



**Making the
market work
for dairy
actors**

**A tool for super
facilitators and
local facilitators**



Lessons from The Kenya Dairy Sector Competitiveness Program

 **LAND O'LAKES, INC.**



USAID
FROM THE AMERICAN PEOPLE

KENYA

The right tool for the job



The aim of this tool is to support the wider popularization and replication of the Kenya Dairy Sector Competitiveness Program (KDSCP) to support small enterprise development and business environment reform and enable large numbers of small dairy enterprises to grow. This practical but innovative tool highlights the know-how for guiding Land O' Lakes facilitators/ practitioners to design and implement business development service (BDS) programs. It is a resource 'pack' designed to comprehensively guide upscale and replication via the documentation of the key learning points, critical success factors and underlying desirable factors for success. It highlights the models, approaches and methodologies required to enable interested practitioners to learn from and improve upon KDSCP successes in other environments. It gives insights into factors leading to success, what makes up the ideal environment and pre-conditions for market systems development. The tool also captures the essence of efficiency, effectiveness, sustainability as well as the opportunities for impact of the program model.

This tool is designed to instruct Land O' Lakes support facilitators to design programs based on BDS best practice. This includes engaging with local facilitators who in turn partner with and capacity build sector stakeholders such as service providers, cooperatives and dairy farmers. It scopes out facilitation roles, approaches and principles to guide the super facilitator and local facilitator. It also and defines the monitoring components, performance indicators, costs and budgeting plus key project management issues relating to its success.

This toolkit is split into 3 sections for ease of reference and at the end of each section you will see the following symbols which will summarize the **critical success factors** **learning points** and **desirable factors** of the intervention - [CLICK TO GO](#):



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- ANDERSON. G. and ELLIOT. D. (2007). The Role and Impact of Radio in Reforming the Rural Business Environment in Africa. A study of Private FM Radio in Uganda. A paper written for the Africa regional consultative conference "Creating better business environments for enterprise development.
- ANDERSON. G. (2008). Integrating mass media in small enterprise development: Current knowledge and good practices. Employment Working Paper No. 2 Job Creation and Enterprise Development Department. International Labour Organization.
- BEAR, M. (2007). A Systems Approach to Value Chain Development. Unpublished Paper. Third National Conference of the BDS Donor Coordination Group, Kenya.
- HITCHINS. R. and PRAG. T. (2005). Review of FIT-SEMA Project, Uganda. Unpublished Paper. Presented by the ILO to the Swedish International Development Agency (SIDA).
- International Labour Organisation (2006). Project Document. Extension of the Small Enterprise Media in Africa (SEMA) Project in Uganda. Unpublished Paper. Presented by the ILO to the Swedish International Development Agency (SIDA).
- MIEHLBRADT, A. and MCVAY, M. (2003). Seminar Reader - Business Development Services; Testing the Guiding Principles. Unpublished Paper. BDS UPDATE; Fourth Annual BDS Seminar, Turin, Italy.
- MIEHLBRADT, A. and MCVAY, M. (2006). Implementing Sustainable Private Sector Development: Striving for Tangible Results for the Poor. Publications International Training Centre of the ILO.
- Tanburn (ILO), Trah (GTZ), and Hallberg. Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention. 2001 Edition. Prepared by the Committee of Donor Agencies for Small Enterprise Development
- The SEEP Network. (2005). Technical Note No.3. The Role of the Facilitator: Taking a Systems Perspective. Practitioner Learning Programme in BDS Market Assessment.

FOR MORE INFORMATION VISIT:



DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

ABOUT KDSCP

KDSCP is a 5-year effort to improve the competitiveness of Kenya's dairy industry and create growth amongst small holder farmers. It is implemented by Land O' Lakes, Inc., with the financial and technical support of USAID. It contributes to the USAID Strategic Objective 7.0 on "Increased Rural Household Incomes."



the problem

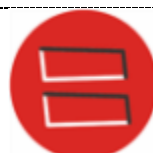
Limited access to relevant and affordable inputs, technology, training and finance defined the dairy sector in Kenya. This was exacerbated by the weaknesses of public institutions, inappropriate policies and poor infrastructure. At the farmer level high transactions costs coupled with blockages in information and a lack of market orientation (needs & trends) meant that farmers lacked power in their sector.

Production efficiency and quality constraints relating to feed and breeds were hampering production. Poor access to relevant and affordable technical services, appropriate technology and quality inputs (such as artificial insemination, feed management techniques, hygiene know-how and disease control) limited quality of production at farm level.

The sector was defined by general lack of information, skills and business know-how at all levels to compete effectively in the market. In addition overall costs of processing were high due to high transport and electricity costs and out of date equipment. Processing capacity was limited and in some cases a complete lack of infrastructure for milk cooling and storage also assured low quality. Seasonality of supply compounded these issues.

Policy constraints (outdated legislation and policy frameworks), unclear institutional roles and a lack of a well-articulated vision for the sector assured poor resource allocation and weak implementation of standards.

KDSCP understood that the outreach of a range of relevant and timely services was essential for the success of small scale dairy enterprises and that horizontal and vertical linkages must be developed in a manner that ensures that the desire, skills and momentum for change is maintained beyond the life of the donor funded program.

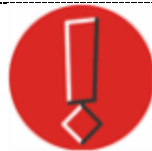


the solution

Land O Lakes solution focuses on sustainability and innovation in partnership building and service facilitation. KDSCP uses service provision as an entry point in small enterprise development and targets a range of market providers as critical players. The approach facilitates viable linkages between industry associations, processors, smallholder business organizations (SBOs), and commercial input and service providers to build robust, sustainable partnerships and achieve economies of scale.

The program does so via a selection of local facilitators contracted in the short term to strengthen SBOs, producer organizations, processors and other service providers as commercial sustainable business: and to build a durable commercial market for services and inputs for the longer term. This is done with a strong understanding of the sector and the incentives and capacities of the market actors.

The solution recognizes that business environment reform is integral to market development. The program builds the capacity of the industry to address competitiveness issues. It brings together stakeholders to craft and implement an industry action plan addressing constraints to quality assurance and market promotion. The program builds linkages to ensure that policies enhance competition and that the regulatory environment enforces quality measures. It strengthens the capacity of support markets to address constraints at the enterprise level (especially with dairy SBOs and processors). It promotes efforts that increase the production and sales of quality raw milk, the number of bulking centers and revenues from the sale of milk, inputs and other services. Such efforts include enhancing the services provided to dairy enterprises (such as inputs, training, loans and technologies), stimulating the demand for services via service demonstrations and promoting appropriate technologies.



the opportunity

Market approaches provide no direct assistance but utilize local resources to catalyze market growth. It is about facilitating commercial linkages and assisting providers to innovate, develop and commercialize relevant and affordable services and reducing the risk of innovation. It is about promoting competition in the market by working with a range of stakeholders and allowing the market to determine the best solutions and solution providers. This includes managing a competitive sub awards system for local facilitators.

It is via strong local institutions and enterprises, supported by strategic public-private partnerships, strong support markets and the mobilization of non-project resources, that lasting solutions to competitiveness constraints can be found. Interventions are explicitly pursued with the objective of sharpening incentives to innovate and developing business linkages and services focused on business issues.

KDSCP focuses on addressing the constraints to market development for the whole dairy market. It employs a macro view focusing on systemic market change via strengthening of the competitiveness of the private sector and stimulating the market to replicate promising practices on a sustainable basis. Systemic projects engage the private sector in devising and developing viable businesses and market models that are likely to be copied and to take off in the wider market. Projects based on this approach create value for all the market players, offer the potential to serve larger number of small dairy enterprises, while demonstrating potential of market capacity to sustain improvements over time without continued support. The challenge is to open the industry to be competitive and dynamic whilst channeling benefits to the bottom of the pyramid.

DESIGN TO DELIVER



The project's core value has been to make markets work for the poor to reach large numbers of people by building on commercial dynamics to induce systemic change.

Land O' Lakes is facilitating this transformation but it is the industry stakeholders who are leading it. Importantly the program is consistent with good practice in private sector development. It focuses on increased collaboration and on service delivery. It is maximizing the potential of the BDS market in enhancing the flow of inputs and services to, from, and within the private sector in a sustainable manner for the benefit of small scale dairy businesses.

The success of the model is a testament to both the programs understanding of the overall market context and the players and their functions plus the existing conditions in the Kenya dairy industry. It built upon the existence of a developing market including:

- The key market players such as Government, SBOs, processors, service providers and dairy farmers.
- The support functions such as training, technology provision and market access.
- The business environment such as the rules, standards and laws.

The program objectives are:

Increase competitiveness of the Kenyan dairy sector through collaboration among sector stakeholders and increased capacity of public sector agencies to serve the needs of the sector;

Increase marketing of milk meeting quality standards by producer-owned milk bulking/ cooling businesses; and

Enhance access to business development services and technologies.

The model focused on “facilitating” the expansion of the market rather than directly “providing” inputs and services. It aimed to promote competition and efficiency in the market with a vision of a sustainable market. Sustainability was placed at the center of the strategy and action to maintain focus on aligning market functions and players and strengthening incentives and capacity.

KDSCP worked with numerous public and private sector facilitators and service providers to promote competition and efficiency. It aimed to work through intermediaries rather than offering direct financial assistance. It has concentrated on technical assistance and incentives that encourage public actors to address policy and regulatory constraints in the sector; and small business organizations and service providers to offer inputs and support tailored to unblock the market.

This model delivers value and is replicable and scale-able.

About BDS		Land O'Lakes employs a market-driven value chain approach, utilizing a business development services (BDS) methodology
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BDS refers to the wide range of services used by entrepreneurs to help them operate efficiently and grow their businesses with the broader purpose of contributing to economic growth, employment generation, and poverty alleviation. These services help to increase sales and reduce costs for small enterprises.

BDS provides answers to the internal constraints holding back enterprise growth such as poor management, poor quality products, and lack of markets...

Services include:

INPUT SUPPLY - These services help small businesses improve their access to raw materials and production inputs. They facilitate the creation of links between small scale producers and suppliers and enable the suppliers to both expand their outreach to small scale producers and develop their capacity to offer better, less expensive inputs.

MARKET ACCESS - These services identify / establish new markets for small scale producer's products. They facilitate the creation of links between all the actors in a given market and enable buyers to expand their outreach to, and purchases from, small scale farmers. They also enable small scale producers to develop new products and produce them to buyer specifications.

TECHNOLOGY AND PRODUCT DEVELOPMENT - These services research and identify new technologies for small scale businesses and look at the capacity of local resource people to produce, market, and service those technologies on a sustainable basis. They also develop new and improved producer's products that respond to market demand.

TRAINING AND TECHNICAL ASSISTANCE - These services develop the capacity of producers to better plan and manage their operations and improve their technical expertise. They develop sustainable training and technical assistance products that producers are willing to pay for and they foster links between service providers and enterprises.

INFRASTRUCTURE - These establish sustainable infrastructures that enable producers to increase sales and income. Examples include storage, processing facilities, transport systems, loading equipment, communication centers and improved roads and market places.

POLICY/ADVOCACY - These services carry out sub-sector analyses and research to identify policy constraints and opportunities for small businesses. They also facilitate the organization of coalitions, trade organizations or associations to effect policies that promote the interests of small scale enterprises.

FINANCE - These services help small enterprises identify and access funds through formal and alternative channels that include supplier or buyer credits, factoring companies, equity financing, venture capital, credit unions, banks, and the like. They also assist buyers in establishing links with commercial banks (letters of credit, etc.) to help them finance production directly.

CLICK to read about the critical challenges for BDS market development



Services can fall under 3 categories:

Specialized fee-based services: offered to enterprises as distinct services for which they pay a fee or via commission. This could include accountancy/audit, freight forwarding, advertising, legal advice, veterinary, equipment repair, business consultancy, technical information, network brokering and product design

Embedded services: included within a commercial transaction for another product or service. This could include design advice offered by a retailer to a producer, livestock advice offered by a trader to a farmer and producer, advice offered through commodity supply chains and quality control provided by an exporter to a small processor

Informally provided services: information, knowledge and advice available to enterprises through other business or social relationships. This could include information and advice on price, market and technology trends through social networks or mediation through traditional cultural mechanisms.

FOR MORE INFORMATION VISIT:



FOR MORE INFORMATION VISIT: [The Springfield Centre](#)

Key Principles



Separate the roles of provider and facilitator: It is possible for the same organization to perform both the provider role of offering services directly and the facilitator role of encouraging others to supply services. Combining roles can lead to ineffective programs and inefficient use of funds. Ideally facilitators should disappear as the market develops and providers or other permanent market actors take over its functions. This does not rule out a facilitator test marketing a service or aiming to demonstrate the commercial viability of a service, but in this case, the facilitator provides the service for a brief and limited period with a clear exit strategy.

Start with market assessment: To effectively intervene in a market, donors and practitioners must first understand it. What services are being offered and by who? What types of services do farmers demand? What prices can they pay? What are the market weaknesses and opportunities? To minimize the market distortion that any subsidy creates, it is helpful to conduct market assessments and understand BDS markets before starting interventions.

Coordinate donor efforts: It is very difficult, and not at all effective, for one donor to pursue a market development approach if others continue to subsidize transactions and offer publicly-funded services in the same market. Providers will almost always choose to work with a donor who will subsidize transactions rather than one advocating market development. Free services also dampen users willingness to pay. Even if all donors pursue a market development approach, coordination is critical. In markets with relatively few providers, these suppliers can be overloaded or lose their commercial focus if they receive significant financial resources from several donors.

Use subsidies primarily for pre- and post-service delivery activities: Subsidies that directly reduce the cost of services are likely to distort markets more than subsidies for pre- or post-service delivery activities. Avoid or limit subsidies for transactions to a short duration with specific objectives. Use them for pre-delivery activities — product development, test marketing, capacity building, and awareness raising – or for post-delivery activities such as gathering consumer feedback or for monitoring and evaluation.

Facilitate market development rather than providing services: Sometimes donors and governments intervened in the BDS market at the level of transactions, providing services directly or permanently subsidizing services. Try instead to promote transactions between entrepreneurs and primarily private sector suppliers, “facilitating” the expansion of markets rather than providing services. Rather than offering financial assistance to suppliers, interventions concentrate more on technical assistance and incentives that encourage suppliers to enter new markets; develop new, low-cost products; and expand services to under-served markets.

Work toward clear picture of a sustainable market and have an exit strategy: Programs could continue indefinitely unless program managers have a clear vision for a sustainable BDS market and an exit strategy. In a sustainable market, usually competing providers offer a wide range of products; frequently innovate to meet changing demand; and capitalize on market opportunities. Sustainable markets should also grow in volume and offer increasing access to under-served groups. Programs are more likely to end successfully if they envision a sustainable market and the challenge is to assess the market objectively to determine when it has reached a sustainable level.

Promote competition and efficiency in the market: Don't work with only one provider and suppress competition in the market. Facilitators should promote competition among suppliers, usually by working with many of them. This does not preclude working with one supplier for particular activities at some point — when testing a new product or in a new or very weak market, but a facilitator must always be careful to promote, not stifle competition. Private sector providers are usually more efficient and innovative but programs do not have to exclude organizations with a social mission - but facilitators should encourage these organizations to act as commercial players and distort the market as little as possible. All market players should have access to facilitation services, otherwise the facilitator is “picking winners” rather than letting the market determine the best providers.

Tread lightly in markets: Visible donor involvement in market development programs tends to distort markets because small enterprises and service providers have come to expect subsidies. Large government and donor programs often suppress private BDS markets or crowd out private providers and even modest financial inflows can damage a budding market. If markets are to develop and serve low-income clients with the services they desire, they must not be smothered with inappropriate funding. Donors and practitioners must exercise discipline by matching interventions to the level of the market, emphasizing technical assistance over financial inflows, and maintaining a low profile. This may be difficult, but it is important in markets with weak demand, a common characteristic of low-income consumers.

Develop a transactional relationship with suppliers: Facilitators should have a transactional relationship with service providers. Programs should work with commercial suppliers prepared to invest their own resources in program-promoted initiatives. If suppliers choose to work with the program in the same way they make other investment decisions – weighing costs and benefits – they are more likely to feel ownership and to use program resources wisely. The more a program works with market principles, the better.

Make programs flexible and responsive to the market: Often managers specify the steps leading to the achievement of program outputs at the outset and then, follow them. Market development programs show that a more flexible, entrepreneurial approach is needed. Markets can change rapidly and often react to facilitators' efforts in unexpected ways. Facilitators must be free to respond to the market, taking advantage of opportunities and changing strategies as appropriate.

