploitative, and the trading sector was generally disparaged. There was limited evidence of any prior initiatives either by donors or governments that sought to strengthen the capacity of traders, especially the smaller ones. Moreover, and most significantly, in all of the countries visited there was a history of fluctuating grain prices, where traders were regularly castigated for buying grain at low prices just after harvest and selling later in the year at a substantial profit. If elevated profits from temporal arbitrage (i.e., over and above the normal profits to be made from grain bulking, handling and storage) can be achieved on a regular basis, it is a good indication that the trading sector is insufficiently developed and that prices are being determined by a limited number of traders without competition. Such conditions strongly suggest that interventions that seek to increase the capacity of and competition within the trading sector are definitely required in all of the countries where MLI has intervened.

The capacity of the trading sector to absorb and benefit from the MLI interventions has nevertheless been an issue of concern. In both the Northern Corridor and Malawi, MLI management reported that despite a considerable period of stakeholder identification, they had experienced difficulty in identifying sufficient traders who had the capacity to benefit from the proposed interventions, especially the cost-sharing grant component, which was reportedly the single biggest constraint to trader participation. When canvassed regarding who else in their sector might be able to benefit from MLI, traders replied that there might be a few, but most had been identified and were already participants. The evaluation team noted that the potential for scaling up an MLI initiative was from this perspective, quite limited. If the same package of interventions were to be provided it might be possible to identify another 25 grantees (i.e., an additional 50%) but no more than that. Grantees indicated that while there were many entrepreneurs within the sector, most lacked both capital and training so that if a larger number of traders were to benefit from the MLI-type initiative in the future, it would be necessary to both provide additional training in business management and to reduce the barrier to entry created by the cost sharing aspect of the grant. This might be achieved by reducing the grantee's cost share, by extending the timeframe for payment, by replacing the grant with a longer term loan, by guaranteeing such a loan or by various combinations of any of the above.

Given the current unstable food security situation in East Africa, there is a risk that the MLI interventions might in future be disabled by government policies that seek to control the movement of staple commodities. At present the MLI interventions remain unaffected, although the evaluation team learned from one grantee that the Ministry of Agriculture in Malawi would shortly place pressure on local traders to cease all buying activities, on the basis that too much food was entering commercial markets for export, and that food security might therefore be reduced later in the season. If this government intervention does occur it will directly and negatively impact the MLI. Nevertheless, such interventions at present appear to be exceptional and on balance, it would appear that overall, the MLI interventions have been appropriate to the country context.

The achievements under the MLI indicate that for the most part, the intermediate result areas and key results have been realistic. Despite many complaints from both grantees and MLI staff that time has been limited, the substantial majority of the subprojects and capacity development initiatives that have been begun will be successfully completed within the project timeframe. Considering the pilot nature of the project, this is remarkable. Overall the evaluation team found that the results of the MLI suggested that a market-led approach to development was relevant to the regional county context, but that the precise nature of support to grain bulking activities and the nature and level of training provided would all require some modification if the program were to be rolled out on a wider scale.

### **3.1.3 Realism of the Project Goal**

While there are strong indications that in the areas where the MLI has operated, smallholder access to markets has been increased through the MLI, there remains a particular concern regarding the “strengthening” of markets. It is evident that the MLI has enhanced the efficiency and trading capacity of a limited number of businesses. For smallholders to benefit from this development, some aspect of that improved efficiency must be passed back down to them in the form of an improved price. Unless there is some degree of competition between traders, or unless the selected traders are benevolent, there is little reason why this should happen. For a market to be effectively strengthened to the point where smallholders can benefit, it is necessary that there should be ongoing competition between traders seeking to purchase crops at the highest prices they can afford. This requires a multiplicity of traders able to operate with similar efficiencies. If such broad-based development, sufficient to generate consistent competition can be achieved, then real market strengthening will have occurred.

An impact of this scale is clearly beyond the scope of a pilot project and it is unreasonable to expect that the MLI should achieve it. Nevertheless, the underlying hypothesis of a market-led approach to smallholder development cannot be validated until it can be demonstrated that the MLI does not result in the eventual exploitation of smallholders by the few businesses that have been assisted by the project to overcome the constraints to business expansion.

Such an argument suggests that meaningful market-led development should take place on a broad scale encompassing enough traders in each country to ensure competition. The experience of MLI suggests first that this will require substantial investment, given the observed project investment per cost-share grantee of at least US\$128,000, and secondly that there will be a much greater need for capacity development to assist the larger numbers of less professional traders in each country to develop the skills required to take advantage of the investment provided by a further market linkages initiative.

On balance therefore it appears unrealistic for the MLI to expect to achieve the strengthening of markets required to enhance smallholder development on a broad scale and sustainable basis. This will require a more comprehensive approach and significantly greater finance that has been possible under the MLI.

### 3.1.4 Quality of the Design

The evaluation team noted that the project and intervention design process was lengthy, iterative and participatory. While on the one hand this truncated the time available for actual implementation, on the other it has resulted in a high rate of success, with 48 out of 52 grantees coming close to completing their individual projects within the project timeframe. The MLI team was obliged to collect its own baseline data and to respond to risks on an ongoing basis as they were perceived. This has resulted in many small changes in the intervention process that have been implemented throughout the duration of the project. In the context of a pilot project, such changes are more a reflection of effective and flexible management than of an ill-informed design process.

The MLI design that was finally implemented by the contractor was effective from two perspectives:

1. It resulted in a high success rate for the implementation of sub-projects.
2. By incorporating a range of different stakeholders as beneficiaries the design allowed for the collection of useful data to guide future program design activities.

It is important to note however that this last benefit will only be realized if it is possible to monitor the business development processes of MLI beneficiaries over a two- to three-year time frame.

### 3.1.5 Relevance of Interventions

Interviews with traders suggested that the MLI correctly identified the need for grain bulking systems and for training as key constraints to business expansion. When pressed as to what other interventions might have been more appropriate, traders rarely mentioned other alternatives, such as improved access to finance, transport or value adding facilities. Even when these alternatives were suggested to them, they indicated that the GBCs and VACs were of fundamental importance and that the training was also a key to their development. It was evident that throughout the NC, the intervention process had been highly participatory in nature and that each business had been provided with the assistance that met its specific needs. Only in one limited instance was there any evidence of a prescriptive approach. This related to the package of crop conditioning equipment supplied to traders in Malawi. For logistical reasons, cost saving and to ensure a common standard amongst all MLI grantees, a uniform package of equipment was provided to all grantees in place of an initial plan to purchase equipment individually. The package contained elements that were beyond the requirements of some businesses and raised issues as to why they had been purchased and what else the money might have been used for. This instance should not colour what was otherwise a highly successful intervention, but it does flag two lessons for future reference:

1. Providing grantees with preselected equipment, even if they are trained in its use, is less sustainable than teaching them how to identify, source and purchase the most useful equipment themselves.
2. A project of this nature is dealing with business people, who expect to be treated as such, since even though they may be grantees, they are making a substantial investment with their own resources. The formal agreement that they enter into is a partnership in which they have almost no recourse should MLI wish to vary it, but it should be treated as being strictly equal on both sides. This implies that MLI should not vary that agreement unless under extreme circumstances.

While most activities focused on traders, two project interventions impacted smallholders directly: crop conditioning training and the Esoko MIS. Both of these were well received, although where farmers had registered for Esoko it was definitely rated more highly than crop conditioning. The crop

conditioning training appeared to be of greater relevance to the commercial project goal in those areas where a regular commercial surplus was being produced. It was significant that in some food insecure areas smallholders valued crop conditioning training more for the benefits they anticipated in their own household food security, than for any improvement in the sales value of their produce, while in one area (Kitui), the VAC that had been constructed was valued more for the same reason (i.e., household food security) than for its impact on crop marketing. This suggests that in food deficit areas, smallholders anticipate limited indirect benefit from the strengthening of traders' purchasing activities, although this may change once the interventions are fully operational.

### 3.1.6 Support to ACTESA

The MLI project has from inception, contained two objectives, one to increase smallholder access to markets and the other to establish institutional sharing of lessons learned. The second objective related primarily to the provision of support to ACTESA and while this might be considered to complement the first, there is no direct interaction between the two. As such, it would have been preferable for the ACTESA component to have been managed separately. The skills required to manage the supports to ACTESA are different from those required to develop markets at the grass roots level, while the need to communicate from Nairobi with an institution in Lusaka has added to the time and overheads required to manage the project.

In terms of its goals, ACTESA is indeed a natural counterpart for MLI support. Nevertheless the institution has not yet demonstrated the management capacity to respond to the MLI initiative in an effective manner. MLI staff reported that communication with ACTESA was difficult and slow and that decisions and responses were not readily forthcoming, as evidenced by the fact that even though the knowledge portal has been created and installed by Danya for some time, ACTESA has yet to approve its activation.

The inclusion of the ACTESA component within the original project design has not facilitated the achievement of the MLI goal. While the ACTESA component is relevant to the overarching USAID goal for the region, it would have been more appropriate to have restricted the MLI design to the first component, thereby allowing management to focus their attention on grass roots market development.

## 3.2 Achievement of Objectives

The MLI project has two major objectives:

- a). Build networks of integrated storage systems that promote trading systems and increase smallholder access to markets, and
- b). Establish institutional sharing of best practices and lessons learned among market development actors.

The extent to which each of these two objectives has been as a result of the MLI activities is assessed below:

### 3.2.1 Increased Smallholder Access to markets

The first objective is undoubtedly in the process of being met. In all of the countries visited, the project has quite clearly supported the development of networks of GBCs and VACs that have been central to trader development. The physical construction of these facilities was viewed by most grantees as being key to their business expansion and while they clearly valued the training and capacity development components of the project, they considered the GBCs to be "sine qua non". As

one grantee expressed it, “the training and field days were good, but the GBC is the mother of everything.”

The impact of the combined package of capacity development, procurement of crop conditioning equipment and the construction of grain storage facilities has had an equally clear impact in terms of promoting the trading systems of the grantees. In most cases grantees reported an immediate increase in turnover ranging from 30% to more than 100%. In some cases, volumes have been reduced by the recent drought, especially in Kenya and Eastern Uganda, but financial progress has nevertheless been recorded.

It is also evident that the development of physical GBS infrastructure and the associated training of both grantees and smallholders have increased farmers’ access to markets. The development of VAC networks has reduced farmer transport costs and the improvement in grain quality resulting from the farmer field days has increased the marketability of their production. Although these benefits cannot be quantified, grantees and farmers alike responded positively and without exception on both these points.

The success of project interventions in achieving the first main objective can be ascribed to the following factors:

1. The high level of scrutiny in the grantee selection and approval process. Although this process took almost six months to complete, It resulted in the selection of those businesses/cooperatives that would be almost certainly be able to meet their obligations to MLI and thereby provide increased opportunities to smallholders.
2. The participatory nature of the MLI/grantee interaction, which for the most part<sup>8</sup> resulted in a non-prescriptive intervention that met grantee requirements. The evaluation team was regularly told, “They gave me what I wanted.”
3. The provision of a total package that contained:
  - a. The means to overcome a key constraint to market expansion (i.e., the construction of the physical components of the GBS).
  - b. The development of business and technical capacity amongst grantees through training.
  - c. The development of crop conditioning capacity amongst farmers.
  - d. The development of a relationship between farmers, grantees and associated community stakeholders, especially extension agents.
4. The level of supervision and support provided by MLI field staff to grantees, which was in almost all cases very high and regularly praised by grantees as being useful and effective in resolving issues as they arose. The evaluation team observed a generally high level of commitment amongst MLI staff to the successful implementation of the interventions. This was especially outstanding given the restricted time frame and imminent project closure.
5. A positive business climate – while some grantees noted that drought had adversely affected their performance, the general business climate throughout the trading period during project implementation has been one of consistently increasing prices, favouring trader activity. This has meant that for the most part, traders have performed well, repaid loans and been able to expand their purchasing capacity.
6. In Malawi, project interventions have been strongly enhanced by the additional impacts of Esoko. The provision of Esoko to grantees was widely noted as a major benefit of the project that had both enhanced trader capacity to reach farmers and empowered those farmers who were registered with the Esoko system. The web-based SMS technology utilized by Esoko appears to be

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<sup>8</sup> As noted elsewhere the provision of a “standard package” in Malawi did raise some concerns, but these could be readily resolved and should not color what otherwise appeared to have been an effective participatory process.

transformational in nature, comparable in its impact to the mobile phone-based money-transfer systems such as M-Pesa and almost certain to be replicated elsewhere in Africa. The Malawi component of the MLI project was fortunate and astute to have identified Esoko as an institution to be supported since its services have not only been transformational of themselves, but have also undoubtedly strengthened the other project interventions.

Overall, the evaluation team considered that the first main objective has been met and that achievements will probably be strengthened in the immediate future as the trading season continues.

### 3.2.2 Institutional Sharing of Best Practices

The second major objective of establishing institutional sharing of lessons learned and best practices amongst market development actors has not yet been achieved, and it is uncertain that significant further progress will be made during the remaining few weeks of the project. The interventions made in this area depended largely upon partnering with ACTESA, an institution whose objectives made it a natural target for support under this major objective. The work undertaken for ACTESA included the initial development of a communications strategy and knowledge portal, which was to be completed by a private IT company, Danya, by August 15, 2011. The potential impact of the MLI support that is intended to provide this forum is difficult to evaluate at this stage. One institution that has also been supported by MLI (AELA<sup>9</sup>) has information that could be placed on the platform, and clear intentions to do so but ACTESA has yet to activate the knowledge portal. ACTESA is currently undergoing an institutional crisis in the course of which the Chief Executive Officer has been summarily replaced by an acting substitute and key staff members have abruptly departed, so that communications and decision making are currently slow. This has both prevented any recent progress in the area of knowledge portal activation and also made it difficult for the evaluation team to obtain any coherent response from within ACTESA as to the potential value of the MLI project interventions.

In addition to the support to ACTESA MLI has itself developed a web-based storage mapping tool, whose scope is currently limited to Uganda but which could be usefully developed for other countries. This tool has the potential to be of considerable benefit to development actors, for whom the identification of storage capacity is a perennial problem. It is intended that ownership can be passed to the East African Grains Council upon project closure. This storage mapping output of the project, although somewhat tangential to its main activities, is a significant positive outcome that should be supported in the future if possible.

