Promoting systemic change in shallow markets – lessons from experience

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Promoting Systemic Change in Shallow Markets

Lessons from the Market Development Facility
Market Development Facility

Phase One: 2011-2017
Phase Two: 2017-2022 +

www.marketdevelopmentfacility.org
Systemic Change in Robust Markets

Livestock Silage in Pakistan

Change Process
Systemic Change in Shallow Markets

Agricultural Inputs in Fiji

Before: 2011

MDF: Mohsin 2017
Systemic Change in Shallow Markets
Agricultural Inputs in Fiji

Transport

Finance

Logistics

2017

MDF: Mohsin 2017
Systemic Change in Shallow Markets
Why the difference?

- Adaptation
- Information flows
- Response to incentives
- Coordination
- Adjustment of perceptions and norms
Practical implications for design

- Plan at the sector level
- Consider links among interventions
- Integrate implementation and design
- Reflect and replan
Practical implications for implementation

- Prioritize visible change
- Be hand on
- Craft viable business models
- Work with change agents
- Encourage coordination

"I used to harvest 10 tonnes of cane from seven rows of sugarcane. After liming, I now get the same tonnage from four rows."
What do we need?

- Different frameworks for processes in shallow markets
- Better ways to understand changes
- More sharing of experience

For more info see the paper at: https://beamexchange.org/resources/1155/
Achieving Systemic Change in Shallow Markets: Case of Northern Uganda

Exploring Pathways for Transformative Change
Programme Facts: NU-TEC MD at a Glance

1. Component of DFID-Funded program focused on pro-poor agribusiness investment (2015–2020)

2. West Nile, Acholi and Lango Regions

3. Implemented by Palladium; a global provider of positive impact solutions (private sector, government & donors)

4. M4P approach working with private sector actors to implement inclusive business models that bring smallholder farmers into markets

5. Technical Assistance & Investment Advice for Agribusinesses Investing In Northern Uganda

6. Targeting increased incomes and resilience for 75,000+ poor households
CHARACTERISTICS OF NORTHERN UGANDA

Emerging from a long period of civil war, economic neglect, isolation from rest of economy

- Small, with relatively few market actors & consumers
- Limited specialisation
- Lack of clear regulations & government practices
- Weak or non-existent market institutions (such as associations)
- Lack of support functions
Practices that entrench shallow markets

In an effort to achieve some results and numbers, some MSD/M4P projects inadvertently entrench shallow markets.

- Excess subsidy to one or few large players
- Creating artificial business linkages
- Building business models that are donor facing
- Creating monopolies
  Distorting already fragile markets
- Linkages not based on business analysis
  Creating capacity that remain underutilized
- Latching onto sexy trends
  Innovations that are not likely to fly without huge donor support
What NU-TEC MD does to increase adoption/crowding in and systemic change

This is mainly aimed to spread risk of failure with one firm, and increase many variants of the business model within shortest time possible.

1. Action research for business model discovery
   - Learn together with those likely to take forward and adopt the business model
   - Soya beans pilot

2. Innovation platforms
   - Collaborative process discovery to resolve a common problem
   - Facilitated by professional/expert to address specific issue
   - Vegetable oil quality certification

3. Business roundtables
   - Sell/Share idea with potential investors
   - Encourage commercial collaboration & partnerships among actors to invest in opportunities.

The aim is to pilot ideas with potential to create systemic change with as many players as possible right from the start.
Restructuring the Sunflower Seed Chain in NU
Transforming sunflower seed supply in Northern Uganda

Objective

Increasing availability of improved sunflower seeds to smallholders
- Address seasonal shortage of seeds
- Improve supply of grains to millers

The Problems

- Large number of sunflower growers
- One exclusive importer of hybrid sunflower seeds
- Seed supply intermittent/mismatched with demand – seasonal shortages
- Fake/Adulterated seed suppliers

Results

1. Farmers resort to recycled seeds – low production
2. Low supply of grains to processors – processors operating < 36% capacity
3. Disinvestment by processors
4. Whole industry being displaced by cheap palm oil
Breaking the cycle

- Analysis of the varieties grown in NU
- Exploring options for local seed production
- Identification of the variety that has the right characteristics
- Exploring how other good varieties can be imported
- Building business models for importation and distribution
Market structure – Before

One dominant supplier controlling both source and distribution

- Farmer
- Farmer
- Farmer
- Farmer
- Farmer
- Farmer
More than one channel, and three varieties of hybrid sunflower seeds available to farmers.
Lessons:

• Don’t stick to the rule book – systems are so broken, the rule book has no clue
• Spread the risk – work with multiple players right from start
• There is a missing middle missing in action – they are hungry to carve a niche in the market
• Use instruments that reduce risk exposure – real entrepreneurs will take up the challenge
• Constant iteration of business models – too many moving parts in shallow markets.
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