Fit the intervention to the market issue: Because any intervention will change the market, limited and focused interventions are more likely to address a market issue with minimal distortion. Donors and practitioners must target market problems and opportunities identified during market assessments with interventions aimed at addressing those issues and designed with specific market development objectives.

[CLICK to read a report written by Ruth Campbell \(of ACIDI-VOCA\) for USAID. It compiles implementation best practices for value chain development projects and updates the DCED's 2001 BDS Guidelines.](#)



BDS Guiding Principles 2001

About KDSCP		The inter-dependent nature of the components is such that inter-relationships and over-laps are inherent. Often interventions and subsequent results straddle these components.
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**Component 1:
Enhanced Capacity for Milk
and Production Input Quality
Certification and Market
Promotion**

The program upgrades the capacity of the dairy industry to compete in local, regional and international markets to deliver:

- Increased smallholder household income
- Increased use of technology
- Improved and enacted industry policies and acts that enhance competitiveness
- Developed and implemented/enforced quality certification frameworks and work towards a graded payment system
- National/international certifications achieved by dairy enterprises and quality regulations enforced on suppliers
- Increased feed marketed under new quality standards

**Component 2:
Dairy Smallholder Business
Organization (SBO)
Development**

The program transforms dairy smallholder business organizations into viable enterprises that supply quality milk to the market and facilitates access to critical services and inputs to farmer-members, to deliver:

- Strengthened producer organizations
- Increased milk bulking centers (MBC) with Hazard Analysis and Critical Control Points (HACCP) and /or SBOs with national certifications
- Increased raw milk sales by SBOs under agreements that pay premium for quality
- Increased gross revenue of milk bulking/cooling businesses from sale of inputs and services other than milk
- Increased number of SBOs transformed into sustainable businesses

**Component 3:
Availability of Dairy Business
Development Services**

The program strengthens support markets, increasing the availability and utilization of market-link dairy BDS, inputs, technologies provided by business service providers to dairy enterprises, to deliver:

- Enhanced range of business services to producers
- Increased value of services/inputs provided by business service providers
- Increased number of small holders purchasing private sector services at full commercial rates
- New technologies or management practices made available for transfer
- Increased number of dairy farmers receiving loans from financial service providers
- Increased number of smallholders engaged in new, diversified dairy-related enterprises
- Increased number of dairy farmers receiving short-term training



Research		A number of preliminary assessment reports have been implemented by LOL. Please refer specifically to the following documents for more information: • MILK SHED MAPPING and SBO needs assessment • BDS ASSESSMENT
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Programs that define how services are expected to contribute to development goals can more easily:

Identify services and linkages that are likely to bring significant benefits to enterprises

Focus services on these benefits

Assess progress in achieving impact

Adjust their programs to maximize impact



Prior to the implementation of the KDSCP, Land O' Lakes (LOL) commissioned an assessment of the milk production, SBOs and collection potential in Rift Valley, Central and Eastern Provinces. During the design stage it is important to understand the market in its complexity (constraints and opportunities) and to identify the critical actors (their roles and responsibilities) that must be on board and other interventions that may impact on the program.

Practitioners interested in systemic project design should have a sound understanding of the local context of the market, and the norms, conditions and incentives that influence behavior. It is important to challenge the prevailing conceptions that are inherent in being an external party. Scanning the market involves looking at the broader market picture; identify market players and their functions and exploring the influences while also shaping a future vision of the desired market change. The sources of understanding can be varied. A scan could be done before a project is designed or implemented (such as KDSCP's milk shed mapping and SBO needs assessments) or can be undertaken during the implementation of a project.

The KDSCP also commissioned a BDS market assessment and BDS needs analysis. A Business Development Services (BDS) market assessment (MA) is a research activity that yields a variety of useful information about how a BDS market is operating. To understand the market, one needs to have examined three key issues - demand, supply and transactions (the interaction between demand and supply). An assessment will highlight the constraints to the growth of the market and where opportunities for stimulating commercial provision of services to specific groups of enterprises might lie.



To impact on enterprises and the industry we must improve the whole market



To effectively intervene and improve the market we must understand it



Market assessments pinpoint market problems



We must identify interventions to overcome specific constraints



And ensure our interventions improve rather than distort markets

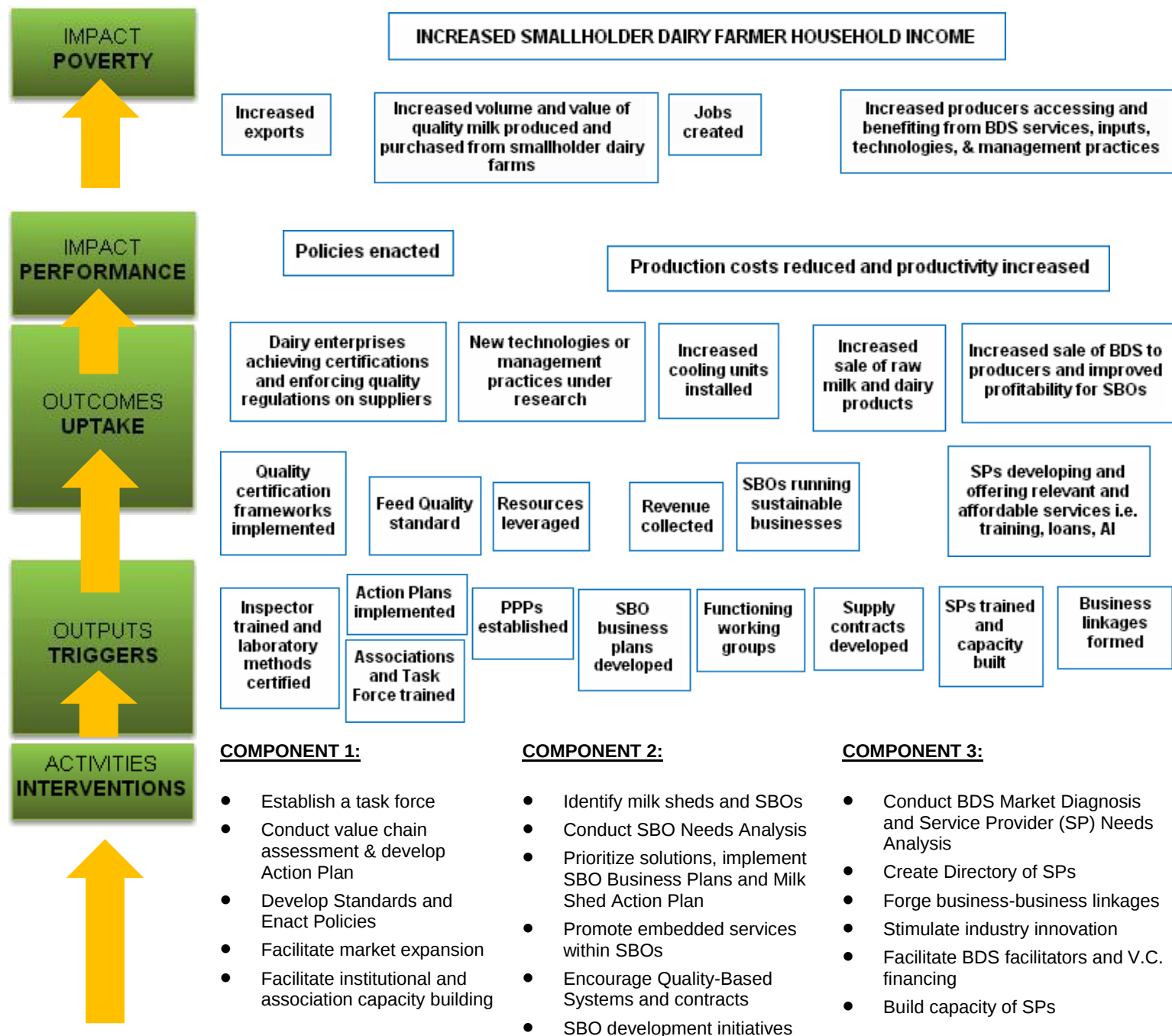
Timeframe		
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The non-financial approach of the program meant it was time consuming and labor intensive which has implications in relation to project duration and measurement of progress. An approach dependent on the commitment and initiative of the private sector without financial inducements is challenged to adhere to strict time frames, targets and reporting mechanisms.

COMPONENT 1			
YEAR END 1 Initial review of Kenya Dairy Ordinance (Regulations) Trained 16 KDB Station Managers and Regulatory Inspectors on Pasteurized Milk Ordinance and regulatory inspection Facilitated the DTF to promote differential payment for Raw Milk Quality Developed a draft Food Safety and Good Manufacturing Practices (GMP)	YEAR END 2 Dairy Regulations (formerly Ordinance) text finalized Reviewed and updated 18 industry standards for milk products Trained 38 KDB Station Managers and Regulatory Inspectors on Pasteurized Milk Ordinance and regulatory inspection DTF held 10 meetings to disseminate findings and recommended interventions. RWGs and MWGs met quarterly ' - A draft Dairy Code of Hygiene manual developed Finalized the development of the GMP Manual (certification framework)	YEAR END 3 Facilitated revision of the Dairy Master Plan Facilitated review of the milk products strategic reserve with KDB Facilitated forums such as DTF, RWGs, and MWG to leverage \$21m in non-project resources Facilitated training of 47 breed inspectors and KLBO registered 134% increase in cow registration Facilitated development of the Livestock Sector E-Portal	YEAR END 4 Initiated review of the Kenya Dairy Regulations to enable passage into law Launched the Milk Quality Improvement Program to aid adoption of milk hygiene Facilitated increase in uptake of technology, e.g. chaff cutters, computers, digital weighing scales, and lactometer usage Finalized development of the Livestock Sector E-Portal
COMPONENT 2			
Sheds identified and SBO Needs Analysis performed for KDSCP interventions	Worked with 63 farmer groups and facilitated an action planning workshop 63 farmer groups linked with service providers Promotion of feed conservation technology to SBOs resulted in 38% uptake compared to prior year's 11% Promotion of A.I. increased number of farmer uptake to 59%, up from 39% in prior year	Facilitated business planning for 62 SBOs 36 SBOs were linked with service providers Facilitated training in technical skills to 18,700 farmers from various SBOs	Facilitated the establishment of 10 new SBOs ' - 54 SBO business plans were finalized through training and technical assistance -Facilitated organization of multiple SBOs into federations in order to market larger quantities of milk and receive better prices 263 service providers were linked to SBOs Facilitated capacity building of 39,000 dairy farmers through training on technical skills through farmer field schools and demo farms
COMPONENT 3			
Registration of program BDS service facilitators with main players being local service providers	Facilitated capacity building of 289 service providers 55 service providers supplied additional services other than just their area of expertise after attending capacity building workshops (e.g. AI providers offering feeds and feeding services) The program facilitated farmers to provide added services through, for example, Demo Farms Program facilitated 6 lead facilitators from 6 milk sheds to two BDS conferences in the country	Program recruited and built capacity of 330 new business service providers All service providers in the program were enabled to supply additional services 10 BDS SPs and 8,470 farmers acquired loans through program facilitated linkages to financial service providers	Program recruited and built capacity of 263 new business service providers Program facilitated training for SPs on enterprise management, and refresher courses on their specific areas of expertise The program continued to facilitate linkages between financial service providers and BDS service providers

Causal chain		It is important to think through carefully what causal chain is implicit in the initiative. What do you expect to happen, and how can you show that each effect is causally linked back to the original inputs?
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KDSC helps to transform the Kenyan dairy industry into a globally competitive, regional market leader, with the overall goal of increasing smallholder household income from the sale of quality milk. Such programs, that develop market systems, ultimately expect to improve market access for producers and help overcome exclusion. They also ensure greater affordability of inputs and services, greater earnings as well as improved choice, reduced risk and greater influence for small enterprises.



Results, impacts and benefits		A specific BDS strategy that links services to well-defined outcomes for enterprises is an essential ingredient to achieving high-impact. Often, there is an assumption that access to services will enhance business growth and efficiency.
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FARMER LEVEL: The intervention specifically aimed at reaching the smallest businesses, the informal, micro and small business with emphasis on rural entrepreneurs and farming businesses. The value proposition for the farmer is increased sustainable income from increased yields and sales of quality milk (projected 50-100,000 liters per day from all 8 shed). This is derived from improved productivity and better business performance due to better business practices gleaned via services (stand alone and embedded) facilitated by the program. Farmers can expect improved access to more relevant, high quality and affordable services offered by viable market-based providers. KDSCP has ensured viable linkages between SPs and farmers which require no further facilitation. It is important for the program to recognize that attribution is very difficult when there are many players supporting the industry. KDSCP recognize that farmers go elsewhere for information and training so expect partial attribution from their efforts.

SBO LEVEL: The small business organizations such as local cooperatives and associations are expected to improve their purchase and sales of quality milk. Capacity building in governance issues strengthens the cooperative management and information systems. Additional support assists these member based organizations to develop and offer commercial embedded and stand-alone services to members on a check off system. Relevant support to members and improved contractual relations with processors is expected to lead to increased production and sales of milk (at steady prices) that meet quality standards and increased viability and profitability of SBOs. Such efforts are also expected to lead to increased investments from SBOs into their businesses (e.g. Reviving and installing coolers). Direct interventions with SBOs ensure that attribution to program inputs is easier for KDSCP.

INDUSTRY ACTORS: Other partners require different levels of capacity building via a range of private sector expertise in order to further develop their ability to continually deliver their mandates. Support to policy debate and change pursued by the program will ensure quality standards e.g. for feeds which will result in higher quality milk. In addition the new technologies promoted by the program will increase production efficiency and quality.

SERVICE PROVIDER LEVEL: The development and demonstration of services, tailored to meet the needs of the clients, will result in increased demand for such services as training and technology. Many KDSCP SPs are engaging with program activities in order to better understand their clients and providing free training to farmers in order to market their services and products. Appropriate services (e.g. training, technology, loans) also lead to opportunities for full commercialization of services and increasing competition. Revenue generation avoids project dependency and reflects in the SPs bottom line. Linkages forged by the program, between SPs and their consumers are enduring, with some technology providers (chaff cutters and pulverizers) even establishing new outlets within the KDSCP milk sheds. The program will result in these services being offered from numerous providers, with clients making choices from a range of competitive services and providers. The service providers should expect their services to be commercially viable in the long term. The value proposition for the service providers involves non-financial capacity building and technical advice to develop and offer demand led (fee based) services to the market and links to farmers.

FACILITATOR LEVEL: The facilitator implements systemic market development interventions aimed at opening and stimulating the market to generate significant and expanding benefits for the rural poor. Interventions stimulate and indirectly capacitate all market players using subsidies only to demonstrate opportunities with a clear exit in mind. Independent activity and innovation on behalf of the facilitators is a testament to the success of the project. The facilitators are expected to continue to engage with the sector actors, many becoming SPs in their own right as the market becomes more robust and affording new business opportunities.

MARKET LEVEL: The market is expected to replicate promising practices over time without additional program inputs. In order to do so SBOs and SPs must demonstrate cost recovery with demonstrable profit margins. The intervention must lead to wider adoption of new business models and grow as a result. Markets indicators can include: market expansion in terms of sales and number of participants; resiliency and responsiveness; a process in place for constructive business environment change; generation of benefits to the poor; and a change driver in place to support ongoing dynamic market change.