Notwithstanding the storage mapping component, it would appear that while the MLI team have implemented the activities planned under this part of the project, they have not made the achievement of the MLI objective a major priority. If that had been the case, it might have been more effective to provide stronger support at a number of levels, including not only the creation of a knowledge portal, but the stimulation of stakeholder interest to populate it. A knowledge portal does not of itself constitute “institutional sharing of best practices”. The internet is littered with empty forums whose last message was posted over six months ago, and it will only be through the inclusion of useful content that the future ACTESA portal will avoid such a fate. Although the AELA is intending to provide input to this platform, The MLI project has itself documented many useful lessons that should be brought to the attention of the wider development community. To the extent that the MLI exit strategy can still be varied, provisions should be made for these to be placed on the portal.

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<sup>9</sup> The AELA received support from MLI under the third result area of the project.

### 3.2.3 Sustainability of Outcomes

#### Objective 1 – Market Development and Smallholder Integration

The sustainability of the overall interventions is dependent upon a number of variables (see section 3.4 Projected Outcomes). Sustainability will vary according to the nature of the intervention. Thus, the investment in GBS infrastructure can be expected to remain, but the sustainability of the business built around it will vary according not only to economic variables, but to the business capacity of the grantees. It was evident that such capacity varied widely amongst grantees. Some possessed entrepreneurial capacity but limited professional experience. Others possessed professional knowledge but little entrepreneurial capacity, while a small number possessed both. The evaluation team met a small but significant proportion of grantees, mainly cooperative or NGO-managed businesses, that lacked the necessary business acumen to survive an adverse financial climate, and even some highly entrepreneurial SMEs admitted that they would benefit from additional training in business management.

The experience of the evaluation team suggests that some of the benefits achieved through MLI interventions will be lost if grantees are unable to access further training that will enable them to deal with changing circumstances in the future. Grantees suggested that such training should include human resource management, time management and financial management beyond accounting (i.e., the professional skills needed if a business is to grow beyond the one-man SME level).

#### Objective 2 – Establishment of Institutional Sharing of Lessons Learned

The implementation of the knowledge portal has been delayed to the very end of the project for a number of reasons. MLI reported that delays in communication with ACTESA caused by limited delegation within that institution resulted in both the slow development of the scope of work for the independent software consultants and further delays in decision making at every stage of the development process. From this perspective, the capacity of ACTESA to provide sustainable management of the portal in the future remains a concern. A telephone interview with ACTESA elicited no concrete plans for knowledge portal management, and there is some risk that the initiative might easily become moribund. Some form of ongoing management support may be necessary to ensure sustainability.

## 3.3 Efficiency of the Interventions

The efficiency of the interventions required to achieve this can be assessed from a number of perspectives:

### 3.3.1 Performance Efficiency

In terms of performance, the interventions have been extremely efficient. Careful selection of grantees has meant that only two out of the initial 50 grantees were not successful in meeting their commitments and fell out of the program. While many of the remainder have faced a wide range of issues in achieving their milestones on time, all look set to achieve close to 100% success. It is recognized that in some cases such success can only be claimed in the light of revised milestones, but it is also clear that such revisions were required by exceptional circumstances. Where circumstances were more normal (e.g., in Malawi), grantees were able to meet their commitments in a timely fashion. Individual project activities varied in terms of efficiency. The following were outstanding:

1. Assistance to the construction of GBS facilities - has had an immediate impact in terms of traders' business capacity development and throughput. It has also in some cases resulted in the leveraging of additional loan finance from commercial banks. This has occurred within the space of a few months and from this perspective, the activity must be rated as highly efficient.
2. Sensitization in crop conditioning (farmer field days) has already had a noticeable impact on the quality of grain submitted to traders and can be considered an efficient activity, although as noted elsewhere, the key message appears to be the reinforcement of the market incentive rather than the technical messages. It was difficult for the evaluation team to gauge the impact of training upon the traders themselves. Although they all rated the training as useful, its efficiency in terms of stimulating market development will be reflected more in the longer-term viability of their enterprises.
3. Procurement of equipment: While many of the larger equipment items were still undergoing installation, the provision of moisture meters stood out as an efficient means of increasing trader profitability and farmers' value added, while reducing storage losses. Although superficially trivial in nature, they were frequently noted by traders as having made a difference to their business practices. Given the wide range of moisture contents in grain taken to market and the considerable potential for crop losses through damp grain, a rapid and accurate means of testing moisture content can make a significant difference to trader profitability and farmers' food security. Although questions remain over the long-term availability of the imported moisture meters in Malawi and Burundi<sup>10</sup>, using these meters appears to be a rapid and relatively inexpensive method of adding value/reducing losses for both traders and farmers.
4. Market Information Systems (Esoko): Of all the activities undertaken by MLI, the provision of support to the development of Esoko would appear to be the most cost effective, wide ranging and rapid intervention that has provided immediate and positive benefits to both traders and farmers alike. Those farmers that were registered with Esoko rated it as the most valuable of the MLI interventions, while although traders valued the GBS facilities most, those who could access it placed Esoko high on their list of interventions that had reduced their costs and strengthened their businesses and indicated that they would be willing to pay for the service once MLI had withdrawn.

The Esoko MIS has been rolled out over a nine month period, but within that timeframe, literally thousands of farmers have been registered and through group communication, thousands more have been able to receive price and marketing information. The cost of providing a sustainable private sector service is at present under discussion. Esoko themselves indicated that their current pricing model in Malawi was unlikely to be the final version. But irrespective of the final commercial arrangements, the impact of Esoko appears to be transformational, similar in nature to that resulting from the introduction of mobile phone cash transfer systems such as M-Pesa.

It is quite possible that in the longer term, one of the larger phone service providers such as Air-tel or Safaricom might absorb Esoko, or provide an alternative service as a means of promoting customer loyalty, but in the short term, there is a need to sensitize traders and farmers to the considerable market development potential of web-based SMS technology and further support to Esoko including the facilitation of its introduction into the NC countries is an ideal way to achieve this. The cost efficiency of support to Esoko has been high, the

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<sup>10</sup> Manufacturers of the moisture meters do have agencies in Kenya, Uganda and Rwanda

impacts almost immediate and the extent of penetration (i.e., numbers of farmers serviced) is growing exponentially. From these perspectives, Esoko must be considered the most efficient of the MLI activities.

### 3.3.2 Financial Efficiency

The financial efficiency of the interventions is very much dependent upon grantee performance. From the perspective of the net cost of the interventions provided (not including MLI overheads), the average investment of US\$200,000 per grantee (including the grantee contribution) aggressively depreciated over a ten year period would cost US\$20,000 per year. Given an average grain price of \$200/MT and a trading margin of 10%, this would be equivalent to an increased turnover of 1,000 MT of grain per year, representing 2.5 times the capacity of the standard GBC. All the grantees had the physical capacity in terms of local production and catchment area to achieve this level of performance, but it was not evident that all possessed the management capacity to do so. Nevertheless within standard business parameters and given reasonable management performance, the basic intervention model of GBS construction, training and procurement appears to be commercially viable from a net cost perspective.

The cost of overheads amounting to nearly 50% of the overall budget substantially reduced the overall financial efficiency of this project. The evaluation team noted that within the context of a pilot project that is intended to provide useful lessons for future development initiatives, additional LOE will inevitably be required. Moreover, the truncated timeframe for grant disbursement necessitated additional costs to ensure effective and timely grant management, while the regional nature of the program caused substantial travel costs to be incurred. Nevertheless, the extent of the management overheads incurred over the two year period suggests that modifications would be required to the project design if this intervention were to be replicated on a wider scale.

From a development perspective, the cost-sharing grant mechanism has resulted in substantial cost to the project, both for the grants themselves and for the grant management. The cost of the construction itself is unavoidable and reflects the considerable lack of investment to date in appropriate and accessible<sup>11</sup> private sector trading infrastructure. Nevertheless, it might be more cost-effective in any future iteration to provide financial support to beneficiaries in the form of a long-term loan rather than a grant. It is preferable that such finance should be derived from commercial sources, the role of the project then being to facilitate the access of selected beneficiaries to that finance. This could reduce both project direct costs and the overheads required for grant management.

## 3.4 Efficacy of the interventions

The interventions that have clearly impacted the “vulnerable yet viable farmers” are:

- a) The construction of GBS infrastructure,
- b) Capacity development of both farmers and traders in a number of areas, but especially crop conditioning, and
- c) The provision of market information through the Esoko.

### 3.4.1 Support to GBS Development and Construction

From the perspective of market inclusion, the evaluation team heard from smallholders that the most important aspect of the GBS infrastructure was the reduction in transport costs. The team learned that

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<sup>11</sup> Recognising that in many countries considerable storage capacity exists, but is either inaccessible, poorly sited or of the wrong scale to meet the needs of developing traders.

farmers will carry grain by bicycle a distance of up to 5km in Malawi but no more than 1-2 km in Kenya. By developing a network of VACs, from which grain can be collected by truck the project has reduced the farmers' transport costs and increased the volume of grain that the grantees can collect. This intervention has clearly been effective in increasing farmer's access to the grantee's market, as indicated by the increased volumes of throughput achieved.

While smallholders and traders alike considered increased accessibility to be the most important impact of the GBS infrastructure, there was another impact that was less obvious but potentially more significant. This appeared to be derived from the investment made by traders themselves in the GBS infrastructure, which in most cases was considerable. Such investment represented an overhead that required an increased turnover of grain to be met. Traders who had made this investment all appeared to have shifted in their business attitude from an opportunistic approach to one that appreciated the significance of a consistent supply of grain. All traders visited by the evaluation team spoke of "my farmers", i.e., suppliers with whom they were attempting to develop a long-term relationship so as to ensure a constant supply of quality grain. Different traders had adopted different strategies to develop a relationship with smallholders. These included:

1. Offering a higher price for grains
2. Offering free storage at the GBC
3. Assisting smallholders to obtain seeds (often of cash crops)
4. Providing smallholders with technical assistance (generally achieved through cooperation with local government extension officers)
5. Providing access to financial services
6. (In Malawi) Sending price information to smallholders via Esoko.

All of these appeared to be potentially effective ways to strengthen smallholder-trader linkages. Significantly, all were being undertaken by traders with the expectation of increased profitability, i.e. they were commercially sustainable, not "soft" interventions.

The evaluation team found clear evidence that through both of the mechanisms outlined above, the GBS construction does increase the amount of grain that smallholders will sell to a trader. Nevertheless, indications that farmers will either increase or intensify production in response to the construction of a VAC in their neighbourhood could not be clearly identified at this stage.

This is not unexpected. While there may be debate as to whether or not smallholder production is incentivised more by a consistent market or by price, neither are relevant in the majority of situations where VAC construction has only just been completed and farmers have yet to see any long-term price advantage or market consistency. It might be expected that early-adopters will respond to improved market accessibility within 12 months at the earliest and that the bulk of farmers (in sufficient numbers to allow for effective evaluation) will not respond for a further 12 to 24 months. The impact of GBS development cannot therefore be evaluated with any degree of certainty for a further 24 to 36 months. At that time it might be possible to compare baseline data with increased levels of smallholder production. Comparisons made at this stage cannot be attributed to the MLI alone. They will almost certainly be inaccurate and potentially misleading.

### 3.4.2 Training in Crop Conditioning

The capacity development of traders and farmers especially in crop conditioning has had a clear impact in the quality of grain that has been purchased by the grantees. One grantee reported that in the past, one to two bags of trash would be collected from every 15 bags of grain presented for sale whereas the volume of trash collected from the same amount of grain now was no more than a few handfuls. This represents significant added value to the smallholder. The evaluation team learned that

the value of the crop conditioning training was not confined to the transmission of technical knowledge. Indeed in many cases (but not all), it was evident that farmers were aware of the steps that they had to take to produce clean grain. The improvement in grain quality was in fact due to the presence of the traders or their agents at crop conditioning training sessions and the clear message at those sessions that grain that was not up to standard would fetch a lower price be rejected. This emphasis on commercial incentives reinforced or reintroduced quality advice that had hitherto been ignored.

### 3.4.3 **Esoko**

Of the three types of intervention provided through the first component of the project, farmers in Malawi rated the impact of Esoko to be the most beneficial. This comparison was not available to farmers in the Northern Corridor. The conventional benefits of an MIS (e.g., improved power when negotiating with traders, knowledge of where best to sell and the ability to compare the profitability of different crops) are provided through Esoko, but the key benefit to farmers was their ability to learn of an individual trader's specific and definite buying prices in real time and to be able to make a decision as to whether or not they would transport their crop to the VAC for sale. Traders similarly reported that whereas in the past they might advertise their prices by radio, or on posters, these methods were both inefficient and expensive as compared with an Esoko SMS message that could be sent to literally thousands of smallholders indicating crop, and price at the touch of a button.

The benefit for farmers was the reduced uncertainty and cost of travelling to market only to find that the buying price was lower than expected and being obliged to either sell or to incur the time and expense of transporting the grain back to the village. The certainty provided by Esoko represented real and direct cost savings and empowerment.

## 3.5 **Management Performance,**

### 3.5.1 **Administrative Performance**

To achieve the targets established under the PMPs, the project targeted 65,000 smallholder farmers in four market sheds within East and Southern Africa, which have the capacity to increase their production and enter into structured trade systems. The project identified and worked with 52 (ultimately 48) traders and a smaller number of service providers.

To achieve these targets, the project created an administrative and operational framework comprising two main offices in Kenya and Malawi and a technical project manager in Uganda. It became clear later on that the project needed local anchors to drive the programme in the other countries and were therefore identified in Uganda and Rwanda. The project team worked very closely with the USAID staff in implementing its mandate as was witnessed in Malawi (see USAID Delegation Visit Video), and through USAID linked programmes that focus on the same target area. We assessed the performance of the project management on the basis of this structure described below.

### 3.5.2 **Operational management and support**

Management performance has been generally good with a close to 100% achievement of milestones in the case of Malawi. This impressive performance may however reflect the greater staff/project ratio in that country as compared with the Northern Corridor. Delays in implementation are also assessed in the light of the rotating COTRs in USAID/EA that may have affected the ongoing relationship and extent to which consistent guidance could be provided. It was also noted that the regional scope of the

project and limited support structures available in other countries created room for the sluggish performance in some of the areas.

### 3.5.3 Grant Disbursement and Grantee Support

In the Northern Corridor, the grants team – just two people to handle all grantees – was initially too small to do the work required. It was boosted later after the visible initial work overload, which must have slowed things down.

Although it was not a requirement for the grantees to cost-share in the Northern Corridor countries, the MLI adopted the Malawi model, with approval from USAID, whereby most grantees had to share approximately 50% of the total cost, although in DRC this was reduced to 15%. This served to create a strong sense of ownership and commitment among the grantees. In scenarios where the grantees were not able to meet their part of the contribution at the expected time due to reasons beyond their control, e.g., low supply of grain due to drought (case of NCA), case by case assessments were made to determine the MLI response and ensure that the project implementation met the expected deadlines. For example, Kisiita ACE was not able to meet their cost share for buying of the drier due to poor planning on their part but MLI paid their portion to the supplier first while Kisiita sourced the required finance.