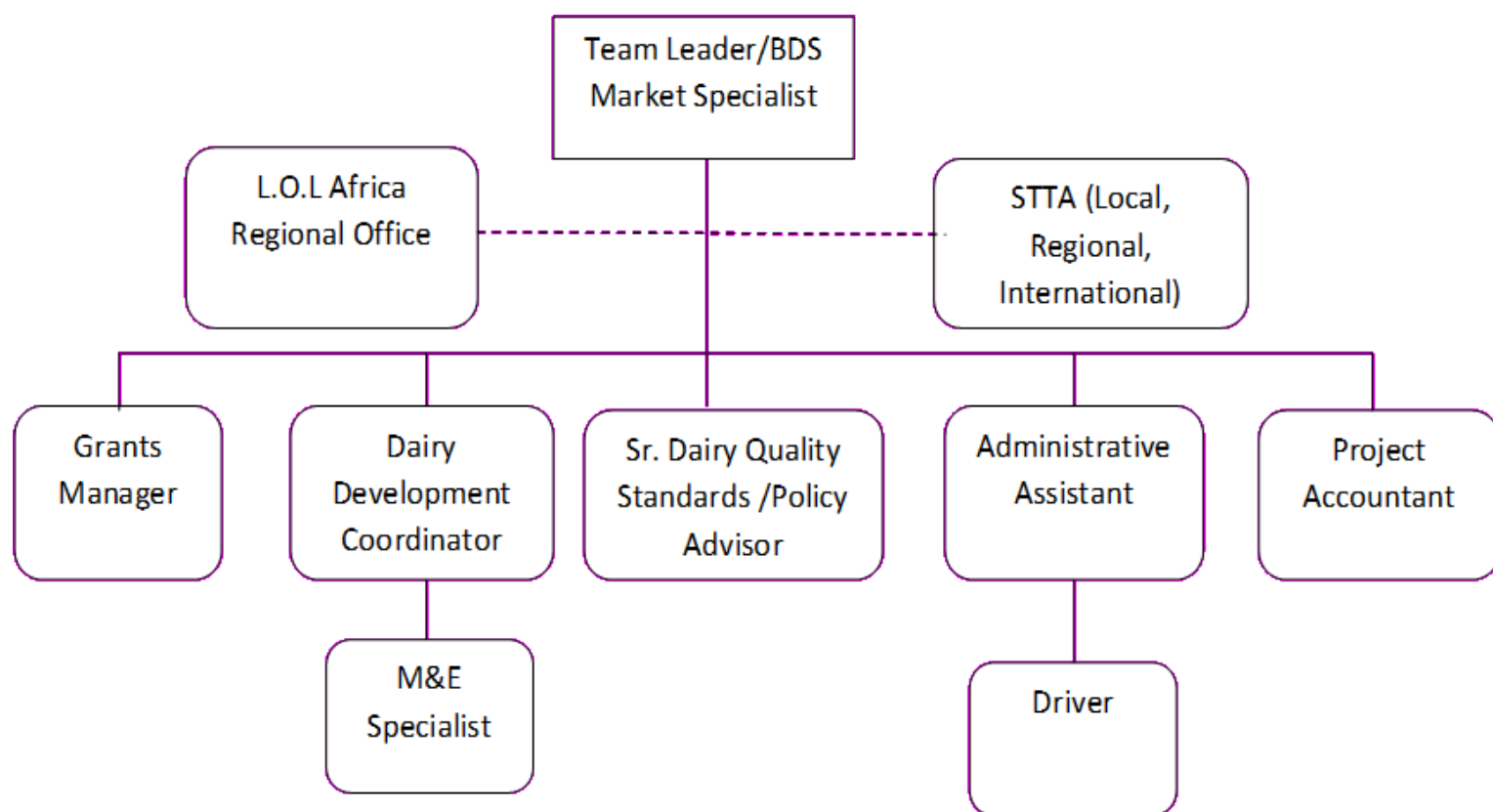
SUPER FACILITATOR LEVEL: The donor intervenes to strengthen the support market's role as a driver of change and supports the growth of a competitive, innovative and profitable dairy industry. Systemic approaches assure improved program cost effectiveness and leveraging of non-project funding.

Blueprint elements		LOL promoted a milk shed development model to encourage collection of 50,000 to 100,000 liters or more from multiple collection centers within a given milk shed. The approach maximizes farm productivity, collection and transport efficiencies to reduce costs and install best quality assurance practices throughout the milk shed.
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TEAM STRUCTURE
Critical to success is having the right program team with the ability to operate across different cultures; that of the development field and that of the local environment. The program required individuals with flexibility and creativity; with knowledge of the private sector, markets thinking and approaches as well as an understanding of the dairy sector. This must be encompassed in a permanent program team designed with the right mix of skills, experience and personalities and supplemented with external resources. The super facilitators team comprised of just three core staff; a chief technical advisor with strong experience in private sector development, a M&E expert and a contract expert.
BUSINESS MODELS
KDSCP focuses on sustainability at all levels by ensuring that a clear and credible offer is made to the market players in terms of the potential value added by engagement with the super facilitator and the intervention.
PRE-CONDITIONS
Each new country or region will look different in regards to the diversity and competitiveness of the dairy industry. Whether the sector is liberalized and for how long, plus the number of farmers, supporting institutions and investors, are all issues in determining the important characteristics of the industry required for such a program. The level of competition and commercial interaction in the industry must also be taken into consideration. The ideal environment would be defined by liberalization and competitiveness in the sector.
PROGRAM MANAGEMENT STYLE
Much of KDSCP's achievement can be attributed to the adoption of an incremental, non-prescriptive and participatory approach that allowed strategic ways forward to emerge from market tests, lessons learnt and business partnerships entered into. One of the most important elements contributing to its strength has been the degree of flexibility, responsiveness and innovation that has been allowed in operation of the management team. KDSCP has learnt through engagement, in dialogue and via pilot initiatives. The management approach can be summarized as follows: • The controlled use of "light-touch" facilitation • A strong element of managerial continuity • Stability in terms of continuous mentoring and technical advice • Strong, clear vision and flexible implementation The project has challenged conventional formal intervention identification, design and implementation. It has sensitively evolved by re-structuring, shifting focus and refining operations in response to the market. Much of what the program has achieved is due to the fact that it has not been subject to rigid, mechanistic structures and pressure to achieve quick results.
PROGRAM APPROACH AND METHODOLOGY
The program adopted a facilitative approach that involved using indirect interventions such as networking, player alignment, intelligence and awareness building. Its approach is about catalyzing, initiating, motivating and linking to stimulate the market. The program recognized that it must not become a market player and should not play a direct role in the market system. A super facilitator is external to the market and is funded by a donor to expand and improve one or more particular markets for the benefit of specific target groups. The program has exercised discipline by matching interventions to the level of the market, emphasizing technical assistance over financial inflows, and maintaining a low profile. It has implemented light touch interventions with little financial support to market players with a commitment to sustainability. It is about getting others to do things via a strong understanding of and engagement with the market; and by adopting a "sensitive" approach which encourages local ownership. It has remained flexible and responsive and focused on the 'why' and 'how' rather than what the program does.

Structure		LOL coordinated with the government of Kenya and other USAID and donor-funded projects via the Competitiveness Task Force, Donor Working Group on Dairy Sector Competitiveness and SBO Development Working Group to avoid duplication, exchange best practices and leverage resources.
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Program management structure of the super facilitator



LOL assembled a lean, but highly qualified team to manage the project and utilized a participatory program approach to engage and empower industry leaders to take ownership for solutions that improve competitiveness. The team consisted of 4 key staff: the Chief of Party, the Team Leader, the Grants Manager and the M&E Manager with support from the LOL shared accountant. The team leader is the link to the donor community and provides strategic oversight for the program.

Program management SOWs		
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TEAM LEADER/BDS MARKET SPECIALIST	DAIRY VALUE CHAIN DEVELOPMENT COORDINATOR	GRANTS MANAGER
Scope of Work of the Team Leader who reports to the LOL Africa Regional Director entailed:	Scope of work of the Development Coordinator who reports to the KDSCP Team Leader entailed:	Scope of work of the Grants Manager who reports to the KDSCP Team Leader entailed:
• Providing intellectual leadership for the KDSC Program. • Providing overall strategic and KDSCP direction, including supervising the Land O'Lakes Team. • Serving as the resident point of contact on all contractual matters with USAID. • Overseeing the installation and management of systems for budgeting, finance, personnel management, procurement, logistics, M&E, and management information. • Ensuring that results and deliverables are completed in a timely and professional manner. • Serving as Land O'Lakes Team liaison to the proposed Donor Working Group for Dairy Industry Competitiveness and SBO Development working group. • Holding principal responsibility for the KDSCP components concerning stakeholder dialogue process and BDS market development. • Working with the Dairy Value Chain Development Coordinator to; 1. Develop scopes of work for Kenyan Business Service Provider (BSP) subcontracts, overseeing multiple solicitations and contract awards; and, 2. Develop capacity of BSPs to respond to public tenders. • Instilling in the Land O'Lakes Team a continuing sensitivity to issues of gender differentiation, youth, PLWHA, and environmental sustainability.	• Ensuring that grant and program supported activities were competitively integrated throughout the dairy value-chain, under the guidance of the Team Leader. • Coordinating with the Grants Manager to prepare scopes of work for BDS activities throughout dairy value chain. • Coordinating with industry stakeholders to identify potential producer groups for targeting under the Program. • Facilitating support of market development and business-to-business linkages • Organizing market assessments and enterprise needs analysis used to help guide project implementation. • Ensuring that gender, youth, and HIV/AIDS affected households are represented in value-chain activities. • Organizing initial set-up of the database of BDS providers and ensure their linkage into KDSCP Knowledge Management System. • Providing technical oversight in monitoring and evaluation (M&E) of grantees. • Identifying and documenting technical best practices and lessons learned.	• Setting the grants award policy, developing and enforcing procedures that assure equity and transparency in the grant award-tendering process, and organizing and supervising review of proposals • Taking leadership in incorporating the outcomes of stakeholder dialogue and dairy BDS market identification efforts into competitive tenders for policy research and BDS market development. • Developing and leading the pre-selection process that provides opportunity for all qualified Kenyan and international experts and firms. • Preparing grants scopes of work in collaboration with KDSCP staff and collaborating partners. • Marketing tenders using the media and KDSCP project Web site. • Providing mentoring, training and assistance to promising firms with limited experience to upgrade their eligibility for awards. • Organizing training workshops for prospective awardees. • Ensuring proper warehousing of grant files in electronic and hard copy formats. • Ensuring that individual women and female-headed organizations are not excluded from the competitive tendering process.

**Conducive
Environmental
conditions**



KDSCP worked where there existed an evolving competitive dairy industry that was placing value (to some degree) on low income producers. Liberalization of the sector is an important pre requisite that can be defined by private investors, numerous farmers and a variety of processors. The business support environment was also robust enough to offer opportunities for commercial activities. A basic level of competitiveness was a further crucial pre condition defined by increasing competition for milk revenues and demand for differentiated business development services. Often environments will not be consistent with this ideal scenario and 'right sizing' the solutions and the interventions that deliver them, will be a key challenge for practitioners seeking to replicate the program. Right sizing often entails re thinking the nature and scale of the solution and means of delivery. The key is to deal with what works and avoid pursuing ideals that can only work if propped up by donor resources.



Numerous value chain actors producing milk and milk products

Robust associations and cooperatives

Emerging support functions for the industry such as training and basic AI and feed services

Some importance of mass rural and poorer producers to the industry



A demand for diverse support from farmers

Emerging lobby and interest groups

A suitable regulatory framework with evolving policy and legislative developments that are farmer friendly

Emerging democracy at local government levels to better ensure government's relevance to dairy and a localization of business environment issues

Where these ideal conditions do not exist, they may be encouraged by the program, and migratory models could be adapted for different environments. However, permanent subsidies should be avoided or limited to a short duration with specific objectives - such as for test marketing, capacity building, awareness raising, gathering consumer feedback and monitoring and evaluation. Using subsidies to develop markets, rather than delivering services, involves a clear vision of a sustainable market and an exit strategy. In a sustainable market, usually competing suppliers offer a wide range of products, they frequently innovate to meet changing demand and capitalise on market opportunities. Sustainable markets should also grow in volume and offer increasing access to under-served groups.

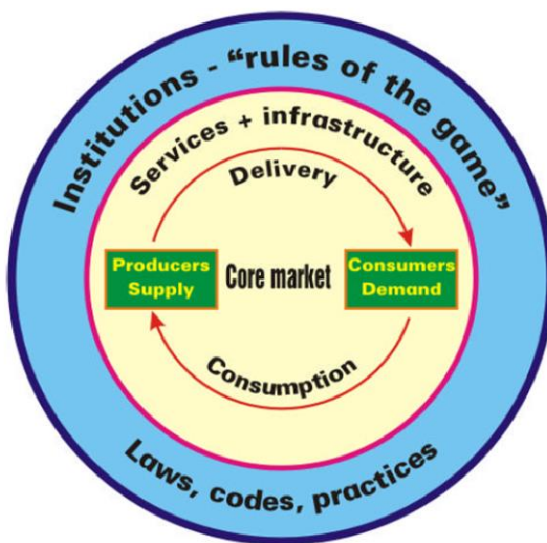
Systems thinking



The KDSCP has actively raised the profile of market-oriented approaches among private sector development agencies in Kenya.

What makes a market system is the core market and its critical influences. It deals with five market “dimensions”: the context, the business environment, institutions, the core market itself and the support market. The core market includes the network of producers, suppliers, processors, traders, buyers, and consumers that are all involved in producing, exchanging, and consuming a particular item or service. The system includes various forms of infrastructure, input providers, and services. And it operates within the context of rules and norms that shape this system’s particular business environment.

[CLICK to read about the value chain frame work.](#)



Systemic market development is all about intervening in all aspects of the market to make the whole market works better. It looks at the broader market picture and directly explores the influences (problems, symptoms and systemic causes).

Programs shape a future vision of market change that is based on an understanding of the market functions and players and who should do what and who should pay, driven by incentives and capacity.

Programs aim to demonstrate for wider system change and stimulate more market players to perform valid roles that they are either not currently doing or not doing well.

Market development is sustainable as markets exists independently of interventions.

Programs make use of existing market actors' capabilities and partner with and build upon what is being offered (owned and driven) by the private sector. This is a most efficient use of resources and offers less risk of prolonged dependency on outside assistance.

Most importantly markets replicate good ideas!

FOR MORE INFORMATION VISIT:

M4PHUB

FORMORE INFORMATION VISIT



More about market systems development

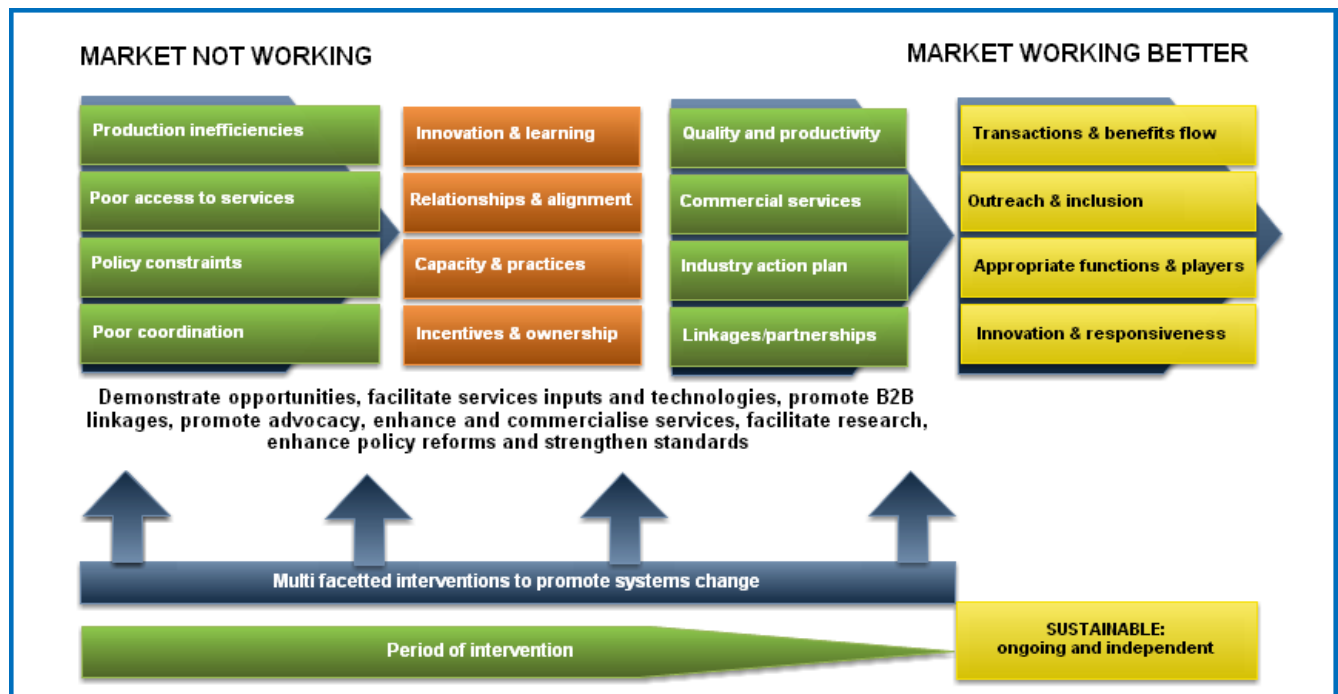


Sustainability is the long-term availability of a category of services in the dairy support market through unsubsidized, commercial channels. Over time, more small enterprises will continue to purchase an increasing number of services, resulting in sustainable impact on the businesses and the local economy.

KDSCP has engaged at the various levels of the dairy market to make the whole market work better and continually deliver value to small dairy enterprises. It has worked to strengthen specific parts of this system and to mitigate the constraints within other areas such as:

- ◆ Stimulating the startup and improvement of business services focused on the business issues of small dairy enterprises
- ◆ Supporting service and input providers to develop and offer demand based services
- ◆ Supporting the establishment of a National Dairy Task Force and implementation of an industry Action Plan
- ◆ Facilitating the viability of SBOs such as cooperative and member based associations
- ◆ Enabling the implementation of quality certification frameworks
- ◆ Assisting industry institutions to perform their role in creating an enabling environment for the sector

The knowledge needed to facilitate market change could be described as follows:



CRITICAL SUCCESS FACTORS



design
to
deliver



critical
success
factors

Strong market understanding:

Appreciating the way in which the business system operates enabled the program to clearly chart the constraints and the opportunities. This ensured minimal wastage of time and resources and contributed to project credibility amongst stakeholders. Being able to understand market dynamics, such as the relationships between farmers, cooperatives, providers, or the accepted precepts amongst institutions, is essential to diagnosing real issues affecting the market. This demanded extensive local knowledge within the program team and local facilitators.

Define an exit strategy up-front:

The facilitator's role is temporary and the market must be sustainable when facilitation activities end. Certain facilitation activities need to continue on a commercial basis - KDSCP prepared for this by encouraging providers (local facilitators) to develop and offer demand led commercial services.

Implement a full market scan:

Scanning of the entire market is required in order to adopt a systemic approach to program design. This involves looking at the broader market picture, identifying market players and their functions and exploring the influences - while also shaping a future vision of the desired market change. The sources of understanding can be varied and not just focused on formal research and studies. A scan could be done before a program is designed or implemented or can be undertaken during implementation.

Disseminate market information to potential service providers:

Sometimes information is all that is needed to stimulate action by market players. Useful forums for passing along information are business opportunity seminars and exposure visits. These can also serve for different market players to get to know one another and initiate business relationships for mutual benefit.

Plan for an impact assessment: This is an in-depth understanding of impact on farmers and the wider environment. Time scales present a major challenge. Many worthwhile changes take a long time and effects may even appear negative in the short term. Explore the use of proxies-indicators—these are easier to measure than final impact - such as farmers' own perceptions of the services they receive as measured by their satisfaction or willingness to purchase them or indicators of change in the market that relate to the specific issues the program is trying to address.

Encourage innovative promotional, packaging, and payment mechanisms:

Providers can package services in small pieces or "sachets", offer introductory services with immediate value-added for a small fee, offer gradual payment mechanisms such as installment payments, offer financing to allow the poor to pay for services, collect payments "on commission" if services help the business make a profit and help small enterprises purchase as a group and receive a discount.

Share financial risk appropriately:

Share financial risk only when the market development effects would outweigh the market distortion effects. Facilitators should analyze the potential impact of risk sharing on the market. Will risk sharing distort the BDS market, limiting the entry of potential providers, or expand the market, facilitating the entry of other providers in the market? In the following situations, sharing financial risks is likely to be both essential and beneficial: when no or very few existing providers are in the market, when developing new services, in very weak markets and in markets with subsidized providers.

Challenge free service provision: To develop a sustainable commercial market for BDS alongside subsidized BDS - commercial services must offer something different, better, or beyond what subsidized services offer; and small enterprises must be aware of what these added benefits from commercial services are. Providers can develop unique selling features of a commercial service by understanding the clients' needs and the gaps in the subsidized services. Facilitators can assist providers with customizing services, enable BDS providers to address small enterprise problems that are not addressed by existing subsidized services, and teach commercial providers how to promote their services.

KEY LEARNING POINTS



design
to
deliver



learning
points

Know the context: The context is an integral component of the market system that the facilitator intends to enhance and encompasses a wide range of factors that include socio-cultural norms, traditions, and expectations, standard business practices and procedures, political and regulatory environment and language.

Do not play a direct role in the market: The facilitator has a development agenda whose role is to support service delivery by developing a vibrant, competitive market. Facilitators should disappear as the market develops and suppliers or other permanent market actors take over its functions. In contrast, the supplier is a commercially oriented market player whose role is to offer services. It is important that the facilitator does not undermine private suppliers and directly provide the services - however a facilitator may test market a service or aim to demonstrate the commercial viability of a service by providing it for a limited period with a clear exit strategy.

Address critical market constraints: KDSCP determined that the raw milk market was subject to price reductions and was generally less favorable for small-scale farmers and farmer groups, and focused on expanding the processed milk market, diversifying raw milk markets and reinforcing the importance of clear supply contracts with processors - to ensure secure rewards and improved consumer safety.

Think deeply about where you will intervene: Choose to work in areas where they are fewer players. Milk shed mapping was imperative for KDSCP as the dairy sector in Kenya is well funded and the program was keen to identify exactly where to work and with whom. In addition understanding and coordination among a myriad of development actors is often difficult when different methodologies are at play.

Share costs by dividing activities: Facilitators perform much of the service development and testing, and suppliers provide standard services on a regular basis. Providers become expert at serving small enterprises and facilitators specialize in negotiating and managing funds and developing supplier capacity.

Facilitate the formation of strategic public-private alliances: Foster dialogue and negotiations between, leading dairy processors, SBOs, financial service providers, input and service providers, local authorities and development partners to build sustainable milk sheds.

Identify environmental concerns: In order to mitigate against potential negative environmental impacts of activities and ensure compliance with USAID regulations, KDSCP completed revising the Environmental Examinations and Pesticide Evaluation Report and Safer Use Action Plans (PERSUAP). Screen proposed activities to identify potential environmental considerations before implementation.

Get the right team balance: The program was highly human resource dependent. As a market development project, the skill set of the team is critical. At managerial level it is essential to have strong private sector development and business development services grounding.

Encourage joint action: Cooperative unions and federations that unite small farmer groups/milk bulking centers into bigger groupings and business organizations greatly improve farmers' terms of trade, bargaining power and eases resource mobilization for investment in embedded service provision.

Develop appropriate prices and payment mechanisms for services: Prices tend to favor users more as service markets become more competitive and when small enterprises have bargaining power therefore facilitators should aim to develop competitive markets over the long term. Facilitators may need to: lessen users distrust of service providers, increase users understanding of how services add value to products, and promote a culture of payment for intangible services. Facilitators may need to: increase providers' capacities to price services logically, fairly, and consistently; explain to consumers how services are priced to increase trust; and develop payment options with input from client enterprises.

DESIRABLE FACTORS



design
to
deliver



desirable
factors

Question commitment of facilitators and service providers: There must be acceptance that changing the business model by dropping existing practices such as paying for airtime is a long term goal.

Implement institutional assessments: Given that the nature of policy and environmental development is a continuing process, programs must engage with organizations capable of longevity. This is more so given that these groups are often noncommercial. Programs must implement a thorough financial and institutional assessment prior to engagement. This assessment must take a view on the organizations ability to seek non donor related revenue and be in a financial position to potentially continue facilitated activities beyond program end.

Recognize the challenges of assessing weak or limited BDS markets: The ability to identify and understand the BDS services offered to and used by small enterprises is the heart of BDS market assessment. Most BDS services in weak or limited markets are offered in an embedded or informal manner. Consequently, providers do not conceptualize their services as “services” per se but rather as value-added features of their core product or business. The small enterprises in these markets tend to have little awareness of any formal business services.

Build a market that is inclusive of women and youth: Open up channels of service delivery and support to female entrepreneurs and young people.

Promote cross-subsidies: In cases where services are demand-driven and valuable, but not financially viable, some providers choose to cross-subsidize them with other revenue generating activities. Such as supplying BDS to larger businesses that can pay profitable rates and then using profits to supply smaller businesses with services; or operating a completely unrelated business and using those profits to subsidize BDS activities; or using income from a viable BDS to cover the cost of a non-viable BDS.

Keep working with the service providers to realize the opportunities: KDSCP found that increasing the capacity of service providers resulted in increased sales of their products. Linkages between service providers and farmer cooperatives facilitated by the KDSCP enabled farmers to invest in technologies like digital weighing scales, computerization, and biogas equipment at affordable rates.

Establish baseline information: Scope out case studies and information at different levels of the market system prior to start-up. This makes it easier to extrapolate potential positive economic impacts at all levels of the market.

Gender sensitization of staff: KDSCP staff participated in a gender sensitization workshop organized by the USAID’s Greater Access to Trade Expansion (GATE) INGLA VC project. The workshop explored ways of integrating gender in value chains, and how this can help achieve the program goals.

Whole markets and their players must benefit: Each function and player exists in an interdependent market. As such sustainability is ramped on the basis that each player is clearly cognitive of their benefit. Without this there is a risk of a detrimental effect on the wider market.

Appreciate the policy role: Policy has the capability of either supporting the development of a project, or more hampering the ability of the project to facilitate impact.

Assure attribution: KDSCP produced a series of case studies which trace attribution. They clearly demonstrate that the measured impacts resulted from the intervention, rather than from other interventions (perhaps by another agency), or from something completely different.

DESIGN INTO PRACTICE



Land O'Lakes supports market-based services/ solutions, and action-oriented policy research to overcome both industry-level and enterprise-level constraints to competitiveness at key points along the dairy value chain. Industry stakeholders are engaged to identify competitiveness constraints, and propose solutions to these constraints. The program delivers the 3 components in harmony within each geographical area of focus. The program works through local facilitators to support SBOs and other public and private industry service providers to develop their capacity to deliver services and stimulate supply to the key market players.

Via the facilitators it has engaged with other players such as processors, transporters, retailers and interest groups and actively disseminated information and facilitated linkages across the market. It has promoted relevant services to profile their value to farmers plus the opportunity they afford to the players - and therefore stimulated market demand. It has further worked to develop linkages and partnerships among market players for mutual benefit.

The program has also promoted market principles and local ownership by encouraging providers and other stakeholder to invest their own resources. Any subsidies have been limited to a short duration so as not to distort the market.

KDSCP's belief is that stakeholders must choose to work with the program in the same way they make other investment decisions by weighing costs and benefits. Ultimately they are then more likely to feel ownership and to use resources wisely.

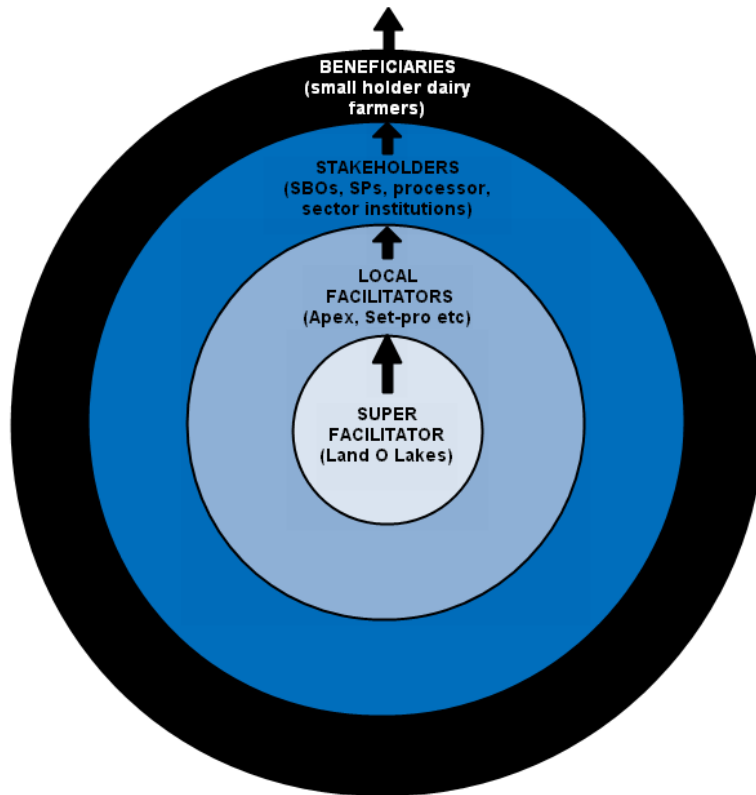
In line with best practice this market development program:

- Engages the private sector in developing viable business and market models that are likely to be copied and
- Focuses on stimulating sustainable market replication of viable models.

Delivery model



CLICK to read a report written by Ruth Campbell (of ACIDI-VOCA) for USAID. It outlines the key elements of the value chain approach.



Participatory planning and implementation facilitates collaboration and joint action amongst market actors and policy-makers. The program worked together with the market actors to understand the market's complexity, the critical structures, actors, relationships forces and drivers of change. Bring together key market actors and stakeholders to develop a vision of market growth and sustainability. That way actors can decide how to facilitate market system change together.



FOR MORE INFORMATION VISIT:



Rules of engagement		KDSCP encouraged participation by a variety of market actors to jointly assess blockages and opportunities in each milk shed.
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FACILITATOR ENGAGEMENT

Engaging local implementers or market facilitators firstly involved identifying and selecting local organizations with the relevant qualifications and experience required. A competitive bidding process was followed and potential facilitators were interviewed. This process also involved demonstrating the benefits of involvement with the program and explaining the role of the super facilitator and the local facilitator. Key activities involved implementing calls for expressions of interest, facilitator scoring, selection and assessment and leveling expectations via a pre bidding workshop (ensuring a level of self-selection). A database of facilitators was developed by LOL.



INDUSTRY STAKEHOLDER ENGAGEMENT

Engaging the support of national institutions and Government and understanding their interests and motivations is fundamental to program success. This involves agreeing an MOU for engagement with each player; and also building their capacity to understand the rationale of the BDS approach and its ability to deliver impact plus adopt this more viable approach via business opportunity seminars.



INTERVENTION DEVELOPMENT

Eight milk sheds (in 4 regions) were selected from the research phase for support during program implementation. Requests for proposals were sent out to facilitators and then bids evaluated. The initial groups of 8 facilitators were then each attached to a milk shed each with an agreed set of specific deliverables for the first year. This involved recruiting a full time project coordinator in each milk shed plus overseeing the development of the plan of support driven by the facilitators and involving the relevant SBOs and service providers. Each facilitator was then given a fixed price contract based on their proposals for engagement with the super facilitator. The budget was not split by program component but need. Initial activities involved the development of capacity building plans and the identification of relevant industry associations, SBOs, service providers and processors. To remain demand driven the program insisted that all stakeholders bid in some manner to be a part of the program.

By the second year the 4 more efficient and effective facilitators were selected to go forward each taking 2 milk sheds. The competitive bidding process was maintained throughout with facilitators reapplying annually for further engagement. Ultimately the best have been used to replicate their strategies across other milk sheds. KDSCP's exit strategy has been to continually reduce the number facilitators and their activities and subsequent budgets year by year: and to ensure that local service providers are empowered to address sector issues on a commercial basis.



FACILITATOR DELIVERY

Strategies and actions to improve the function of the market system in each milk shed were agreed and implemented. This involved supporting stakeholders to bulk and market the milk, brokering and fulfilling contracts; as well as linking farmers to relevant services such as AI and feed suppliers, and establishing a check off system for those services within the cooperatives. Action plans and MOUs guided this process. Importantly the facilitator is given the autonomy to decide on the balance of activities between each project component based on the needs of each milk shed.

All market players had access to facilitation services ultimately allowing the market to determine the best suppliers. The role of the coordinator, based in the milk shed is very important. The coordinator should be from the local area and know the sector - in order to support the working groups, design priority actions and targets and drive implementation accordingly. These working groups aid the actors to understand the market's critical structures plus each stakeholder's role and responsibilities. They bring together key market actors and stakeholders to develop a vision of market growth and to decide how to change the market together. Reporting on these working groups, to the facilitator and in-turn to the super facilitator is a key function of the coordinator.

SBO AND SERVICE PROVIDER ENGAGEMENT

A similar strategy was employed for working with SBOs and local service providers. Firstly KDSCP undertook a diagnostic analysis to understand the demand for services able to address farmers' key problems. This led to the identification and pre-registration of local consultants with the relevant capabilities. The local facilitator works to demonstrate the opportunities to these players ensuring that they continue to benefit from a more organized market after program closure. The facilitator should decide the best providers to work with, hold regular meetings and engage the right people to leverage market solutions.



The facilitators have worked to decrease their inputs by linking with local providers to build their capacity to address market constraints. Ideally therefore the local facilitators should work to make themselves redundant. In reality many facilitators, like the service providers, may be profit making entities (and represent business interests) and therefore wish to see a role for themselves after the program. The value proposition for both is access to and engagement with a captive market over the program period. They must then be business oriented enough to take advantage of the business opportunities derived from the program (such as building a reputation and track record as well as networking and creating demand for their own products and services).