It was noted that some variations were made to grant contracts in Malawi without consulting the grantees. This should ideally have been negotiated rather than prescribed, a matter that some of the grantees protested against.

The short time frame for implementation restricted the number of grantees that could be identified, although MLI management in both Nairobi and Kenya indicated that they could find few additional candidates who could meet the criteria laid down for participation. The timeframe also put pressure on the initial administrative staff in their effort to achieve timely disbursements.

The financial performance, in terms of operating within overall budget, and meeting deadlines was good. So also was the required due diligence which ensured the proper disbursement of funds and that grantee partnership commitments are met.

On the operations side it is noted that during the first year of the project, the project team received 204 expression of interest (EOI) from potential grantees with the majority of them coming from Uganda, Kenya and Malawi with 15 of these EOI being successful grantees in the first year. 31 business plans were developed in the first year, out of the EOI received. This performance for a small team is noted as exemplary but as noted, with such a turnover of EOI's and grantees, the grants team was becoming increasingly overwhelmed by the work, which reflected in slowing down the grant disbursements.

Overall, the evaluation team noted that MLI had provided exceptional scrutiny of grantees resulting in the effective uptake of grant funds thereby making it possible to create useful lessons to be learned from the project.

## 3.6 Budget Realignment

The Contractor's technical proposal indicated an initial confidence that the targets outlined in the statement of work for the MLI could be met with a small team of local and international consultants. Nevertheless, from experience on the ground it became clear that a variety of factors would delay implementation. These included:

- a) The difficulty of identifying grantees that could meet the specified selection criteria

- b) The capacity of grantees to respond to grant requirements
- c) The complexity of the eventual disbursement process
- d) The limited usefulness of the standard grant contract as a vehicle for meeting the MLI requirements, especially in the area of training,

All of which resulted in delays and difficulties in implementation that has not been anticipated in the original implementation strategy. To provide the necessary short term technical assistance (STTA) to help beneficiaries address some of the gaps identified within the project timeframe, MLI proposed amendments to the grant manual. The new grants manual ensured a standardized approach in grants assessment and disbursement that simplified the process, and accelerate disbursements.

The proposed changes required the introduction and funding of new instruments to cater for procurement of services; service provider agreements, sub-contract agreements and purchase orders were introduced. To accommodate the necessary changes in implementation and funding, MLI management sought approval for a budget realignment from USAID to ensure compliance with the contract.

Upon approval, a total of US\$559,950 was reduced from grant amount of US\$5.7 Million to cater for these costs. This reduced the Malawi grant budget from \$1.995 million to \$1.799 million and the Northern Corridor grant from \$3.705 million to \$3.341 million. The amendments to the grant manual and the budget realignment (reduction) helped provide the necessary support to grantees in the form of enhanced STTA, monitoring and evaluation and strengthened grant administration and management without which project implementation would have been delayed thus achieving more results given the short lifespan.

The relevance of the budget realignment was evident to the evaluation team both from the field visits and from discussions with the project staff. At the time of evaluation, there were 48 grants that had been implemented through the life of the project with 33 of them having been done in year 2 of the project. Given the limited financial absorption capacity of the existing grantees and the limited timeframe available under a Famine Fund project, it is evident that budget realignment did not curtail any finance to existing grantees, but did enhance implementation performance.

Although the budget realignment was clearly necessary, the evaluation team considered that given the stated experience of the contractor in the management of similar grants elsewhere in the world, the amendments to the grant manual as well as the budget realignment should have been done sooner. This would have avoided the last minute rush for completion that has in practice occurred. Nevertheless, despite the delay MLI management did it its best to ensure that there was both compliance with all agreements and timely project implementation.

### **3.6.1 Delays in Implementation**

It is evident that the bulk of the MLI interventions have occurred in the last nine months of the two year project time frame. It is also evident that the truncated period available for implementation has placed grantees under some pressure to meet their commitments although all grantees have ultimately succeeded in doing so. It is therefore relevant to examine the reasons for delay, although such an examination of past events is difficult to conduct effectively.

The evaluation team learned that the contractor took two months to mobilise office and field staff. The contractor then spent three months conducting an assessment of the different market environments in the various countries, establishing contacts in each of the different countries, and developing relationships with each of the relevant USAID bilateral missions, which were universally reported to be good. Subsequent scrutiny of potential grantees and development and approval of appropriate grant

contracts resulted in further delays so that in most cases actual project implementation did not start until late February/early March 2011. Nevertheless, in most cases, the evaluation team heard that delays in sub-project implementation were a result of different problems that varied from one grantee to the other in different countries but could rarely be ascribed to MLI management.

The regional scope of the project with limited staff meant that MLI did not have a presence in some countries, which were consequently managed from Nairobi. This could also have attributed to slow implementation of the activities in DRC and Burundi. By contrast, Rwanda was initially managed from Nairobi, but this changed when two trainee grant assistants were hired (following budget realignment) to act as the contact point for the grantees. This appears to have helped to ensure that there was more effective management and more rapid project implementation.

In one instance where drought in the Northern corridor contributed to the failure to achieve some milestones based on volumes and values by some of the grantees. MLI Management was flexible and revised grant conditions so that grantees could receive their anticipated disbursement under that milestone if they had met the other conditions. Nevertheless, it could be argued that there was unnecessary delay in this response, which might have been anticipated based upon observed conditions during the production season.

Changes in the project management portfolio at USAID/ East Africa resulted in the management of the MLI by three different COTRs. The MLI management successfully responded to the various visions for the project that such change created, so that no project activities stalled. Different COTRs gave MLI all the support they need to implement their activities.

Although grantees noted that the time provided to them to implement outstanding construction activities was not enough, the level of completion at project closure is expected to be close to 100%. Given this performance, the reported delays in implementation are not of overriding significance. When set against the high success rate that was achieved as a result of the lengthy period of grantee selection and scrutiny, the evaluation team considers that MLI management prioritized the different stages of project implementation well and that overall management performance must be evaluated as highly effective.

### **3.6.2 Environmental Impact Assessments**

One negative aspect of project implementation was the failure to identify the need for environmental impact assessment of the project interventions until implementation was imminent. This appears to have literally “slipped between the cracks”. While the need for environmental impact assessment could be assumed and therefore not included in the initial project SOW, it was not detailed in the technical response or in any of the iterations of the MLI implementation strategies that should have included that critical aspect of the work and which were submitted to USAID but without comment to that effect. When the need for environmental impact assessments became apparent, they were undertaken directly, but this did result in additional delays of up to six weeks in project implementation.

## **3.7 Projected Outcomes**

### **3.7.1 Risks and Mitigation Measures**

The evaluation team considered the following areas of risk that might affect project outcomes:

1. Production risk

2. Financial risk
3. Economic risks
4. Performance risk
5. Political risk

These risks are discussed in more details in the next sections.

#### Production risk

At the time of evaluation the project had made significant strides towards achieving its results. However a number of risks may cause the anticipated objectives not to be achieved or to fail to be sustained. In particular, poor weather may reduce the levels of production within the region, resulting in reduced turnover amongst grantees and potential business failure. Indeed, the grantees in NC countries have already been faced by shortage of grain due to the prolonged periods of drought which made it difficult for some of the grantees to meet their targets as set forth in their grant agreements with MLI. An extreme case would be the Kapeeka Maize Growers Association in Uganda who experienced cash flow problems which resulted in its inability to meet the requested cost-share to enable it fit within the project. Similar cases (including Mwilu and Upland Rice Millers) were reported elsewhere.

There may be other production risks (such as pests and diseases), but given the uncertain nature of the climate in many of the MLI countries, weather related risks must be rated most significant to the MLI. There is little that the project can do to mitigate such risks in the future.

#### Financial risk

Field visits revealed that a number of the grantees borrowed money from financial institutions in order to meet their grant cost-share. However others, especially the big companies like ETU in Uganda and Farmers World in Malawi had money and did not need to borrow to pay their cost share. The process of borrowing took longer than the grantee expected thus delaying implementation of some of the milestones and hence the finalization of the activities. A case in point is Kisiita ACE in Uganda, which started to procure a loan to clear the tax bill as the drier was being delivered. Delay in the release of the funds by the bank consequently delayed the payment of the taxes resulting higher costs for the dryer as the drier arrived in a new tax regime that the grantee had not anticipated. Uplands Rice mills in Uganda also borrowed to finance part of their cost share. The proprietor of Uplands Rice It is however noted that with a near crop failure as a result of poor rains, some of the grantees may not be able to meet financial goals in the short-term as they may have to dig deeper into their pockets to service the credit lines though with improved harvest then there is a high likelihood of success. However for the strong grantees who did not have to borrow the converse is likely to be true.

#### Economic risk

The rising price of fuel in the international markets and generally increasing inflation, which resulted in devaluation of some of the currencies in some countries, have been major impediments to the grantees. The inflation meant that the grantees have had to pay more to comply with the strict and stringent MLI contractual milestones. This was more pronounced in Uganda where a 20% devaluation of the Uganda Shilling obliged some of the grantees to spend more to meet their cost share. Agroways Uganda Ltd. was one of the grantees significantly affected by devaluation.

#### Performance risk

The MLI grantees can be classified into four main categories: Cooperatives or farmers associations; SMEs; multinational companies; and trainers or facilitators. The multinationals have strong profit orientation and sound management practices. The same can be said of some of the SME grantees. For

these categories performance risk may be less than for the cooperatives and farmer associations. Nevertheless, performance risk is not be related to management alone, but may be caused by the competition that should ideally face all value chain actors. Competition for the multinationals and SMEs may come from institutions outside the country of the grain dealer in an environment where governments may not intervene due to existing bilateral agreements. Such competition could significantly impact all grantees, but especially the cooperatives and farmer associations who are as yet less professional in their management.

There may be need to isolate the best model from the ones supported by MLI if the performance risk is to be mitigated. One of the risks associated in a grant supported project is caused by the lack of ongoing technical support to help assess the pathways that might achieve the best returns to each business. Indeed, many of the lessons learned may not become apparent before the end of the project.

### Political risk

Politics in Africa creates serious risks to businesses as riots are common and unpredictable. Malawi recently faced riots recently which affected some of the MLI grantees. Food is often the first target during riots as many poorer rioters look for consumables. There is also a strong political bias against traders, which might jeopardise the project's market-led approach in the foreseeable future. It is to be noted however that communities that have been supported by local businesses can provide a shield against riots, so that it is worth developing strong links with the local community of smallholders both as suppliers and as consumers. Nevertheless, businesses remain highly vulnerable to local political influence and could find themselves vulnerable even when they develop strong ties with local communities.

Governments at times set prices even when a trader may have bought their produce at a much higher price. This raises the risk to the trader who may have to absorb losses as the market forces of demand and supply have been interfered. Similarly, governments may impose trade restrictions, especially export bans that will jeopardise the activities of traders and could readily prevent the achievement of project objectives.

One more risk posed by the MLI intervention itself is that the longer term goal of strengthening smallholder participation in the market may present the risk that the interventions will stifle competition by simply strengthening a limited number of traders' businesses at the expense of other traders.

## 3.8 Relevance of Continued Intervention

MLI sought to reduce food insecurity by integrating vulnerable smallholders into staple food value chains, through improvements in their demand for marketing services and institutions. It therefore calls for helping the farmers integrate forwards with the marketing agents (traders and GBC operators) and for the marketing operators to link backwards with farmers providing the host of services that MLI is supporting.

The innovative nature of the MLI initiative model; calls for continued intervention to enable the project realize the mindset change among smallholder farmers, as well as orient them to markets and create sustainable institutional framework within which they can integrate. There is a case for continued intervention, which could be of two types:

1. Strengthening/consolidating existing grantees' linkages with suppliers and
2. Broadening the project to include more grantees

With the Esoko implementation, Malawi appears to have adopted the first option. The program in Malawi does not appear to be looking for an exit strategy and has instead used the Esoko focus to ensure continued operation as well as deepen its operation by inviting more partners to participate with it. Indeed MLI has received strong indications that elements of the project will be continued in Malawi either repackaged through a franchised Esoko or continued as part of the government's agricultural sector-wide focus supported by World Bank

In all justification both approaches will be necessary if the project is to have a major impact. It requires strengthening in order to make sure the businesses remain viable (particularly if operational business mentoring can be supported) and to make sure farmers really understand what the market is all about, especially more training of cooperatives and broadening in order to get more competition into the sector. Furthermore, continued intervention would ensure that MLI investment objective in the grantees is achieved or maintained. The project will be able to take stock of lessons learnt and see whether this would be a model that could be scaled up, the way it is, or there was need for modifications.

### **3.9 Nature and viability of the project's exit strategy**

The design of the MLI project contained a built-in exit strategy, by virtue of the inherently commercial nature of the interventions, all of which were based upon viable business plans. The choice of partners already focused on the commercial undertaking of each subproject is a key element of a successful exit strategy. Nevertheless, it cannot be assumed that project impacts will automatically follow from the business plans and interventions that have been made to date, Even though each project has been supported by professionally crafted business plans, there will be a need to ensure some degree of ongoing support. Fortunately, the project has similarities with a number of other ongoing interventions in the region that could permit some degree of ongoing technical support to grantees. COMPETE has already been working with ACE in Malawi and EAGC both of which are partners with MLI. COMPETE has indicated that it may be able to work with some of the MLI grantees to provide the oversight necessary to ensure their success.

The integration of the cost share contribution by the grantee so that they own the project as much as the project coupled with support to knowledge and capacity building for both the farmers and the grantee presents potential for continuity after the project. This has been enhanced further in the case of Malawi's inclusion of the Esoko MIS platform with a franchisee to support the project once the project funding is over.

The market linkages that have already taken root with the introduction and integration of contract-based farmer support under the WF P4P program and the introduction of smallholder contracts by ACE in Malawi are important developments that can enhance potential sustainability and contribute to an effective MLI exit strategy.

### **3.10 Other Issues**

#### **3.10.1 Support to ACTESA**

The second MLI objective of developing the institutional sharing of lessons learned reflects a real need on the part of the market development community. The evaluation team learned that at least one coordinating institution (AELA) is committed to populating the ACTESA knowledge portal as soon as it has been activated and there are many more that have valuable knowledge and experience that can be shared.

The evaluation team examined the work that had been undertaken to meet MLI's second objective and considered that the MLI had met the targets that it had set for itself, but that the counterpart institution (ACTESA) was not yet a competent institution to respond to the MLI support in a timely manner. The lack of progress made towards the achievement of the second objective should not therefore reflect on MLI management.

Nevertheless, the lack of progress in sharing lessons learned does raise some questions regarding the project design. Most have been raised elsewhere, but one remains. Namely, what will be the role of ACTESA in the management of the knowledge portal once it has been activate? If the knowledge portal is to become the dynamic asset to development that the development community requires, it will need management, in the form of the moderation of discussions, and the selection, editing and classification of uploaded material. This will require human resources. Responses obtained from ACTESA suggest that as yet there are no definite plans for this. Given the resources expended to date on the creation of knowledge sharing assets, It is therefore recommended that consideration be given to the funding of either the provision of or support to management of the knowledge portal, recognising that initially at least, such management need not be located in Lusaka. The nature of the knowledge portal is such that although ACTESA is the client and natural home for the asset, this need only be in a notional sense. The management required could be physically located anywhere in the world.

### 3.10.2 Unanticipated Outcomes

Several unanticipated outcomes were observed by the MLI evaluation mission:

**Undue financial pressure put on MLI-supported grantees:** This was due to the relatively short duration of grants' implementation<sup>12</sup>, most of which took place during the last nine months of the project, and which coincided with negative exogenous factors outside of the control of project and grantee management. These included:

1. Extended droughts which resulted in very poor harvests in Uganda, Kenya, Rwanda, and Burundi, (the Kenyan government and NGOs advised farmers in the low rainfall areas of the country in the first quarter of 2011 to hold onto available staple food commodities to maintain food security; in Uganda, and up to the end of March 2011, Government was advising farmers to retain their production because the lean period was expected to last up to end of May 2011)
2. Rising inflation driven by increasing food and fuel prices, which increased by 16% to a 17 year high in Uganda, and which contributed to rising costs of building material and labor
3. Currency devaluation (1.00 USD = UGX 2,770, as compared with UGX 2,300 at the end of December 2010)

All of the above contributed to much lower aggregation and bulking of grains than anticipated, and negatively affected grantee capacity to effectively roll out operations and mobilize cost-share requirements, as their cash flows became tightly restricted.

As a consequence, one grantee – the Ugandan Kapeeka Maize Growers Association – bailed out from one of MLI's co-shared purchases, a grain cleaner and dryer. However, it is worth noting that Kapeeka's cash flow was also affected by the inability to collect payment on a contract on time. Several other institutions had to borrow money from commercial banks at interest rates of 18-19% and even up to 23% (Uganda: Agroways, Upland rice Millers, Kisiita; Burundi: Misago Ets) to avoid default on their timely cost-share payment. Examples include Kisiita and Kapeeka Maize Growers

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<sup>12</sup> A review of MLI records shows that the average period for grant implementation was 5.5 months, with in some cases as little as 2.5 months

Association in Uganda. In the case of Kisita in Uganda, whose cost-share payment coincided with the time it was supposed to purchase from, and pay, its farmers, the company opted to pursue the latter course and was obliged to reschedule its commitments to the MLI.

Significantly, Upland Rice Millers said that they could have avoided borrowing from commercial banks if the duration of the grant implementation had been reasonably longer. This statement is undoubtedly echoed by other grantees that had to borrow money.

While some of the MLI grantees were used to accessing credit and did so on a regular basis, the extra demands of the MLI cost share did impact the extent of their borrowing. This would have implications if the MLI were to be scaled up amongst other grantees with a weaker history of commercial borrowing.

**Out-of-pocket investment by the contractor CARANA into MLI management not billed to USAID:**

This unforeseen and unbudgeted expense amounted to 93,783 USD up to August 2011. CARANA willingly disbursed this money to cover CARANA headquarters staff expenses to provide management support to CARANA MLI staff in Kenya. This support was found necessary to enhance capacity to implement MLI, given the short duration of the project and the ensuing short time allotted to implementation of the grants component. It also covered shortages in key MLI staff hired to implement, supervise and monitor the activities of the multi-country project.

**Emergence of ACE as a potentially sustainable commodity exchange:**

Although ACE received a grant from the MLI to strengthen its business

**ACE - The Evolution of a Commodity Exchange**

The Malawi commodity exchange ACE was started in 2005. Originally modelled on the ZimACE, the Zimbabwe agricultural commodity exchange, it was expected that the ACE would benefit from the closure of ZimACE and many regional buyers expressed interest in the new forum, which opened an on-line platform in 2006. However local support was slow to develop. Local traders were not keen to engage in formal trades and smallholders were too disorganized to supply the volumes required. Trading volumes were low (approximately one trade per month) and performance of smallholders was often unreliable. Gradually regional buyers became frustrated and went elsewhere. Eventually, even though ACE had begun an intensive program of training and organizing farmers, it could provide no market for their produce.

Nevertheless, in 2010, the commencement of the WFP P4P program provided a small but constant weekly market (on a reverse auction basis) for smallholders and as smallholder interest grew, ACE was able to call back regional buyers, including the Malawi Poultry Company, who were looking for volumes as large as 50,000 MT, which ACE could supply through a multiplicity of small contracts to smallholders.

This process accelerated dramatically with the introduction of Esoko, which allowed ACE to communicate with smallholders directly to inform them of potential contracts. In June 2011, ACE handled 250 contracts with 60 smallholders. In 2010 ACE handled 20,000 MT of grains of which 10,000 MT was for WFP. In 2011, the exchange handled 30,000 MT in the first six months of the year. ACE is now in the process of developing a call-center to handle smallholder enquiries that have become too numerous for existing staff to cope with.

The evolution of ACE has taken more than five years. It would not have been successful had it not been first for the WFP P4P program and then for the MLI and the additional impetus provided by Esoko but most importantly, for the sustained effort of the organizers. ACE is not traditional in structure and will no doubt continue to evolve, but it does now represent a vibrant market that can cover most of its costs and which has expanded the marketing opportunities for smallholders.

activities, it was the combination of that support with the impacts of Esoko that has led to an exponential increase in transactions through the exchange to the point where it is now approaching commercial sustainability.

**Emergence of parallel markets for staple grains that are more favorable to ultimate beneficiaries – the smallholder farmers:** This was noted in Uganda, in the areas bordering Kenya<sup>13</sup>. Although that translated into farmers defaulting on some of their commitments to supply grain to grantee GBS, farmers were able to put more money in their pockets, increase their food security status and meet requirements for a better standard of living, at least temporarily.

**Imports of, rather than locally bought, staple grain to fill grantee GBSs:** Extended droughts resulted in low supplies of staple grain on local markets, and ensuing higher farm-gate prices, which prompted some grantees such as ETU in Uganda, SOSOMA in Rwanda, and Mama Millers in Kenya to import staple grain from other countries to fulfill their onward selling contracts.

**Additional business expansion:** Some grantees took advantage of the MLI grants and the related increase in capital to expand their business earlier, faster, and beyond their vision for the future. Examples include Upland Rice Millers and Agroways in Uganda, Mama Millers in Kenya and Dalitso in Malawi. (Upland Rice Millers increased the storage capacity of its GBC from 1,500 t to 3,000 t by increasing its height since the concrete work co-financed by MLI was strong enough. This was necessary to fit the rice dryer/cleaner that they agreed to acquire when the grantee who ordered it could not afford it any longer nor meet MLI's cost-share requirements; Agroways procured a stand-by generator and related housing to meet its increased needs for electricity. Mama Millers built a GBC that was 3 times bigger than that planned in their proposal to MLI because they had already envisioned building a GBC on their own and MLI has motivated them to make the extra investment; Dalitso in Malawi, rather than convert a shop they owned into a GBC, built a GBC with the MLI cost-share and converted the shop into a VAC which was supplied with equipment with support from MLI).

**Improved efficiency in using money and time:** At least one grantee reported that the short period he was given to implement his grant, created the pressure to achieve his targets in 7 months, shorter than the 12 -18 months as usual under the Ugandan circumstances. The MLI was a prompt to use money and time more efficiently.

**Increased small farmers access to commercial credit:** Due to the warehouse receipt system implemented in Uganda outside of MLI, but still strengthened through MLI support to construct and rehabilitate GBSs, both farmers and GBS operators reported that now they can use their warehouse receipts as collateral at commercial banks. Similar arrangements have been developed in Malawi where, with MLI support one grantee, Farmers World is working in conjunction with the commodity exchange ACE, to provide credit to smallholders.

Also in Malawi, the Opportunity Bank International Malawi has approached GBC grantees that are using Esoko with the intention of providing finance for inputs to those smallholders who the GBC grantees would regard as credit worthy.

Finally, in Malawi, where foreign exchange reserves are low, the provision of the MLI grant as a US dollars deposit, allowed grantees to exert increased leverage on banks to obtain credit.

**Emergence of a peripheral, temporary non-grain market:** This was seen in the Rwanda Kirehé district. The grantee, ENAS, was building its warehouse there. Lots of water was needed for concrete work, which they were procuring at the government-built water pumps that were intended for the use

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<sup>13</sup> The team was told that locally high prices were the result of the food shortages in the neighbouring Turkana region.

of the area population. When these pumps broke down, youth from the area made it a business to fetch water in 20 liter containers and sell it to construction enterprises. One container cost 150-200 Rwandan Francs, an extra income for the surrounding population.

## **4 CONCLUSIONS AND RECOMMENDATIONS**

### **4.1 Strengths and weaknesses of the MLI Project**

#### **4.1.1 Strengths**

This project is innovative in both design and implementation. Differing from the implementation model of most projects that are focused on production, this project chose to adopt a market-led perspective to address traders as the direct beneficiaries.

The project design provided the flexibility to undertake a detailed profiling and assessment of beneficiary needs and modify interventions according to circumstances on the ground. This is an unusual provision in collaboration and engagement with beneficiaries.

It was noted in both regions that the project/grantees have promoted enhanced impacts through the formation of linkages with government extension officers.

In most instances, with the notable exception of the standardized crop conditioning package in Malawi, the project has been non-prescriptive and grantees have been able to select the type of intervention that was best suited to their needs.

The involvement of Esoko in the Malawi component of the project has been fortunate and although MIS was a component of the project design, MLI Malawi staff reported that little progress had been made in that area until the partnership with Esoko was established. Nevertheless, the ongoing relationship between MLI and Esoko has resulted in a transformational intervention in that part of the project that has provided a clear demonstration of the impact of web-based SMS technology. Participation by Esoko has significantly strengthened the Malawi MLI project.

#### **4.1.2 Weaknesses**

MLI is a mid- to long-term development project which has used a short-term funding mechanism for its implementation. This is a major shortfall of the project design which has been of a “push button” nature, making interventions over a very short period (less than six months in most cases). With such a timeframe, the project is nevertheless looking to achieving long-lasting impacts. This is difficult to achieve and requires a high level of both research to develop the best implementation procedures and of grantee scrutiny to ensure success. The fact that both of these aspects were in fact achieved and that implementation has for the most part been timely is a reflection of exceptional performance on the part of the MLI management. Such a level of performance should not be generally assumed and a longer period of performance would undoubtedly result in a more robust design.

As has been noted, part of the contracting requirements with grantees was the development of business plans. Many grantees were supported to develop their business plans by service providers hired on contract for that specific purpose by MLI. Nevertheless, this one-off intervention is not enough to guarantee the successful operation of the enlarged business. It is probable that impacts will be reduced in the absence of longer-term business mentoring that will be required in many cases to ensure ongoing commercial viability under changing market circumstances.

The grant-making team seemed to learn the most appropriate disbursement mechanism to construction, services, training and procurement fund by experience gained during the implementation process. This was not ideal given the short time available for implementation. Getting the best-fit model took time and the eventual grant disbursement programs required a high level of effort (LOE) to operate which then necessitated the financial realignment.

Some grantees complained of excessive reporting requirements that increased costs and offset the value of the assistance. In some cases grantees had been obliged to hire additional staff to cope with this reporting requirement. MLI management noted that the reporting requirements were a standard feature of the USAID grant disbursement process and as such could not be avoided. Nevertheless, it would appear that this is not appropriate to the disbursement of grants to smaller businesses and that if the MLI is to reach down to a larger number of smaller businesses, the reporting aspect of grant disbursement should be streamlined.

As mentioned elsewhere, the capacity of candidates to meet the matching grant requirement was limited and this restricted the number of successful applicants. Moreover, the eventual truncated timeframe during which the cost sharing was required to be met increased the difficulties for some grantees. Although most grantees were eventually successful in meeting their matching grant requirements, opportunities for scaling up will be limited unless these constraints can be overcome.

One concern that seemed to run through the SME operated GBCs was that the matching grant requirement tied up available cash, thereby reducing the purchasing power of some grantees during the crop purchasing period. This was also given as the reason why some potential grantees, particularly in Malawi, could not participate in the MLI programme.

The approach used to achieve the institutional sharing of lessons learned through ACTESA has created some constraints. Experience suggests that much as the organization is a natural partner for MLI support, its internal governance constraints presented a major threat to the project, and may continue to impede progress in the future, unless knowledge portal management receives ongoing support.

The GIS based software interface in Uganda presents a wonderful opportunity for market development actors to locate warehouses and support trade, this innovation, which should have been a more integral part of the project has not been capitalized upon as aggressively as was the case with Esoko.

## **4.2 Potential for Scaling Up**

The MLI project contains a number of aspects that might effectively integrate “vulnerable yet viable” farmers into markets. These vary in the extent to which they might be scaled up to achieve wider benefits. From the perspective of this evaluation, the evidence for positive impacts and potential scaling up is in many instances limited by the timing of the exercise, which is generally too early to make valid predictions. Nevertheless the following observations can be made:

### **4.2.1 Scaling up of Project Components**

The support for the construction of grain bulking systems has made a clear and positive impact to the businesses of the selected grantees. This is evident from the interviews with traders and suggests that if same level of support could be provided on a broader basis, there would be increased efficiency and competition within the trading sector that would be expected to reduce transaction costs and benefit smallholders. Nevertheless, it was also apparent that the number of traders able to respond to and/or benefit from the current cost-sharing grant mechanism is limited in each country. Responses from MLI management and traders alike suggested that the existing grantees represented about two thirds of the trading community (in terms of business numbers) that possessed both the professional competence and financial capacity to benefit within a two year period from the MLI, in the form that it has been rolled out and evaluated to date. This suggests that opportunities for scaling up the program in its current form are limited. A scaled up package would therefore need to be modified to provide

additional support to the “next tier” of less professionally competent entrepreneurs, who undoubtedly exist, but would be unable to either access or benefit from the MLI in its current form<sup>14</sup>.