However it must be noted that a conflict of interest may arise if a clear separation is not made between the provider and facilitator roles.

Systemic projects are about developing the interrelated parts of the market systems to function better as a whole while ensuring the mitigation of impediments to market development. It is defined by the vision of a well-functioning market based on an understanding of the market functions and players and who should do what and who should pay, driven by incentives and capacity. This is all underpinned by the desire to achieve the common purpose of market development. It is this focus on market development as a whole that ensures the long term sustainability of the value that is delivered to the key small business beneficiaries.



OUR STORY APEX CONSULTANTS	'Now farmers do things for themselves, they come together and put sense into the choices they make. The program leaves strong cooperatives on ground. Even if we closed today they will all continue. They even going to banks for loans and employ staff as a contact point to give advice, thus reducing our hands on interventions overtime'. Lucy Nguru.
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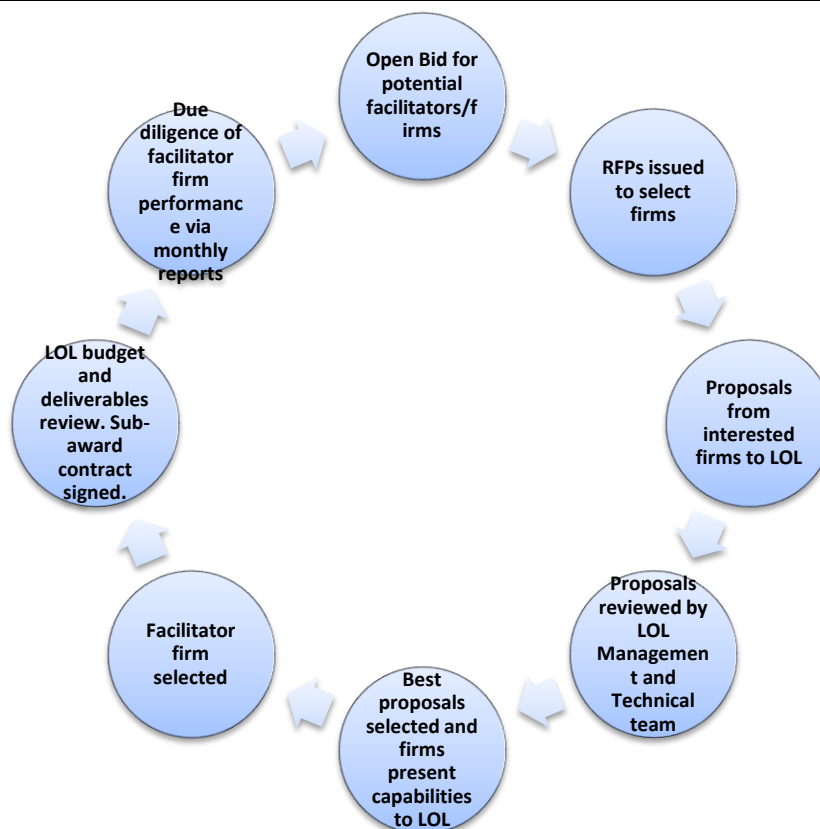
Meet Lucy Nguru

Apex Consultants has been engaged with KDSCP since its inception and has successfully facilitated activities in 2 key milk sheds and engaged 70,000 farmers with numerous industry actors and service providers. Apex Consultants tell us about the program results and learning from a local facilitator's perspective...

"The program has delivered some great successes like the fact that cooperatives and members are empowered to do business and engage commercially with service providers . It was tough in the beginning but we made it clear from mobilization that we will not pay subsidies. A few cooperatives declined to work with us but the ones that came on board are happy today. I know that things will move on without ongoing facilitation from ourselves'.

Benefits	Lessons
Production has increased from 2 liters per cow to 8-13 depending on area, plus local farmers are selling morning and evening milk with bulking both at the collection and cooperative level. Production increased due to enhanced feeding and improved breeding and health (e.g. vaccinations) via links with the Ministry of Livestock and private service providers. In one milk shed, some 30,000 farmers are now selling milk through their local cooperative to local processors and purchasing services for the coop on a check off system. Local facilitation ensured supply of quality milk to processors, with processors getting involved in field days to educate farmers in milk quality and management issues. Processors are working at full capacity even during the dry spell. Contracts between farmers and processors have been facilitated and proper payment systems put in place. Facilitation of services from local providers has led to commercial sales of over 5,000 AI units on one milk shed. Fodder tree establishment and use of sweet potato vines helps to stop erosion and are environmentally friendly approaches. Working with KENFAP and SNV on introduction of biogas means that many women now have free gas for cooking. The milk shed working groups have enabled regular engagement which improves as KDB take over facilitation. Coops have bought 3 new coolers without donor support either via loans or savings. Farmers are engaging in CDF meetings resulting in local road improvements.	Facilitators should not work alone but must identify who can best provide a service and then link the actors and ensure that deliver happens. Work with the Kenya Livestock Breeders Organization led to the registration of cows in the stud book (and traceability), sometimes doubling the value of the animal. Facilitation includes ensuring that service provision is close and local. Work with the Ministry of Cooperatives to strengthen coop management systems and promote their institutional role and responsibilities to farmers and SBOs. Mobilization of farmers is important as strong producers are required. The program assists to form self-help groups and transition to becoming a cooperative by supporting registration and setting up systems. The launch of the program in each milk shed brought together key sector actors where LOL explained the capacity building approach. Encourage a mentality of paying for quality services and inputs. Let providers train farmers for free via the cooperatives, as a marketing activity. Deliberate actions must be undertaken to empower women as they deliver the milk to the market but the resources are held by men If communities are well facilitated, without handouts, they can take up the activities and continue to learn, they have the resources to build their businesses. More time is required to bring on more farmers and deepen the program in each milk shed. The SBOs still require facilitation to access business development support.

Grants flow process		“(Launch of the Milk Quality Improvement Program) will make the local industry a giant in Africa and beyond...The KDSC contribution in the sector, especially on milk quality improvement and at farm level has helped turn the industry around.” Mr. Machira Gichohi, Managing Director of the Kenya Dairy Board.
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Sub awards were given to local firms after a process of open bidding to select facilitators to and service providers. A database captured critical information. RFP were designed based on program work plans and sent out all on the database. Proposals were accepted and evaluated by the LOL team and sector specialists. After scoring and assessment selections were made. Presentations were requested where required to enable selection. After selection budgets, timelines and outputs were refined. Contracts were then issued. Fixed price contracts were the most common type of award, lock in a certain value and set of outputs for a set price. Awards above 100,000\$ required approval from USAID with delays often affecting the process. The average size contract is \$50-75,000 (between 10,000 to 125,000\$). Grants were only preferred when working with Government institutions but required prior approval from USAID.

Due diligence included checking required documents, structures, capabilities, accounting and reporting mechanism. The super facilitator then worked collaboratively with the grantee to ensure technical and monitoring/reporting deliverables. Flexibility to halt/amend/extend assignments plus alter budgets and outputs is maintained. Some contracts of just 3-6months were issued in the early phase of the program increasing to an average of one year. The performance of the grantees is reviewed each year leading to termination, redesign or extension/up scaling. This approach maintained control and mitigated risks for the super facilitator.

A hands off donor enabled the super facilitator to design and overhaul the interventions in a responsive manner to ensure performance, results and impact.

Please refer to the manual on Structure, Operation, and the Management of Sub awards.

Monitoring and evaluation		“We have observed an immense growth in the number of dairy animals registered since the training” – Chairman KLBO, Mr. Chichir. The KLBO reported registering increase in demands for their services since the training from all over the country. KDSCP support has enabled the KLBO increase number of cows registered by a whopping 134% - from an average of 6,409 cows (2007&2008) to 15,000 cows by end of 2010.
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The program developed an explicit M&E framework and has engaged in ongoing performance assessment and impact evaluation through measurement of target clients and stakeholders plus a reflective assessment of wider market system change. KDSCP has focused on assessing changes in supply and demand for services (with frequent tracking of efficiency indicators by SBOs and SPs), the development of BDS markets, and how farmers use services to change business practices.

ACTIVITY REPORTS An informative review of the program on a regular basis re informs activities in each phase. Facilitators are required to issue a report detailing activities and results by component, to LOL on a monthly and quarterly basis on activities carried out in their milk sheds. Site visits are also conducted to validate the reported activities. FARM LEVEL SURVEYS Farm level surveys also provide impact indicators. These surveys are done by consultants contracted on a competitiveness basis by LOL. The firm surveys are conducted 2 times a year; during the short rains and during the long rains (February and August). A panel sample is used to track changes during the two seasons (320 per milk shed in the long rains and 40 in the short) collecting data and impact evidence from farmers. These surveys report against impact level indicators and provide empirical evidence for KDSCP. Competitive bidding is used to select evaluators to undertake such assessments for KDSCP. FACT SHEETS Briefs and fact sheets are written for USAID on a quarterly basis and report on major activities undertaken within the program as well as to-date program achievements.	M&E MIS SYSTEM (http://kdscpmis.com/me) The online M&E management information system (MIS) tracks: • SBO membership by gender • Service providers in the program • Trainings offered through the program • Number of beneficiaries • Trainings by topic • People trained Information can also be accessed relating to: • Specific cooperatives • Number of members of a particular cooperative • Names of farmers in SBOs • Information relating to service providers The M&E MIS system tracks program deliverables, including 30 customized indicators (i.e. not contracted by USAID) in total as well as 6 specific indicators from USAID. Information for the system is provided by the program stakeholders, inputted at source on a daily basis by local facilitators, SBOs and SPs to maintain purity and transparency of data (all data is verified via the paper documentation held by the users). The MIS system contains log-in sections (Farmer and Livestock Portal http://www.kdscpmis.com) for program SPs, farmers, SBOs and business people. The system allows stakeholders to access information relating to training and to apply on line. The system also allows the super facilitator to obtain information summaries making dissemination of information and reporting simple and easy. A competitive bidding process has been employed to develop a commercialization process for the site and institutionalize it in the private sector.	CASE STUDIES Case studies are also developed each month and accompany progress reports from facilitators. Sample farms are physically visited to confirm reported improvements and report success stories from program beneficiaries. These case studies are also posted on the MIS system. KDSCP endeavored to explore in detail what was actually happened as a result of the interventions. This exploration is necessarily somewhat open-ended, identifying both positive and negative outcomes. Such an approach is required – at the minimum, to complement, and to make sense of quantitative measurements. IMPACT SURVEYS A project must undertake assessments to measure the impact understanding of stakeholders and demonstrate causality and attribution between the inputs and services and business improvements. It should measure the impact among farmers, SBOs, SPs, sector institutions and policy makers. The program must also measure overall market change. DONOR SURVEYS USAID undertake random and independent assessment of the program on the ground each quarter.
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Documentation and dissemination



The program is a strong example of an intervention that can be up scaled and enjoy replication in the market. In order to spur replication by the market and other practitioners KDSCP has seen it as critical to place great importance on an explicit and targeted learning and dissemination agenda. KDSCP has considered it is important to dialogue about the program concept and values plus demonstrate the opportunities to market players and the vision of change expected. Most importantly it has demonstrated the benefits and value that (market-based) involvement can deliver to the different stakeholders. It is also keen to share learning with market based programs in other sectors.

In order to do so it has developed role models and case studies, captured lessons learnt and demonstrated the opportunity to catalyze market change. This has involved sharing information publicly about market gaps, opportunities plus lessons learnt in open workshops, sector conferences, on the Internet and in the media and then offering further technical capacity building to take advantage of such opportunities. KDSCP is keen to contribute towards setting best practice whilst collaborating with other development practitioners in the field to ensure integrity towards beneficiaries.

The program pursues a keen learning agenda and ensures opportunities for showcasing and sharing; both amongst industry stakeholders and between KDSCP and other dairy sector interventions - within the region.

The program was a platform to learn more about the dairy market and how to stimulate systemic market change over the long term. The program has worked hard to look at the broad picture and explore the market influences (problems, symptoms and systemic causes) including the approach that was adopted to address the constraints.

Answering the following key questions has afforded KDSCP the ability to dialogue with other practitioners about the lessons learnt on the KDSCP journey and how its successes can be replicated elsewhere, culminating in the development of this toolkit:

What's working/ not working and why?

What were the key challenges and how were these overcome?

What the incentives/ risks are for each actor including who is gaining and who is losing?

What evidence and potential exists for the model to serve larger numbers of people and the potential scalability?

What evidence and potential exists of market capacity to sustain improvements over time without continued support?



E-MARKET PLACE

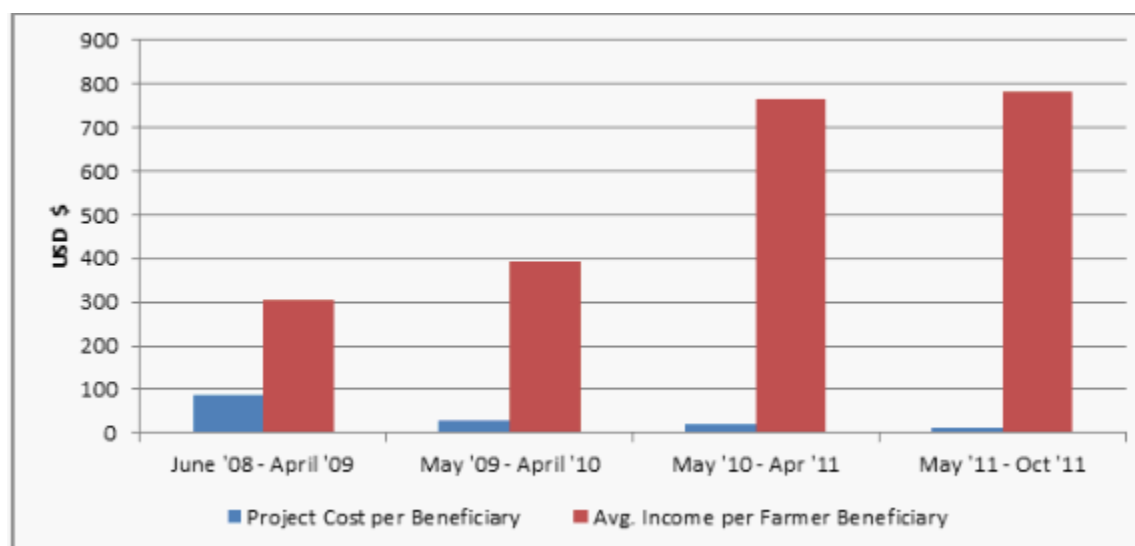
The program developed an industry-wide web-based application that serves as a complete dairy and livestock management information system for the livestock industry. The application provides an easy interface for data collection and analysis and enables information sharing among stakeholders in the sector. This was designed via a competitive bidding process and will be housed (post-program) with a private sector player employing a commercial business model. Any market actors can register from anywhere to access market information and prevailing prices, link to service providers, place product sale information or even access e-learning sessions on line.