Interviews with traders indicated that additional capacity building in the form of training in business, financial and human resource management would be required to ensure that greater numbers of entrepreneurs were able to access and benefit from assistance in GBS construction. It was also suggested that financial assistance should be provided in a manner that placed less strain on business finances, either by reducing the cost share requirement, or by allowing for it to be paid over a longer period, or by making the finance available as a long term loan<sup>15</sup>.

MLI management emphasized that some element of cost share by grantees was essential to guard against the creation of “white elephant” infrastructure and to ensure the commitment of the grantees to the business expansion process. They considered it to be a key factor contributing to the success of the project. The evaluation team would agree with this perspective which underlies the business attitude, witnessed by the team amongst almost all grantees, whereby there was a commitment to ensure the sustainability of grain supplies by developing a relationship with smallholders. It is important that this level of commitment should be generated in any future iteration of the project, and future disbursement mechanisms should not be so “soft” that grantee commitment becomes reduced.

The sensitization of smallholders in crop conditioning allowed them to benefit from value addition and significantly improved the quality of grain submitted to traders. However, such sensitization appeared to be less significant than the associated message that was reinforced by the traders or their buyers at most farmer field days, namely that grain that was below standard would be rejected. Traders indicated that most smallholders already knew how to condition their grains, but in the absence of any market incentive, would not bother to waste their time doing so. The crop conditioning sensitization exercises reinforced the market incentive, resulting in improved grain quality.

Traders noted that training was a critical aspect of the MLI business development package that had also enhanced their business capacity. Given the substantially lower cost of training as compared with infrastructural development, it is natural to consider whether or not a scaled up program could rely upon training alone to develop and strengthen grain markets. The majority of grantees were emphatic in denying this approach. A small minority did consider the training to be the most important component of the MLI interventions, especially those that had already constructed GBCs, but the majority felt that the construction component of the MLI was the most critical, providing the opportunity for business development that could be exploited more effectively with training, but without which the other interventions were of significantly less value. At the same time, it was evident that the investment made by traders in the GBS infrastructure stimulated them to adopt a different attitude to their business, in which turnover (and hence consistency of supply) became much more important. This in turn caused them to look for means to ensure a reliable supply of grain from smallholders, resulting in a variety of interventions, all of which were designed to strengthen the relationship between smallholders and traders. The construction of GBS infrastructure thus served not only to increase the accessibility of markets to smallholders, but also to strengthen the relationship between traders and smallholders. The evaluation team concluded that GBS construction would be a key element of any scaled up MLI program.

The procurement of crop conditioning equipment, particularly moisture meters, has had small but direct impacts on traders and farmers. This aspect of the MLI could readily be scaled up, but it would

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<sup>14</sup> In Malawi, opportunities for scaling up could be enhanced by working with the extensive Rumark agribusiness network (facilitated by the CNFA) and other institutions such as the COMESA Women in Business Secretariat.

<sup>15</sup> Some MLI Malawi grantees made use of DCA guaranteed loans to offset the impact on their cash flows.

achieve little impact as a project on its own. It is definitely a useful adjunct to the overall MLI package and any scaling up in the future should be undertaken within that context.

#### 4.2.2 **Scaling Up Esoko**

The one component of the MLI that could be most readily scaled up is the facilitation of web-based SMS market information systems that has been undertaken by MLI in Malawi through support to Esoko. As a pilot project the MLI has fulfilled its role in demonstrating the clear potential of the Esoko technology as a most effective means of linking smallholders into markets. In Malawi, Esoko has strengthened the overall MLI support to traders and has introduced immediate and potentially sustainable change to the way in which they communicate with smallholders.

This aspect of the project is business neutral regarding the selection of traders, and it has empowered both traders and smallholders alike. The cost of the support has been relatively small when compared with the overall budget of MLI in Malawi and the exercise could be replicated in other countries at relatively little cost. It would be very beneficial if the Esoko component could be included in any future iteration of an MLI. It is the one aspect that can be considered for scaling up in the future without concerns relating to limited trader capacity, selection procedures or high project overheads.

The single concern regarding the scaling up of support to Esoko lies in the selection of that particular platform for support given that there are similar MIS technologies in the field. Currently Esoko provides some subtle advantages that make it significantly more user friendly and have placed it ahead of the competition. As such, it works well enough to serve as an example of what the technology can do, that can be readily promulgated amongst traders and farmers with a high level of adoption. It is quite probable that the platform will evolve further or that other technologies may overtake it. Nevertheless, as a means of introducing a valuable technology to a broader market, Esoko appears currently to be the most effective and appropriate MIS product.

#### 4.2.3 **Other Considerations**

MLI management were of the opinion that relatively small changes to the structure of the MLI would be sufficient to increase the efficiency of a future project so that it could be rolled out over a wider scale. Undoubtedly there are changes that could increase efficiency, reduce overheads and increase the probability of individual successes. At the same time however, the wider target group of a scaled up initiative would require more training, possibly greater time in which to implement their commitments to the project and more assistance in terms of complying with business plan development and reporting requirements. An assessment of the potential for and cost-effectiveness of scaling up possible variations of the MLI would be a massive analysis that is beyond the scope of this evaluation. This report is limited to an evaluation of the MLI in its current form. The lessons that it has drawn are based upon existing activities and their impacts, and while the evaluation assessed these activities and their relevance to development, it has not extrapolated those assessments in the form of a refined MLI design. Such design would necessarily be a separate undertaking.

There are two further aspects of any future iteration of MLI that should also be considered. First, the team noted the logistical constraints and time required to manage the MLI across six different countries. It was also quite evident that circumstances varied considerably amongst the countries, Malawi traders for example enjoyed strong export markets and surplus production, while in Uganda, traders were facing a drought and limited supplies. Similarly the overall business climate in Kenya and Malawi appeared to allow for the more rapid completion of construction and other grantee commitments. For this reason, it is recommended that any scaling up of the MLI should be undertaken on a national rather than a regional basis. This could significantly enhance the efficiency of

implementation and ensure that implementation was best tailored to each country's individual circumstances. It is not recommended that the MLI should be scaled up regionally<sup>16</sup>.

Secondly, as mentioned elsewhere in this report, not only was the timeframe for project implementation limited, but there was no provision for the longer term mentoring of the grantees. The observed successful performance to date has occurred within the context of favourable trading conditions and limited expansion. Should economic conditions become less favourable or should individual businesses expand rapidly, there is no guarantee that the grantees will be able to adapt to the changing circumstances, and there is the real possibility that the initial investment will be wasted if businesses collapse. In order to protect this investment and ensure sustainable success it is recommended that a low level of business support be provided to traders for at least a further two years after the initial interventions have been completed. Such support could take the form of intermittent business mentoring that would allow each trader to receive business advice once or twice each quarter to ensure that businesses were progressing smoothly.

The exceptional level of success achieved by MLI grantees is at odds with private sector experience, especially the canard that 80% of small businesses will fail within five years of start-up. It reflects the detailed process of grantee scrutiny conducted by MLI, which was lengthy but effective. The success rate has been quite exceptional and is unlikely to be appropriate to a scaled-up initiative.

The team learned with some concern that many of the arguments promoting the development of storage infrastructure, especially in the case of cooperatives, were based upon the potential for increased profit from temporary arbitrage ("we can store our grain and watch the price go up!"). While such speculation is an essential element of the market, it is also the most risky. If investment in GBS facilities is to be encouraged amongst farmer cooperatives, it should be on the basis of the potential profitability of grain bulking, storage and handling, and sales services. The charges for such services remain relatively predictable and should form the basis of a sustainable business plan, as opposed to speculative profits that could also become losses. Current market conditions of consistently rising prices have favoured traders. Nevertheless a scaled up iteration of an MLI project could equally well face a market of declining prices in the future. It must be accepted that this might reduce the success rate of beneficiaries and would likely restrict the numbers of viable applicants if a future project is rolled out into a declining market.

#### 4.2.4 **Summary**

From an overall perspective, ignoring the question of whether or not the anticipated long-term impacts of the project on food security might be achieved, this analysis might be summarized as follows:

1. While there are undoubtedly more traders in the region who could benefit from the MLI, estimates by both MLI staff and grantees themselves indicated that the numbers of potential grantees might be enough to replicate, but not to scale up the package of MLI activities in its current form, without modification.
2. A wider target group of entrepreneurs does however exist, but they lack professional skills.
3. To reach the wider target group required to stimulate competition within the market, it will be necessary to strengthen the training component of the MLI.
4. It is the support to GBS construction that remains the critical benefit of the MLI, and which both removes the key constraint to business development and stimulates the development of a stronger relationship between traders and "their farmers".

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<sup>16</sup> The subject of regional and bilateral management of market development initiatives is dealt with in greater detail in Section 4.3.2 Lessons Learned (Design).

5. The costs of implementing an MLI that can provide such support (together with enhanced training) to a larger number of traders may well be prohibitive in terms of both net costs and overheads unless a lower cost financing mechanism can be introduced.
6. Training of both traders and farmers is essential to the success of the MLI, although the procurement of equipment, although strengthening the overall intervention, is not as critical.
7. The introduction of web-based SMS technology has transformed trader practices in Malawi and should be included in any future MLI.
8. Even if the GBS and training components of the MLI are not scaled up in the future, the introduction of and support to web-based SMS technology should be scaled up and replicated amongst the remaining countries in the region.

### 4.3 Lessons learned

Several lessons could be drawn in this MLI evaluation that relate to the donor (project concept and design), and to the contractor CARANA (project management and implementation):

#### 4.3.1 Project concept (Donor-related)

**The viability of the first part of the project hypothesis (that integrating smallholder staple food producers into national and regional markets will promote the marketing of staples) and premises (which identified poor on farm crop conditioning and inadequate storage facilities as key limitations to expanding smallholder farmers' access to markets) are validated, at least in the short term, by empirical evidence from the field.** MLI support enabled a larger GBS capacity and enhanced quality, and where weather conditions were adequate increased sales of staple grain, as could be seen from data presented in Table 4 of this report. Indeed, some growth in staple grain quantities and quality occurred albeit late in the project but it is not possible to attribute such growth to the MLI alone.

#### 4.3.2 Project design (Donor and Contractor CARANA-related)

- **Notwithstanding the limited duration of funding, the Famine Fund was at least partially effective in piloting a new approach to food security development.** The MLI has been able to demonstrate some key aspects of the market-led development hypothesis within a short period. As such, it has proved the value of being able to pilot new concepts across a relatively wide platform. Nevertheless, the value of the pilot will be substantially increased if the hypothesis can be more effectively validated by a subsequent evaluation of longer-term impacts that would be made in the next two to three years.
- **There is a balance to be struck between the regional and bilateral (i.e., national) management of the MLI activities.** The GBC-focused market linkage activities were seen by the evaluation team to be most effective when they were managed locally, as in Malawi and Kenya. The management was more responsive to the individual pace of development in a national context. Conversely, while regional management might be able to address issues of regional trade and broader markets, these appeared to be of little concern to grantees, some of whom were trading internationally without any assistance from the MLI. Indeed the development of upward market linkages was not found to be a constraint to any of the traders visited by the team. It appeared to the team that the primary focus of the MLI was upon the development of downward linkages between traders and “their” smallholders, that this was also the main area where assistance was required and that regional management provided few advantages beyond potentially reduced overhead costs and was less effective in this area.

At the same time, however, it is clear that regional management can disseminate best practices and lessons learned, and can ensure that regional developments take place in a coordinated fashion so that eventual international trades are facilitated by common standards and practices. There is therefore a role for regional management in market development, but given the observed needs in the development of markets in those countries visited, regional coordination and trade facilitation does not appear to be of paramount importance. Instead, it might be argued, and the evidence of the MLI does suggest that providing farmers with sustainable markets by increasing the capacity of small traders is more critical, and that until this has been done, the impact of good regional policies upon smallholders will be limited.

The implications for the design of future market interventions of this type is that regional coordination is undoubtedly beneficial and indeed necessary, but that actual management would currently appear to be most appropriate at a national or bilateral level.

- **The SMS-based price alerts are an appealing market feature to GBS operators and smallholders alike.** The SMS-based price alerts feature was implemented only in Malawi, enabled by its developed MIS system and the introduction of the Esoko platform. GBS operators advertise their needs for grain and their offer prices, while farmers are alerted on prevailing commodity prices which gives them the option to sell to the highest bidder. One indicator measuring the success of this feature is the number of GBs operators and farmers subscribed to the price alert service: The April-June 2011, MLI reporting quarter saw a high growth in the traffic of price alerts, bids and offers sent by small holder farmers and GBs operators, from 15,000 to 71,928, an increase of 379%.
- **The Warehouse Receipt System (WRS) implemented in Uganda could be integrated into the MLI to reinforce benefits to smallholders.** The WRS was implemented only in Uganda which has a nascent system of warehouse licensing and regulation by Uganda's Commodity Exchange Board, and deposit receipt issuing. The benefits from WRS are many: The deposit receipts increase both GBS operators and smallholders' chances at accessing commercial loans by using receipts as collateral; for the GBS operators, if used as loan collateral, the warehouse receipt can provide extra income to expand their operations, and the receipt itself provides access to grain of guaranteed quality that can be purchase at a moment's notice; for farmers (depositors), the WRS can provide good quality storage space, loan collateral and often a ready buyer in the form of the warehouse operator. (NB this is NOT the same as the practice issuing of receipts that has been encouraged by MLI in Malawi and which may eventually develop into a WRS, but does not constitute such at present.)
- **One size/timetable for investments in the staple grain market infrastructure does not fit all East Africa countries and limits opportunities for scaling up MLI – it may be better to work on a national rather than regional basis in the future.** Different countries have different capacities and proceed at different speeds in the implementation process of such a novel concept and design as MLI's. MLI's matching grant requirement restricted the number of successful applicants at its pilot phase. Not many more potential grantees can be found that qualify for MLI's requirements as communicated by MLI management. Table 5 presents matching fund capacity for each country where MLI intervened. There is a clear difference among countries: Uganda is leading in terms of private sector ability to match grants (Ratio of private sector investment to MLI grant as of August 8, 2011, slightly higher than expected by project closure on September 15, 2011). DRC has the lowest ratio of private sector investment to MLI grant and the highest lag time.

**TABLE 5: NUMBER OF GRANTEES, MLI GRANTS VALUE IN USD, AND RATIO OF PRIVATE SECTOR INVESTMENT TO MLI GRANT FOR EACH COUNTRY WHERE MLI INTERVENED**

Target Country	Number of grantees*	MLI grants by country	Total cost share by country (grant agreement)	Ratio of private sector investment to MLI grant (as per grant agreement)	Cost share by country as of 8/8/2011	Ratio of private sector investment to MLI grant as of 8/8/2011
Kenya	6	\$ 903,120	\$ 1,012,177	1.12	\$ 1,014,390	1.12
Malawi	10	\$ 1,009,062	\$ 1,040,459	1.03	\$ 752,023	0.75
Uganda	6	\$ 938,048	\$ 2,486,212	2.65	\$ 2,615,549	2.79
Burundi	2	\$ 297,800	\$ 173,998	0.58	\$ 149,931	0.50
Rwanda	6	\$ 623,183	\$ 926,413	1.49	\$ 546,037	0.88
DRC	2	\$ 219,939	\$ 70,395	0.32	\$ 33,511	0.15
<b>Totals/averages</b>	<b>32</b>	<b>\$ 3,991,152</b>	<b>\$ 5,709,654</b>	<b>1.43</b>	<b>\$ 5,111,441</b>	<b>1.28</b>

\* excluding grants without cost share

- **A short-term funding mechanism, and an ensuing project with a short implementation period such as MLI, will have difficulties making long-lasting impact or even reaping significant results within the life duration of the project.** The project has been of a “push button” nature, making interventions over a very short period (effectively an average of 5.5 months per grant), but looking to achieve long-lasting impacts. It is probable that impacts will be reduced in the absence of longer-term business mentoring that will be required in many cases to ensure ongoing commercial viability under changing market circumstances. Two years is a very short implementation period for developing value chains and reaping results within the life duration of the project. It does not accommodate for inevitable delays in civil works, import time of equipment, and the impact of seasonal but devastating weather-related factors such as droughts. It does not provide sufficient time to confidently validate the novel project concept and design, as the short duration given to implement grantee projects does not allow an effective assessment of project impacts since it will not be possible to observe significant increases in volumes of staple grains going through GBS (a key indicator of project success) until after project closure.
- **Where possible, it is more useful to grantees to be taught how to select a piece of technology to meet the requirements of their market and to be given the funds to make the purchase rather than to have it bought for them without their knowing how or why it was selected.** Malawi benefited from a standardized crop conditioning package, while other grantees from the other participating countries chose what equipment to get with the help of MLI. Some Malawi grantees showed a degree of dissatisfaction with the equipment they received and would not buy

that same equipment or brand in the future to furnish their remaining VACs (such as was the case with moisture meters). On the other hand, almost all the grantees from the other MLI countries expressed high satisfaction with the equipment received, saying this is what they exactly wanted.

- **The selection of implementing partners, such as ACTESA, should take into consideration any impediments to performance.** Although the purpose of ACTESA suggests it to be a natural partner for MLI support, ongoing governance issues have hampered achieving the objective of establishing key service forums for exchange of information, an important service that donors, policy formulators, NGOs, and beneficiaries could have highly benefited from. MLI should have closely investigated ACTESA as it did its grantees. Could MLI have done better by strengthening stakeholder participation in the management and direction of ACTESA through the facilitation of sub-regional/regional trader forums that can give voice to private sector business requirements?

The ACTESA component of the MLI highlights the regional aspect of the project and its relevance to the overall project goal. It is evident that there was an intention to build a community of practice amongst development stakeholders that would share best practices and lessons learned, and would reinforce the progress made by the more direct GBS-related activities of the project. Nevertheless, this part of the project was not only less successful, but appeared almost irrelevant to the success of the rest of the MLI. This does suggest that the focus upon a limited number of institutions (in this case ACTESA and a limited number of market development actors) as channels for knowledge dissemination was not wholly effective. It might have been helpful for the MLI to have undertaken more of its own dissemination of best practices. This could have occurred at a number of levels: amongst grantees (who consistently responded that they would have appreciated more opportunities to interact and learn from each other); amongst other development projects (although interaction between MLI and other Nairobi-based development projects was found to be good); and amongst bilateral missions (who with the exception of Malawi, were not outstanding in communicating their understanding of the MLI project to the evaluation team). A newsletter or series of bulletins similar to that sent out by the WFP P4P program might have served both to increase general project awareness, to share lessons learned and as a way of introducing commonality to the development process.

#### 4.3.3 **Project management and implementation (Contractor CARANA-related)**

- **Synergy among like-minded development investments works for the benefit of beneficiaries.** Very high synergies with other USAID projects (COMPETE in the East Africa Region, LEAD in Uganda, PHHS in Rwanda) was noted. All these projects consulted with each other on grantee selection and needs, thus preventing duplication and filling financing gaps of grantees and farmers.
- **Flexibility.** *Fungibility of funds* when detailed assessments of beneficiary needs showed the need to reallocate funds to certain expenditure categories both within the MLI budget and the grantee financing; *appropriate response* to inability of grantees to reach their predetermined milestones and to grant extension requests due to exogenous stress factors beyond their control (crop failures, inflation and currency devaluation).
- **Communication among grantees boosts confidence and enables the cross-fertilization of ideas among grantees.** Grantees highly valued the few chances they had to interact. The creation of forums (e.g., annual meetings) for such interaction could enhance future project impacts. One grantee suggested that MLI management share its progress reports or dedicated topic discussions and analysis on its website.

## Annex A: Scope of Work

### C.1 OBJECTIVE:

USAID/East Africa seeks a team of external consultants to conduct an end-of-project evaluation for the regional Market Linkages Initiative (MLI). MLI is funded as a Task Order contract with the CARANA Corporation in partnership with ACDI/VOCA through the GBTI II IQC EEM-I-00-07-00006, Task Order No. 05 EEM-I-05-07-00006. The total budget is \$11.5 million divided into two parts: 7.5 million for activities in five or six countries along the northern corridor, plus \$4 million for activities in Malawi. The period of performance is 24 months from September 15, 2009.

The overarching goal of MLI is *to increase commercial integration of small holder producers in targeted “vulnerable but viable” area into national and regional markets*. MLI targeted 300,000 to 500,000 chronically food insecure households in four markets sheds within East and Southern Africa which have the capacity to increase their production and enter into structured trade systems. Activities span across seven countries in the East Africa region: Malawi, Kenya, Uganda, Zambia, the Democratic Republic of Congo, Burundi and Rwanda. The project is currently scheduled to end on September 15, 2011. While the life of project was relatively short, only two years, its innovative activities were thought to offer significant potential to benefit small producer households directly while simultaneously generating meaningful “lessons learned “for USAID and its implementing partners.

The evaluation team will conduct an independent performance evaluation, and also assess project impacts based on the availability of adequate quantitative data. The approach and methodology must be consistent with USAID’s current evaluation policy.<sup>17</sup> Evaluation criteria are described in this Scope of Work (SOW). The evaluation will be conducted through the review of project documents, review of related data within the East Africa region, interviews of USAID and CARANA staff, meetings with project beneficiaries, and visits to the MLI project field sites. The proposal should include a plan which details how the team will provide coverage to all MLI assisted countries as apt of the evaluation process.

The key deliverable will be a written report of findings, conclusions and recommendations for USAID which comply with USAID’s evaluation guidelines. While this SOW outlines a number of areas to be covered by the evaluation team, offerors should add additional areas of focus that could enhance the usefulness of the evaluation process in their proposals.

The finding of this evaluation will also be useful to inform the development of specific trade, marketing, production and food security focused activities under the new five-year “Feed the Future “(FTF) strategy for Eastern and Southern Africa. The findings are expected to will document the outcome and impacts resulting from the investments made through the Famine Fund based on the stated objectives of this initiative, MLIs contribution to USAID’s development assistance-supported agricultural development objectives for the region, and the extent to which institutional strengthening was fostered as a result of MLI’s relationship with USAID’s African partner organizations. The evaluation will also provide new insights into best practices for rehabilitation of marketing systems in post-conflict and fragile economies for Rwanda, Burundi and the Democratic Republic of the Congo.

### BACKGROUND

The MLI project and start-up funding for the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA) were funded as a single \$14.8 million package through the Famine Fund. This special USAID facility has been supported from the International Disaster Famine Assistance (IDFA) account, not from the

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<sup>17</sup> [http://www.usaid.gov/evaluation/USAID\\_EVALUATION\\_POLICY.pdf?020911](http://www.usaid.gov/evaluation/USAID_EVALUATION_POLICY.pdf?020911)

regular Development Assistance (DA) account. Famine Fund activities have been designed as innovative, one-time, short-term interventions coordinated with other sources of funding, both public and private. The broad objective of the Famine Fund is to catalyze new kinds of partnerships and new ways of doing business, bridging the gap between relief and development, and reducing chronic food insecurity and dependence on food aid. It is expected that innovations and new approaches coming out of activities supported by the Famine Fund should be mainstreamed into regular programming supported by USAID as well as by other donors. The experience of MLI contributed to the development of USAID/East Africa's recently approved strategy for President Obama's Feed the Future initiative.

The theoretical premise of MLI has been that commercial integration of vulnerable smallholder producers into regional and structured markets would sustainably improve food security for producer households. At the same time, the movement of grains from areas of surplus to areas of deficit was intended to improve the balance of the availability of staple foods, thereby contributing to regional food security on a significantly larger scale. MLI was designed in part as response intended to ease the downward trend in the economic accessibility of staple foods driven by escalating prices and the larger global food security crisis. The strategy of the MLI was to lay the foundation for a transformation of subsistence-oriented agriculture into *structured trade* in staples by increasing demand by these smallholders for market services while simultaneously enhancing the region accessibility and availability of quality staple grains. In order to achieve its goal at a significant scale, MLI was mandated in the original project design to leverage on-going development relief and other programs implemented by nongovernmental organizations working with smallholder farmers in the target areas. However this aspect of the project was not realized when MLI reached the implementation stages.

The MLI has operated in four target areas, three market sheds linked together by the Northern Corridor: Northern Uganda and Southern Sudan, the Great Lakes (Rwanda, Burundi and the neighboring Kivu Provinces of Eastern D.R. Congo), and East Africa (Kenya and Uganda) and a fourth is in Malawi and its trading partners – Zambia and Mozambique. Zimbabwe was proposed as a potential partner however conditions did not permit MLI to extend its mandate during the life of the project. MLI also works in Zambia on institutional strengthening activities with ACTESA.

## GOAL AND OBJECTIVES

Based on MLI's overarching goal to *increase commercial integration of smallholder staple food producers in targeted "vulnerable but viable" areas into national and regional markets"* one sub- goal, and six higher level objectives and nine key results were designed.

**Sub-Goal:** Reduce food insecurity by integrating vulnerable smallholders into staple food value chains through improvements in their demand for marketing services and institutions;

### Objectives:

- Enhance the supply of marketing services institutions by improving their availability and accessibility to smallholders; and
- Improve the performance of agricultural development investments by catalyzing and disseminating improved methodologies for developing market linkages.
- Increase the volume and value of staple food crops marketed by vulnerable smallholders in target areas into national and regional markets.
- Improve the capacity of vulnerable smallholder producer organizations to identify markets and to meet market requirements.
- Improve the capacity of market service providers and market institutions to meet the needs of smallholders.
- Disseminate lessons learned and best practices throughout the COMESA region.

It was anticipated that achieving these objectives and results would sustainably improve food security of the targeted groups. The project was expected to contribute to strengthened and improved the efficiency of staple

food value chains, and the increased the flow of staple foods as traded commodities into both national and cross-border markets.

## **Expected Results**

**Results Area 1:** Increased volume and value of staple food commodities marketed by targeted producers moving into national and regional markets.

- Increased capacity of existing producer organizations in the target areas to identify markets and to meet market requirements
- Delivery of business support services, including cost of production calculation and analysis, and identification of market opportunities
- Delivery of support services to develop collective marketing capacity
- Increased capacity for bulking, storage, and warehousing, both at the local level in the target sites and in strategic market locations.
- The construction and/or renovation of limited numbers of simple, low-cost structures through grants of project resources or facilitation of finance to meet critical needs.
- On the service supply side, increased accessibility and availability of institutions and service providers that support staple food marketing and capacity-building to producer organizations.
- Improved facilities and services to address the following:
  - Meeting grades and standards, pest and disease management, bagging, labeling, and other factors that make staple food crops standard, tradable commodities.
  - Credible, reliable, real-time market information systems.
  - Assistance in drawing up and complying with contracts and other business agreements.
  - Warehouse receipt and other financing mechanisms.
  - Risk reduction tools, such as crop insurance.

**Results Area 2: Lessons and best practices disseminated in the region**

- Enhanced effectiveness of investments into agricultural market development through best practices and lessons learned disseminated through ACTESA to a “community of practice” of implementers, donors and other development partners, both in the target areas and throughout the COMESA region.
- Support for an effective voice in COMESA’s policy for for producers of staple food crops, as well as all public and private partners in staple food chains;

Incremental achievements and milestones toward achieving these broader results are further detailed in the joint USAID-MLI “performance monitoring plan” (PMP).

## **IMPLEMENTATION STRATEGY**

MLI’s trade and marketing activities for small producer activities implemented through two distinct geographical components, one exclusively for Malawi and another covering Kenya, Uganda, Burundi, the Democratic Republic of Congo, and Rwanda. Sub-grants to private sector firms with significant cost-sharing, as well as to NGOs, were intended to strengthen existing producer organizations and catalyze linkages with expanded market facilities and service providers, significantly improving their access to national and cross-border markets.

MLI was designed to be implemented in close collaboration with the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), a specialized agency of COMESA. Activities in the target areas, linking producer organizations with service providers have been implemented by the CARANA Corporation in partnership with ACDI/VOCA through a Task Order contract under the shared supervision of USAID/East Africa and USAID/Malawi.

## **EVALUATION OBJECTIVES**

The evaluation will look at four key areas. These areas are listed below with some, but not all of specifics to be addressed. In conducting its analysis the evaluation team should make the final determination as to which factors best reflect MLI’s strengths and weakness in the four key areas.

**1. The ability of MLI's activities to meet the project's goals and objectives.**

- The efficacy of the theoretical assumptions upon which MLI was based as determined through retrospective analyses.
- The overall ability of MLI activities to achieve project the goal and objectives in a timely and effective manner.
- A determination as to whether MLI objectives were realistic in the time frame and budgetary context of the project.
- For project expected results that were not fully met, provide a detailed analysis of why these results were not meet.
- For project expected results that were met, include a detailed analysis of the benefits of these results and their predicted sustainability after project support ends.

**2. The Financial and administrative management of the project.**

- The extent to which home office support from CARANA contributed to achieving MLI objectives in the East Africa Region.
- The impacts of MLI budget realignments on grant implementation and the achievement of expected results.