Costs		The cost effectiveness of the program been calculated by the value of farmer income. Project spend ramped during years 1, 2 and 3 then decreased significantly in year 4. As the markets takes over service delivery the project costs per beneficiary diminish and benefits begin to increase at a significant rate during years 2 and 3. It should be recognized that such a project does not require less financial resources than conventional interventions – the difference is that the approach is more effective. Directly delivering services can rapidly achieve comparable levels of exposure but services cease when financial support stops.
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	June '08 - April '09	May '09 - April '10	May '10 - Apr '11	May '11 - Oct '11
Grant Cost (USD)	1,923,319	2,203,899	2,253,618	448,531
Farmer Beneficiaries	22,537	80,119	103,882	42,977
Avg. Farmer Income per year (USD)	6,906,464	31,486,767	79,376,236	33,522,060
Project Cost per Beneficiary	\$ 85	\$ 28	\$ 22	\$ 10
Avg. Income per Farmer Beneficiary	\$ 306	\$ 393	\$ 764	\$ 780

Note: Year 4 latest figures consists of only 6 months' data

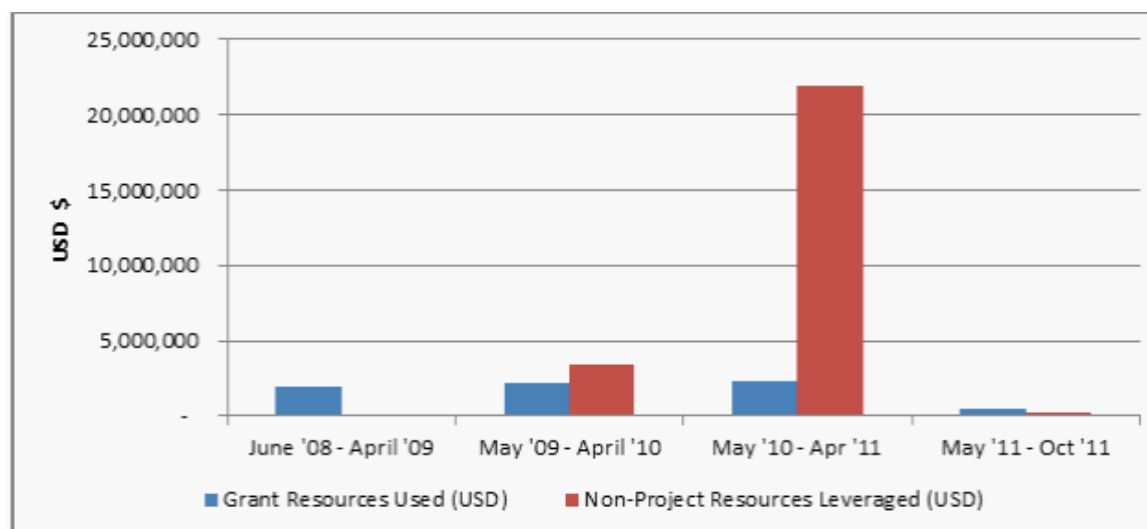
For purposes of replication, this type of project is human resource intensive and time intensive. Given that KDSCP did not support directly either service delivery costs or any equipment purchases, its core expenditure provided the human resource skills to drive its activities. As a result, a very high percentage of all project costs related specifically to either personnel fees or costs incurred from the implementation of their activities. The logistics costs of training were minimized on the basis that consumers were largely responsible for meeting these costs.



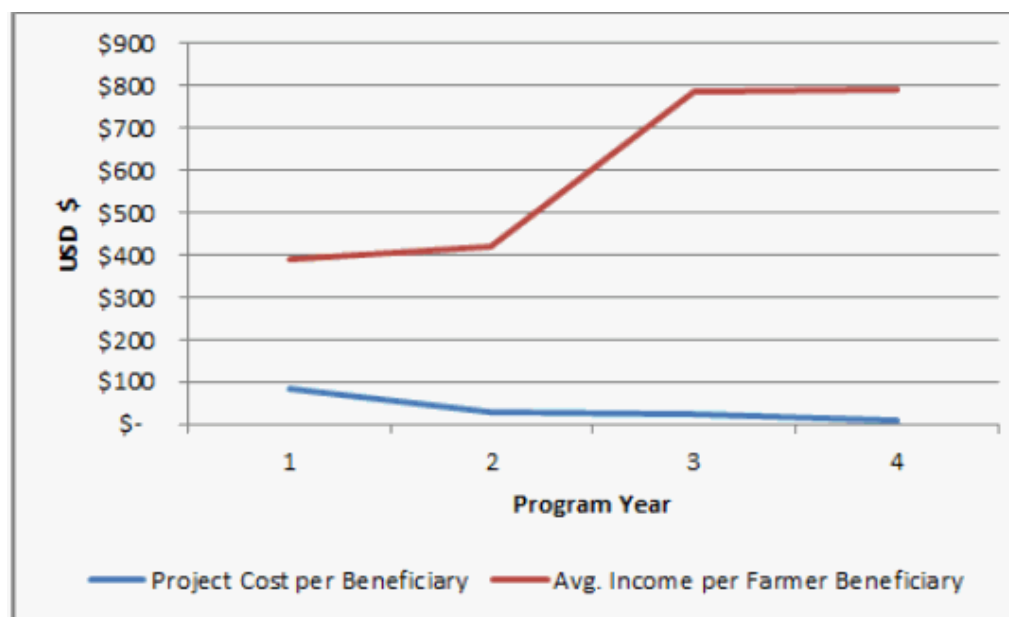
There has been a decrease in program cost per beneficiary farmer during the first four years since program implementation. Program costs (grant funds) per beneficiary farmer decreased by 88% from USD 85 per farmer in 2009 to USD 10 in 2011. During the same period, the average income per dairy farmer in the program increased by approximately 155% from USD 306 per year per farmer in 2009 to USD 780 in 2011. This illustrates that the program has had significant impact on farmer beneficiaries while not necessarily increasing spending to meet its objectives.

Non project funds invested		We estimate that some 25 million US\$ has been leveraged from others (e.g. from CDF funds for coolers and road bridges) due to this intervention'. Mary Munene, Dairy Value Chain Development Coordinator
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Non-project resources leveraged are funds which farmers contributions, MFIs that gave loans to beneficiaries, and from government through constituency development funds (CDF).



There has been an increase in non-project resources leveraged of approximately 500% from USD 3.4m level in the first full year after program inception in 2009 to USD 21.8m in 2011 (note that the last years' data on the chart consists of 6 months only). There is a definite trend of increase in non-project resources leveraged compared to the LOL grant funds used in the program. This demonstrates that private and public sector investment in business development services in the dairy sector KDSCP milk sheds is likely to continue and increase even after the end of the program. This also indicates shows that the program funds are used effectively to encourage dairy value chain stakeholders to invest in business development services.



Reflections on KDSCP COMPONENT 1



'Importantly the program has brought industry players together (processors, PR companies & Min of Education) to promote milk consumption and benefits via a school milk program and road shows innovated through commercial providers. The campaign has now been taken up by KDPA who are investing 40 million Kshs towards milk promotion'.
Mary Munene, Dairy Value Chain Development Coordinator

COMPONENT 1

Enhanced Capacity for Milk and Production Input Quality Certification and Market Promotion

These activities enhance the quality of inputs and products, including advocacy measures and reviews of policy and standards.



In order for the market to function the stakeholders must work harmoniously together. KDSCP works towards a more enabling environment for the sector and has brought together 22 industry stakeholders to work together in a National Dairy Task Force.

The KDSCP was a timely intervention for Kenya as the industry was in disarray due to post election violence in the country. Roads were closed, factories were not receiving milk, cows were stolen or moved and disease control impossible. The Task Force came together over a set of common problems teased out by a program assessment of election damage. The Task Force brings together representation from farmer-member groups, small and large processors, cooperatives, genetic members, breeders organizations, feed manufacturers, buyers, training institutions, Government Ministries, development partners, Kenya Dairy Board and donors. The Task Force agreed the specific roles and responsibilities required to address their interests and motivations. Sub committees were formed - taking into account any established associations - and action plans agreed for marketing, peace and reconciliation, institutional capacity building, disease control, food security and policy and regulation. The National Task Force and sub committees are vehicles for debate and consensus building to bring about ownership, trust and respect. Stakeholders' participation is key and the Task Force is the sector's means to enhance competitiveness via the capacity building of representative bodies and institutions to identify problems and implement solutions.

This approach cascades down to a series of regional working groups and milk shed working groups established via the program. These groups are voluntary and work to build knowledge and voice at the grassroots. In order to facilitate these groups KDSCP have worked to understand the interests and motivation that bring people together and have assisted them to articulate their vision. These platforms have assessed issues at the micro level and have resulted in actions to address priority constraints such as road/bridge building opportunities being taken up by the local Community Development Fund Chairman.

The program has built the capacity of the Kenya Dairy Board (KDB) who manage the regional working group committees. In one milk shed (South Rift) this has led to the development of a forum to revive local annual breed shows. KDSCP have helped stakeholders to meet and articulate their agenda and also assisted to bring the local administration on board. Furthermore capacity building to articulate demand has also led to the establishment of 16 coolers in the target milk sheds.

The program built the capacity of the Dairy Training Institute to promote quality hygiene issues and business opportunities in the sector. The relevant Task Force subcommittee supported the development and launch of a simple code of hygiene for the sector. In a bid to bring together relevant institutions KDSCP also facilitated the development of a do-it-yourself manual for farmers via the Ministry of Livestock and an array of local development partners.

Via the working groups KDSCP recognized that breeding was a major issue and facilitated the Kenya Livestock Breeders Association (KLBA) to address its own identified problems such as developing a curriculum to train the sector in breeding issues and training inspectors in animal registration - that is ultimately paid for by the farmer. These registrations have risen from 3000- 15000 per year to date, demonstrating the successful work of the inspectors.

Importantly KDSCP's assistance of the groups to advocate for change has led to the reduction on milk importations, better collaboration among processors (including KCC selling 700 tons of milk powder to Brookside during the drought period) and the revival of the Kenya Dairy Processors Association.

Regulations to harmonize the sector were also required and KDSCP assisted the Task Force to undertake a quality status study and export milk samples for testing. This led to supporting KDB to develop good practice manuals and support in the accreditation of local laboratories to international standards via information dissemination, sensitization and support to Kenya Bureau of Standard (KeBS). It was also recognized that feed manufacturers/millers and their associations also required standards. Therefore the program has further facilitated capacity building of the KeBS to development standards to assist feed formulators to develop feed to acceptable standards and thus support the Task Force's to roll out its feed policy. The program has actively supported the mapping of fibrous fodder and subsequent feed formulation to address the stated needs of farmers in different regions of the country. In addition KDSCP via the Task Force has worked to harmonize regulation across COMESA countries. Developing and disseminating a sector roadmap and building industry institutions has helped KDSCP to reach out to the sector in a sustainable manner and guide players at all levels.

Reflections on KDSCP COMPONENT 2



'We can estimate impact at the service provider level via sales and the supposed increase of turnover. We don't measure sales, turnover or revenue but pick key services (such as feed and AI) and measure sales of, payment for and satisfaction with these selected services'.
Mary Munene, Dairy Value Chain Development Coordinator

COMPONENT 2

Dairy Smallholder Business Organization (SBO) Development

These activities build the capacity of smallholder business organizations and improve farm-level productivity.



The programs approach involves supporting small business organizations (SBOs) to address the needs of the sector such as low production, erratic supply and price fluctuations. This has involved mapping the key processors, establishing and rehabilitating bulking centers and building the capacity of farmers to understand contracting issues.

Firstly KDSCP undertook a diagnostic analysis to understand the demand for services able to address farmers' key problems. This led to a range of activities such as facilitating the strengthening of farmer organizations via restricted growth, systems development for record keeping and the transfer of relevant technologies such as digital weighing scales to address issues of transparency.

In some instances the facilitator became a member of the cooperative management committee to drive understanding and commitment and empower the committee to perform its functions. This also involved implementing actions such as opportunity seminars to attract the youth into the management of member based organizations. KDSCP promoted other mechanisms for participation such as open forums to address issues of apathy among members and develop their ability to understand and better perform their roles.

To date the program is building capacity of 124 cooperatives with 56 now running profitable businesses. These SBOs pay their farmers on time, have taken up new management practices, have grown membership and included more youth and women in management (reaching 27.9% against a target of 30% to date), with some coops also now packaging their own milk. Importantly SBOs are now making investments and the milk sheds have seen the revival/installation of 45 coolers to date.

The program has also built the SBOs capacity to advocate. To date the program has reached 124 coops and close to 265,000 farmers, helping them to lobby for better prices and increasing milk values from 18Kshs per liter to 34Kshs. Furthermore the program has ensured that farmers know the leaders in other milk sheds and share relevant information such as market prices.

KDSCP has also undertaken and disseminated consumer research to all parties to ensure greater transparency. Empowering SBOs to negotiate with processors allows them greater influence and reduced risk.

The facilitators were tasked with forging linkages for capacity building support for SBOs (guided by an agreed MOU) such as to establish market linkages or undertake leadership training. In a bid to increase access for farmers to BDS the program assisted SBOs to identify and offer embedded services to members. The facilitators also worked with existing providers to build their technical skills, develop new services for SBO members, and develop business plans and access funds.

In particular, providers often need assistance with developing appropriate service products for new types of customers, designing workable payment mechanisms, and promoting their services to new customers. Where no service providers existed the facilitator worked with stakeholders to promote the business opportunity.

Importantly the program developed linkages between finance institutions and value chain actors. A value chain financing study was undertaken to determine financing opportunities. Financing institutions were facilitated to better understand the needs of small dairy enterprises and to develop products to increase access to finance for farmers and service providers such as agrovets and animal health workers. Funds were marketed to the sector via program forums. KDSCP (via MOUs with MFIs) has been able to track loan disbursements to farmers and other service providers such as SBOs.



OUR STORY GIKARU FCS	Critical to the success of the approach are strong vertical linkages- between farmers and SBOs, between SBOs and processors, and between processors and retailers/ exporters- as well as strong horizontal linkages among SBOs.
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Meet Joseph Mburu

This Cooperative has over 333 registered farmers and offers food storage services, AI and credit to members for inputs via a check off system. With support from SetPro they are strong beneficiaries of the program. FCS and other SBOs tell us about the program results and learning from a SBOs perspective...

“(Operating the cooperative) was a mammoth task...we were spending sleepless nights, wondering how we would pay farmers a ‘good price’, and meet our other obligations. Farmers would deliver milk one day, then disappear for the rest of the month. Life was quite hard until we heard of the program”.

Chairman-Boyo Cooperative, Mr. John Maina.

Benefits	Lessons
Practical approaches are within the ability of farmers to implement, e.g. zero grazing and paddocking with water and feed helped to increase milk production. The demo farms in each area vastly increase learning and farmers are willing to pay for such exposure trips as they understand the value. Cooperatives have come together to access inputs e.g. via contracts with feed manufacturers at reduced prices. Cooperatives are now federating to gain peer support and share problems and ideas. They also bulk milk from the coops and take 20 cents per liter to sustain their operations. Cooperatives have been trained to develop business plans and proposals for funding. The Banks have worked closely with Coops. SBOs are investing in assets and can run their own businesses. SBOs have been facilitated to access information and better understand Governance issues resulting in increased transparency and increased farmer involvement. Farmers have access to technology and information and are willing to pay for services via a credit (check-off system) developed by the Coops. Promoting farmer associations gives farmers a voice and opportunity for collective action such as direct sales. The program is very participatory in nature and encourages collaboration based on the farmer's issues. The SBOs signed an MOU emphasizing the SBO action/business plan as the guiding document and defining roles and responsibilities. SBOs have successfully used their business plans to access finance.	Supporting the development of marketing federations in region ensures better bargaining power. Also supporting cooperatives to purchase inputs such as vaccines together reduces costs. Increased milk supply to processors brings the price to farmers down. Bulking federations help to challenge this dynamic. Fee-based training of cooperative members as AI providers helps fill the gap for service provision. The youth must be brought into the leadership of the SBOs. Farmer field schools at the village level help build understanding. Sensitize coops to meet the demands of their local market, add value and export. Farmers themselves should engage more in marketing milk at meetings and in local schools. Tracking trends at the SBO level is easier than at the farm level. SBOs must collect regular and accurate data for monitoring. Farmers visits to farms in other areas, National events like the Breeders Show and institutions such as KARI are critical. Education must go down to the farmers and not stop with the Coop leaders - to ensure continuity in leadership over time. Education can also redress negative feelings about past failures. Support from a program like KDSCP motivates farmers. Actions pursued by the program have been very applicable such as focusing on better breeds and promoting hygiene training.

Reflections on KDSCP COMPONENT 3



'To date the program engages with 961 service providers - each focusing on its distinct competence - and enabling LOL to surpass its targets early in year 3 of the program'.
Mary Munene, Dairy Value Chain Development Coordinator

COMPONENT 3

Availability of Dairy Business Development Services

These activities expand access and availability of business development services in the sector.



Land O Lakes believe that interventions should not focus on the delivery of a specific set of services, but on improving the system in which service providers operate so that services can be provided more effectively to farmers over the long term.

KDSCP undertook a business development services (BDS) assessment of local institutions and services plus a consumer survey of service demand. It was keen to identify institutional strengths and weaknesses and key leverage points that would help the organizations to delivery on their mandates. Existing and potential service providers were identified via farmers and local authorities. The program then facilitated support via capacity building of local providers for example assisting Kenya Veterinary Association (KVA) to stimulate the demand for vaccines and market vaccines to farmers plus facilitating training for veterinary officers via KVA. The program coordinated partners and brokered agreements between parties to ensure that vaccines could be obtained from the Veterinary Board.

The program then focused on promoting the BDS approach among the providers and engaging them in business opportunity seminars. Service providers soon realize the value of such seminars, capitalizing on the captive audience to market their products. Often these become free training session for farmers as providers demonstrate their products or services. KDSCP used role model providers to demonstrate the benefits to others. Other support to providers included product development and marketing. The program estimates that as of year 4, SP revenue has reached approximately KShs 25 million against a program target of KShs 20 million.

Using the farmer level analysis of demand for services the program was able to support local service providers to create awareness and demand for their services and to develop new more appropriate services. It also developed links and brokered contracts, such as, between feed manufacturers and member based organizations such as cooperatives. Different methods were employed in different milk sheds depending on service demand.

The tiered working groups have also been actively facilitated to articulate demand for services and stimulate the supply of services. For example milk shed forums have been harnessed to discuss and demonstrate new technologies. Service providers have been able to demonstrate their services to the facilitators, SBOs, farmers and other stakeholders in order to expand service delivery. For example biogas providers used program forums to promote their technologies and have installed 616 biogas digesters to date. KDSCP used the research and working groups to clearly identify and agree the issues that touch on a range of market actors. For example the program focused on facilitating the provision of quality semen to improve breeds and reduce interbreeding. The program engaged service provision at the national, regional and local level.

The facilitator ensured the right providers were able to reach out to offer tailored services such as training to farmers (especially women farmers). E.g. farmer field schools were established bringing together 20-30 farmers in one central area to agree their curriculum and work through topics on a weekly basis. The facilitators then helped to refer the relevant service providers to the farmer field school and support the provider to develop the appropriate content and materials. Providers were also assisted to develop promotional materials to market themselves and their services via program based activities.

The program has facilitated extensive training for farmers and their member based organizations; and facilitators worked with the providers to ensure quality in service provision. Farms were used for training thus promoting cost sharing and transactional relationships with stakeholders (e.g. the program providing inputs and the village providing labor leaving the final output for the farmer). The program established 200 demonstration farms as a most practical way of disseminating information to farmers. Such user-friendly training has been proven to motivate farmers. For example demo farms were established for calf rearing, feeding and weighing, sometimes with weekly monitoring visits from 'trainees'. These also served for exchange visits for farmers from other milk shed on a user-pays basis.

Improved access to BDS is demonstrated by the increased number of farmers accessing and buying services directly. Farm level surveys show a reduction in production costs per litre of milk due to quality service provision plus an uptake of the training and technologies facilitated (such as chaff cutters). Household surveys show an increase in incomes from milk and savings on inputs such as feed/fodder. Anecdotal evidence suggests that service provider income is increasing and their service/product base is expanding.

OUR STORY KAGREC	“It is this increase in sales after training that makes us zealous to respond to invitation by the program to train farmers. It had been hard for us to penetrate Njoro area in the past.” Mr. Abwere, Mola Plus Limited
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Meet Mary Mathenge

This AI provider work distributes semen and works with over 70 inseminators and the number is growing quickly. KAGREC and other SPs tell us about the program results and learning from a SPs perspective...



Benefits

Service providers are now doing things commercially so are less likely to close their business when the program closes. After facilitation of linkages providers have built relations with Coops and individual farmers and their business have grown. KAGREC has grown from 500-600 to 2,000-2,500 sales pm.

Some service providers are now attached to Coops and are paid directly by the check off system.

The program has created access to legitimate providers and promoted specialist and quality services.

Animal technicians are going back for AI training as they now see it as a competitive privatized business.

The increasing quality of inputs and services (such as feeds) to farmers is directly reflected in increased milk production.

The program has linked farmers to SBOs for financing of services/inputs via a check off system at the Coop level (paying for the right services via direct deduction from milk sales).

The business opportunity was publicized directly to local providers (and via the networks of firms such as Coopers) who then self-selected themselves.

The provider's agenda was defined by the SBO action plans developed in collaboration with the program.

Learning forums and field days have given providers the space to provide information to farmers, make business contacts and market their products.

Service providers are footing the bill for exhibitions that allow them access to new markets.

Lessons

The BDS diagnostic done by LOL was a helpful source of information, highlighting local providers.

The local facilitator's engagement diminishes as the service providers takes up that ground.

Service providers are now doing things commercially so are less likely to close their business when the program closes. After facilitation of linkages they have now built relations with coops and individual farmers and their business have grown.

Generate knowledge about good services and farmers will pay top prices for quality services that solve their problems.

Market dynamics are the key. Farmers have different tastes and must have a choice in order to select their preferred provider and service.

BDS should be demand led. People need to find value in a service and want to make the investment to do business.

Providers (such as animal technicians) should be encouraged to join the Coops and be fully integrated in the milk shed.

Service providers can also be harnessed to recruit farmers to the Coops and promote the benefits of member based organizations.



CRITICAL SUCCESS FACTORS



design
in to
practice



critical
success
factors

Co-ordinate efforts: Effectiveness will be compromised in the long term if one donor pursues a market development approach and others continue to subsidize transactions and services in the same market. It is important to advocate for market development as free services dampen stakeholders willingness to cost share and take ownership. Coordination is critical between donor funded interventions that choose to work with the same suppliers in the same market. Suppliers can be overloaded or lose their commercial focus if they receive significant financial resources from several donors.

Focus on developing markets:

Develop the whole market system so that the poorest in society are included and served by this market. Work with a commercial industry, predominantly operated by the private sector, to identify and build on the overlaps between the commercial and developmental agendas.

Build awareness of market opportunities:

After existing or potential commercial providers are identified, the facilitating organization must persuade them that a market opportunity exists to serve dairy enterprises. Facilitators can assist by sharing market assessment findings with targeted providers and showing providers the demand in the market.

Assist providers with developing viable business models and plans:

Providers will not enter a new market unless they are reasonably confident that they will make money. Market information can provide much of the data needed.

Demonstrate the demand for services:

Particularly for new or unfamiliar services, demand creation is an essential part of attracting commercial service providers to the market. No amount of persuasion will attract commercial BDS providers if no demonstrable demand exists for the service. Indeed, if providers do not see early revenues, they will quickly drop out of the market. Service demonstrations and sales agents are two useful strategies for stimulating demand.

Strengthen demand for BDS in weak markets:

Demand stimulation in weak or limited support markets is important to demonstrate the value of services. The key is to help the providers market the services so that the potential clients can see the link between that service and their desired business outcome. This can be done by conducting demonstrations/ technical clinics of the services or using vouchers as a direct stimulation strategy. Facilitators also assist providers to improve their products and marketing and improve their level of interaction with small enterprises.

Be prepared to share risks with service providers and other market players:

Some of the risks include sunk costs in service development without assured returns. Risk sharing may persuade service providers to try out new ideas. Try assisting providers to conduct their own market research, subsidizing training costs, sharing the costs for initial promotion or sponsoring providers' exposure visits. The risk should not be eliminated completely because assuming some risk is a sign of a provider's commitment.

Promote embedded and stand-alone services:

Stand-alone BDS provide enterprises with more choice and give them more power to effect service provision. Embedded services can act as a natural driving force of market transactions and thus provide programs with an advantage in developing markets. Such services are well tailored to improving transactions between small/micro businesses and other businesses. Small enterprises may not be able to afford BDS in any form that requires direct payment. Services embedded with another service may stimulate the demand for stand-alone services. A combination of fee-based and embedded service provision is crucial in creating a dynamic, competitive market.

Procurement takes time: Competitive processes are elaborate and lengthy. For example in KDSCP, the call for EOI's for the studies/assessments lasted 3 weeks, proposal development another 4 weeks, and the evaluation took 2 weeks.

KEY LEARNING POINTS



design
in to
practice



learning
points

Implement limited and focused interventions:

Because any intervention will change the market, limited and focused interventions are more likely to address a market issue with minimal distortion. Focus on areas of high leverage with focused actions at the right time and in the right place to ensure significant results.

Be responsive: Allow the program to be flexible and responsive to the market - a flexible, entrepreneurial approach works better for market development program than the traditional steps that developed set objectives and indicators and lead to the achievement of program outputs. Markets can change rapidly and often react to the facilitators' efforts in unexpected ways. Facilitators must be free to respond to the market, taking advantage of opportunities and changing strategies as appropriate.

Adopt a business-like approach:

Projects must be business-like and demand led, be sustainable, be focused, maximize outreach and acknowledge who can do what best. This approach has a number of advantages - it requires investment from partners meaning that the financial scale of the initiative will generally fit the capacity of the market - the approach attaches a value to support and business-like relationships foster business-like incentives, behavior and attitudes and it further builds ownership without being overwhelmed by external funds and advice.

Separate the roles of provider and facilitator:

Offering services vis a vis encouraging others to supply services could present a conflict of interest. While suppliers focus on their bottom line a true facilitator adopts a development agenda. Where public funds are used to fund facilitators they should disappear as they work to empower market actors to take over their role.

Grow a meaningful agenda: Think about the value proposition for the different stakeholders and focus on issues that touch as many actors as possible. Issues die out if there is not enough interest and may feel threatened by the empowerment of others. Use consultants to encourage dialogue and interaction between stakeholders via the delegation of clear actions. Demonstrate how these actions will benefit all concerned.

Applied appropriate grant management principles:

The super facilitator must clearly define grant application procedures; ensure a transparent and objective selection criteria; ensure equitable access to grant procurement announcements; clearly define processes, procedures and roles and responsibility for the grant selection committee; ensure regular monitoring and evaluation of grant recipients; and enable stakeholder access to grant information via the program Web Site.

Communicate the benefits of the approach:

It is a major challenge when many agencies employ different methods of engagement. When other agencies pay allowances they raise certain expectations among stakeholders regarding donor engagement. It takes time to build the capacity of key stakeholders in the market-based approach and for them to feel the benefits and value of a different way of working. If people feel that their problems are being solved then this is the perfect leverage,

Respond in weak or limited support markets:

BDS best practice states that we should facilitate, not interfere with, the development of commercial support markets. Although the ideal is to act as a facilitator, in weak markets it may be necessary for an organization to act as a provider for a limited time. The intervening organization can act as a facilitator, provider, or a combination of both at different stages in a program. In general, acting as a provider should be only an interim measure, and an exit strategy should be part of the up-front design.

DESIRABLE FACTORS



design
in to
practice



desirable
factors

Be evolutionary: Enable maturation of the program model with a clear understanding of the differing factors which can affect the effectiveness of implementation. A key reason for KDSCPs success is that the project started out with one set of facilitators and through the success of those initial initiatives, the program selected champions to work across milk sheds. Without this the program would have struggled to find a strong entry point for up scaling.

Assure good project governance: Ensure that project budgets are aligned to readily identifiable deliverables. The project must be able to marry output documents such as reports (to satisfactory quality), training resources and other items to both terms of reference and agreed contracts.

Formalize processes: The implementation of a process model allowed KDSCP to ensure it did not become activity based but rather enabled it to adopt a clear path to implementing activities and understand the value of that activity in the context of the wider program. This also enables team members to be able to conceptualize, discuss, agree, review and implement with a clear vision of expected outputs. By adopting a process approach to managing activities, a project is able to reassess available resources and focus on delivery to the key beneficiaries.

Strengthen BDS supply in weak or limited markets: One key problem in weak or limited markets is that few, if any, providers are serving the target enterprises. The facilitator can promote new and spin-off providers by assessing demand and the ability of the market to support additional service providers. The facilitator can promote the process of spinning off services by playing the role of a consultant to spin off providers and offer guidance on key aspects of the process throughout initiation, management, and expansion.

Always ask 'if we were not doing this then who would be doing it?': Asking this question can ensure long term sustainability of program activities as the private sector takes over the facilitators role. For example KDSCP are challenged with handing over the program website and e-market place to the private sector. 'Who owns' and 'who pays'? Are key challenges. Involving the private sector in devising, and developing appropriate business models can better ensure a market fit, financial investment and a sense of ownership.

Recognize that benefits are delivered after completion: It is fundamental to understand that there are a large number of intangible benefits associated with the choice of working to develop the market system. Many of these benefits will be observable in the long term as the market seeks to adopt those elements which work for them. Hence, a large proportion of value will be generated beyond the end of the project period.

Be adaptive, flexible and responsive: Take a very responsive and incremental approach and undertake various assessments during the life of the program rather than at the onset. Allow activities to be re informed from continuous learning.

Be accountable: Accountability is a problem as little attention is often given to measuring impacts (or achieving scale) and donor 'champions' lack the data they need. There is a belief that "all growth is good for the poor" which is questionable. Therefore our challenges must include measuring and reporting credibly on impacts on poverty, and at scale.

Allow budgetary independence: Managers must be given the flexibility for amending budget lines as the project evolves. Whilst it is important for the donor to provide procurement guidelines for contracts, the project manager must be in a position to be able to make budget decisions which reflect the market responsiveness of the project.

Give a market systems project time: A key element in the success of KDSCP has been the fact that it has run for a number of years, allowing it to match its pace and duration to the task at hand. Often projects fail because they are never allowed to mature to the stage where they begin to effectively deliver.

Map the market: Undertake market mapping in terms of preparedness of consumers to pay for services, how often and at what rate.

DRIVING FACILITATION



Partnering with local facilitators is a process that goes beyond mere selection. It is important to actively engage the market and requested organizations to step forward to partner with the program by requesting expressions of interest from interested players. Adverts can be placed in newspapers and relevant journals or organizations targeted directly to support open and pragmatic selection. Being explicit about the offer and clear about the incentives and risks involved will help would-be facilitators to decide if they do or do not want to be a program partner. Findings from any research surveys about the market should be made available to all organizations as a public good. Setting strict criteria will also help the super-facilitator to select the local facilitators to work with in the short term and which others to dialogue with for future engagement.

Local facilitator partners must sign a contract stating exactly what they will deliver in terms of inputs. It must also state what the program expects the facilitator to provide and assist in leveling the facilitator's expectations. In turn the facilitators will then 'partner' with small business organizations (coops and associations, processors and local service providers (SP) and again this is about being explicit about the offer; with clarity about the role of the facilitator versus the SP, expected benefits and the incentives and risks involved. The facilitator's role is to provide support to these organizations to develop sustainable relationships and relevant commercial services. Often support may just involve facilitating them to strengthen existing linkages with their producers/consumers. It may also involve supporting suppliers to disseminate information about their services and demonstrating the benefits to the farmers. The program implemented a series of dairy sector Business Opportunities seminars to expose SPs to methods of marketing their services to dairy farmers. KDSCP actively supported the service providers to develop, test and market demand led services. The key objective is to build the capacity of SPs in order for them to remain sustainable after the KDSCP comes to an end.

Capacity building can involve a myriad of activities from formal training to linkages workshops, network building and intelligence and awareness building via publicly disseminating research and organizing field trips. Different interventions may be required with different providers. It is about a clear understanding of existing capacities and knowledge plus the information and skills gaps that require attention. It is about capacitating the right people to their jobs more efficiently and more effectively. KDSCP facilitators undertook much of the training, technical services and research required to bring about service delivery because these functions were weak. However none of the transactions were subsidized by the program.



The local facilitator must also collect relevant data for monitoring purposes. This includes supporting the SPs to maintain records relating to sales and sales revenue. The KDSCP estimates that as of year four of program implementation, SP revenue has reached approximately KShs 25 million against a program target of KShs 20 million.



In some cases service delivery can be cost shared by a program in order to demonstrate the value and benefits of the services to users and link suppliers to consumers. This is in a bid for them to purchase those services in the future at full cost. Subsidies are not bad but they must be used wisely. Using subsidies can demonstrate the opportunity to small businesses organizations and providers and allow them to better understand the needs of the consumer. Such understanding allows providers to develop or revise services to meet demand and better ensure the commercialization and profitability of those services going forward.

Best practice in facilitation

“There are a lot of mistakes in the processing plants but no one knew what should be done or even how to carry out quality inspection. What we have been exposed to here (is) not covered in the local Universities. It was a world class session.” Mr. Mburu, KDB Regulatory Inspector (Nairobi Region) commenting on a program workshop to review industry standards for a range of milk products.

The program adopted best practices in business development service facilitation including:

- Identifying lead suppliers or service providers from existing market assessments and similar initiatives, implementing calls and expressions of interest to select pilot service providers and involving them in planning and implementation.
- Clearly demonstrating to potential partners the benefits of involvement and engaging them to buy into a broad vision of market change.
- Demonstrate the business case, benefits and vision to other market players via press conferences, study trips and seminars.
- Stimulating and capacitating those service providers to improve market performance, drive market change and respond to shifts in the market such as market demand, competition and changing technology.
- Sharing information publicly about market gaps and opportunities in workshops and the media.
- Offering technical capacity building to take advantage of opportunities.
- Cost-sharing the development of exploring new ways of doing business.
- Facilitating support for the initiatives of service providers in the market.
- Facilitating business linkages and partnerships.
- Facilitating technical advice and assistance.
- Mentoring partners to develop and test viable business models, strategies and approaches.
- Identifying the overlap of the profit incentive and the development objectives.