**3. The appropriateness and effectiveness of the activities designs and their implementation.**

- The effectiveness of the „matching funds’ grants with the private sector for project implementation.
- An analyses of MLI targets as described in the USAID “Performance Monitoring Plans” and MLIs ability to meet these targets.
- A description of the rationale or driving force behind the geographical selection of grant activities and how this impacted upon the achievement of results.
- Relevant country level comparisons on administrative, managerial and technical activities which can offer “lessons learned” for USAID East Africa, bi-lateral Missions, private sector partners, USAID implementing partners, and ACTESA.
- Lesson learned from MLI experiences in post-conflict and fragile state contexts of Burundi, Rwanda and the Democratic Republic of Congo.

**4. The ACTESA Component.**

- A detailed description of improved methodologies for the development of “structured trade and market linkages” identified, piloted, and disseminated by MLI over the life of the project.
- An analysis of the “value added” to structured trade systems in the project areas through the establishment of the ACTESA-MLI relationship.
- The potential effectiveness of the MLI-ACTESA Communications Strategy in the context of ACTESA’s current institutional capacity.
- How successful have MLI and ACTESA been at identifying, documenting, diffusing and institutionalizing best practices and lessons learned from this project?

## METHODOLOGY AND DELIVERABLES

The methodology for the evaluation will include site project visits, interview of beneficiaries and grantees, interviews with ACTESA, CARANA and USAID East Africa principals, review of MLI and USAID project documentation, analysis of national and regional marketing data which may be relevant to this evaluation process, and an assessment of all MLI project deliverables. The team will be based in Nairobi with travel to other MLI project countries, and is responsible for all logistical and administrative support this evaluation requires.

The report shall contain the scope of work and the evaluation methodology as annexes. The report shall also contain a full body of evidence and information gathered to enable judgment on its reliability, validity, and generalization. The report will contain an executive summary of 3 to 5 pages of the purpose, background of the project, key evaluation questions and findings and lessons learned

The draft report is due for presentation and submission to the MLI evaluation manager no later than 21 days after the team's arrival in-country. Prior to departure from Nairobi, the evaluation team will submit a draft report to the USAID MLI COTR electronically at this address: [fnelson@usaid.gov](mailto:fnelson@usaid.gov). This report should contain an executive summary not to exceed three pages. The draft report will be reviewed by USAID, MLI and other principals. Comments will be provided to the evaluation team, within 5 business day following the departure from Kenya. A final report should be submitted electronically to the MLI COTR within seven business days after the evaluation team has received all comments.

Weidemann Associate's principal objective is to conduct an independent performance evaluation, and assesses project impacts based on the availability of adequate quantitative data. Additionally, the team will assess the return on investments made through the Famine Fund and provide insights into best practices for the rehabilitation of marketing systems in the post-conflict and fragile countries of Rwanda, Burundi and the Democratic Republic of Congo.

In carrying out this Task Weidemann Associates will follow the proposed sequence as detailed below:

## MANAGEMENT OF DELIVERABLES AND SCHEDULE

<b>Deliverable</b>	<b>Approximate Delivery Date</b>
Evaluation Team Plan	Within 5 working days of arrival to Kenya.
Draft Evaluation Report	The evaluation team will commence on or about July 18 and finish the draft report by August 10.
Presentation to USAID/East Africa	After completion of the draft report, the evaluation team will make a presentation to the Mission on August 11.
Final Evaluation Report	After receiving USAID comments, the team will submit the final version of the End of Project Evaluation on August 26.

### Mobilization and Commencement of Field Work

Weidemann Associate's Evaluation Team is expected to in Nairobi, Kenya not later than July 18, 2011, where the Team will meet with the USAID Representative – The COTR to finalize the work plan and walk through the prescribed methodology and will finalize the list of stakeholders, grantees, and beneficiaries that the team will interview over the course of the assignment.

Within 5 working days of arrival in Kenya, the Evaluation Team will present an evaluation plan to the USAID MLI COTR for review and approval. This plan will include but not be limited to the methodologies to be utilized, the Team travel schedules, identification of principals for meetings and interviews, and an illustrative summary of data to be reviewed.

The final evaluation report shall be presented to USAID/East Africa /REGI by August 26, 2011. In case USAID/East Africa requires any revisions or modifications in this report, they must be made before September

10, 2011. Based on provisions of the evaluation policy, (see foot note on page 3/19 and section J- additional information-Performance Monitoring and Evaluation- Tips – constructing Report No.17 1<sup>st</sup> Edition 2010) the report must contain a full body of evidence and information gathered to enable judgment on its reliability and validity. The Report shall contain the scope of work and the evaluation methodology as annexes.

[END SECTION C]

## Annex B: Questionnaires

Three different sets of questionnaires were used as basis for discussions with MLI beneficiaries:

### **MLI Grantees: GBS Operators and Service Providers**

#### **1. Grantees (GBCs, VACs, Warehouses, traders/storage operators)**

- What were the constraints of the grain bulking/conditioning/storage/marketing sector?
- How useful were MLI interventions in addressing these constraints?
- What other constraints remain? (e.g.: liquidity to expand; risk aversion behavior; farmers not honoring their contracts; not enough storage/conditioning capacity; supply of good quality grain is not consistent)
- Did you have trouble honoring your co-share on time and at the agreed level? Why?
- Do you have difficulties sustaining a consistent supply of grain of good quality?
- Do you contract farmers? Do you advance them money for inputs? May I see a sample contract? Do farmers have trouble honoring their commitment? Why? How do you deal with it?
- Were MLI interventions at the right time (relative to the growing/storage/marketing seasons) to make a difference in the sector and increase income of traders/farmers so far? What is the impact?
- Was the grant process difficult? Were the items financed what you really needed/wanted? Or were they what USAID wanted? Did you have to compromise? Are you satisfied?
- Business planning/development service: What was the extent to which you needed help with business planning? Was the process of elaborating a business plan with the help of the service providers top-down or demand-driven? Do you have full ownership and commitment to your business plan?
- Who is your market? Where/how do you get more buyers? Would you have liked help in increasing your markets? How?
- Civil works/equipment: are you satisfied with the quality/type of civil works/equipment? Is it what you needed/asked for? Who provided you with technical training? Will you be able to maintain the works and equipment? Purchase spare parts?
- What are your production costs now? Decreased with MLI? Who collects the grains from farmers? What are the costs?
- What is the quality of your products? Improved with MLI? (aflatoxins, moisture content, loss in storage)
- Are you able to help reach the small farmers or do you only go to the larger farmers because it is easier?
- Can you say how much benefits have you reaped so far due to MLI? Why not? How much? Do you think your benefits will remain the same or increase/decrease with time? What are the risks and how will you handle it?
- Can you track the volume of grain provided to you by the farmers who received help from MLI?
- Will you keep doing what you are doing when MLI ends? Why not? What would you need to sustain benefits?

#### **2. Grantees (service providers)**

- How did you benefit from MLI? Was the TOT provided to you useful and enhanced your capacity at training others? How?
- What is the overall capacity of those to whom you provided training?
- What was the benefit of your training on traders, farmers? Did it influence production quantity and quality? Did it help bring about better prices for farmers/traders?
- What other training do you think is necessary?
- Business planning/development service: What was the extent to which the grantees needed help with business planning? Was the process of elaborating a business plan top-down or demand-driven? Do the grantees have full ownership and commitment to their business plan? Why not?

#### **Farmers and VACs:**

- What are the main constraints to producing more and marketing at better prices? (what is stopping you from producing more and market the surplus)
- How do you produce more? **More inputs** (where do you get them? Do you have the money for that? Where do you get the money? Do you sign contracts with traders? Do you have trouble honoring your contracts? Why? Etc...)? **or larger lands**?
- If you produce more, do you store more? Do you need to buy grain towards the end of the période de soudure? Do you have money for that? Overall, how do you manage providing enough food for your family year round?
- Are MLI interventions good incentives to grow more, better condition post-harvest produce, and sell at more favorable prices?
- Did you get any equipment? Did you like it? was it what you needed? Do you use it? were you provided with technical training on how to use it?
- Do you like and use the service of storing your grain at a fee? Why not?
- Was your food security enhanced with MLI?
- Would you continue to do what you are doing after MLI is finished? Why not? What would you need to sustain benefits?

- How many individual farmers does your centre serve?
- What volume of business did your centre facilitate to farmers transact in terms of
- Do you maintain a recording system for your customers? - a) Yes , b) No   
If YES is the system - a) manual?  or b) electronic?
- What service does your centre offer to its suppliers/beneficiaries?

	2010?	2011?
Volume		
MLI Price		
Non MLI Price		

	2010?	2011?
Storage		
Price information		
Transport		
Training		

- Do you know how your buyers use the grain procured from your centre?- a) Yes , b) No   
(This is intended to assess if the beneficiaries understand their business environment)
- Are beneficiary farmers organized as producer groups- a) Yes? , b) No?
- Are producer groups affiliated to any national producer organizations- a) Yes? , b) No?
- Has MLI developed any communication system/strategy through which you and other grain dealers are able to communicate among yourselves and link to the market? - a) Yes , b) No
- If YES, would you say that your producers/farmers have benefit from the knowledge gained by the consumers/customers of the produce you deal in?

<b>Our affiliation to MLI is that our centre is a</b>	<b>Grain Bulking Centre:</b> <input type="checkbox"/>
	<b>Village Aggregation Centre</b> operated by:
	GBC Staff <input type="checkbox"/> Producer Group <input type="checkbox"/> SMEs <input type="checkbox"/>

**ACTESA:**

The purpose of this part of the evaluation is three-fold:

- To evaluate the interventions that MLI have made that relate directly to ACTESA
- To assess the performance of MLI in implementing those evaluations.

c) To evaluate the other interventions made by MLI that would fall under the M&E purview of ACTESA, i.e. to ask ACTESA to provide their own independent assessment of the grain bulking strategy and associated interventions that MLI has been undertaking within the region.

**With regard to part a).** MLI have supported the generation of a communications strategy and a knowledge portal and were discussing potential support to the selection and development of an appropriate regional MIS.

1. Is this correct? And if so,
2. How useful have these interventions proved to be in meeting ACTESA's overarching goal of enhancing farmer's participation in (regional) markets? Please respond from three perspectives,
  - first from that of the institutions, including national governments, donors and farming and trading organisations that might be involved in developing the institutional framework of regional trade and
  - secondly from the perspective of the private sector stakeholders who actually engage in the trade itself (is there any evidence that they have used the knowledge portal or been impacted by the communications strategy?) and
  - thirdly from the perspective of smallholder farmers (are they to any extent direct beneficiaries of these interventions?.)

**With regard to part b) - the actual implementation**

1. How did ACTESA rate the performance of MLI in these interventions?
2. Was the process straightforward or cumbersome? Participatory or prescriptive?
3. Did the end results meet initial expectations?

Are the ongoing changes at ACTESA likely to have any impact on the usefulness and/or sustainability of the interventions made by MLI.

**With regard to c) - MLI's other interventions in the region, most of which relate to the development of grain bulking systems**

1. Has ACTESA been in a position to undertake any M&E of these projects?
2. Does ACTESA have any comments regarding the suitability, effectiveness and sustainability of the interventions that MLI has supported?
3. In particular does ACTESA agree with the premise that a lack of broad-based grain bulking capacity within agricultural markets is a fundamental constraint to increased smallholder involvement in commercial grain markets (as compared with lack of finance for inputs, lack of technical capacity amongst growers or any other constraint)?

## Annex C: Schedule and Work Plan of the MLI Evaluation Mission

Date	Day	Activities for George Gray and Kiringai Kamau	Location of Overnight Stay	Activities for Jumana Farah and Lewis Karienyeh	Location of Overnight Stay
20-Jul	Wed			Travel and Review of MLI documents	Arrival to Nairobi
21-Jul	Thur	Travel and Meetings with USAID and MLI	Arrival to Nairobi	Meetings with USAID and MLI	Nairobi
22-Jul	Fri	Meetings with MLI staff and working sessions among consultants	Nairobi	Meetings with MLI staff and working sessions among consultants	Nairobi
23-Jul	Sat	working sessions among consultants	Nairobi	working sessions among consultants	Nairobi
24-Jul	Sun		Nairobi		Nairobi
25-Jul	Mon	Logistical preparations and review of grantee profiles	Nairobi	Logistical preparations and review of grantee profiles	Nairobi
26-Jul	Tue	Initiate contact with ACTESA	Nairobi	Initiate contact with Burundi and DRC stakeholders	Nairobi
27-Jul	Wed	Drive to visit Mama Millers GBC and VACS	Nairobi	Morning flight to Kampala: visit USAID/Uganda, MLI Office	Kampala
28-Jul	Thur	Drive to visit Mwaitu Enterprises and VACs	Machakos (Garden Hotel)	FH office in Kampala, Drive to Upland Rice Millers and Agroways GBC in Jinja	Jinja
29-Jul	Fri	Drive to visit Smart Logistics	Machakos (Garden Hotel)	Drive to Tororo, visit ETU GBC and two VACs, drive back to Jinja	Jinja
30-Jul	Sat	Drive back to Nairobi and compile field notes	Nairobi	Visit AgroWays VACS	Kampala
31-Jul	Sun	Fly to Lilongwe	Lilongwe (Capital Hotel)	Document Review	Kampala
01-Aug	Mon	Visit USAID/Malawi, MLI office, Esoko and ACE	Lilongwe (Capital Hotel)	Drive to Kisiita ACE and return to Kampala	Kampala
02-Aug	Tue	Drive to visit Farmers World GBC and VACs	Lilongwe (Capital Hotel)	Visit WFP/P4P Uganda Morning flight, Kampala to Kigali: Visit USAID/Rwanda, MLI Office and Wakala	Kigali (Golden Hill)
03-Aug	Wed	Drive to visit MC Agronomy GBC and VACs	Lilongwe (Capital Hotel)	Visit ENAS office and drive to SOSOMA GBC	Kigali (Golden Hill)

<b>04-Aug</b>	<b>Thur</b>	Drive to visit Mtendere Foundation	Lilongwe (Capital Hotel)	Drive to ENAS dryer and maize VACs	Kigali (Golden Hill)
<b>05-Aug</b>	<b>Fri</b>	Drive to visit UZ Investments GBC and VACs	Lilongwe (Capital Hotel)	Drive to COAMV GBC and VACs Drive to UCORIBU GBC and VACs	Musanze (Jumana) Kigali (Lewis)
<b>06-Aug</b>	<b>Sat</b>	Drive to visit Cheka Trading and VACs	Lilongwe (Capital Hotel)	Review reports and compile field notes Fly to Nairobi (Jumana)	Kigali (Lewis) Nairobi (Jumana)
<b>07-Aug</b>	<b>Sun</b>	Fly to Nairobi	Nairobi	Fly to Nairobi	Nairobi
<b>08-Aug</b>	<b>Mon</b>	Drive to Nuru International visit Office and GBC	Nairobi	Follow up responses from Burundi and DRC stakeholders, Compile Field Notes	Nairobi
<b>09-Aug</b>	<b>Tue</b>	Visit Nuru VACs, drive back to Nairobi	Migori, Kenya	Meet with Burundi grantee (Misago EST) , Compile Field Notes	Nairobi
<b>10-Aug</b>	<b>Wed</b>	Follow up responses from ACTESA	Nairobi	Visit COMPETE, WFP (P4P) and MLI Office	Nairobi
<b>11-Aug</b>	<b>Thur</b>	Report Preparation	Nairobi	Report Preparation	Nairobi
<b>12-Aug</b>	<b>Fri</b>	Report Preparation	Nairobi	Report Preparation	Nairobi
<b>13-Aug</b>	<b>Sat</b>	Report preparation	Nairobi	Report preparation	Nairobi
<b>14-Aug</b>	<b>Sun</b>		Nairobi		Nairobi
<b>15-Aug</b>	<b>Mon</b>	Prepare presentation	Nairobi	Prepare presentation	Nairobi
<b>16-Aug</b>	<b>Tue</b>	Present draft report, incorporate immediate comments and travel.	Nairobi	Present draft report, incorporate immediate comments and travel.	Nairobi

## Annex D: List of Documents Consulted

AnnaLee Saxenian. 2009. Designing ICTs for Increasing Smallholder Farmers' Access to Markets and Knowledge. UC Berkeley School of Information, California, USA.