Facilitators design interventions with the greatest potential for impact when they have a view of the entire market system. The facilitator views the support market from an external and objective position, while the provider is an integral part of the system. With information gathered from support markets and value chain, the facilitator can promote alternative inputs and services that have widespread applicability and significant impact. The facilitator must visualize from the program's start how to develop a whole dairy market system and plan for a viable and independent market structure. The facilitator should have a systems view point with the goal of benefitting as many small enterprises as possible. This includes visualizing the functions of a sustainable market and the various types of players, who do or might, perform those functions. During market assessment a facilitator must tailor information gathering to help understand what the market looks like now and envision how it could change to offer more benefits to small enterprises. The facilitator should concentrate on designing interventions that result in vibrant, autonomous, and commercial support markets that continue to exist after the donor has exited.



The Regional Working Groups have helped a great deal to disseminate information and even up farm gate prices to some extent according to Mr. Maina, Secretary, New Nginda Dairy farmers self Help Group. According to him, the RWG forums, where all stakeholders in the region meet, put their challenges on the table and chart out/propose solutions have helped a great deal in making sure that information reaches the people. “Even hawkers and milk bar operators now pay higher prices” he says.



FOR MORE INFORMATION VISIT:



Selection criteria



'Our local facilitators build capacity to provide service more effectively. This is geared towards value chain strengthening. Our results depend on who we identify and engage with'. Nancy Amayo Grants Manager

Interventions are most effective when we promote competition among providers in the market. Business-like relationship between local facilitators and providers are more effective in developing markets.

Selection criteria for local facilitators

The local Facilitator: supports service delivery to enterprises by developing a vibrant, competitive market for them. They should fulfill the following:

Present a strong organizational profile – to determine existing business related consultancies, language, target audience, methods for generating revenue and profitability or potential for sustainability

Demonstrable capacity – capabilities and active experience, local office, available communications channels, marketing capacity, knowledge relating to business and current linkages for service provision

Market understanding - understanding of local language and issues in milk shed, which channels exist for service delivery, strength of relationship with dairy sector and its translation into commercial value, and closeness to local communities

Senior management commitment – in terms of staff, leveraging of own resources, signing of a contract, collection of monitoring data and contribution to program performance reviews, access to communication services and provision of information (and ability to engage with program MIS system) plus management of milk shed based coordinator

Selection criteria for local providers

The Provider or Supplier delivers services directly to enterprises. They should fulfill the following:

- Willingly apply to work with LOL and sign an MOU with LOL
- Registered and accredited (as a legal business entity)
- Commercial focus, business culture, and accounting and management systems
- Capacity (facilities/infrastructure/skills/experience) to perform tasks and deliver services
- Close to SMEs in culture, operating environment and geography (operating in target milk shed)
- Willingness to train farmers and answer technical and business questions
- Willingness to join Business Opportunity seminars and present BOSs
- Low cost structure
- Organizational independence, especially from donor funds
- Focus on SMEs in the dairy sector
- Capacity and willingness to collect data and produce monitoring report

The key questions to ask include:

- Who can deliver BDS sustainably and how can the services be paid for?
- Which kinds of institutions make highly sustainable providers and how can services be paid for through commercial channels over the long run and still reach small scale farmers from poor households?

Facilitators role		'Our approach is very cost effective and the local facilitators operate on a low budget. We deliver by involving others and build on their common interests. Most of all we don't pay. Having a strong coordinator based in the milk shed is key for the local facilitator'. Wario Chege, SetPro.
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A facilitator focuses on market systems not individual enterprises. In contrast providers serve their businesses by paying close attention to their competitive advantage, their own bottom line, and the needs of their clients.

The facilitation role includes:

- Encouraging individuals and firms to supply services to small enterprises and promote transactions between consumers and providers
- Partnering with the private sector and support the development and expansion of a vibrant, competitive BDS market
- Remaining external to the market and not be too visible
- Promoting competition among providers by working with many of them and promote efficiency in the market
- Promoting cost sharing with private sector partners and use subsidies to demonstrate opportunities not to distort markets
- Being flexible and responsive to the market
- Concentrating on indirect interventions to stimulate markets
- Having a clear vision of a sustainable market and a defined exit strategy
- Disappearing as the market develops as their role is temporary
- Coordinate efforts with other development agencies

The facilitator must:

- **Know the context:** The context is an integral component of the market system that the facilitator intends to enhance and encompasses a wide range of factors that include socio-cultural norms, traditions, and expectations, standard business practices and procedures, political and regulatory environment and language.
- **Be aware of the entire market:** In a market system, service markets are complementary subsystems to value chains. Researching BDS markets provides information that is not readily available through value chain analysis alone. Although a BDS market can exist completely within a value chain a service provider may also be outside the value chain making a case for cross-cutting services.
- **Develop a clear offer:** a description of what the facilitator is bringing to the situation that will support the development of a sustainable system. Collecting appropriate data, analyzing the data, determining the role of the facilitator, and stating it in a clear manner are all part of “developing an offer.”
- **Define an exit strategy upfront:** the facilitator’s role is considered to be temporary. The BDS markets and transactions must be sustainable when facilitation activities end and certain facilitation activities may need to continue on a commercial basis. The facilitator can prepare for this by training BDS providers to conduct these activities themselves.
- **Manage expectations and establish credibility:** communicating the vision for the BDS market and the part the facilitator will play in achieving it is critical. Managing expectations helps the facilitating organization establish its credibility. The market assessment can be one way to initiate contact with potential stakeholders and develop relationships. The facilitating organization can present information on its role in the process.

OUR STORY SETPRO	Take enough time to educate and inform actors. Support them to develop their own annual action plans and targets; and then facilitate them to meet their own needs. This way they stay motivated and own it. Wario Chege.
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Meet Wario Chege

SetPro is a local facilitator linking service providers and SBOs. SetPro tell us about the program results and learning from a local facilitator's perspective...



“Joshua Odhiambo (KDSCP facilitator in 3 milk sheds) understood the need for farmer institutions and contracting with service providers that enhance market competitiveness. He understands that he will benefit from this at the end of the project and also recognizes the need for government institution participation in program facilitated meetings in the milk sheds. He is willing to work with the Association of Kenya Feed Manufacturers (AKFEMA) as he sees the need for quality feed in the sector”

Mary Munene, Dairy Value Chain Development Coordinator

Benefits	Lessons
The milk shed working group is a place to discuss issues, shape solutions and make deals. They build trust, mutual understanding and recognition of inter-dependency. The local working group identifies the key issues and defines interventions. Milk quality and production has increased via interventions at the farm level such as access to inputs, feed preservation knowledge and adoption of appropriate technologies. SBOs have improved their market access via introductions to new buyers. Processors benefit from bulked milk and improved milk quality. Linkages between providers and farmers (at commercial rates) and brokering of contracts and working relationships has resulted in providers recording an increase in business via new products. Services offered by the local facilitators to SBOs and farmers, helped stimulate and organize the market for the commercial providers. Providers are willing to participate when they see a commercial value. Forums to link providers and farmers are now being financed by the providers themselves. Policy issues are passed up to the National Task Force. M&E data shows measurable change which is often difficult for local facilitators to see on the ground.	The milk shed working group is a place to discuss issues, shape solutions and make deals. They build trust, mutual understanding and recognition of inter-dependency. The local working group identifies the key issues and defines interventions. Milk quality and production has increased via interventions at the farm level such as access to inputs, feed preservation knowledge and adoption of appropriate technologies. SBOs have improved their market access via introductions to new buyers. Processors benefit from bulked milk and improved milk quality. Linkages between providers and farmers (at commercial rates) and brokering of contracts and working relationships has resulted in providers recording an increase in business via new products. Services offered by the local facilitators to SBOs and farmers, helped stimulate and organize the market for the commercial providers. Providers are willing to participate when they see a commercial value. Forums to link providers and farmers are now being financed by the providers themselves. Policy issues are passed up to the National Task Force. M&E data shows measurable change which is often difficult for local facilitators to see on the ground. Our approach can be replicated in other sectors.

CRITICAL SUCCESS FACTORS



driving
local
facilitation



critical
success
factors

Enlist champions: An element of KDSCP's success can be attributed to the facilitator champions that have pushed its agenda and the strategies and technical support afforded by Land O Lakes. Such interventions that adopt a low profile and lead to slower immediate results require 'champions'.

Bring in expertise: The effectiveness of the KDSC program was bound by its ability to crowd in the right core facilitators to provide off the shelf technical support, and including them in the drafting of terms of reference as well as working up specific activities. This provided for greater creativity which the individual problems demanded.

Align expectations: By ensuring that facilitators and their providers are handled individually, there is the potential for ensuring that the program maximizes its ability to understand aspirations and expectations. Where this is aligned, the program maximizes the opportunity for mainstreaming services and opens door for sustainability.

Pay attention to environmental and gender concerns: The KDSCP takes into account the varying roles, assets, knowledge and skills that men, women and youth bring to dairy farming. Facilitate the implementation of opportunities for integrating youth and family members into dairy value-chain activities and be ready to effect corrective action as appropriate.

Provide solutions to key market based problems as they arise: The dairy industry in Kenya has experienced excess milk supply resulting in low prices, delayed payments and a resort to informal markets. To address this issue, the KDSC program initiated strategies aimed at expanding the processed milk market (both domestic and export). The program launched the milk quality improvement program and laid the foundation for sustained consumer education. In addition, the program started negotiations with the Dairy Traders Association (DTA) to help build capacity of informal milk traders.

Assess and measure: Different levels of intermediate outcomes must be assessed: outreach (number of people served and who) and outputs (services delivered) are the most common. But it is also important to have performance assessments that provide useful information for improving services for small businesses and the cost-effectiveness and efficiency of service delivery. **Improving services:** tracking businesses satisfaction with services, how they use services to change their business practices, and how these changes are, or are not, benefiting the business in specific ways. This type of information helps suppliers adjust their services to meet demands. **Improving efficiency:** This information helps providers manage the business of delivering services.

Build credible service ownership: The most successful services facilitated by the program were those which could demonstrate strong provider ownership and deliver profit.

Keep avoiding subsidies: Responses from actors can be slow when farmers, SBOs and SPs expect direct financial assistance from donors rather than indirect assistance such as information and linkages. The BDS approach is still rather new and the market may require substantial sensitization to address resistance. KDSCP experiences slow recruitment of the target groups and held several meetings to level expectations and motivate interest.

Keep avoiding market distortion: Other programs can perpetuate dependency attitudes by paying farmers to attend training or financing inputs and equipment. Promote a more sustainable way of enabling business by capacity building of the key actors via local training providers and ensuring durable linkages between actors. Test initiatives such as encouraging SBOs to develop a check-off system for members to pay for services and encouraging members to contribute to acquire cooling plants – all from their milk proceeds.

Facilitator 'buy in' is imperative: KDSCP tried to use stakeholders to sell the project concept and drive the intervention. It is imperative to ensure adequate buy in and ownership from facilitators to avoid SBOs and SPs becoming over dependent on KDSCP and risk long term sustainability after project close out.

KEY LEARNING POINTS



driving
local
facilitation



learning
points

Develop a clear offer: Describe what the program is bringing to the situation that will support the development of a sustainable system. Determining what benefits can be expected by each player and stating the role of the facilitator in a clear manner are all part of “developing an offer.”

Manage expectations and establish credibility: It is critical to communicate the vision of the desired market and the part the facilitator will play in achieving this. Managing expectations helps the facilitating organization establish its credibility. KDSCP developed the credibility to make an ‘offer’ beyond the provision of financial assistance through patience and persistence, creative approaches and an understanding of the context.

Trigger demand for local services: The local training supported by the program has been seen to be more relevant and appropriate to the local industry’s needs than most of the training offered by international and donor supported trainers since it is responding to specific demands from farmers and is provided by trainers with experience in the local industry.

Assure attribution: The program has been keen to assure attribution and demonstrate that the measured impacts resulted from the intervention, rather than from other interventions (perhaps by another agency), or from something completely different.

Accept that this approach takes time: The BDS approach is still a relatively new approach of implementing development programs. The approach requires a long time to deliver tangible outcomes - demonstrated by the delays in startup of KDSCP. The approach, that involved service providers as the main trainers, resulted in slow dissemination of information to dairy farmers in some milk sheds. Some of the service providers also took a longer time than expected to embrace farmer training as an embedded service.

Consumers are the key: It is notable that consumer research demands resource commitment on the part of the provider. Whilst it is critical in regards to both maintaining and improving the quality of services, it does demand that providers recognize their consumers as the only way of sustaining their business.

Address real concerns: In order to facilitate increases in the volumes of milk traded within each milk shed, KDSCP encouraged SBOs to mobilize members. Many farmers had previously preferred to deal directly with the dairy processors owing to past problems associated with farmer groups – problems occasioned with the collapse of the Kenya Cooperative Creameries (KCC). Direct interventions to redress this dynamic was imperative. Livestock disease outbreaks were also a real problem so KDSCP facilitated training for dip attendants.

Build local capacity and ownership: The KDSCP model focuses on building the required capacity in the market to sustain improvements over time without continued support. This also means limiting any financial support in the short term by demonstrating the value proposition to actors from the beginning of the interventions. But remember it does take time for players to understand the benefits and value especially if they have been used to obtaining allowances from other donor funded programs.

Empower local providers: Partner with suppliers who understand consumer interests. Technical training has historically been provided by development agencies and has therefore primarily been supply led. The growth of a local training industry has therefore been constrained and distorted by the supply of free training and training attached to allowances and/or free equipment. Empower local service providers to understand program methodologies such as business development service provision and market approaches.

Accept the costs of learning: This type of program tries out new concepts and pilots activities. So there must be acceptance on the part of the donor that some contracts may not deliver their expected value with specified time frames.

DESIRABLE FACTORS



driving
local
facilitation



desirable
factors

Allow farmers to design the training regime: The training must be demand driven and should allow for refresher training programs and remedial action where required.

Assure congruence: Partnerships between the facilitator and the super-facilitator work best when there is a clear strategic fit between the facilitator's desire to develop its operations and the opportunities offered by the program. This ensures that the facilitator is more willing to commit to ensuring success of the program. This demands that the selection process be rigorous and that the modeling process be highly consultative.

Pursue institutionalization of practices: In order for a SBO and SP to truly benefit they must alter their systems and processes appropriately.

Replicate the offer: There is evidence that development agencies continue to support farmers and SPs with financial contributions. Some agencies continue to donate equipment, and pay people to attend training. This represents a continued risk to the BDS model. As such it is imperative that the KDSCP experience be picked up beyond agency program level such that donors encourage wider adoption.

Be cogniscent of training costs: Understanding the capability of rural consumers to meet independent consultant costs.

Assess wider systems change: Many agencies gather little or no information on the extent to which market systems are changing. A few gather some information on market system changes, but do not try to explore the attribution of changes to program activities. A few gather anecdotal evidence of market system changes resulting from program activities. It is a rare program that specifies the dimensions of market system change it aims to make, and then systematically assesses the extent to which the program is affecting the target market system along those dimensions. Without an effective monitoring and evaluation system, programs have little incentive to focus on systemic change, and are unable to show objective results that would create momentum for others to replicate success.

Keep repeating the offer: There may continue to be expectations among stakeholders beyond the financial element and the super facilitator must continuously repeat the value proposition to each player.

Be inclusive: By adopting an inclusive relationship with facilitators the program was capable of collaborative involvement in the drafting of activities – this provided stakeholders the opportunity of owning the process.

Live up to expectations: Ensure all services (such as inputs, technology and training) are of high quality and deliver change linked to increased production, sales and profit.

Coordinate efforts: Communicate with other development agencies as much as possible to help build their understanding of the rational and impact of the BDS approach.

Tread lightly in the market: Donors and facilitators should not be too visible as stakeholders often expect subsidies; and do not smother the market with inappropriate funding as this will suppress or crowd out private suppliers and may damage the market.

Guide the local facilitators: Work hard to ensure the buy in of the facilitator and build their understanding of the commercial approach pursued by the program. To succeed the facilitators need to be organized, target well and work with the most appropriate and business-like SBOs and SPs. They must be able to think innovatively in order to address various challenges.

Focus on the more marginalized: Target the poor and work to reach rural, remote and disadvantaged groups. Linking rural, marginalized and historically under-served groups in to value chains and support markets provides business and a voice for communities that lack representation. KDSCP have found that working with the milk sheds closer to the Capital City has been less successful in meeting their objectives as market actors tend to have more access to information and services, plus have more developed institutional structures to address their problems. More advanced markets require different approaches to service facilitation.