Barat, P. 2009. Connected Agriculture- Developing Smart, Connected Rural Communities. Cisco Press, San Jose, California, USA.

Clare O'Farrell. 2004. Information & Communication Technologies (ICTs) for Agriculture and Rural Development in the Caribbean Region. FAO, Rome, Italy.

Market Linkages Initiative (MLI) project-related documents. 2009 – 2011.

- MLI Grants Management and Procedures Manual, and Annexes. December 2009.
- Guidelines for MLI Grant Application.
- Project Performance Management Plans. April and September 2010.
- Baseline Reports. October 2010, and November 2010.
- MLI Budget Realignment. November 2010.
- ACTESA Communication Strategy. November 2010.
- Work plans for 2010 and 2011.
- Grantee selection criteria for Malawi and the Northern Corridor.
- Environmental Assessments for select MLI grantees.
- Progress reports: Annual Report 2010, and progress reports Q 1, 2, and 3, 2011.
- Request for Task Order Proposal No. SOL-623-11-000022. June 2011.
- Statement of work for the MLI evaluation. July 2011.
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[www.marketlinkages.org](http://www.marketlinkages.org) (no hypertext addressing otherwise the website returns error)

<http://www.esoko.com/>

<http://www.competeafrica.org/>

## Annex E: List of Interviewees

Name	Organization	Position	Contacts
<b>Burundi</b>			
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Bizuwork Negussie	CARANA Corporation /MLI	Grants Manager	(+254)-20-271-9342/ 0719-177-379/0733-177-379; <a href="mailto:bnegussie@eamli.com">bnegussie@eamli.com</a>
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Martin Kabaluapa	World Food Programme	Purchase for Progress Coordinator	(+254)-20-762-2337/ 0734-600-520; <a href="mailto:martin.kabaluapa@wfp.org">martin.kabaluapa@wfp.org</a>
Benard Mwangi	Mama Millers		
Johnson K. Gichuhi	Mwailu Enterprises		
Rose Mutuku	Smart Logistics		
Joseph Gikaro	Nuru Kenya		
<b>Malawi</b>			
Kristian Schach Moller	ACE	Principal Advisor	+265 (0) 1 710204/304
Edna Changwera	ACE	Trade Facilitator	
Cobus Cilliers	Farmer's World	Project Manager	
Latif Nyambi	Mc Agronomy	Owner	
Flora Kaluwile	Mtendere Foundation	Chief Executive Officer	

Abel Mpepho	World Vision	Facilitator	
Various	Cheka Cooperative	Board Members	
Henry Masina	Dalitso General Suppliers	Owner	
Laura Drewitt	Esoko Networks	Partner Director	+233 302 211346
Vince Landon-Morris	USAID/Malawi	MLI Activity Manager	+265 (1) 772455
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<b>Rwanda</b>			
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Emmanuel Ngomiraronka	Rwanda Products Marketing Ltd/ ENAS	General Manager/ Project Coordinator, MLI activities	(+250)-784-535-191
Ubarijoro Alexandre	Cooperative des Agriculteurs des mais dans la zo des volcans (COAMV)	Coordinator	(+250)-788-672-989; <a href="mailto:coamv@yahoo.fr">coamv@yahoo.fr</a>
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Manirareba Thaddee	Ihuri Ry'amakoperative Y'abahinzi B'Umuceri (UCORIBU)	Assistant Coordinator	(+250)-788-454-526
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Musabyimana Thaddee	Sosoma Industries s.a	Director General	(+250)-252-580-559/ 0788-304-189
Dative Giramahoro	Sosoma Industries s.a	Quality control & production manager/	(+250)-252-580-559/ 0788-300-100

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Venant Safali	USAID  Rwanda	Food Security Specialist	(+250)-252-596-800 Ext. 2614/ 0788-302-129; <a href="mailto:vsafali@usaid.gov">vsafali@usaid.gov</a>
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Nibishaka Thaddee	Cooperative des Agriculteurs des mais dans la zo des volcans (COAMV)	President	(+250)-788-869-830; <a href="mailto:coamv@yahoo.fr">coamv@yahoo.fr</a>
Manirareba Thaddee	Ihuri Ry'amakoperative Y'abahinzi B'Umuceri (UCORIBU)	Assistant Coordinator	(+250)-788-454-526
Liliane Mugeni	CARANA Corporation	Trainee Grant Specialist	(+250)-252-580-830/ 0788-512-725; <a href="mailto:lmugeni@rwandaphhs.com">lmugeni@rwandaphhs.com</a>
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Bigirgaremye Clement	Coacmu Cooperative	President	(+250)-783-303-965
Tugirimana J. Bosco	Coacmu Cooperative	Agronomist	(+250)-785-458-528
Mukankiko Odette	Coacmu Cooperative	Vice President	(+250)-785-505-996
Hakuzayesu Evaristi	Coacmu Cooperative	Accountant	(+250)-788-232-470
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Kanyamahongo Venuste	Coacmu Cooperative	Member	(+250)-783-174-201
Twagirayesu Yasoni	Coacmu Cooperative	Member	(+250)-784-746-701
Nyiratoboro Vestine	Coacmu Cooperative	Member	(+250)-785-412-026
Mukaruziga Beather	Coacmu Cooperative	Member	
Mukakibibi Asterie	Duhozanye cooperative	Member	(+250)-788-618-807
Misago Innocent	Kojyamugi Cooperative	Member	(+250)-782-315-772
Eric Bayiringire	Sosoma Industries	Accountant	(+250)-788-383-189; <a href="mailto:buecor@yahoo.fr">buecor@yahoo.fr</a>
Nyiraminami M. Rose	Cyili cooperative (UCORIBU)	Agronomist	(+250)-788-606-219
Twagrumwami Jeremi	Cyili Cooperative	Cashier/ Member	(+250)-788-537-915
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Byarugamba Charles	Kisiita ACE	Treasure, Kisiita ACE	(+256)-758-167-178
Timomatsiko Nelia	Kisiita ACE	Storekeeper, Kisiita ACE	(+256)-777-929-319
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Mkwang Salima	Mayuge	Member	(+256)-775-739-665
Elsefad Kyela	Mayuge	Member	(+256)-775-752-546
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Lydia Woloyo	Export Trading Co. Ltd	Field Advisor	(+256)-772-986-047/ 700-824-963
Wanyakala Peter	Export Trading Co. Ltd	Field Advisor	(+256)-782-859-211
Mukelule George William	Mufutu VAC	VAC operator	
Soita James	Mufutu Farmers group	Chairman	
Nabebde Patrick	Mufutu farmers group	Secretary	
Mabonga Jackson	Mufutu farmers group	Member /farmer	

## Annex F: List of MLI grantees

Grantee Name	Grant Amount in USD	Cost share total in USD (as in grant agreement)	Cost Share in USD by 8/8/2011
<b>Burundi</b>			
Sodea	231,228	110,361	106,340
ETS Misago	66,572	63,637	43,591
Burundi Business Incubator *	Contract made with CARANA headquarters		
<b>DRC</b>			
ADRA	185,902	66,895	30,011
FH-DRC	34,037	3,500	3,500
<b>Kenya</b>			
Nuru International	49,788	38,490	50,200
Lesiolo Grain Handlers	166,722	180,661	146,488
Mama Millers	241,170	326,525	438,811
Mwailu Enterprises	114,497	65,872	59,320
KPMC (Grainpro)	181,201	288,236	211,589
Smart Logistics	149,742	112,393	107,982
Fit Resources *	7,000		
Center of Global Business *	6,000		
Cereal Growers Association*	54,631		
Eastern Africa Farmers Federation *	31,887		
DANYA *	50,301		
<b>Malawi</b>			
Chitsosa Trading	90,574	183,251	173,636
UZ Investments	128,281	131,838	118,654

MC Agronomy	77,839	74,993	67,493
ZWII Enterprises	80,188	81,333	73,200
Mwandama	90,416	82,525	54,580
Mulli Brothers	162,974	178,711	45,886
Cheka Trading	22,491	20,793	9,915
Farmers World	121,297	85,733	39,585
KASFA (NASFAM)	84,668	85,114	61,317
Dalitso	109,583	116,169	107,757
FAFOTRAJ *	7,500		
BIM Development *	6,000		
MALEZA *	58,525		
4 <sup>th</sup> Architectural Dimension *	27,251		
<b>Rwanda</b>			
ENAS	105,952	387,099	117,327
UCORIBU	137,380	102,060	68,441
SOSOMA	77,278	71,984	71,984
COAMV	33,276	30,955	30,955
Prodev	153,111	218,129	173,533
Maiserie de Mukamira	116,186	116,186	83,797
Karisimbi Business Partners*	16,000		
Wakala EA Training Services*	57,678		
<b>Uganda</b>			
Export Trading Uganda LTD	166,844	1,922,784	1,600,000
Agroways	299,912	260,410	714,934
Upland Rice Millers	137,940	151,673	189,093
Kapeeka MGA	57,883	41,376	15,077
Kisiita ACE	58,919	43,419	29,895

## Annex G: Potential Project Impacts on Food Security

The underlying hypothesis of the MLI assumes, and observations of the pricing behaviour of traders supported by the MLI also suggest, that strengthening of the market will result in higher prices being offered to producers. This means that farm gate prices will rise. The farm gate price is the price against which the informal market of transactions between neighbours or within the village community (often without cash) is referenced. Those households that produce less than 50% of their food and are obliged to obtain the majority of their food from the informal village market will therefore face an increase in food costs as formal markets become more developed and offer higher prices to farmers.

This is an inevitable consequence of the commercialisation process. There will be little incentive for smallholders to intensify production without an increase in producer prices, but that increase will be detrimental to the food security of many rural households. Household economy approach (HEA<sup>18</sup>) studies conducted in many countries within the region, (including Burundi, Ethiopia and Uganda) and other analyses<sup>19</sup> have highlighted the heterogeneity of village communities, within which there is almost always a very wide range in entitlements, especially access to land, labour capacity and assets. This results in considerable differences in productive capacity. The richest households tend to produce the most and the poorest the least, so that while the richest will regularly produce a commercial surplus, the poorest are almost always net buyers in the village markets. They are the most food insecure and will be most negatively impacted by rising farm-gate prices.

Furthermore, the distribution of entitlements is such that net buyers generally constitute the majority within the community. A study by Jayne et al<sup>20</sup> analysing Kenyan statistics in 2001 found that for a cross section of 22 districts:

1. 74% of the maize marketed by the small scale sector was produced by 10% of the smallholders.
2. 32% of smallholders were net sellers
3. 16% of smallholders neither bought nor sold maize
4. 52% of smallholders were net buyers (and of these approximately 17% first sold and then later purchased maize).
5. Only in one zone (the high potential maize zone) were a majority of smallholders (68%) net sellers of maize. This zone accounted for 15% of the rural population.

The conclusion drawn was that “most rural smallholders even in the major agricultural areas of the country are net buyers of maize throughout the year and are directly hurt by higher maize prices”.

This brief analysis suggests that in the short term, an MLI intervention is most appropriate in those most productive areas where the majority of farmers are net sellers of staples. Alternatively, the MLI should seek to strengthen markets for cash crops, i.e not maize or rice. (Notably the MLI in Malawi has also focused on groundnuts and soya as well as maize). Otherwise, the initiative should be designed to increase the returns to producers through improved crop conditioning and the sale of increased volumes, without increasing producer prices. It is possible that this might be achieved through the provision of a consistent market alone, and in the long term, this is the main benefit that the MLI might be able to offer farmers. In the short term however, there is an expectation that the MLI

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<sup>18</sup> Seaman, J, Clark, P, Boudreau, T and Holt, J (2000), The Household Economy Approach A Resource Manual for Practitioners. Development Manual 6. Save the Children. London.

<sup>19</sup>E.g. The Impact of Rising Food Prices on Disparate Livelihoods Groups in Kenya: The Kenya Food Security Steering Group, July 2008.

<sup>20</sup> Do Farmers Benefit From High Food Prices? Balancing Rural Interests in Kenya's Maize Pricing and Marketing Policy. T.S. Jayne, T. Yamano, J. Nyoro, and T. Awuor, Tegemeo Institute of Agricultural Policy and Development, 2001.

will allow smallholders to receive higher prices. To the extent that this may occur and that such prices are offered for staple crops (as opposed to cash crops), the majority of smallholders will see their food security reduced. In the short term therefore, the MLI goal does not necessarily contribute towards the food security element of the USAID objective.

This does not imply that the MLI should be abandoned. Its long term impact may well serve to increase food security through increased overall economic development. In the short term however, where an MLI is introduced, it may also be necessary to introduce mitigating measures to offset the impact of higher farm-gate food prices upon the poorest households within rural communities. In particular, MLI type initiatives might be most effective if restricted to high potential production areas where the majority of households are net sellers of staples. Alternatively, the initiative might focus more upon cash crop marketing. If neither of these alternatives is possible, it may be necessary to introduce other opportunities for off-farm income generation to complement an MLI, so as to offset its potentially negative impacts upon the majority of rural smallholders that are net buyers of staples from the market.